



## **PUBLIC DISCLOSURE**

January 27, 2014

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

The First National Bank of Beeville  
Charter Number 4238

1400 E. Houston Street  
Beeville, TX 78102

Office of the Comptroller of the Currency

San Antonio South Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4133

**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**

The First National Bank of Beeville (FNB) reflects satisfactory lending performance in its efforts to meet credit needs of its community, including low- and moderate-income individuals and geographies in its assessment areas (AA). Factors that support the overall rating include:

- The average quarterly loan-to-deposit (LTD) ratio of 55 percent since the prior evaluation is reasonable given the asset size and overall financial condition of the bank.
- A majority of loans in our sample, 54 percent of the number and 84 percent of the dollar volume, originated within the AAs.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes.
- The bank's record of residential real estate lending to low- and moderate-income individuals demonstrates poor penetration. This is due to the lack of volume of residential real estate loans in your AAs.
- The geographic distribution of business and residential real estate loans represents reasonable dispersion throughout the AAs.
- There were no Community Reinvestment Act (CRA) complaints filed during this rating period.

**SCOPE OF EXAMINATION**

FNB was evaluated under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The scope of our examination covered the time period from March 11, 2008, the date of the prior Performance Evaluation, to January 27, 2014, the as of date for the current examination. We identified commercial and residential loans as primary loan products of the bank. To evaluate the bank's commercial lending, we selected a sample of loans originated in each AA in 2012 and 2013. We reviewed 20 commercial loans in the Bee AA, 13 commercial loans in the Guadalupe AA, and 18 commercial loans in the DeWitt AA. We did not meet the minimum of 20 loans in the Guadalupe and DeWitt AA resulting from low loan demand.

To evaluate FNB's residential lending performance, we reviewed Home Mortgage Disclosure Act (HMDA) data filed by the bank. We performed a Data Integrity exam of HMDA data reported in 2012 and 2013 and found that the data was reliable. Therefore, we used the HMDA data for the residential lending analysis of the CRA examination.

The bank's business strategy has emphasized commercial lending and our sample was representative of this business strategy since the last examination. The bank's lending strategy going forward is to expand agricultural and consumer lending. During the evaluation period, these types of loans represented a much smaller percentage of the portfolio and were not included in our sample.

## DESCRIPTION OF INSTITUTION

FNB, an intrastate community bank with total assets of \$303 million as of September 30, 2013, is a wholly-owned subsidiary of First Beeville Financial Corporation, a one-bank holding company. The main office is located in Beeville, Texas with branches located in Yorktown, Texas and Seguin, Texas. Competition comes from several regional and nationwide bank branches located in the assessment areas.

FNB provides lobby and drive-through services during reasonable hours from Monday through Friday at all three locations. The Beeville and Seguin branches offer hours on Saturdays. Each location has an onsite automated teller machine that allows customers to obtain cash, request account balance information, and transfer funds between accounts. FNB also offers 24-hour telephone banking services and Internet banking.

As of September 30, 2013, the loan portfolio totaled \$123 million and represented approximately 40 percent of total assets. The following table details the composition of the loan portfolio:

<b>Loan Portfolio Summary by Loan Product September 30, 2013</b>		
<b>Loan Category</b>	<b>Dollar Volume (000's)</b>	<b>% of Dollar Volume</b>
Commercial	107,195	87
Agriculture/Farm	7,031	6
Consumer	3,146	2
Residential	5,884	4
Other Loans	82	1
<b>Total</b>	<b>123,338</b>	<b>100</b>

*Source: September 30, 2013 Consolidated Report of Condition*

Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet credit needs in its community. The bank was rated "Satisfactory" at the last CRA examination. No legal impediments or other factors hinder the ability of FNB to provide credit in its AA.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB has designated three assessment areas: Bee County, Dewitt County, and Guadalupe County.

The Bee County AA includes all seven census tracts (CT) in the county and is not included in a metropolitan statistical area. One tract is designated moderate-income and four are designated middle-income. Two tracts are designated upper-income.

Beeville is the county seat of the Bee County AA and where FNB's main office is located. The industries supporting the area include the junior college, public school district, city and county government, and a medical facility. Due to the Eagle Ford Shale oil and gas activity, companies involved in servicing this industry have moved into the area. Competition in Beeville includes Prosperity Bank, International Bank of Commerce, Woodforest National Bank, and Texas Champion Bank.

