



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

April 27, 1998

Community Reinvestment Act Performance Evaluation

**NBC Bank Central, N.A.
Charter Number 13919**

**200 South Pecan Avenue
Luling, Texas 78648**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Duty Station
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 **NBC Bank Central, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 27, 1998. 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**.

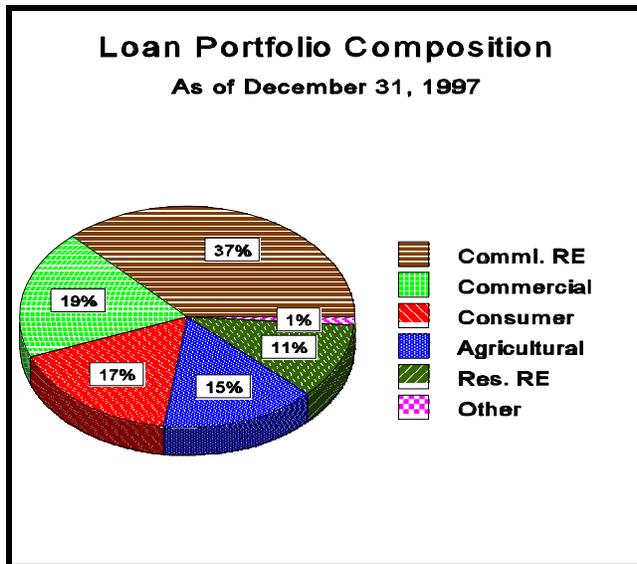
NBC Bank Central, N.A.'s lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance, averaging 60% since the previous CRA examination.
- The bank makes a majority of its loans within the assessment area.
- The distribution of borrowers reflects a strong penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of lending is reasonable.
- The bank received no CRA-related complaints since the previous CRA examination.

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

NBC Bank Central, N.A. Performance Levels			
Small Institution Assessment Criteria	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 complaints were received since the previous examination.		

Description of Institution



NBC Bank Central, N.A., a \$30 million financial institution, is one of three banks headquartered in the assessment area. The bank is 98% owned by Luling Bancshares, Inc., which is in turn 100% owned by National Bancshares Corporation of Texas. NBC Bank Central is located in Luling, Texas, and has one branch in San Marcos. The bank has one automatic teller machine located within a convenience store a few miles from the main branch and another at the San Marcos branch. Luling is a small rural community. San Marcos is a suburb of both Austin and San Antonio. NBC Bank Central is a full service bank and offers a variety of loan products with an emphasis on real estate loans. As of December 31, 1997,

commercial real estate loans accounted for 37% of the bank's \$14 million loan portfolio. Commercial and agricultural loans equaled 19% and 15%, respectively. Consumer loans totaled 17% and residential real estate 11%. Other loans represent the remaining 1%.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. The bank opened the San Marcos branch on March 2, 1998. NBC Bank Central has not closed any branches since the last examination. At the previous CRA examination dated April 11, 1995, NBC Bank Central, N.A. received an outstanding rating.

Description of Assessment Area

The bank's assessment area includes two census tracts in Caldwell county and nine census tracts in Hays county. The Caldwell county section of the assessment area covers the town of Luling. Management recently amended its assessment area to include part of Hays county because the bank opened the San Marcos branch. Both sections of the assessment area are located in central Texas in the Austin-San Marcos Metropolitan Statistical Area (MSA). The assessment area has a population of over 48,000.

Luling has a population of about 5,000, and is roughly 55 miles east of San Antonio and 45 miles south of Austin. The economy was dominated by the oil industry, but several large oil companies have left the area in the last few years. Luling is becoming a bedroom community. Population

growth is expected to continue because of a new airport planned for south of Austin, but significant economic growth is unlikely in the near future. The local school district is Luling's largest employer with 200 employees.

San Marcos is located around 35 miles northeast of San Antonio, 25 miles southwest of Austin. San Marcos has a population of over 38,000. The economy of San Marcos is growing with various industries expanding in the area.

