



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 4, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Texas Community Bank, National Association
Charter Number: 17826

6721 McPherson Road
Laredo, TX 78041

Office of the Comptroller of the Currency

San Antonio South Field Office
10001 Reunion Place, Suite 250
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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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Texas Community Bank (TCB), National Association has demonstrated lending performance that is satisfactory given its size, financial condition, and the known credit needs within its assessment areas (AAs). The major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable, in relation to peer institutions, averaging 69.34% since the prior evaluation.
- A substantial majority of TCB's loans are within the bank's AAs.
- TCB's loan portfolio reflects a reasonable penetration of residential loans among families of various income levels and loans to businesses of different sizes.
- The geographic distribution of the bank's residential loans and business loans, within the AAs, reflects a reasonable dispersion throughout the AAs.
- TCB's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AAs, through CD loans, investments, and services.

Scope of Examination

TCB was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the identified credit needs of its AAs through its lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services. We conducted a full-scope review of the Laredo-Webb County Metropolitan Statistical Area (MSA) AA and limited-scope reviews of the San Antonio MSA, McAllen-Hidalgo County MSA, Brownsville-Cameron County MSA, and Del Rio-Val Verde County AAs.

The current review focused on the bank's primary loan products which include business loans and residential-related loans as reported in the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). To evaluate the bank's business loan performance we reviewed a sample of business loans originated after November 17, 2003, (the date of the prior CRA evaluation), to January 4, 2010. The evaluation period for HMDA reportable loans included data that was reported from January 1, 2005 through September 30, 2009. In the second quarter of 2009 we validated the integrity of the HMDA data and concluded that the data was reliable. The evaluation period for the CD Test covers the period since the prior CRA evaluation to the start date of this CRA Performance Evaluation. Qualifying CD activities of TCB are included under the CD Test part of this Performance Evaluation. CD loans, investments, and services

submitted by management were verified to ensure they met the regulatory definition for CD.

Description of Institution

TCB is headquartered in Laredo, Texas. TCB is an intrastate financial institution with \$796 million in assets as of September 30, 2009. The bank is wholly owned by Vision Bancshares Inc., a one-bank holding company also headquartered in Laredo, Texas. In 2003 Vision Bancshares Inc. acquired Somerset Bancshares Inc., whose only subsidiary was Somerset National Bank. Upon this acquisition the bank's name was changed to Texas Community Bank, National Association and shortly thereafter a branch office was opened in Laredo, TX. The branch in Laredo subsequently became the bank's main office and headquarters. Since that time six additional branches have been opened.

TCB now has a total of eight full-service branches throughout its five AAs. The main office and one additional branch are located in the Laredo-Webb County MSA. The bank has three branches in the San Antonio MSA including two in San Antonio, Texas and one in Somerset, Texas. The branch in Somerset is located in a moderate-income census tract. The bank has one branch in McAllen, Texas, which opened on December 22, 2008. The bank has one branch in Brownsville, Texas, which opened on February 3, 2009. The bank has one branch in Del Rio, Texas, which opened on July 27, 2009. The branch in Del Rio is located in a moderate-income census tract. The bank also operates ten automated teller machines, seven of which are located at branch locations with three located at off-site locations in the Laredo-Webb County MSA.

TCB is a full service institution that provides a wide variety of financial products and services to commercial businesses and consumers; however, the bank is primarily commercial oriented. The following chart reflects the distribution of the bank's loan portfolio as of September 30, 2009:

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$ (000)	%
Commercial & Industrial	132,054	25.81
Real Estate (RE) Nonfarm Nonresidential	120,844	23.62
RE Residential (1-4 Family)	84,559	16.53
RE Construction	78,781	15.40
RE Farmland	50,929	9.95
Consumer Loans	29,792	5.82
RE Multifamily	8,988	1.76
Other Loans	3,891	0.76
Agricultural Production	1,773	0.35
Total Loan Portfolio	511,611	100%

Source: Institution Consolidated Reports of Condition as of September 30, 2009

TCB has the ability to meet the credit and CD need of its AAs. There are no legal or financial impediments to TCB's ability to meet the credit and CD needs of its AAs. The bank was rated "Satisfactory" at its last CRA examination dated November 17, 2003.

Description of Assessment Area(s)

TCB has five AAs consisting of the Laredo-Webb County MSA, the San Antonio MSA, the McAllen-Hidalgo County MSA, the Brownsville-Cameron County MSA, and the Del Rio-Val Verde County AA. The Laredo-Webb County MSA was selected for full-scope review as a significant majority of the bank’s loans and deposits are within this AA. The four other AAs were given a limited-scope review.

