



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 14012**

**601 Guadalupe
George West, Texas 78022**

**Comptroller of the Currency
Southwestern District
500 North Akard, 1600 Lincoln Plaza
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 **First National Bank, George West, Texas**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 14, 1997**. 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**.

First National Bank is responsive to community credit needs including low- and moderate-income individuals and areas. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area (AA). A majority of loans are made within the bank's AA which is comprised of four Block Numbering Areas (BNA) that comprise Live Oak County and the cities of George West and Three Rivers, Texas. The geographic distribution of loans covers all BNAs and reflects reasonable dispersion throughout the AA. A reasonable penetration of loans is granted to low- and moderate-income individuals and small businesses.

The following table indicates the performance level of First National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK 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 AA		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 prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank is a retail oriented bank with the main office, a branch in Three Rivers and a branch that opened in Floresville on August 11, 1997, during our examination. All locations are equipped with automated teller machines. The bank is independently owned and operated. As of June 30, 1997, total assets equaled \$46.2 million with net loans of \$30.9 million. The bank does not face any significant legal impediments, and the bank's financial condition does not inhibit efforts in supporting the community's credit needs. First National Bank provides a wide range of credit products and deposit services to the community.

DESCRIPTION OF LIVE OAK COUNTY

First National Bank in George West designates Live Oak County as its AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. George West and Three Rivers are located in Live Oak County. The AA is not located within a Metropolitan Statistical Area (MSA). The third branch which recently opened in Floresville, Texas is currently being incorporated into the bank's AA.

George West, Texas is located in Live Oak County in a rural setting approximately 80 miles southeast of San Antonio, Texas and approximately 70 miles northwest of Corpus Christi, Texas. It has a city councilperson-manager form of government in which the mayor and three councilpersons all of whom are elected at large, serve as the legislative body. The 1990 census reports Live Oak County to have a population of close to 10,000 with the city of George West representing approximately 3,000 people.

First National Bank identifies small business loans and affordable housing as the primary community credit needs.

Financial institutions in the area are limited with only two competing banks - The Country Bank in George West and The First State Bank in Three Rivers. The largest employers in the county are Diamond Shamrock Refining and Marketing, George West and Three Rivers Independent School Districts combined, and the Federal Correctional Institute in Three Rivers with over 300 employees each.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management is satisfactorily meeting the community credit needs of its AA, including low- and moderate-income individuals, consistent with its resources and capabilities.

The loan-to-deposit ratio is reasonable. The average loan-to-deposit ratio for the last fourteen quarters is 63.86% and was 68.20% as of March 31, 1997. This ratio compares favorably with the other banks in the AA, First State Bank and The Country Bank, that had ratios of 65.72% and 42.49% respectively during the same period.

A majority of loans are extended within their AA. As of June 30, 1997, the bank's internal tracking system indicates that 61% of outstanding loans are within the City of George West, 15% in Three Rivers and 2% elsewhere within the AA for a total of 78% of loans within the bank's AA. The following table represents the loan portfolio's distribution:

LOAN PORTFOLIO DISTRIBUTION (\$000)			
Loan Type	#	\$	(\$)%
Real Estate			
1 - 4 Family	140	7,936	25.9
Agriculture	68	4,754	15.5
Commercial	106	5,112	16.7
Consumer Loans	886	5,966	19.4
Personal Credit Lines	304	297	00.9
Commercial Loans	201	4,004	13.0
Agriculture	147	2,627	8.6
Total	1852	30,696	100

The bank also participates in small business administration (SBA) loan originations. As of June 30, 1997 the bank had originated 2 SBA loans totaling \$99.9 thousand, both of which are located within their AA. Our sample of 25 business loans disclosed that 92% were in the bank's AA with 53% originated to businesses that have gross earnings or sales of less than \$100 thousand and another 27% to businesses that have gross earnings or sales of less than \$ 1 million.

First National Bank has a reasonable distribution of loans to borrowers of different income levels, including low- and moderate-income individuals. Our independent sample of 50 consumer loans reflects 29 loans with identifiable income figures. From these loans we were able to determine that 11 or 38% were granted to applicants of low and moderate income levels with 68% of the loans granted to applicants living within the bank's AA.

The distribution of loans within all BNAs is reasonable. First National Bank's AA has four BNAs. The demographic data provided from the 1990 census information indicates one moderate income BNA and three middle income tracts. There are no low or upper income tracts within the bank's AA. Management's internal geocoding system which plots all residential real estate loans indicates a wide dispersion of these loan types throughout the BNAs within the bank's AA.

During this evaluation period, no consumer complaints regarding CRA performance were received by First National Bank. Further, no violations of anti-discrimination laws and regulations were identified. All loans receive a secondary review before denial to ensure consistency in the lending process.