



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 29, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The La Coste National Bank
Charter Number 10189**

**100 South Front Street
Post Office Box 100
La Coste, Texas 78039**

**Office of the Comptroller of the Currency
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 **The La Coste National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 29, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Needs to Improve**.

The La Coste National Bank's (LCNB) lending performance is below other banks in the area having similar characteristics, and reflects a lack of adequate responsiveness to community credit needs. The following describes the bank's performance:

- The loan-to-deposit ratio does not meet the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of the number, and dollar volume, of loans originated from June 1995 through September 1997 are in the bank's assessment area.
- The distribution of borrowers reflects a reasonable penetration among individuals of different incomes and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The bank received no consumer complaints concerning its CRA performance since the April 20, 1995, examination.

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

Small Institution Assessment Criteria	The La Coste 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 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 prior examination.		

Description of Institution

The La Coste National Bank was founded in 1912. It is a locally owned, locally managed, community bank with total assets of \$22 million, as of September 30, 1997. The bank's primary emphasis is to provide local banking services to the predominantly rural area immediately west of San Antonio, Texas. Lending is focused on agriculture and consumer loans.

LCNB's earning asset mix consists of 17% loans and 83% investment securities. The bank's lending focus is reflected in those loans originated from June 1, 1995, through September 30, 1997. During that period, originations of agriculture/agricultural real estate loans and consumer loans totaled 34% and 39%, respectively. As of September 30, 1997, the loan portfolio consisted of consumer loans \$1,014,000 (30% of gross loans), agriculture related (production or farmland) loans \$1,129,000 (33% of gross loans), 1-4 family residential loans \$596,000 (18% of gross loans), commercial loans \$570,000 (17% of gross loans) and other loans \$56,000 (2% of gross loans). This distribution is consistent with LCNB's main business strategy and expertise.

The bank's financial condition is favorable and there are no legal impediments that interfere with its ability to make credit available in its assessment area. LCNB has one office and one automated teller machine (ATM) in its assessment area. The office is located at 100 South Front Street in La Coste, and the ATM is located in front of the main office.

Description of Assessment Area

The La Coste National Bank's assessment area (AA) consists of parts of three counties: the eastern two-thirds of Medina county, the northwestern corner of Atascosa county, and the western portion of Bexar county (San Antonio, Texas). The city of La Coste is centrally located in the AA that includes 26 census tracts, six of which are categorized as moderate-income, with 14 middle-income, and six upper-income; there are no low-income census tracts in the AA. The AA does not arbitrarily exclude any low- or moderate-income census tracts.

The population of the AA based on the 1990 U.S. Census, totals 154,534 with 51% being Hispanic, 41% being white, 7% being black, and the remainder being native American and other. Housing units total 52,895 with an 87% occupancy rate, 75% are 1-4 family residences, and 57% are owner occupied. The median housing value is \$49,898 and the median year built is 1974.

The city of La Coste is surrounded by established, family-owned farms. This has significantly reduced the ability of the city to grow in any one direction. There are very few tracts available for development within the city which already has limited residential lending opportunities.

Competition is very active in the AA, especially along Interstate Highway 90, three miles away from La Coste. The AA includes six independent banks, five of which have an office within 15 miles of the bank, and branches of a large community bank (Broadway National Bank) and a super-regional bank (Norwest), both of which have a significant presence in San Antonio. The bank also competes with credit unions, one of which is the largest in San Antonio. Bank management estimates that most of the workforce in the AA is employed either in agriculture or in San Antonio.

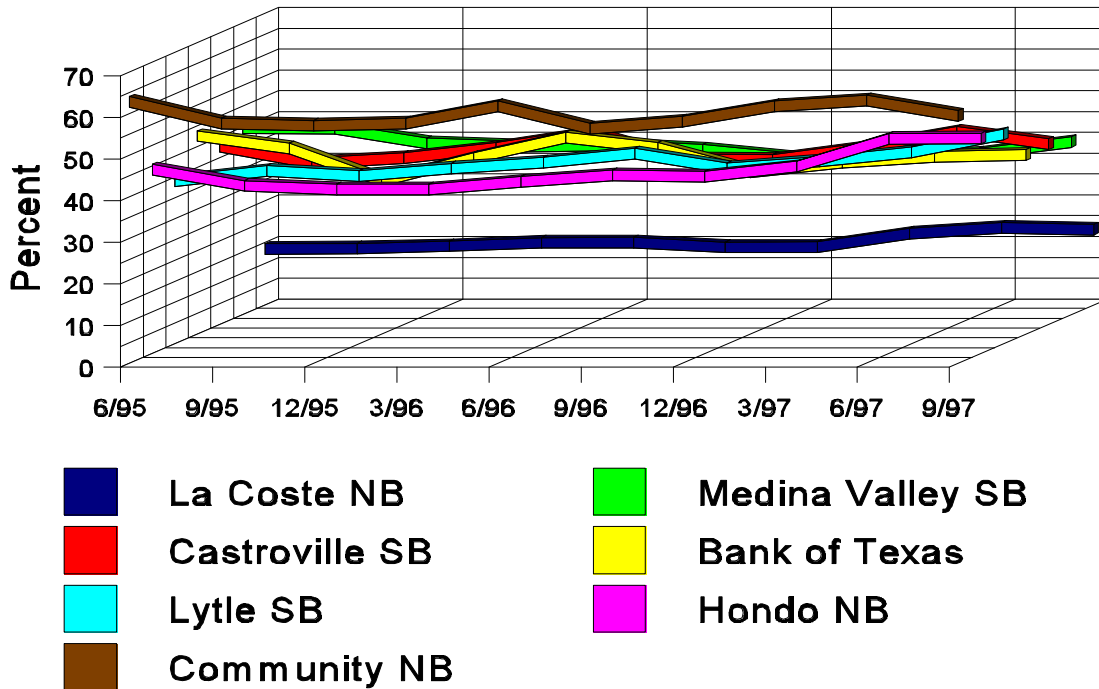
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio does not meet the standards for satisfactory performance given the bank's size, financial condition, and AA credit needs. LCNB's loan-to-deposit ratio, as of September 30, 1997, is 18.14%. Although it is on a rising trend, this level of lending is well below the average of 48.21% for the six other independent banks in the AA. LCNB's average loan-to-deposit ratio for the last ten calendar quarters is 15.23%, again very low when compared to other AA banks' average of 45.42%.

