



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**September 6, 2006**

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

**Intercontinental National Bank  
Charter Number 15319**

**6810 Military Drive West  
San Antonio, Texas 78227**

**Comptroller of the Currency  
San Antonio South Field Office  
10101 Reunion Place Blvd., Suite 402.  
San Antonio, Texas 78216**

**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.**

Intercontinental National Bank's lending performance reflects a satisfactory response to community credit needs.

- The loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, market focus, and lending opportunities available in the assessment area (AA).
- A majority of loans in our loan sample were made to borrowers within the bank's AA.
- The distribution of loans made to small businesses is not proportional to the number of those businesses within the AA, and the does not meet the standard for satisfactory performance.
- The geographic distribution of loans reflects excellent dispersion throughout the AA.
- There have been no consumer complaints regarding the bank's Community Reinvestment Act (CRA) performance during this evaluation period.

## **DESCRIPTION OF INSTITUTION**

Intercontinental National bank (ICNB) is a \$137 million financial institution based in San Antonio, Texas and chartered in 1964. It has three full service locations, all in San Antonio, each with drive up facilities and automated teller machines (ATMs). The main office is located at 6810 Military Drive West in southwest San Antonio. Online banking services, including bill payment and other transfer services, as well as loan and deposit application forms are offered through *interconbank.com*. The bank is registered to do business in the Republic of Mexico and has an office in Mexico City. Although primarily a commercial lender, the bank offers residential (including home equity) and consumer loans. Almost half, 48%, of the bank's loans are to international borrowers. Since our previous examination, the bank has acquired a significant volume of loans to American citizens financing resort properties in Mexico. The bank's international loan portfolio is funded by an even larger volume of international deposits.

The bank is wholly owned by a one bank holding company, Intercontinental Bank Shares Corporation, which is headquartered in San Antonio. The bank represents the primary asset of the holding company.

Our previous CRA Performance Evaluation, dated October 1, 2001, also reflected a satisfactory rating. There are no legal or other impediments that limit the bank's ability to meet the community's credit needs. The following table depicts the bank's loan portfolio composition as of June 30, 2006.

LOAN COMPOSITION (6/30/06)	\$ (000s)	%
Commercial Loans	38,490	54
Commercial Real Estate Loans	17,659	24
International Resort Loans	10,638	15
Residential Loans	4,507	6
Consumer Loans	442	1
<b>Total</b>	<b>71,736</b>	<b>100</b>

## DESCRIPTION OF ASSESSMENT AREA (AA)

ICNB has designated 133 census tracts in Bexar County, Texas as its AA. Bexar County is part of the San Antonio-New Braunfels metropolitan statistical area, with its population centered in San Antonio. Of the AA's 133 census tracts, 2 are designated as low income, 34 moderate income, 46 middle income, and 51 upper income. As for income distribution, 16% of families residing in the AA are defined as being low income, 16% moderate income, 20% middle income, and 48% are upper income. The percentage of households that are below the poverty level is 10%. The 2006 updated median family income for Bexar County is \$53,100. The bank's AA designation meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The San Antonio area continues to experience strong population growth with new home construction moving into surrounding counties. Employment is centered in services and government including several military installations. The area's largest employers include local school districts, county and city governments, Lackland Air Force Base, and Fort Sam Houston. The largest non-governmental employers include HEB Grocery Company and AT&T. Tourism is a large and growing source of employment. The unemployment rate for Bexar County is comparable to the Texas state average but somewhat higher than the national rate.

ICNB's banking competition includes a wide variety if institutions including several community banks, such as Frost National Bank and Broadway National Bank, which are relatively large, multi-branch institutions. The AA also has many branches of larger regional institutions including Bank of America, Compass Bank, and Wells Fargo. Credit unions are also very prominent in the San Antonio area.