Description of the Laredo-Webb County MSA

Performance in the Laredo-Webb County MSA was given more consideration because a significant majority of the number and volume of the bank’s loans and deposits are in this AA. The Laredo-Webb County MSA AA is comprised of 32 contiguous census tracts (CT). There is one low-income CT, twelve moderate-income CTs, twelve middle-income CTs, and seven upper-income CTs. The percentage of families by income level is as follows: low-income 22.96%; moderate-income 16.89%; middle-income 18.19%; and upper-income 41.96%. The percentage of households below the poverty level is high at 28.11%. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) areas. Demographic information from the 2000 Census is reflected on the following chart.

Demographic and Economic Characteristics of the Laredo-Webb County MSA AA	
<i>Population</i>	
Total Population	183,609
Number of Families	43,701
Number of Households	50,647
<i>Geographies</i>	
Number of Census Tracts	32
% Low-Income Census Tracts	3.13%
% Moderate-Income Census Tracts	37.50%
% Middle-Income Census Tracts	37.50%
% Upper-Income Census Tracts	21.87%
<i>Median Family Income (MFI)</i>	
2000 Census MFI for AA	\$29,349
2007 HUD-Adjusted MFI	\$34,000
2008 HUD-Adjusted MFI	\$36,000
2009 HUD-Adjusted MFI	\$37,300
<i>Economic Indicators</i>	
2009 Median Housing Value	\$71,006
Unemployment Rate	3.34%
% of Households Below Poverty Level	28.11%

Source: 2000 US Census and 2008 HUD updated MFI

Based on 2000 Census data, the Laredo-Webb County MSA AA has a population of 184 thousand. The city of Laredo is the county seat and is the largest city within this AA. Laredo is located on the Rio Grande River across from Nuevo Laredo, Mexico. Laredo's economy is tied to international trade with Mexico and is comprised of commercial and industrial warehousing, import, and export. Laredo is the largest inland port of entry in the United States. The largest employers in this AA by industry include: trade/transportation/utilities, government, education/health services, leisure/hospitality, professional/business services, financial activity, and mining/construction. Competition is strong with several large local independent banks and numerous branch offices of community, regional, and large interstate banks. The economy in this AA is considered stable.

Our review also included a contact with a community housing development organization in the Laredo-Webb County MSA AA. This contact indicated that the primary needs in the area are affordable housing and financial education. The contact related that there is a need for more CD regarding the cleanup of neighborhoods. The contact indicated that the recent mortgage crisis and resulting tightening of credit standards has made it more difficult for low-income families to qualify for residential loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

The bank's performance under the lending test is **"Satisfactory"**. TCB's LTD ratio is satisfactory and a substantial majority of the bank's loans were originated within its designated AAs. The distribution of these loans by borrower income level, size of business, and by geography reflects a reasonable penetration of all income levels.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and known AA credit needs. The bank's quarterly average LTD ratio was 69.34% since the prior CRA examination dated November 17, 2003. The average LTD ratio of similarly situated banks that operate in common markets as TCB is 66.97%. TCB's quarterly LTD ratio has ranged from a low of 11.30% (as of 12/31/2003) to a high of 81.30%. TCB's current quarterly LTD ratio is 70.84% (as of 9/30/2009).

Institution	Total Assets as of 9/30/2009 (\$000s)	Average Quarterly LTD Ratio since the prior examination
Falcon International Bank – Laredo	\$ 900,523	86.27%
Lone Star National Bank – Pharr	\$1,679,165	72.99%
Texas Community Bank, N.A.	\$ 796,750	69.34%
Inter National Bank – McAllen	\$2,173,827	68.42%
International Bank of Commerce-Brownsville	\$ 813,891	60.03%
Commerce Bank – Laredo	\$ 443,452	47.14%

Source: Institutions Report of Condition from December 31, 2003 through September 30, 2009

Lending in Assessment Area

A substantial majority of TCB's lending activity is located within its five AAs. We reviewed data that was required to be collected by the HMDA for the years 2005 through the third quarter of 2009. We also reviewed a sample of 21 commercial business loans originated since the last performance evaluation. The breakdown by major loan categories is presented in the following table.

