



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 29, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

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

**100 South Front Street
La Coste, Texas 78039**

**Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio North, Texas 78216**

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 The La Coste National Bank, La Coste, TX as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 29, 2001. 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 La Coste National Bank's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank makes a substantial majority of its loans within the assessment area (AA).
- The geographic distribution of loans is reasonably dispersed throughout the AA.
- The bank's loan-to-deposit ratio is low, averaging 22% from December 31, 1997, until September 30, 2000. However, bank management has increased the loan-to-deposit ratio significantly since the prior CRA examination.

DESCRIPTION OF INSTITUTION

The La Coste National Bank (LNB), a \$23 million financial institution, was founded in 1912. The bank has one location in La Coste, Texas. It has not opened or closed any branches. LNB is not part of a holding company and is locally owned. The bank owns one automatic teller machine located in front of the main office. It is a full service bank whose main focus is serving the rural area immediately west of San Antonio. The bank's emphasis is on agricultural and consumer lending. At the prior CRA examination dated December 29, 1997, a Needs to Improve rating was assigned. There are no legal or financial factors impeding the bank's ability to help meet the credit needs of its AA.

As of September 30, 2000, net loans represent 22% of the bank's total assets. A summary of the loan portfolio is shown below:

Loan Portfolio Composition September 30, 2000		
Loan Category	\$ (000)	%
Agricultural Loans	1,969	39
Residential Real Estate Loans	1,096	21
Commercial Loans	1,031	20
Consumer Loans	1,009	20
Total	5,105	100

DESCRIPTION OF ASSESSMENT AREA

The bank's AA consists of parts of Medina, Bexar, and Atascosa counties. It includes 19 census tracts and 8 block numbering areas (BNA's). Six census tracts are designated moderate-income. Nine census tracts are middle-income and four are upper-income. Six BNA's are middle-income and two are upper-income. There are no low-income census tracts or BNA's in the AA. The city of La Coste is centrally located in the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

La Coste is located about five miles west of San Antonio. 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 direction. There are few tracts available for development within the city, which already has limited residential lending opportunities. The economy of La Coste is dependent on agriculture.

The population of the AA is approximately 156,000. The median housing value is \$48,847 and the median year built is 1974.

Competition is very strong in the AA, especially along Highway 90, which runs three miles north of 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

(Wells Fargo), 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.

The 2000 weighted-average median family income for the AA is \$40,611. Of all families living in the assessment area, 22% are low-income, 18% are moderate-income, 23% are middle-income, and 37% are upper-income.

We conducted a community contact with a city government official. The contact revealed no unmet credit needs.

SAMPLING INFORMATION

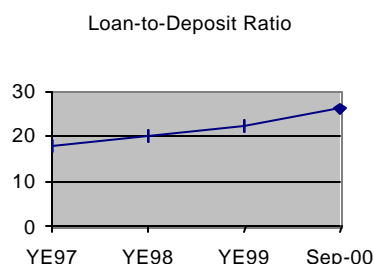
Our review focused on three of the bank's main product lines: consumer loans, residential real estate loans, and agricultural loans. We sampled 20 consumer loans, 10 residential real estate loans, and 15 agricultural loans where the bank collected income information. For the *Lending to Borrowers of Different Incomes* and *Geographic Distribution of Loans* analyses, we omitted the loans made outside of the AA. The bank made all loans sampled in either 1999 or 2000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the AA.

Loan-to-Deposit Ratio

LNB's level of lending is low compared to other rural community banks located in the area. However, the bank's loan-to-deposit ratio has significantly increased since the prior CRA evaluation. From December 31, 1997, to September 30, 2000, the bank's loan-to-deposit ratio has increased from 19% to 26%, an increase of 37%. Over that time period, net loans increased \$1.6 million from \$3.4 million to \$5.0 million. This represents a 47% increase in net loans and totals 49% of capital and surplus.



We compared LNB to five rural banks located in the AA with total assets less than \$50 million. LNB has a larger percentage increase in its loan-to-deposit ratio since September 30, 1997 than any of the five area banks. The other banks' loan-to-deposit ratios grew by an average of 12%, compared to the 37% increase for LNB.

