



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Beeville
Charter Number 4238**

**1400 East Houston
Beeville, TX 78102**

**Comptroller of the Currency
San Antonio South Field Office
5350 South Staples, Suite 405
Corpus Christi, TX 78411-4654**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The First National Bank of Beeville's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio is reasonable and compares favorably to similarly situated financial institutions.
- A substantial majority of loans are within the bank's assessment areas (AAs).
- The distribution of borrowers reflects a reasonable penetration among businesses and farms of different sizes and individuals of different income levels.
- The geographic distribution of loans is reasonably dispersed throughout the AAs.
- There are no consumer complaints with respect to the bank's CRA performance during this evaluation period.

DESCRIPTION OF INSTITUTION

The First National Bank of Beeville (FNB-B) is a community bank with assets of \$121.8 million as of June 30, 2003. The main office is located in Beeville, Bee County, Texas, with a branch in Yorktown, DeWitt County, Texas. The bank operates two automated teller machines, one at the main office and one at the branch. Competition in Bee and DeWitt Counties is strong with numerous financial institutions including national banks, state banks, credit unions, and finance companies.

FNB-B's loan portfolio is composed primarily of commercial, agriculture, and consumer (includes residential loans) loan products. Net loans of \$40.7 million represent 33 percent of FNB-B's total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Composition As of June 30, 2003		
Loan Category	\$ (000)	%
Commercial	21,540	52.9
Agriculture	10,672	26.2
Consumer	4,759	11.7
Residential Real Estate	3,624	8.9
Other	101	0.3
Total	40,696	100

There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs in its AAs. FNB-B's previous CRA rating, dated March 29, 1999, was "Satisfactory." FNB-B is a wholly owned subsidiary of Beeville Holdings, Inc., which is wholly

owned by First Beeville Financial Corporation. These two holding companies are the bank's only affiliates. There have been no changes in the bank's corporate structure since our last review.

DESCRIPTION OF BEE COUNTY AND DEWITT COUNTY ASSESSMENT AREAS

FNB-B has designated two assessment areas (AAs), neither of which is in a Metropolitan Statistical Area (MSA). The first AA includes all of Bee County consisting of six block-numbering areas (BNAs) that are described as one moderate- and five middle-income BNAs. The second AA, consists of three BNAs in DeWitt County that include the city of Yorktown and the surrounding community that are described as one moderate- and two middle-income BNAs. The remaining two BNAs in DeWitt County that are not part of the bank's AA are more reasonably served by the financial institutions located in Cuero, Texas, which is the county seat of DeWitt County. There are no low- or upper-income BNAs in either AA. Both AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AAs		
	<i>Bee County AA</i>	<i>DeWitt County AA</i>
<i>Population</i>		
Number of Families	6,521	2,984
Number of Households	8,635	4,241
<i>Geographies</i>		
Number of Census Tracts/BNA	6	3
% Low-Income Census Tracts/BNA	0%	0%
% Moderate-Income Census Tracts/BNA	17%	33%
% Middle-Income Census Tracts/BNA	83%	67%
% Upper-Income Census Tracts/BNA	0%	0%
<i>Median Family Income (MFI)</i>		
1990 Census MFI	24,585	24,585
2002 HUD-Adjusted MFI	36,100	36,100
<i>Economic Indicators</i>		
Unemployment Rate	4%	4%
2002 Median Housing Value	\$42,614	\$32,419
% Owner Occupied Housing	53%	61%
% Households Below Poverty Level	26%	30%

The populations of the Bee County AA and DeWitt County AA based on 1990 census data were 25,135 and 11,315, respectively. The income distribution of the families living in the Bee County AA indicate 27 percent are low-income, 15 percent are moderate-income, 20 percent are middle-income, and 38 percent are upper-income. The income distribution of the families living in the three BNAs of the DeWitt County AA indicate 26 percent are low-income, 19 percent are

moderate-income, 19 percent are middle-income, and 36 percent are upper-income.

Economic conditions in both communities are stable. Major employers in the Bee County AA include correctional facilities, a community college, school districts, retail businesses, service industries, and agriculture. Major employers of the three BNAs of the DeWitt County AA include retail businesses, service industries, the school district, and agriculture. We conducted two community contacts during this review. The contacts were a Bee County government official and a Yorktown school board member. Both contacts stated FNB-B is doing a good job in providing banking services and promoting community development.

SAMPLING INFORMATION

Our review focused on FNB-B's major product lines: business and farm loans, consumer loans, and 1-4 family residential loans. We sampled 20 loans from each product line. For the *Lending to Borrowers of Different Incomes and to Businesses of Different Sizes* and the *Geographic Distribution of Loans* analyses, we excluded loans that were made outside of the AAs. All loans sampled originated between January 1, 1999 and June 30, 2003 and were selected randomly except for the DeWitt County AA 1-4 family residential population. We reviewed this portfolio in its entirety due to its small size.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management has demonstrated "satisfactory" performance in meeting the credit needs of the AAs.

Loan-to-Deposit Ratio

FNB-B's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance. During this review period, the ratio ranged from 32.54 to 47.29 percent with a quarterly average ratio of 40.06 percent. State Bank & Trust Company is the only other community bank headquartered in either AA. The following chart shows FNB-B's LTD ratio to be slightly higher than the other similarly situated bank in the AAs.

Institution	Assets as of June 30, 2003 (000's)	Average LTD Ratio 3/31/99 – 6/30/03
First National Bank of Beeville	121,813	40.06
State Bank & Trust Company	58,337	38.97

Lending in Assessment Area

FNB-B's lending in the AAs exceeds the standards for satisfactory performance. A substantial majority of the bank's lending activity is within its AAs. As illustrated in the following table, 85 percent of the number and 83 percent of the dollar amount of sample loans were made in the bank's AAs.