LENDING INSIDE THE ASSESSMENT AREA										
<i>Loan Type</i>	Number of Loans					Dollar Volume of Loans (\$000s)				
	<i>Inside</i>		<i>Outside</i>		<i>Total</i>	<i>Inside</i>		<i>Outside</i>		<i>Total</i>
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>	
Home Purchase *	292	86.90	44	13.10	336	54,266	74.09	18,981	25.91	73,247
Home Improvement *	409	91.50	38	8.50	447	12,725	86.87	1,923	13.13	14,648
Refinancing *	167	93.30	12	6.70	179	28,420	93.85	1,862	6.15	30,282
Commercial (limited sample)	20	95.24	1	4.76	21	3,227	83.24	650	16.76	3,877
Totals	888	90.34	95	9.66	983	98,638	80.82	23,416	19.18	122,054

Source: * Data reported under HMDA 2005 – 3rd Quarter 2009

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

Based on our sample, TCB's overall level of lending to borrowers of different incomes and businesses of different sizes is reasonable. The level of home purchase loans to low- and moderate-income families was below area demographics. However, we noted that the bank's market share of home purchase loans to low-income borrower's was 3.70%, which exceeds the bank's overall market share of 1.0% for all home purchase loans (*all market share data is based on 2008 Peer Mortgage Data*). The bank's record of home improvement lending to low- and moderate-income borrowers is reasonable. The bank's market share of home improvement loans to moderate-income borrowers of 12.07% exceeds their overall market share of 11.27% for all home improvement loans. While the level of refinanced loans to low- income borrowers is low, the banks overall market share of these type of loans is low at 0.82%. The high percentage of families below the poverty level, combined with the \$71 thousand median housing value, may hinder residential lending to low- and moderate-income borrowers. Furthermore, competition for home mortgage products is strong with numerous banks, mortgage companies, and financial institutions vying for these products. We considered these mitigating factors in our home mortgage lending analysis to low- and moderate-income borrowers.

The following graph reflects the bank's record of residential lending in the Laredo-Webb County MSA AA by income level.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS LAREDO-WEBB COUNTY MSA ASSESSMENT AREA								
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
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	22.96	2.34	16.89	3.91	18.19	7.81	41.96	85.94
Home Improvement	22.96	5.26	16.89	13.40	18.19	18.66	41.96	62.68
Refinance	22.96	0.00	16.89	5.56	18.19	3.70	41.96	90.74

Source: U.S. Census Data; HMDA Data

The bank’s distribution of our sample of loans to small businesses in the Laredo-Webb County MSA AA is satisfactory. The percentage of loans to businesses with revenues of \$1 million or less is reasonable. The following table reflects the distribution of our sample of loans, by revenues, originated within this AA.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN LAREDO-WEBB COUNTY MSA ASSESSMENT AREA				
<i>Business Revenues</i>	<i>≤\$1,000,000</i>	<i>>\$1,000,000</i>	<i>Unavailable/ Unknown</i>	<i>Total</i>
% of AA Businesses	71.82	4.45	23.73	100%
% of Bank Loans in AA by #	40.00	40.00	20.00	100%
% of Bank Loans in AA by \$	27.56	56.80	15.64	100%

Source: Loan Sample; Dunn and Bradstreet data

Based on limited scope reviews, performance in the San Antonio MSA AA, McAllen-Hidalgo County MSA AA, Brownsville-Cameron County MSA AA, and Del Rio-Val Verde County AA is adequate.

Geographic Distribution of Loans

The geographic distribution of residential loans reflects reasonable dispersion throughout the Laredo-Webb County MSA AA. The distribution of home purchase, home improvement, and refinancing loans are generally lower than the area demographics; however, market share comparisons were reasonable. The bank’s market share of home purchase loans in moderate-income CTs was 0.63% versus their total market share of 1.27% (*all market share data is based on 2008 Peer Mortgage Data*). The bank’s market share of home improvement loans in moderate-income CTs is 14.17%, which exceeds their overall market share of 12.98% for all home improvement loans. The bank’s market share of refinanced loans in moderate-income CTs is 3.05%, which nearly equals their overall market share of 3.09% for these types of loans. The lack of residential lending in the low-income geography is understandable as there is only one low-income CT in this AA. This CT is in the congested downtown area where there are very limited opportunities for residential lending.

The following table reflects the bank’s residential lending by CT.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN LAREDO-WEBB COUNTY MSA ASSESSMENT AREA								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
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	0.12	0.00	34.45	12.36	33.06	23.60	32.37	64.04
Home Improvement	0.12	0.00	34.45	19.78	33.06	28.78	32.37	51.44
Refinancing	0.12	0.00	34.45	10.17	33.06	22.88	32.37	66.95

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

The geographic distribution of multi-family loans in moderate-income CTs is excellent with the percentage of loans exceeding the percent of multi-family units in the moderate-income CT. The following table reflects the geographic distribution of multi-family real estate loans within this AA.

