



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 07, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Texas Community Bank, National Association
Charter Number: 17826

6721 McPherson Road
Laredo, TX 78045-0000

Office of the Comptroller of the Currency

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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 satisfactory. Your LTD ratio is reasonable in relation to peer institutions, averaging 62.27% since the prior evaluation.
- Lending in the AA is outstanding as a substantial majority of TCB's loans are inside 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 January 4, 2010 (the date of the prior CRA evaluation), to May 7, 2012. The evaluation period for HMDA reportable loans included data that was reported from January 1, 2010 through December 31, 2011. In the first quarter of 2012 we validated the integrity of the 2010 and 2011 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 \$1,061 million in assets as of March 31, 2012. 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 seven additional branches have been opened.

TCB now has a total of nine 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 two branches in Del Rio, Texas. One Del Rio branch is located in a moderate-income census tract and opened on July 27, 2009. In 2010 the bank opened a second branch in Del Rio located in a middle-income census tract, which is designated as an underserved or distressed tract. The bank also operates twelve automated teller machines, nine of which are located at branch locations. Two ATMs are located at off-site locations in the Laredo-Webb County MSA. One ATM is located at an off-site location in a moderate income census tract in Del Rio.

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 March 31, 2012:

LOAN PORTFOLIO COMPOSITION		
Loan Category	\$ (000)	%
Real Estate (RE) Nonfarm Nonresidential	150,131	26.32
Commercial & Industrial	135,398	23.73
RE Residential (1-4 Family)	125,385	21.98
RE Construction	69,815	12.24
RE Farmland	32,445	5.69
Consumer Loans	26,538	4.65
RE Multifamily	18,025	3.16
Other Loans	9,359	1.64
Agricultural Production	3,362	0.59
Total Loan Portfolio	570,458	100%

Source: Institution Consolidated Reports of Condition as of March 31, 2012

TCB has the ability to meet the credit and CD needs 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 January 4, 2010.

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	193,117
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
2009 HUD-Adjusted MFI	\$37,300
2010 HUD Adjusted MFI	\$38,000
2011 HUD Adjusted MFI	\$39,100
<i>Economic Indicators</i>	
2009 Median Housing Value	\$71,006
Unemployment Rate	4.95%
% of Households Below Poverty Level	28.11%

Source: 2000 US Census and 2009, 2010, 2011 HUD updated MFI

Based on 2000 Census data, the Laredo-Webb County MSA AA has a population of 193 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 which includes commercial and industrial warehousing and import/export business. 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, consumer loans and financial education. The contact related that the continuing mortgage crisis and resulting tightening of credit standards has made it more difficult for low-income families to qualify for residential loans. The contact further related that low-income families are currently pursuing more rental housing options versus home purchase.

Conclusions with Respect to Performance Tests

LENDING TEST

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

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 62.27% since the prior CRA examination dated January 4, 2010. TCB's quarterly LTD ratio has ranged from a low of 57.38% (as of 9/30/2011) to a high of 69.28% (as of 12/31/2011). TCB's current quarterly LTD ratio is 58.67% (as of 3/31/2012).

Institution	Total Assets as of 3/31/2012 (\$000s)	Average Quarterly LTD Ratio since the prior examination
Falcon International Bank – Laredo	\$ 868,856	77.69%
Lone Star National Bank – Pharr	\$2,130,544	70.17%
International Bank of Commerce-Brownsville	\$ 927,518	67.29%
Texas Community Bank, N.A.	\$1,060,747	62.27%
Inter National Bank – McAllen	\$2,159,312	52.30%
Commerce Bank – Laredo	\$ 536,630	37.33%

Source: Institutions Report of Condition from December 31, 2009 through March 31, 2012

Lending in Assessment Area

A substantial majority of TCB’s lending activity is inside its five AAs. We reviewed data that was required to be collected by the HMDA for the years 2010 and 2011. We also reviewed a sample of 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 *	182	89.22	22	10.78	204	33,513	79.61	8,581	20.39	42,094
Home Improvement *	147	95.45	7	4.55	154	3,692	97.78	84	2.22	3,776
Refinancing *	71	89.87	8	10.13	79	12,517	84.48	2,300	15.52	14,817
Business Loans (limited sample)	18	90.00	2	10.00	20	1,525	71.74	601	28.26	2,126
Totals	418	91.47	39	8.53	457	51,247	81.59	11,566	18.41	62,813