The Dewitt County AA includes three of the five CTs in the county and is not included in a metropolitan statistical area. Two tracts are designated middle-income and one is designated upper-income. Financial institutions in Cuero, Texas, the county seat, better serve the two tracts in the county that are not included in this AA. Dewitt County does not include any low- or moderate-income CTs.

The Yorktown branch is located in the Dewitt County AA. The primary industry in the area is agriculture and the area is primarily comprised of ranchland. Non-agricultural-related employers in the area include the local school district and nursing home. The area has seen an increase in jobs related to the oil and gas service industry due to the Eagle Ford Shale oil and gas exploration. Competition in Yorktown includes TrustTexas Bank and Citizens Bank.

The Guadalupe County AA includes 13 CTs in the county and is included in the San Antonio metropolitan statistical area. One tract is designated low-income. Two tracts are designated moderate-income and 10 tracts are designated middle-income. Several financial institutions in New Braunfels better serve the CTs in the Guadalupe County AA that are excluded.

The Seguin branch is located in the incorporated city of Seguin in Guadalupe County. Major industry and employers in the area consist of the local university, school district, and light industrial plants. This area is developing rapidly given its proximity to San Antonio and access to interstate 10. Competition in Seguin includes American Bank of Texas, Schertz Bank and Trust, Broadway National Bank, Wells Fargo Bank, and Bank of America.

The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. The following table is a summary of demographic information for these AAs:

<b>Demographics and Economic Characteristics of Assessment Areas</b>			
	Bee County	Dewitt County	Guadalupe County
<i>Population</i>			
Number of Families	6,109	2,778	14,578
Number of Households	8,485	4,120	19,597
<i>Geographies</i>			
Number of Census Tracts/BNA	7	3	13
% Low-Income Census Tracts/BNA	0%	0%	7.69%
% Moderate-Income Census Tracts/BNA	14.29%	0%	15.38%
% Middle-Income Census Tracts/BNA	57.14%	66.67%	76.92%
% Upper-Income Census Tracts/BNA	28.57%	33.33%	0%
<i>Median Family Income (MFI)</i>			
2000 Census MFI	\$50,151	\$52,832	\$55,052
2010 HUD-Adjusted MFI	\$50,500	\$50,500	\$61,300
<i>Economic Indicators</i>			
Unemployment Rate	3.41%	2.18%	4.44%
2010 Median Housing Value	\$74,483	\$69,860	\$105,433
% Owner Occupied Housing	52.94%	59.88%	64.42%
% Households Below Poverty Level	20.93%	18.64%	14.13%

Source: Business Geodemographic Data; 2010 U.S. Census Data.

To gather current information on the nature of the community and potential lending opportunities within the AAs, we contacted individuals from local community organizations in each assessment area during this examination. Our contact in the Guadalupe County AA identified loans to small businesses as a credit need. Our contacts in the Bee County AA and DeWitt County AA identified housing for oil and gas industry workers as a credit need in those communities.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

FNB demonstrated satisfactory performance in meeting the credit needs of its AAs. We focused our review on commercial and residential loans. We selected the sample of loans to determine the extent of lending within the AAs, the distribution of loans by borrower income level, and the geographic distribution of loans.

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. Since the prior public evaluation, the LTD ranged from a low of 42.17 percent to a high of 69.44 percent at March 31, 2010. The average quarterly LTD ratio since December 31, 2007, is 55.04 percent, compared favorably to other similarly situated institutions.

<b>Institution</b>	<b>Total Assets at 9/30/2013 (000's)</b>	<b>Average LTD Ratio 12/31/2007 – 9/30/2013</b>
First National Bank of Beeville Beeville, Texas, Bee County	302,828	55.04
TrustTexas Bank, S.S.B Cuero, Texas, Dewitt County	248,085	48.54

Source: Quarterly Call Report Information.

### Lending in Assessment Area

Overall, FNB meets the standards for satisfactory performance with a majority of loans originating in its AA. We reviewed the banks HMDA data for residential loans and a sample of the commercial loans originated in 2012 and 2013. The following table reflects the distribution of loans in our sample, by number and dollar volume, originated in and out of the AAs.

<b>Lending in Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	11	52.38	10	47.62	21	\$2,176	41.37	\$3,084	58.63	\$5,260
Home Improvement	3	37.50	5	62.50	8	\$631	12.19	\$4,546	87.81	\$5,177
Refinance	2	40.00	3	60.00	5	\$163	7.64	\$1,971	92.36	\$2,134
Commercial	13	65.00	7	25.00	20	\$3,278,938	83.77	\$635,490	16.23	\$3,914,428
Totals	29	54.00	25	46.00	54	\$3,281,908	83.57	\$645,091	16.43	\$3,926,999

Source: Data reported under HMDA.