Lending In and Out of the Assessment Areas								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial/Agriculture	16	80	1,032	88	4	20	145	12
Consumer Credit	18	90	78	80	2	10	19	20
1-4 Family Residential	17	85	622	77	3	15	186	23
Total Reviewed	51	85	1,732	83	9	15	350	17

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

FNB-B meets the standards for satisfactory performance in this category. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes given the demographics of the AAs.

Of the business loans sampled, 19 (95 percent) were to small businesses and farms in the Bee County AA and 20 (100 percent) were to small businesses and farms in the DeWitt County AA. The following tables illustrate the lending distribution to businesses and farms located within the bank's AA. As the table reflects, the percent of number of loans granted to small businesses and farms is at or above the percentage of small businesses and farms in the AAs. The ratios are indicative of good level of performance regarding loans to small businesses and small farms.

BEE COUNTY AA BORROWER DISTRIBUTION OF LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses/Farms	95	5
% of Bank Loans in AA #	95	5
% of Bank Loans in AA \$	71	29

DEWITT COUNTY AA BORROWER DISTRIBUTION OF LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses/Farms	97	3
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

The sample of consumer loans indicates the bank has good record of consumer loan originations to low- and moderate-income borrowers. Seventy percent and 50 percent of consumer loans sampled (by number) were made to low and moderate-income individuals in the Bee County AA and DeWitt County AA, respectively.

BEE COUNTY AA CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	27		15		18		40	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	10	1	0	0	5	14	5	4
2000	10	1	15	3	0	0	0	0
2001	5	1	10	5	5	5	0	0
2002	15	21	0	0	5	15	0	0
2003	5	1	0	0	10	29	0	0
Totals	45	25	25	8	25	63	5	4

DEWITT COUNTY AA CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	33		15		17		35	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	5	2	5	12	15	10	0	0
2000	5	11	5	13	0	0	5	4
2001	5	11	0	0	5	1	5	8
2002	5	0	0	0	10	8	5	4
2003	5	1	15	14	5	1	0	0
Totals	25	25	25	39	35	20	15	16

The following tables reflect the income distribution of the loans in our residential samples. The tables indicate the bank made residential loans to low-income families but at a proportionally lower level compared to the percentage of low-income families in the AAs. The average housing cost, \$42,614 in the Bee County AA and \$32,491 in the DeWitt County AA, precludes many low-income families from home ownership. However, the samples indicate the bank made loans to moderate-income families at a proportionally higher level compared to the percentage of moderate-income families in the AAs.

BEE COUNTY AA RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26		15		21		38	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	0	0	10	6	10	7
2000	0	0	15	13	0	0	5	3
2001	10	6	0	0	0	0	10	6
2002	0	0	0	0	5	5	20	45
2003	0	0	5	1	10	8	0	0
Totals	10	6	20	14	25	19	45	61

DEWITT COUNTY AA RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26		19		19		36	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	0	0	0	0	9	22
2000	0	0	8	3	0	0	17	10
2001	8	5	8	5	8	3	0	0
2002	0	0	9	6	8	4	0	0
2003	0	0	0	0	17	26	8	16
Totals	8	5	25	14	33	33	34	48

Geographic Distribution of Loans

FNB-B's overall geographic distribution of loans throughout the AA is satisfactory and meets the standards for satisfactory performance. Distribution in the moderate BNA of Bee County was at a proportionally higher level compared to the AA's percentage of population as indicated in the following tables.

BEE COUNTY AA BUSINESSES AND FARMS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Bus. & Farms	0		8		92		0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999			0	0	15	13		
2000			0	0	25	12		
2001			10	1	10	15		
2002			5	1	20	18		
2003			0	0	15	40		
Totals	NA	NA	15	2	85	98	NA	NA

BEE COUNTY AA CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		9		91		0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999			5	4	15	14		
2000			5	2	20	4		
2001			0	0	20	10		
2002			5	1	15	35		
2003			0	0	15	30		
Totals	NA	NA	15	7	85	93	NA	NA

BEE COUNTY RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		12		88		0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999			0	0	20	12		
2000			5	2	15	14		
2001			0	0	20	12		
2002			5	5	20	45		
2003			5	5	10	5		
Totals	NA	NA	15	12	85	88	NA	NA

We noted that the distribution in the moderate BNA of DeWitt County was at a proportionally lower level compared to the AA's percentage of population. This AA is sparsely populated ranch and farmland with 1,691 households, of which 1,170 are owner-occupied and very close to the city of Cuero, the DeWitt County seat, where there are numerous financial institutions.

DEWITT COUNTY AA BUSINESSES AND FARMS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Bus. & Farms	0		37		63		0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999			0	0	20	15		
2000			5	1	15	5		
2001			5	1	20	46		
2002			5	3	15	10		
2003			0		15	19		
Totals	NA	NA	15	5	85	95	NA	NA

DEWITT COUNTY AA CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		41		59		0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999			5	2	20	22		
2000			0	0	15	28		
2001			0	0	15	19		
2002			5	7	15	6		
2003			0	0	25	16		
Totals	NA	NA	10	9	90	91	NA	NA

DEWITT COUNTY RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		37		63		0	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999			0	0	8	22		
2000			0	0	25	13		
2001			0	0	25	12		
2002			0	0	17	11		
2003			0	0	25	42		
Totals	NA	NA	0	0	100	100	NA	NA

Responses to Complaints

There have been no CRA-related consumer complaints received during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.