Of the six area banks, LNB has the second lowest average loan-to-deposit ratio. Since September 30, 2000, the bank's quarterly average loan-to-deposit ratio equals 22%. The other banks have average loan-to-deposit ratios ranging from 20% to 55%.

Lending in the Assessment Area

Based on loan samples of consumer, residential real estate, and agricultural loans, LNB extends a substantial majority of its loans within the AA. The following table shows the bank's lending pattern in and out of the AA by loan type.

Lending In & Out of the Assessment Area								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	% by #	\$ (000)	% by \$	#	% by #	\$ (000)	% by \$
Consumer	17	85	125	91	3	15	13	9
Residential	9	90	381	93	1	10	28	7
Agricultural	12	80	312	90	3	20	34	10
Total	38	84	818	92	7	16	75	8

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

LNB meets the standards for satisfactory performance with a reasonable distribution of loans to individuals with different income levels and businesses of different sizes. The bank has a good record of consumer lending to low- and moderate-income borrowers. Fifty-five percent of the number of consumer loans were made to low- and moderate-income borrowers, compared to 37% of the households in the AA falling in those categories. The bank's distribution generally reflects the income characteristics of the AA. A comparison of the income information to the AA demographic data is detailed in the following tables. The tables include loans made by the bank in 1999 and 2000. Dollars are shown in thousands.

Distribution of Borrowers by Income Level				
Consumer Loans				
Borrower Income Level	Low	Moderate	Middle	Upper
% of AA households	20	17	19	44
#	8	3	3	6
% of #	40	15	15	30
\$ (000)	34	13	28	66
% of \$	24	9	20	47

Distribution of Borrowers by Income Level Residential Real Estate Loans				
Borrower Income Level	Low	Moderate	Middle	Upper
% of AA families	22	18	23	38
#	0	1	3	5
% of #	0	11	33	56
\$ (000)	0	26	121	324
% of \$	0	6	27	69

The bank adequately lends to farms of different sizes, particularly small farms. Farms with annual revenues of less than \$1 million are considered small farms. All 12 of the agricultural loans we sampled were made to farms with gross annual revenues of less than \$500 thousand. Eleven of the 12 borrowers sampled have gross annual revenues of less than \$100 thousand.

Geographic Distribution of Loans

LNB's geographic distribution of loans throughout the AA is reasonable. The bank's level of consumer lending in moderate-income tracts is good with 30% of the number and 35% of dollar volume of loans sampled. This compares favorably with 20% of the households in the AA located in moderate-income tracts. The tables below illustrate the lending distribution in the AA.

Distribution of Borrowers by Tract Income Level Consumer Loans				
Borrower Income Level	Low	Moderate	Middle	Upper
% of AA households	0	20	57	23
#	0	6	10	4
% of #	0	30	50	20
\$ (000)	0	49	66	26
% of \$	0	35	47	18

The level of residential real estate loans in moderate-income tracts is lower with only one of nine loans located in a moderate-income tract. This low level of lending is reasonable because of the geographic location of the bank and the competition in the moderate-income areas. The bank is located five miles from the closest moderate-income tract. The moderate-income tracts are in San Antonio, and they are served by branches of other financial institutions located in those areas.

Distribution of Borrowers by Tract Income Level Residential Real Estate Loans				
Tract Income Level	Low	Moderate	Middle	Upper
% of AA owner occupied	0	20	55	25
#	0	1	4	4
% of #	0	11	44	44
\$ (000)	0	50	28	173
% of \$	0	20	11	69

All agricultural loans sampled were made in middle- and upper-income tracts. The moderate-income tracts in the AA are residential areas with little agricultural production.

Response to Complaints

LNB has not received any complaints or public comments regarding its CRA performance during this evaluation period.

Record of Compliance with Anti-discrimination Laws

An analysis of 1998 through 2000 public comments and consumer complaint information and small farm lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1997.