The median family income for the assessment area is \$29,691 for 1997, which is significantly lower than the state median. The Texas 1997 statewide metropolitan median family income is \$50,800. Of all families in the entire assessment area, 30% are low-income, 21% are moderate-income, 21% are middle-income, and 28% are upper-income. Of all families living in the Caldwell county section of the assessment area, 40% are low-income, 23% are moderate-income, 20% are middle-income, and 17% are upper-income. Of the eleven census tracts in the assessment area, two are designated low-income, two are moderate-income, six are middle-income, and one is upper-income. In Caldwell county, one census tract is moderate-income, and the other is middle-income.

Examiners made community contacts with the manager of the local chamber of commerce and the editor of the local newspaper. The contacts revealed a shortage of housing as a pressing need in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low- and moderate-income families. At the time of this assessment, the bank had few loans in Hays County because the new branch in San Marcos has only been open since March 2, 1998. Therefore, most of this assessment is based on loans made by the main bank in Caldwell County.

Loan-to-Deposit Ratio

The bank's level of lending is reasonable compared to banks located in surrounding counties. During the last 12 quarters ending December 31, 1997, the bank's average loan-to-deposit ratio was 60%. This compares to the average loan-to-deposit ratio of 44% for ten banks headquartered in the assessment area and adjacent counties. Of the eleven banks, NBC has the fourth highest average loan-to-deposit ratio. The other ten bank's have average loan-to-deposit ratios ranging from 12% to 73%.

Lending in Assessment Area

NBC Bank Central extends a majority of its loans within the assessment area. Examiners took a sample of loans made in 1997 and 1998. The following table shows the percentage of loans the bank made in its assessment area, both by number and dollar volume, based on the sample of 10 residential real estate loans, 22 consumer loans, and 10 commercial loans.

Percent of Loans Made in the Assessment Area	#	\$ volume
Residential Real Estate	90%	89%
Consumer	77%	86%
Commercial	80%	96%

A bank analysis on the entire loan portfolio as of December 31, 1997, shows the bank made 72% of the dollar volume within the assessment area.

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

The distribution of loans to borrowers of different income levels demonstrates good lending efforts to low- and moderate-income borrowers, particularly in the consumer lending area. Examiners reviewed samples of consumer, residential real estate, and commercial loans originated in 1997 and 1998. Based on these samples, the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants.

Of the 22 consumer loans sampled, the bank made 86% to borrowers with low- and moderate-incomes. This compares to 63% of all families in the Caldwell county section of the assessment area having low- or moderate-incomes. This includes 59% of these loans made to borrowers with annual income less than \$25,000. The bank made 20% of the ten residential real estate loans sampled to borrowers with annual incomes less than the median. Below is a breakdown of the bank's consumer and residential real estate loans by borrower income level.

Loan Sample Distribution by Income Group in Caldwell County										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Caldwell Cnty Demographic Characteristics	40%		23%		20%		17%		100%	
# of Families	693		408		343		296		1,740	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	13	59	6	27	1	5	2	9	22	100
Residential	1	10	1	10	4	40	4	40	10	100

The bank also lends to businesses of various sizes, with a significant number of loans made to small businesses. A breakdown of the examiners' commercial loan sample by gross annual revenues follows.

Gross Revenues	# of Loans	Percent
Under \$50,000	3	30%
From \$50,001 to \$100,000	2	20%
From \$100,001 to \$200,000	1	10%
From \$200,000 to \$300,000	2	20%
Over \$300,000	2	20%
TOTAL	10	100%

Geographic Distribution of Loans

The bank's geographic distribution of loan originations in Caldwell county is reasonable. At the time of this review, the bank has little penetration into the low- and moderate-income census tracts in Hays county because the San Marcos branch has only been open since March 2, 1998.

Of the 17 consumer loans sampled that were made within the assessment area, eleven, or 65%, were made in the moderate-income census tract in Caldwell county. These loans represented 67% of the dollar volume of sampled consumer loans made within the assessment area. Five of the nine sample residential real estate loans that were made within the assessment area were made in the moderate-income census tract. This represents 56% of the number and 67% of the dollar volume of these loans. These figures compare to 78% of all families in the Caldwell county section of the assessment area living in the moderate-income census tract. All sampled consumer and residential real estate loans made within the assessment area were made in the Caldwell county section of the assessment area. Bank-compiled information covering the entire loan portfolio as of December 31, 1997, indicates 46% of the dollar volume of loans made in the assessment area were made in the moderate-income census tract in Caldwell county.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.