



PUBLIC DISCLOSURE

January 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Plaza Bank, N. A.
Charter Number 22792
400 West Houston Street
San Antonio, Texas 78207**

Supervisory Office:

**Office of the Comptroller of the Currency
San Antonio South Field Office
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216-4605**

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 CRA performance of **Plaza Bank, N. A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 19, 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.**”

- The bank’s loan-to-deposit ratio is very reasonable, with a current ratio of 65 percent. The ratio was 41 percent at the previous examination, showing a significant increase in Plaza Bank’s lending activities. This ratio is also favorable when compared to other institutions in Bexar County.
- Both the number and dollar volume of loans inside the bank’s assessment area is reasonable and satisfactorily address the credit needs of the community.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and to businesses of different sizes. The distribution generally reflects the income characteristics of the assessment area.
- The bank has an excellent loan penetration into low- and moderate-income neighborhoods of its assessment area.
- There have been no consumer complaints filed with respect to the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>PLAZA BANK, N. A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	✓		
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of Loans	✓		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Plaza Bank, N. A. (Plaza Bank), is a \$32 million institution located in downtown San Antonio, Texas. The bank was originally chartered in 1976, but converted to a new charter in 1995 when it was purchased by South Texas Capital Group, Inc., a one bank holding company. The bank's primary business focus is small business and real estate lending. Loans comprise 59 percent of total assets. Composition of the loan portfolio, based on outstanding balances at December 31, 1998, is described below.

● Commercial Loans	50%	● Residential Construction	10%
● Commercial Real Estate	24%	● Consumer Loans	4%
● 1-4 Family Residential	11%	● Farmland	1%

The bank has very little involvement in agricultural lending, which is reasonable given the urban location of the bank and needs of the community. Plaza Bank is a certified Small Business Administration Lender. Local competition is strong with the presence of several regional banks, savings banks, credit unions, and finance companies in the area. No legal impediments exist to prevent the bank from investing in or serving the credit needs of its community. However, the bank's size and resources limit the extent of its involvement. The bank was previously rated "outstanding" for its CRA performance at July 15, 1996.

DESCRIPTION OF PLAZA BANK'S ASSESSMENT AREA

The bank is located in the San Antonio Metropolitan Statistical Area (MSA), which includes the eighth largest city, and one of the fastest growing MSAs in the United States (U.S.). Although the bank's trade area is all of Bexar County, management has designated 85 census tracts within a seven-mile radius of the bank as its assessment area. Twenty-one (25 percent) of these tracts are considered as low income, 46 (54 percent) as moderate income, 13 (15 percent) as middle income, and 4 (5 percent) as upper income. One tract has no income level designation as it is wholly occupied by an air force base. The assessment area meets the requirements of the regulation and it does not arbitrarily exclude low- or moderate-income geographies.

The population of the assessment area is 423,215, which is approximately 26 percent of the population of the MSA that is estimated to be 1,600,000 as of December 1998. Thirty percent of the assessment area's population is below the poverty level, which is much higher than the MSA percentage of 17 percent. The 1990 Census reports that of the 15 largest cities in the U.S., San Antonio's poverty rate was exceeded only by that of the City of Detroit. Twenty percent of the households in the assessment area are considered low income, 56 percent are considered moderate income, 20 percent are middle income, with upper income households comprising the remaining 4 percent. The Census Median Family income (MFI) is \$29,898. The Department of Housing and Urban Development (HUD) 1998 updated MFI is \$39,800.

The economic base of San Antonio is primarily dependent upon three industry segments: service,

government, and trade. Three-fourths of the workforce is employed in one of these industries, which pay predominantly minimum or low wages. The service sector has grown in recent years, although tourism remains the biggest driver of the local economy. The presence of four area military bases also have a significant impact on the local economy. Increasing trade with Mexico resulting in part from the implementation of North American Free Trade Agreement (NAFTA) is also expanding the local economy. The MSA has a 2.9 percent unemployment rate, which compares favorably with the state average of 4.3 percent.

Credit needs identified by local community groups include small business, affordable housing, and home improvement loans, as well as loans for assisted living facilities for the communities' increasing elderly population. The south, east, and deep west sides of San Antonio were cited as the areas in most need of credit. Growth is centered in the north side of the city. In 1990 the City of San Antonio identified 19 percent of the City's housing stock to be in substandard condition. A need for additional home ownership counseling, down payment, and cost-assistance programs for first time home buyers were also identified as a community need. There is a severe shortage of decent rental units available, as vacancy rates have dropped below 4 percent. Rents have been increasing over the past two years at the rate of 14 percent per year. Many low-income renters are paying the same amount of rent as they would need to pay to support a monthly mortgage payment, but do not have the ability to pay the necessary down payment and closing costs to purchase a home.

SAMPLING INFORMATION

Examiners used loan samples to assist in the evaluation of certain performance factors. Although the previous CRA examination was dated July 15, 1996, our loan sample consisted of recently funded loans (January 1, 1998 through December 31, 1998). Since the bank's loan portfolio is diversified among residential real estate, consumer, and business loans, examiners evaluated these types of loans with respect to performance factors. Eighty-one loans were sampled consisting of 20 residential real estate, 36 consumer, and 25 small commercial business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

▄ *Loan-to-Deposit Ratio*

Plaza Bank's loan-to-deposit ratio is very reasonable and has increased significantly since the previous examination. The ratio of loans-to-deposits as of December 31, 1998, is 65 percent. Since the previous examination, the ratio has ranged from 39.7 percent to 65.4 percent with a quarterly average ratio of 53.9 percent. This ratio compares favorably to the previous average of 41 percent. The ratio also compares favorably in relation to that of other area financial institutions of similar size. Compared with the four banks in Bexar County that have less than \$150 million in assets, Plaza Bank has the second highest loan-to-deposit ratio. This group's ratios range from 16.9 percent to 73.5 percent with an average of 47.9 percent.