GEOGRAPHIC DISTRIBUTION OF MULTI-FAMILY REAL ESTATE LOANS IN LAREDO-WEBB COUNTY MSA ASSESSMENT AREA								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan Type	% of MF units	% of Number of Loans	% of MF units	% of Number of Loans	% of MF units	% of Number of Loans	% of MF units	% of Number of Loans
Multifamily (MF) units	2.50	0.00	18.94	40.91	41.52	36.36	37.04	22.73

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

The geographic distribution of business loans within this AA is excellent with the distribution of business loans almost equal to the percentage of business loans in moderate-income geographies. The following table reflects the geographic distribution of business loans.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN LAREDO-WEBB COUNTY MSA ASSESSMENT AREA								
<i>Census Tract Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
Loan type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial loans	5.13	0.00	20.93	20.00	21.64	5.00	52.30	75.00

Source: Loan sample; Dunn and Bradstreet Data

Based on limited scope reviews, performance in the San Antonio MSA AA, McAllen-Hidalgo County MSA AA, Brownsville-Cameron County MSA AA, and the Del Rio-Val Verde County AA is adequate.

Responses to Complaints

No complaints exist regarding the bank's CRA performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's overall performance under the CD test is satisfactory. The bank has provided an adequate level of CD services, investments, and loans in its AAs. Two of the bank's eight branches are located in moderate-income census tracts.

Number and Amount of Community Development Loans

TCB has six loans totaling \$2,355,750 which qualified as CD loans during this evaluation period. All were for affordable housing projects.

Based on a full-scope review, performance in the Laredo-Webb County MSA AA is adequate. TCB originated one loan for \$319 thousand for affordable housing, an identified need in this AA.

Based on limited scope reviews, performance in the San Antonio MSA AA, McAllen-Hidalgo County AA, Brownsville-Cameron County MSA AA, and the Del Rio-Val Verde County AA is adequate. TCB originated four loans totaling \$887 thousand in the San Antonio MSA AA, and one loan for \$1.2 million originated in the McAllen-Hidalgo County MSA AA to a Community Development Corporation that provides affordable housing. This loan will allow this organization to continue to provide residential subdivision development, new home construction, rehabilitation, loan financing, and other services for low- and moderate-income families. The bank did not originate any CD loans in either the Brownsville-Cameron County MSA AA or the Del Rio-Val Verde County AA, but these markets are still relatively new for the bank.

Number and Amount of Qualified Investments

TCB has thirty-one qualifying donations in its five AAs. They were either for affordable housing or community services.

Based on a full-scope review, performance in the Laredo-Webb County MSA AA is adequate. TCB made twenty-four donations totaling \$16,600 for affordable housing and qualifying CD services. Six donations totaling \$8,500 were directed to affordable housing organizations, and eighteen for \$8,100 were made to organizations that provide qualifying CD services.

Based on limited scope reviews, performance in the San Antonio MSA AA, McAllen-Hidalgo County MSA AA, Brownsville-Cameron County MSA AA, and the Del Rio-Val Verde County AA is adequate. TCB made six donations for \$6,520 in the San Antonio MSA AA, all for community services, and one donation for \$800 in the McAllen-Hidalgo County MSA AA for affordable housing. The bank did not make any qualifying

donations in either the Brownsville-Cameron County MSA AA or the Del Rio-Val Verde County AA, but these markets are still relatively new for the bank.

Extent to Which the Bank Provides Community Development Services

Several TCB employees provided financial services to five organizations whose primary purpose is community development. Several officers provided financial services that benefited four organizations that provide qualifying CD services, and one officer provided financial assistance to a small business organization.

Based on a full-scope review, performance in the Laredo-Webb County MSA AA is adequate. Three community service organizations that primarily serve low- and moderate-income persons benefited from fundraising efforts and technical financial assistance from several TCB employees who serve on those organizations' Board of Directors.

Based on limited scope reviews, performance in the San Antonio MSA AA, Brownsville-Cameron County MSA AA and the Del Rio-Val Verde County AA is adequate. TCB employees provided qualifying CD services to two organizations in the San Antonio MSA AA. One organization provides medical and other community services to children of low- and moderate-income families. Another organization is the Community Development Corporation which serves small business needs in the San Antonio MSA AA. The bank did not provide any CD services in the Brownsville MSA AA, McAllen MSA AA, or the Del Rio-Val Verde County AA, but these markets are still relatively new for the bank.

Responsiveness to Community Development Needs

TCB has demonstrated adequate responsiveness to CD needs in its AAs. The bank's CD activities in the Laredo-Webb County MSA AA have been mostly in affordable housing and community services. Qualifying activities in the limited scope areas have also been primarily in affordable housing and community services, which are the highest needs of those areas.

Fair Lending or Other Illegal Credit Practices Review

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