



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 17, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Commercial Bank, National Association  
Charter Number 17862

1336 East Court Street  
Seguin, TX 78155-5131

Office of the Comptroller of the Currency

San Antonio South Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4133

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

First Commercial Bank, National Association's (FCB) lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of the bank's loans are in the institution's AA.
- The distribution of borrowers reflects, given the demographics of the AA, a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans represents excellent dispersion throughout the AA.

**SCOPE OF EXAMINATION**

FCB was evaluated under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The lending test for FCB covered the bank's performance from August 25, 2003, the date of the previous CRA examination, through February 17, 2009, the date of the recent CRA review. FCB's primary loan products are commercial and residential loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The bank's HMDA data was tested and found to be reliable. Therefore, we used the HMDA data to evaluate the bank's residential loan performance. To evaluate the bank's commercial lending performance, we selected a sample of 20 business loans made between August 2003 and February 2009.

**DESCRIPTION OF INSTITUTION**

FCB is headquartered in Seguin, Texas. As of December 31, 2008, FCB had total assets of \$94.4 million and Tier 1 capital of \$9.25 million. FCB is wholly owned by First Commercial Financial Corporation, Inc., a locally owned, one-bank holding company. In addition to the main office, FCB operates two full-service branches. All three locations feature free-standing ATMs that do not accept deposits. The bank's main location is in a middle-income census tract. One of the branches is located in a middle-income census tract, while the other is located in an upper-income census tract. In February of 2004, the bank closed a branch in Lakeway, Texas. Since the last CRA examination, there have not been any significant changes, such as a merger or acquisition, to FCB's corporate structure.

The bank offers a full range of deposit and loan products and services. Commercial and residential lending are FCB's primary loan products, with agriculture and consumer loans comprising a small portion of the loan portfolio. Deposit products and services include basic banking accounts, online banking, and cash management services.

As of December 31, 2008, FCB reported net loans of approximately \$71 million. The following table reflects the bank's loan distribution as of December 31, 2008.

<b>Loan Portfolio Summary by Loan Product December 31, 2008</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Commercial	73%
Residential	22%
Consumer	3%
Agriculture/Farm	1%
Other Loans	1%

*Source: December 31, 2008, Consolidated Report of Condition*

There are no legal or financial impediments to FCB's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at the prior CRA examination dated August 25, 2003.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

### **Comal/Guadalupe Assessment Area**

The Comal/Guadalupe AA is comprised of two complete counties in the San Antonio, Texas MSA: Comal County and Guadalupe County. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The population of Guadalupe County is approximately 89,000 according to the 2000 U.S. Census Bureau. Seguin is the largest city within the county and has an estimated population of 26,000. The community is predominately rural with commercial business primarily in manufacturing.

The primary population center in Comal County is New Braunfels, which has a population in excess of 38,000. The delineated community is predominately suburban with commercial business in retail sales, outdoor recreation, and tourism.

The following table details demographic and economic characteristics of Comal and

Guadalupe Counties.

<b>Demographic Information for Comal &amp; Guadalupe Counties</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
Geographies (Census Tracts)	30	N/A	13%	67%	20%
Population by Geography	167,044	N/A	13%	61%	26%
Owner Occupied Housing Units by Geography	66,303	N/A	9%	62%	29%
Businesses by Geography	14,817	N/A	10%	56%	34%
Farms by Geography	544	N/A	4%	62%	34%
Family Distribution by Income Level	46,089	14%	16%	22%	48%
Household Distribution by Income Level	60,013	17%	15%	20%	48%
<b>Census Median Family Income (MFI)</b>					
		\$44,591	Median Housing Value	\$94,347	
HUD – Adjusted MFI: 2008		\$54,700	Households Below the Poverty Level		9%
HUD – Adjusted MFI: 2007		\$53,700	Unemployment Rate		5%
HUD – Adjusted MFI: 2006		\$53,100			

*Source: 2008 Business Geodemographic Data; 2000 U.S. Census Data*

The current local economy for the AA is stable. Economic activity in the area is relatively diverse with agriculture, services, and manufacturing being the primary economic activities. Average unemployment for the area is low and average employee wages are increasing. We contacted two local community leaders who identified several community needs. They include loans to small businesses, credit counseling, and money management classes for consumers.

The bank’s competitors include several local community banks, branches of large regional institutions, and several nation-wide institutions.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FCB demonstrated satisfactory performance in meeting the credit needs of its AA. We focused our review on commercial and residential loans, which are the primary lending products originated since the previous CRA examination.

