

PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commercial Bank of Texas, N.A.
Charter Number 14371**

**215 E. Main
Nacogdoches, TX 75961**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Commercial Bank of Texas, N.A.** prepared by **Office of the Comptroller of the Currency** the institution's supervisory agency, as of February 1, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Commercial Bank of Texas, N.A. has a satisfactory record of meeting community credit needs. This assessment is based upon the following factors:

- < The bank's average loan-to-deposit ratio of 64.87% is comparable to other bank's within its assessment area.
- < A majority of the bank's loans are extended to customers within its assessment area.
- < The distribution of credit to borrowers of different income levels and businesses of different sizes is reasonable.
- < The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following table indicates the performance level of **Commercial Bank of Texas, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	COMMERCIAL BANK OF TEXAS, N.A. PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No written complaints have been received since our prior CRA Examination.		

DESCRIPTION OF INSTITUTION:

Commercial Bank of Texas, N.A. is a \$299 million institution located in Nacogdoches, Texas. The bank is fully owned by Nacogdoches Commercial Bancshares, Inc., a one bank holding company. The holding company is structured as a two tiered entity, with Nacogdoches Bancshares of Delaware, Inc. owning 100% of the outstanding bank stock. The bank operates eleven branches and seven Automatic Teller Machines in Nacogdoches and Angelina counties and a loan production office in Grand Prairie, Texas. The locations of the branches are as follows:

Branch Offices and Locations	
Branch	Location
Nacogdoches Office	215 E. Main Street, Nacogdoches, Texas
North Street Branch	4810 North Street, Nacogdoches, Texas
South Street Motor Bank	805 South Street, Nacogdoches, Texas
Diboll Branch	501 North Temple Drive, Diboll, Texas
First Street Branch	600 South First, Lufkin, Texas
Kennard Branch	Broadway and Main, Kennard, Texas
Lufkin Office	211 Shepherd Avenue, Lufkin, Texas
Gaslight Branch	1873 West Frank, Lufkin, Texas
Palms Branch	2950 S. John Redditt, Lufkin, Texas
Wells Branch	U.S. Hwy 69, Wells, Texas
Chester Branch	U.S. Hwy 287, Chester, Texas

In addition, the bank also is approved for a mobile branch and a temporary branch which are used during college registrations and community events. The institution is retail oriented and offers a range of retail and commercial deposit and loan products. As of December 31, 1998, loans totaled \$141 million and were distributed as follows: 43% were 1 - 4 family residential mortgages; 41% were consumer related; and 16% were commercial and commercial real estate. There are no legal or other impediments which limit the bank's ability to help meet the credit needs of the community. The bank was

rated satisfactory during the previous CRA Examination conducted as of April 24, 1996.

DESCRIPTION OF NACOGDOCHES AND ANGELINA COUNTIES AND ADJACENT BLOCK NUMBERING AREAS:

The Board has designated Nacogdoches County, Angelina County and the adjacent block numbering areas (BNA) of 9511 in Cherokee County, 9506 in Houston County, and 9501 in Tyler County. These BNAs include the communities of Nacogdoches, Lufkin, Diboll, Kennard, Wells, and Chester. The population of this area totals 130,038 according to the 1990 Census Bureau data. Approximately 20% of the families are low income, 15% are moderate income, 20% are middle income, and 45% are upper income. The assessment area includes 5 BNA's which are designated as moderate income areas, 17 are middle income areas, and 4 are upper income areas. The 1997 Department of Housing and Urban Development (HUD) median family income for this area is \$32,100. Local employment opportunities are centered in services, manufacturing, and agriculture and timber related industries. Major employers in Nacogdoches County include Stephen F. Austin University, NIBCO, Coopers, and Texas Farm Products. Major employers in Angelina County include Temple Inland, Memorial Health System and Woodland Hospitals, and Angelina Community College.

As part of our examination, we reviewed a recent contact with a local real estate agent. This person stated in his/her opinion, the primary community need was for low-income affordable housing. The contact stated the local financial institutions serve the community well and they are not aware of any unmet credit needs within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO:

The loan-to-deposit ratio of Commercial Bank of Texas, N.A. is comparable to the ratios of other area banks. As of September 30, 1998, Commercial Bank's loan-to-deposit ratio equaled 62.64%. The loan-to-deposit ratio has averaged 64.87% since our previous assessment of the bank's CRA activities dated April 24, 1996. The average loan-to-deposit ratio of other financial institutions located in the assessment area was 50.16% during the same time period. Individual average loan-to-deposit ratios for these banks averaged from a low of 30.89% to a high of 66.11%.

LENDING IN ASSESSMENT AREA:

A majority of the bank’s loans are extended within the bank’s designated assessment area. We reviewed a sample of 33 residential mortgages and 40 consumer loans originated since January 1998. Approximately 76% of the number of loans and 62% of the dollar amount of loans in our sample were originated within the assessment area. The following table reflects the distribution of loans by loan type.

Analysis of Lending Inside and Outside Assessment Area								
	Inside				Outside			
Loan Type	#	%	\$ (000)	%	#	%	\$ (000)	%
Mortgage	23	70%	1,353	63%	10	30%	803	37%
Consumer	33	82%	152	60%	7	18%	101	40%
Totals	56	77%	1,505	62%	17	23%	904	38%

LENDING TO BORROWERS OF DIFFERENT INCOME AND TO BUSINESSES OF DIFFERENT SIZES:

The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels. The distribution of loans approximates the income characteristics of the assessment area. While no mortgage loans were made to low income families, our review of the mortgage application register revealed the bank has received a limited number of applications from this income category. The lack of affordable housing in the assessment area, as noted by the community contact, contributes to the low number of applications received. The following table details the results of our analysis.

Lending to Borrowers of Different Income Levels				
Low Income Families	Moderate Income Families	Middle Income Families	Upper Income Families	Total

Area Demographic Characteristics	20%		15%		20%		45%		100%	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	2	9%	5	22%	16	69%	23	100%
Consumer	4	12%	9	27%	7	21%	13	40%	33	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

The distribution of loans reflects a reasonable penetration throughout the assessment area. The following table details the results of our analysis.

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	0%		12%		66%		22%		100%	
Population	0		4,133		22,082		7,215		33,430	
Loan Types:	#	%	#	%	#	%	#	%	#	%
Mortgage	0	0%	2	9%	11	48%	10	43%	23	100%
Consumer	0	0%	4	12%	22	67%	7	21%	33	100%

RESPONSE TO COMPLAINTS:

Management has not received any written complaints related to CRA performance since the prior CRA Examination. A fair lending examination was performed in conjunction

with this examination. Based on the samples reviewed, no discriminatory practices were noted. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.