▣ ***Lending in The Assessment Area***

The volume of loans inside the bank's assessment area is reasonable. An analysis was conducted by an external consultant, as of December 31, 1998. That analysis showed that approximately 91 percent of the number and 92 percent of the dollar volume of the bank's loans are located within the bank's trade area of Bexar County, which encompasses the bank's assessment area.

However, the percentage of loans within the bank's actual assessment area is significantly less, using previously noted loan samples. That sample found that 70 percent of the number and only 42 percent of the dollar volume of the bank's loans were located within the assessment area. But, that same sample showed that 81 percent of the number and 78 percent of the dollar amount of consumer loans were within the assessment area. It is reasonable that the ratios would be lower for residential and commercial loans. The bank's assessment area is primarily urban commercial and older established neighborhoods, with a low demand for new residential credit. Demand for commercial credit in the area is also limited due to the fact that most businesses are older, established concerns. With growth primarily to the north of the assessment area, it is reasonable that more residential and commercial loans, with higher dollar needs, are being requested from this area. Furthermore, the substantial majority of the loans outside of the bank's assessment area are located in Bexar County. Ninety-six percent of the number and 99 percent of the dollar volume of loans sampled are located within Bexar County.

▣ ***Lending to Borrowers of Different Incomes and To Businesses of Different Sizes***

Our loan sample showed that the distribution of borrowers reflects a reasonable penetration among individuals of different income levels and to businesses of different sizes. The distribution generally reflects the income characteristics of the assessment area. We concentrated on the number of loans as it is only reasonable that lower-income families borrow smaller dollar amounts than upper-income families. The same would be true for commercial loans, as larger businesses generally require a higher lending base than a smaller business. A comparison of our loan sample to the assessment area demographic data is detailed in the tables on the following page.

Lending to Borrowers of Different Income Levels

	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Totals	
Area Demographic Characteristics	39%		21%		19%		21%		100%	
Count	38,620		21,117		18,467		20,781		98,985	
By Number	#	%	#	%	#	%	#	%	#	%
Loan Type										
Consumer	11	31%	12	33%	7	19%	6	17%	36	100%
Residential	3	15%	1	5%	4	20%	12	60%	20	100%
TOTAL	14	25%	13	23%	11	20%	18	32%	56	100%
By Dollar	\$	%	\$	%	\$	%	\$	%	\$	%
Loan Type										
Consumer	31	11%	54	18%	76	25%	139	46%	300	100%
Residential	78	6%	24	2%	109	8%	1,160	84%	1,371	100%
TOTAL	109	7%	78	5%	185	11%	1,299	78%	1,671	100%

Lending to Businesses of Different Sizes										
Revenue Ranges	<\$100		\$100 to \$250		\$250 to \$500		\$500 to \$1,000		>1,000	
By Number	#	%	#	%	#	%	#	%	#	%
Commercial Loans	12	48%	6	24%	3	12%	2	8%	2	8%
By Dollar	\$	%	\$	%	\$	%	\$	%	\$	%
Commercial Loans	181	26%	116	16%	99	14%	68	10%	241	34%

Note: Dollar amounts are stated in thousands of dollars.

➡ **Geographic Distribution of Loans**

Our loan sample disclosed excellent penetration into the low- and moderate-income geographies of the bank’s assessment area. Of the loans sampled, that were within the assessment area, a majority were extended in low- and moderate-income areas. The following chart illustrates the distribution of loans extended within the assessment area.

Geographic Distribution of Loans										
	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts		Total	
Area Demographic Characteristics	25%		54%		15%		5%		100%*	
Count	21		46		13		4		85	
Loan Types	#	%	#	%	#	%	#	%	#	%
Residential	3	33%	5	56%	1	11%	0	0%	9	100%
Consumer	15	52%	13	45%	1	3%	0	0%	29	100%
Commercial	9	53%	3	18%	5	29%	0	0%	17	100%

*Numbers are based only on loans extended within Plaza Bank’s assessment area that were included in our sample. *One census tract has no income designation as it is wholly occupied by East Kelly Air Force Base.*

In addition, the bank had an analysis prepared for all loans funded during 1998. That analysis also showed a good penetration into all income level census tracts of Bexar County, particularly low-income tracts. Ten percent of Bexar County’s census tracts are low-income. Eighteen percent of the number of all consumer loans funded were extended in low-income census tracts.

➡ **Response to Complaints**

Plaza Bank has not received any complaints or negative public comments regarding their CRA performance since the previous examination.

➡ *Other*

An analysis of loan denials for 1998 shows denials were supported and consistent with safe and sound banking practices. Based on the loans sampled during our examination, we did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations. Because the bank is located in an MSA (7240), they are subject to requirements of the Home Mortgage Disclosure Act (HMDA). The central depository for HMDA information for this MSA is located at: Public Library, Government Documents Department, 600 Soledad, San Antonio, Texas 78205, (210) 207-2695.

This document does not purport to describe all information that may be pertinent to Plaza Bank's activities in and service to its community. The reader is encouraged to contact the bank for any further information wanted and/or to review the bank's Public File. The bank's address is listed on the front page of this document. The telephone number is (210) 222-2211.