Our office conducted one community contact with a local economic development organization. The contact stressed small business lending as an ongoing need in the community, and indicated local institutions were doing a reasonable job of meeting the needs of the community.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA		
Population		
Number of Families		182,503
Number of Households		272,771
Geographies		
Number of Census Tracts		133
% Low-Income Census Tracts		2
% Moderate-Income Census Tracts		34
% Middle-Income Census Tracts		46
% Upper-Income Census Tracts		51
<i>Median Family Income (MFI)</i>		
2000 MFI for AA		\$44,591
2006 HUD-Adjusted MFI		\$53,100
2005 HUD-Adjusted MFI		\$51,500
2004 HUD-Adjusted MFI		\$51,500
2003 HUD-Adjusted MFI		\$50,500
2002 HUD-Adjusted MFI		\$46,200
Economic Indicators		
Unemployment Rate-AA July 2006		5.4%
Unemployment Rate-State July 2006		5.5%
Unemployment Rate-National July 2006		4.8%
2000 Median Housing Value		\$100,005
% of Households Below Poverty Level		10%

## SAMPLING INFORMATION

Our review focused on the bank's primary loan product: commercial loans. While the bank originates a significant number of consumer and residential loans, these do not represent a large portion of the lending effort. The commercial loans included in the sample originated between January 1, 2002, and June 30, 2006, and were selected at random. Consistent with supervisory guidelines, originations made in 2002 were assessed using 1990 Census data. The remaining 2003 through 2006 originations were assessed using 2000 Census data. For the *Lending to Borrowers of Different Incomes and Businesses of Different Sizes*, and *Geographic Distribution of Loans* analyses, we omitted loans made outside of the AA.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's quarterly average LTD ratio is higher than those of comparable banks in the AA, and exceeds the standards for satisfactory performance. We compared the bank's average LTD ratio since our previous examination to institutions of similar size and with a similar number of offices in the San Antonio area. ICNB's ratio compares very favorably with those institutions.

ICNB's LTD ratio has averaged 79.18 percent since December 31, 2001. Lone Star Capital Bank's ratio averaged 62.39 percent over that period. First Community Bank's ratio averaged 73.03 percent. Ratios and asset sizes are summarized in the table below.

Institution	Assets (000s)	Average LTD Ratio
Intercontinental National Bank	\$137,473	79%
First Community Bank San Antonio	\$ 88,693	73%
TexStar National Bank*	\$76,234	73%
Lone Star Capital Bank	\$106,917	62%

\*Began operations in early 2004.

### Lending in Assessment Area

A substantial majority of the bank's lending-related activities are within the AA, meeting the standard of satisfactory performance in this area. From our commercial loan sample, we determined that 82% of loans by number (or 71% by dollar volume) are made to borrowers located within the AA. The following table reflects the bank's commercial lending activities inside and outside of the AA.

Total Commercial Loans Reviewed								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	27	82	4,725	71	6	18	1,911	29
<b>Total Reviewed</b>	<b>27</b>	<b>82</b>	<b>4,725</b>	<b>71</b>	<b>6</b>	<b>18</b>	<b>1,911</b>	<b>29</b>

### Lending to Businesses of Different Sizes

ICNB's level of lending to businesses with gross annual revenues less than \$1 million is substantially below the proportion of those businesses in the AA and does not meet the standard for satisfactory performance. The bank made 73 percent of commercial loans in our sample to businesses with gross annual revenues less than \$1 million. Businesses in that revenue category account for 92% of non-farm businesses in the AA. Management has recently taken steps to improve the bank's lending effort to smaller businesses. The following table reflects ICNB's record of commercial lending.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	<\$1,000,000	>\$1,000,000
% of AA Businesses	92	8
% of Bank Loans in AA #	73	27
% of Bank Loans in AA \$	71	29

## **Geographic Distribution of Loans**

The commercial loan sample showed a strong lending effort to low and moderate income areas. Overall, performance in reaching lower income geographies exceeds the standard for satisfactory performance. Although only 19% of businesses in the AA are located in moderate income tracts, 43% of our sample by number, and 47% by dollar amount, were to businesses located in moderate income tracts. Commercial lending in middle income areas was roughly proportional to the number of businesses in those areas. Our sample findings are summarized in the table below.

SMALL BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	1%		19%		36%		44%	
	% of Number	% of Amount						
Sample	3%	3%	43%	47%	30%	33%	24%	17%

## **Responses to Complaints**

ICNB has not received any complaints specific 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.