Source: Data reported under HMDA 2010 - 2011 (includes multi-family)

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 bank’s record of home purchase, home improvement, and refinance lending to moderate-income borrowers is reasonable. The level of home improvement lending to low-income borrowers is lower than the percentage of low-income families in the AA; however, the bank’s overall market share of home improvement loans to low-income borrowers is reasonable at 25%. The level of home purchase and refinance loans to low-income families is poor; however, the high percentage of families below the poverty level, combined with the \$71 thousand median housing value, may hinder this type of residential lending. Furthermore the banks’ overall market share of home purchase and refinance loans is low at 0.82% and 1.23%, respectively.

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>	
<i>Loan Type</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>	<i>% of AA Families</i>	<i>% of # of Loans</i>
Home Purchase	22.96	0.00	16.89	9.09	18.19	9.09	41.96	81.82
Home Improvement	22.96	9.23	16.89	15.38	18.19	15.38	41.96	60.01
Refinance	22.96	0.00	16.89	17.65	18.19	5.88	41.96	76.47

Source: U.S. Census Data; HMDA Data 2010 – 2011 (excludes multi-family)

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	66.09%	2.97%	30.94%	100%
% of Bank Loans in AA by #	85.00%	15.00%	0.00%	100%
% of Bank Loans in AA by \$	74.56%	25.44%	0.00%	100%

Source: 2010 - 2011 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 adequate compared to the percentage of owner occupied housing in the AA. 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	21.43	33.06	17.86	32.37	60.71
Home Improvement	0.12	0.00	34.45	27.50	33.06	23.75	32.37	48.75
Refinancing	0.12	0.00	34.45	20.00	33.06	26.67	32.37	53.33

Source: Data reported under HMDA; U.S. Census data 2010 - 2011

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 lack of multifamily 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 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	33.33	41.52	22.22	37.04	44.45

Source: Data reported under HMDA; U.S. Census data 2010 - 2011

The geographic distribution of business loans within this AA is excellent with the distribution of business loans exceeding the percentage of business loans in the low- and 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	4.33	15.00	18.94	30.00	21.74	10.00	54.99	45.00

Source: 2010 – 2011 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

TCB’s overall performance under the CD test is adequate. The bank has provided an adequate level of CD loans, services, and investments in its AAs. Two of the bank’s branches are located in moderate-income census tracts, and one branch is located in a middle-income underserved or distressed census tract.

Number and Amount of Community Development Loans

TCB originated ten loans totaling \$1,057,125 which qualified as CD loans during this evaluation period. These were for affordable housing projects and for rehabilitation for disabled individuals.

Based on a full-scope review, performance in the Laredo-Webb County MSA AA is adequate. TCB originated four loans totaling \$757,125 for affordable housing, which is 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 three loans totaling \$275 thousand in the San Antonio MSA AA, and one loan for \$25 thousand in the McAllen-Hidalgo County MSA AA to a Community Development Corporation that provides affordable housing. The bank did not originate any CD loans in either the Brownsville-Cameron County MSA AA or the Del Rio-Val Verde County AA. However, TCB did originate two loans totaling \$455,000 in the broader state-wide regional area which were to entities providing affordable housing in communities where this is a need.

Number and Amount of Qualified Investments

TCB had twenty-three qualifying donations in its five AAs. These were for affordable housing and various community services.

Based on a full-scope review, performance in the Laredo-Webb County MSA AA is adequate. TCB made fifteen donations totaling \$20,050 for affordable housing and 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 two donations for \$1,100 in the San Antonio MSA AA, all for community services, one donation for \$25,000 in the McAllen-Hidalgo County MSA AA for affordable housing. The bank made one qualifying donation in Brownsville-Cameron County MSA AA for \$100 and four qualifying donations totaling \$1,450 in the Del Rio-Val Verde County AA.

Extent to Which the Bank Provides Community Development Services

Several TCB employees provided financial training to residents in moderate-income tracts via workshops in the Laredo-Webb County MSA AA, San Antonio MSA AA and the Del Rio-Val Verde AA. Some of these workshops were sponsored by organizations whose primary purpose is to provide affordable housing.

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 one organization in the San Antonio MSA AA. This organization provides medical and other community services to children of low- and moderate-income families. 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.

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.