



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 22, 2006**

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

**The First National Bank of Refugio  
Charter Number 12462**

**111 East Plasuela Street  
Refugio, TX 78377**

**Comptroller of the Currency  
San Antonio South  
10101 Reunion Place Boulevard Suite 402  
San Antonio, TX 78216**

**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.

- First National Bank's (FNB) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).
- The bank's loan-to-deposit (LTD) ratio is reasonable given local economic conditions and AA demographics. The LTD ratio averaged 25% during the evaluation period. Such performance is also reasonable given the limited loan demand in the AA.
- A substantial majority of FNB's loans are made within the AA.
- The distribution of loans reflects excellent penetration among individuals of different incomes levels and businesses of different sizes.
- There have been no complaints with respect to FNB's CRA performance during this evaluations period.

## DESCRIPTION OF INSTITUTION

The First National Bank of Refugio (FNB) is a community bank with one office located in Refugio, Texas, the county seat of Refugio County. Refugio is located about 55 miles north of Corpus Christi, Texas. The bank is locally owned and operated. FNB has an affiliate relationship with the First National Bank of Woodsboro (FNB Woodsboro) and the Olympic Savings Association. All are based in Refugio County.

As of March 31, 2006, FNB had total assets of \$56 million. The bank's primary loan products include agricultural and consumer loans. The following chart details a breakdown of FNB's loan portfolio as of March 31, 2006.

<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>% of Total Loans</b>
Real Estate (RE) Construction	500	6
RE Farmland	705	9
RE Residential (1-4)	1,229	15
RE Nonfarm Nonresidential	970	12
<b><i>Agricultural Production</i></b>	<b><i>1,718</i></b>	<b><i>21</i></b>
Commercial and Industrial	220	3
<b><i>Consumer</i></b>	<b><i>2,359</i></b>	<b><i>28</i></b>
Other	541	6
Total	8,242	100

Bank lobby and drive-through services are provided Monday through Friday. There is also an automated teller machine (ATM) located on the bank parking lot that allows customers to obtain cash, account balance information, and transfer funds between accounts. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. The bank was rated “Satisfactory” at the previous CRA examination on December 10, 2001. No legal impediments or other factors hinder FNB’s ability to provide credit in its AA.

## DESCRIPTION OF REFUGIO COUNTY

FNB has designated Refugio County as its AA. Refugio is the county seat of Refugio County. Other communities located within the county include Woodsboro, Bayside, Tivoli, and Austwell. Specific demographic data for this area is listed below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b>Population</b>	
Number of Families	2,179
Number of Households	2,929
<b>Geographies</b>	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$36,380
2005 HUD-Adjusted MFI	\$42,000
2006 HUD-Adjusted MFI	\$42,000
<b>Economic Indicators</b>	
Unemployment Rate	2.15%
2006 Median Housing Value	\$39,577
% of Households Below Poverty Level	18%

The bank’s AA is comprised of three contiguous census tracts, and all three are designated as middle-income tracts. This area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies.

Based on the 2000 Census data, Refugio County has a population of approximately 8,000. There are 4,000 housing units in the AA of which 61% are owner-occupied, 21% renter-occupied, and 18% vacant. The local economy is based on farming, ranching, and small retail businesses. The AA's major employers are county and city government, the Refugio and Woodsboro school districts, and several oil field service companies.

In order to gather more current information on the nature of the community and potential lending opportunities within the AA, we contacted local city official and the Director of a local

governmental agency during this evaluation. These contacts stated that recent drought conditions have negatively impacted the agricultural industry in Refugio County. In addition to their respective crop insurance, farmers may receive federal disaster payments. Ranchers, on the other hand, may not have access to federal programs, and several have reduced their livestock numbers, or sold their herds entirely. Neither official mentioned any unmet credit needs in the community.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management is performing satisfactorily and has been successful in meeting the credit needs of its AA, including low- and moderate-income individuals, consistent with its resources and capabilities.

### Loan-to-Deposit Ratio

FNB's LTD ratio is satisfactory given its asset size, financial condition, and lending opportunities in the AA. Since the previous CRA examination, the quarterly LTD ratio has ranged from a low of 16% to a high of 33%. This fluctuation is attributed to the cyclical nature of agricultural related funding and limited lending opportunities within the AA. The average LTD ratio over the past 18 quarters was 25%, which is slightly above the 24% average for the previous evaluation.

This performance is consistent and reasonable given the substantial dollar volume of public funds deposited by local governments, and the limited loan demand in the AA. The following table provides average LTD ratios for other similarly situated banks.

<b>Institution</b>	<b>Assets as of 03/30/06*</b>	<b>Average LTD Ratio %**</b>
State Bank and Trust Company	75,881	27.32
First State Bank of Odem	62,415	27.03
Commercial State Bank – Sinton	53,814	24.89
FNB of Goliad	45,493	54.48
FNB of Woodsboro	29,503	37.97
<b><i>FNB of Refugio</i></b>	<b><i>55,808</i></b>	<b><i>25.04</i></b>

\* *Asset size of institutions is in thousands (000's)*

\*\**The average LTD ratio is based on the period between September 2001 and March 2006.*

## Lending in Assessment Area

A substantial majority of the bank's loans are made within its AA. We reviewed internal bank reports to assess performance for this criteria. The loans sampled within these reports were for a one year time period beginning March 31, 2005. Our analysis determined that 82% of the number and 83% of the dollar amount of all new loans were made within the AA.

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

FNB's loan portfolio reflects an excellent distribution among individuals of various income levels and agricultural businesses of different sizes within the AA. We reviewed internal bank reports to assess performance for these criteria. The loans sampled within these reports were for a one year time period beginning March 31, 2005. Our analysis determined that FNB lends to applicants regardless of income category. Based on the 2000 Census, 26% of AA households are designated low-income while 16% are designated as moderate-income. Our sample of 26 consumer loans reflected that 62% of consumer loans were made to low-income households while 23% of the consumer loans were made to moderate-income households. The following chart reflects the results of our sample of new consumer loans originated in FNB's AA.

CONSUMER								
<i>Borrower Income Level</i>	LOW		MODERATE		MIDDLE		UPPER	
<i>% of AA Households</i>	26		16		16		42	
	<i>% of Number</i>	<i>% of Amount</i>						
<i>Total</i>	62	34	23	34	11	25	4	7

FNB originates a substantial number of agricultural related loans under \$1 million. All of the 27 loans within our small business sample were to small farming operations. Management supports the agricultural community within the AA.

DISTRIBUTION OF LOANS TO SMALL BUSINESSES - AGRICULTURAL		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95	5
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

### **Geographic Distribution of Loans**

As previously noted, all three census tracts located in the AA are designated as middle-income areas. Therefore, an analysis of loan distribution by geographic area would not be meaningful.

### **Responses to Complaints**

No complaints relating to CRA performance were received during the evaluation period.

### **Fair Lending Review**

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