**Loan-to-Deposit Ratio**

FCB’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The bank’s quarterly loan-to-deposit ratio averaged 79 percent over the 22 quarters since the prior CRA examination. This ratio ranged from a low of 69 percent to a high of 89 percent during that time period. The bank’s quarterly average loan-to-deposit ratio is in-line with other financial institutions of similar size, location, and product offerings. FCB ranks third among five similarly situated banks. The average quarterly loan-to-deposit ratios for the other four banks over the same 22 quarters ranged from 56 percent to 87 percent.

Institution	Assets as of 12/31/08 (000s)	Average Quarterly LTD Ratio as of 12/31/08
First State Bank	234,015	87%
The Blanco National Bank	139,982	81%
<b>First Commercial Bank</b>	<b>94,447</b>	<b>79%</b>
Schertz Bank & Trust	153,139	70%
The First National Bank of Beeville	164,032	56%

Source: Quarterly Consolidated Report of Condition Information.

### Lending in Assessment Area (AA)

A substantial majority of loans are in the FCB's AA. The bank extended 85 percent of the number of commercial loans in our sample in the AA. FCB also extended a substantial majority of its residential loans in the AA. The following table details the bank's lending within the AA by number and dollar amount of loans.

Lending in Comal & Guadalupe AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	37	80	9	20	46	3,767	87	547	13	4,314
Other Home Loans	57	88	8	12	65	4,543	91	450	9	4,993
Business	17	85	3	15	20	1,188	88	155	12	1,343
Total	111	85	20	15	131	9,498	89	1,152	11	10,650

Source: Loan Sample; Data reported under HMDA

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

#### Residential Loans

Residential lending activity to low- and moderate-income borrowers reflects a reasonable penetration. As shown in the table below, seven percent and nine percent of the loans in the sample were originated to borrowers with low and moderate-income levels, respectively. This record of performance is lower than the demographic information for the area. Low- and moderate-income families represent 14 percent and 16 percent, respectively, of total families in the AA. Based on 2008 data, the HUD-adjusted median family income is \$54,700. This level of income could inhibit low- and moderate-income families from qualifying for residential loans since the 2008 median housing value is \$94,347.

<b>Borrower Distribution of Residential Real Estate Loans in Comal &amp; Guadalupe AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14	8	16	8	22	16	48	68
Home Refinance	14	11	16	16	22	31	48	42
Home Improvement	14	3	16	6	22	15	48	76
Total	14	7	16	9	22	19	48	65

Source: Data reported under HMDA; U.S. Census Data.

### Commercial Loans

The commercial loan sample showed reasonable penetration of loans to small businesses. Seventy-five percent of the number of business loans sampled were made to businesses with gross annual revenues of one million dollars or less. This compares to 68 percent of businesses in the AA that reported similar gross revenues. While the sample shows loans to small businesses significantly exceed the demographic data, 28 percent of businesses did not report revenue data, or it was unavailable. Of businesses that reported revenue levels, 94 percent had gross revenues of less than one million dollars.

<b>Borrower Distribution of Loans to Businesses in Comal &amp; Guadalupe AA</b>		
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
% of AA Businesses*	68%	4%
% of Bank Loans in AA by #	75%	25%
% of Bank Loans in AA by \$	55%	45%

Source: Loan sample; 2008 Business Geodemographic Data.

\* 28 percent of AA businesses in Comal and Guadalupe Counties did not report revenue data.

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects excellent dispersion throughout the AA.

### Residential Loans

The geographic distribution of residential loans in the AA reflects an excellent dispersion throughout census tracts of different income levels, including the moderate-income census tracts. Overall, the bank made 14 percent of residential loans in the moderate-income census tract. Only 9 percent of AA owner-occupied properties are located in those census tracts.

<b>Geographic Distribution of Residential Real Estate Loans in Comal &amp; Guadalupe AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	N/A	N/A	9	5	62	73	29	22
Home Refinance	N/A	N/A	9	22	62	65	29	13
Home Improvement	N/A	N/A	9	18	62	65	29	17
Total	N/A	N/A	9	14	62	68	29	18

Source: Data reported under HMDA; U.S. Census Data.

### Commercial Loans

The bank’s geographic distribution of business loans also shows an excellent dispersion. Fifteen percent of the commercial loans sampled were to businesses located in moderate-income census tracts. This compares to 10 percent of AA area businesses that are located in the moderate-income tracts. The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses/Farms in Comal &amp; Guadalupe AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Business	N/A	N/A	10%	15%	56%	55%	34%	30%

Source: Loan Sample; U.S. Census Data.

### Responses to Complaints

FCB has not received any consumer complaints related to its CRA performance during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.