Loan-to-Deposit Ratios

Area Banks



Management's business strategy (consumer and agricultural loans) and ultra-conservative nature are the primary reasons for the low loan-to-deposit ratio. LCNB is effectively meeting a credit need identified by community contacts made in the area with 40% of the loans originated from June 1, 1995 through September 30, 1997, being less than \$1,000. Other community credit needs such as residential construction lending and small business lending are being met by other lenders, but present an opportunity to LCNB to increase its presence in the area.

Assessment Area Concentration

A substantial majority of the number and dollar volume of loans originated from July 1995 through September 1997 are in the bank's AA. Approximately 94% of the number of loans originated during this time frame, 96% by dollar volume, were in the assessment area.

Competition in LCNB's assessment area is strong. Throughout the area, small and large community banks, super-regional banks, credit unions, mortgage companies, and other financial institutions compete to meet the credit needs of the community. A review of area banks' loan products and levels of lending activity showed that these banks have loan products targeting the credit needs identified by community contacts. These products include mortgage loans, home improvement loans, other consumer loans, and small business loans.

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

The distribution of borrowers reflects a reasonable penetration in loans to individuals of different income levels. A sample of loans originating from January 1997 through September 1997, within the bank's assessment area, was taken to assess the appropriateness of the distribution among different income levels. The sample consisted of 30 consumer loans and all loans on the bank's Fair Housing Lending Inquiry/Application Log Sheet taken between July 1995 and September 1997. The following table represents the distribution of the loan originations sampled by income level.

Loan Sample Distribution by Income Group										
dollars in 000's	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	21.7%		17.7%		23.0%		37.6%		100%	
# of Families	8,267		6,760		8,753		14,334		38,111	
Loan Type		%		%		%		%		%
Consumer #	12	40.0	6	20.0	5	16.7	7	23.3	30	100
Consumer \$	\$20	30.8	\$9	13.8	\$12	18.5	\$24	36.9	\$65	100
Residential #	2	14.3	2	14.3	1	7.1	9	64.3	14	100
Residential \$	\$73	12.9	\$69	12.2	\$39	6.9	\$385	68.0	\$566	100

The following distribution of commercial lending to businesses and farms of different sizes is commensurate with the bank's size, financial resources, and capabilities. The following table represents lending to businesses and farms based on all loans originating in 1997 that were active as of September 30, 1997. All loans are located in the bank's assessment area.

Lending to Businesses and Farms of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	12	75.0	2	12.5	2	12.5	0	0.0	16	100
Agriculture	17	77.3	5	22.7	0	0.0	0	0.0	22	100

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. This determination is based on geocoding (See table below) a sample of each major loan type made by the bank and consideration of other factors such as:

- LCNB's business focus is on local loans - primarily agriculture-related and consumer; and
- LCNB is located in an upper-income census tract, as is the nearest city, Castroville.

Distribution of Loans by Income Level of Tract										
	Low-Income 0 Tracts 0%		Moderate-Income 6 Tracts 23%		Middle-Income 14 Tracts 54%		Upper-Income 6 Tracts 23%		Total 26 Tracts 100%	
Consumer	0	0%	4	15%	8	30%	15	55%	27	100%
Agriculture	0	0%	3	15%	3	15%	14	70%	20	100%
Commercial	0	0%	1	6%	3	19%	12	75%	16	100%
Residential	0	0%	4	22%	8	45%	6	33%	18	100%
TOTALS:	0	0%	12	15%	22	27%	47	58%	81	100%

Response to Complaints

LCNB has not received any complaints from the public regarding the bank's CRA performance.

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.