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

FNB meets the standards for satisfactory performance with reasonable distribution of loans to borrowers of different incomes and businesses of different sizes. Our conclusions are based on loan originations during 2012 and 2013. The following narratives and tables reflect our findings for our analysis of business and residential lending.

#### Business Loans

Overall, FNB’s record of commercial lending to small businesses demonstrates reasonable penetration. Revenue information was not available for a portion of the businesses in our sample in the Bee County AA and the DeWitt County AAs. These loans were either cash secured or management did not rely on revenue information in the credit decision.

FNB’s record of commercial lending to small businesses in the Bee County AA demonstrates reasonable penetration. Based on the 2010 Census information, 69.04 percent of area businesses reported gross annual revenues of less than \$1 million. FNB made 65 percent of the 20 commercial loans we sampled to businesses with revenues less than \$1 million.

The following table illustrates the borrower distribution of loans to businesses in the Bee County AA in 2012 and 2013 by both number and dollar volume.

<b>Borrower Distribution of Loans to Businesses in Bee Co. Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.04%	3.33%	27.63%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	62%	30%	8%	100%

*Source: Loan sample; Dunn and Bradstreet data.*

FNB’s record of commercial lending to small businesses in the DeWitt County AA demonstrates excellent penetration. Based on the 2010 Census information, 73.53 percent of area businesses reported gross annual revenues of less than \$1 million. FNB made 84.62 percent of the commercial loans we sampled to businesses with revenues less than \$1 million.

The following table illustrates the borrower distribution of business loans made in DeWitt County AA in 2012 and 2013 by both number and dollar volume.

<b>Borrower Distribution of Loans to Businesses in DeWitt Co. Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.53%	2.60%	23.87%	100%
% of Bank Loans in AA by #	84.62%	0%	15.38%	100%
% of Bank Loans in AA by \$	82.03%	0%	17.97%	100%

*Source: Loan sample; Dunn and Bradstreet data.*

FNB’s record of commercial lending to small businesses in the Guadalupe County AA demonstrates excellent penetration. Based on the 2010 Census information, 74.90 percent of area businesses reported gross annual revenues of less than \$1 million. FNB made 72.22 percent of the commercial loans we sampled to businesses with revenues less than \$1 million.

The following table illustrates the borrower distribution of loans to businesses in the Guadalupe County AA in 2012 and 2013 by both number and dollar volume.

<b>Borrower Distribution of Loans to Businesses in Guadalupe Co. Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	74.90%	3.11%	21.99%	100%
% of Bank Loans in AA by #	72.22%	27.78%	0%	100%
% of Bank Loans in AA by \$	79.48%	20.52%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

### Residential Real Estate Loans

Overall, FNB’s record of residential real estate lending to low- and moderate-income individuals demonstrates poor penetration. FNB’s record of residential lending to low- and moderate-income individuals demonstrates poor penetration in the Bee County and DeWitt County AAs. There were no residential real estate loans to low- and moderate-income individuals in the Bee County and DeWitt County AAs.

However, the bank demonstrated reasonable penetration to moderate-income borrowers in the Guadalupe County AA. The bank made 100 percent of residential real estate refinance loans to individuals in the moderate-income level in the Guadalupe County AA.

The following tables list results of residential real estate lending to borrowers in the Bee County, DeWitt County, and Guadalupe County AAs.

<b>Borrower Distribution of Residential Real Estate Loans in Bee Co. Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	24.62	0.00	15.27	0.00	21.67	36.36	38.44	18.18
Home Improvement	24.62	0.00	15.27	0.00	21.67	50.00	38.44	0.00
Refinance	24.62	0.00	15.27	0.00	21.67	0.00	38.44	100.00

Source: Data reported under HMDA; U.S. Census data.

<b>Borrower Distribution of Residential Real Estate Loans in DeWitt Co. Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	17.42	0.00	15.73	0.00	21.78	0.00	45.07	0.00
Home Improvement	17.42	0.00	15.73	0.00	21.78	0.00	45.07	0.00
Refinance	17.42	0.00	15.73	0.00	21.78	0.00	45.07	0.00

Source: Data reported under HMDA; U.S. Census data.

<b>Borrower Distribution of Residential Real Estate Loans in Guadalupe Co. Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	22.88	0.00	21.19	0.00	18.95	0.00	36.99	0.00
Home Improvement	22.88	0.00	21.19	0.00	18.95	0.00	36.99	100.00
Refinance	22.88	0.00	21.19	100.00	18.95	0.00	36.99	0.00

Source: Data reported under HMDA; U.S. Census data.

### Geographic Distribution of Loans

Overall, FNB demonstrates a reasonable geographic dispersion. FNB demonstrates a reasonable geographic dispersion of loans to small businesses and residential real estate loans. The bank significantly reduced residential lending in 2013, with the exception of interim construction lending. This action was taken to ensure processes were up to date with changing regulatory requirements. As of first quarter 2014, the bank’s full residential lending program has resumed. This impacted the results of our analysis.

There are no low-income CTs in the Bee County AA. In the DeWitt County AA, there are no low or moderate-income CTs. Therefore, a geographic distribution was not meaningful in the DeWitt County AA.

### Business Loans

Overall, FNB demonstrates a reasonable geographic dispersion of loans to small businesses.

FNB demonstrates an excellent geographic dispersion of loans to small businesses in the Bee County AA. FNB made 91.34 percent of the number of loans in our sample to businesses in moderate-income tracts in the Bee County AA. Approximately 20 percent of businesses are located in moderate-income tracts. There are no low-income CTs in the Bee County AA.

The table below gives further detail of the bank’s performance in the Bee County AA as compared to the percentage of businesses/farms in each CT income level.

<b>Geographic Distribution of Loans to Businesses in Bee Co. Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans	% of AA Businesses/Farms	% of # of Loans
Businesses	0.00	0	20.04	91.34	56.79	4.94	23.17	3.72

Source: Loan sample; Dunn and Bradstreet data.

FNB demonstrated a reasonable geographic dispersion of loans to small businesses in the Guadalupe County AA. FNB made 28.14 percent of the number of loans in the low-income CTs in the Guadalupe County AA. Approximately 5.36 percent of the businesses are located in these tracts.

The table below gives further detail of the bank’s performance in the Guadalupe County AA as compared to the percentage of businesses and farms in each CT income level.

Geographic Distribution of Loans to Businesses in Guadalupe Co. Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans	% of AA Businesses/ Farms	% of # of Loans
Businesses	5.36	28.14	16.75	0.99	77.89	70.87	0.00	0

Source: Loan sample; Dunn and Bradstreet data.

### Residential Real Estate Loans

Overall, FNB demonstrates a reasonable dispersion in the geographic distribution of residential real estate loans. FNB demonstrates excellent geographic distribution of residential real estate loans in the Bee County AA. However, in the Guadalupe County AA, the bank did not make any loans in low- and moderate-income CTs. The bank significantly reduced residential lending in 2013 to enhance lending processes. This influenced the results of our analysis. Performance in the Bee County AA was weighted heavier, as the majority of lending was in the Bee County AA.

FNB demonstrates an excellent geographic distribution of residential real estate loans in the Bee County AA. In the Bee County AA, 15.50 percent of AA owner-occupied housing is located in a moderate-income census tract. The bank made 27.27 percent of home purchase loans in a moderate-income census tract. The bank made 100 percent of refinance loans in a moderate-income census tract. The bank did not made any home improvement loans in a moderate-income census tract.

The table below gives further detail on the bank’s performance in the Bee County AA as compared to the percentage of owner-occupied housing units in each CT income level. There are no low-income CTs in the Bee County AA.

Geographic Distribution of Residential Real Estate Loans in Bee Co. Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	15.50	27.27	47.35	54.55	37.14	18.18
Home Improvement	0.00	0.00	15.50	0.00	47.35	100.00	37.14	0.00
Refinance	0.00	0.00	15.50	100.00	47.35	0.00	37.14	0.00

Source: Data reported under HMDA; U.S. Census data.

FNB demonstrates a poor distribution of residential real estate loans in the Guadalupe County AA. The bank did not report any residential real estate loans made in the low- or moderate-income CTs in the Guadalupe County AA during the evaluation period. The table below gives further detail on the bank’s performance in the Guadalupe County AA as compared to the percentage of owner-occupied housing units in each CT income level.

Geographic Distribution of Residential Real Estate Loans in Guadalupe Co. Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.01	0.00	12.83	0.00	82.16	0.00	0.00	0.00
Home Improvement	5.01	0.00	12.83	0.00	82.16	100.00	0.00	0.00
Refinance	5.01	0.00	12.83	0.00	82.16	100.00	0.00	0.00

Source: Data reported under HMDA; U.S. Census data.

### Responses to Complaints

FNB has not received any consumer complaints related to its CRA performance during this evaluation period.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.