



PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NBC Bank - Laredo, N.A.
Charter Number #16127**

**Interstate Highway 35 at Mann Road
Laredo, Texas 78041**

**Office of the Comptroller of the Currency
San Antonio North Field Office
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 **NBC Bank - Laredo, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 1, 1999**. 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 **Satisfactory**.

NBC Bank - Laredo, N.A.'s lending performance reflects reasonable responsiveness to community credit needs, including low- and moderate income individuals and areas. The following describes the bank's performance:

- C The loan-to-deposit ratio meets the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs.
- C A substantial majority of the number, and dollar volume, of loans originated are in the bank's assessment area.
- C The distribution of borrowers reflects a strong penetration among individuals of different incomes and businesses of different sizes.
- C An analysis of the geographic distribution of loans shows a reasonable distribution among low, moderate, middle and upper income areas.
- C The bank received no consumer complaints concerning its CRA performance since the August 1996 examination.

The following table indicates the performance level of **NBC Bank - Laredo, N.A.** with respect to each of the five performance criteria.

| Small Institution Assessment Criteria | NBC - Laredo, N.A. 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

NBC Bank - Laredo, N.A. provides banking services through its main office and its motor banking facilities located in the city of Laredo, Webb County, Texas. The bank also has one full service branch, located in south Laredo. The bank operates four ATM machines, one adjacent to the main banking facility, one in the Mall Del Norte in Laredo, one in its branch in south Laredo, and one in the Texas A&M University International. All ATM instructions are in both English and Spanish. The Mall del Norte location includes a motor banking facility. The bank offers checking accounts targeted to low income families with no minimum balance requirements or monthly service charge.

NBC Bank - Laredo, N.A. is one of three banks owned by National Bancshares Corporation of Texas, a multi-bank holding company headquartered in San Antonio. Total assets of the holding company as of our examination date are approximately \$512 million.

The bank's total assets are \$83 million with gross loans totaling \$51 million. The bank is an approved Small Business Administration lender and has a strong commercial lending effort focusing on small business. Commercial loans accounted for 53% of gross loans as of December 31, 1998. The bank is

in sound financial condition and there are no legal impediments to providing credit. The previous CRA examination is dated September 6, 1996.

President Mario Gonzalez serves on the Board of Directors of (and is Treasurer of) Laredo Webb Neighborhood Housing Services, Inc., which helps provides affordable housing in the Laredo area. The bank also refers new home buyers to home buyer counseling offered by the organization’s Home Ownership Center.

| Loan Portfolio Breakdown As of 12/31/98 | | |
|--|---------------|-----------------------|
| Type of Loan | Amount | % of Portfolio |
| 1-4 Family | 16,990 | 33% |
| Commercial | 8,132 | 16% |
| Commercial RE | 18,791 | 37% |
| Agricultural | 316 | 1% |
| Consumer | 6,792 | 13% |
| Gross Loans | 51,021 | 100% |

Description of Assessment Area

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate income geographies. It is defined as being in the Laredo Metropolitan Statistical Area (MSA) which is comprised of Webb County, Texas, which is on the Rio Grande next to Nuevo Laredo, Mexico. According to the 1990 Census, the Laredo MSA has a population of approximately 133,000 and has an estimated 1998 median family income of \$27,700. However, the county has experienced substantial economic and population growth in recent years, with much of it related to Laredo’s status as a major “inland port” for trade with Mexico. The economy is increasingly dependent on trade with Mexico, with a strong commercial, retail and energy components.

Webb County is one of the poorest metropolitan areas in Texas with 34% of households being below the poverty level. The county is composed of twenty-four census tracts, eleven of which are designated as moderate income, eight as middle income and five as upper income. There are no low income census tracts in the county. In our sample of loans, 25% of families were low income, 17% moderate, 16% middle and 42% were upper income. The unemployment rate for Webb County is approximately

8%. The bank has strong competition, with several commercial banks and credit unions operating in the area.

Examiners conducted community contacts with a local economic development agency and a local housing authority. Credit needs identified by the community contacts included affordable housing, home improvement, consumer and small business loans. Both contacts stated that the local financial institutions are doing a reasonable job of meeting these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan to deposit ratio is satisfactory. NBC Bank - Laredo N.A.'s average loan to deposit ratio since the previous examination is 62%. Similar institutions in the assessment area had loan to deposit ratios averaging from 41% to 70%.

Lending in the Assessment Areas

A substantial majority of the number and dollar volume of loans are within the assessment area (AA). As part of our examination, we reviewed a sample of consumer, residential, and commercial loans originating in 1998. Of the residential loans sampled, 90% by number and 82% by dollar amount were within the AA. Ninety-five percent of consumer loans by number and 85% by dollar amount were within the assessment area. All of the commercial loans sampled were within the assessment area.

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

The distribution of loans to borrowers of different income levels demonstrates a strong lending effort to low- and moderate income households. Of the 43 consumer loans within the AA, 58% were low- or moderate income borrowers. These income groups make up a combined 42% of families in the area. The consumer lending distribution has benefitted from the bank's "Prestamos con Pilon" lending program which targets low-income borrowers. It provides loans ranging in size from \$250 to \$440. The program has been a success, accounting for a large portion of all loans made. In fact, 30% (466) of all loans originating in 1998 were part of the program.

Our sample of residential loans also indicated the bank is reaching these lower income borrowers. Fifty percent of the loans in our residential sample was to low- to moderate income families. The effort includes participation in several low income housing programs.

For example, the bank is involved with the Federal Home Loan Bank of Dallas's Affordable Housing Project. Specifically, the program aids low-income families (less than 50% of the area median family income) in purchasing subsidized housing. The bank has provided funding for two of these properties and recently committed to funding three more in the near future.

NBC Bank - Laredo, N.A. also participates in the City of Laredo's Affordable Housing Program. The program offers subsidized financing for homes in Laredo's Colonia los Obispos subdivision. The city finances the down payment and terms on the loans are fixed for 30 years. The bank has funded two of these type of loans and is committed to funding eight more. In order to qualify for the program, families must have incomes less than or equal to 80% of the area's median family income.

| Loan Sample Distribution by Income Group | | | | | | | | | | |
|---|----------------------------|----------|---------------------------------|----------|-------------------------------|----------|------------------------------|----------|----------------------------|----------|
| <i>dollars in 000's</i> | Low Income Families | | Moderate Income Families | | Middle Income Families | | Upper Income Families | | Total # of Families | |
| Area Demographic Characteristics | 25% | | 17% | | 16% | | 42% | | 100% | |
| # of Families | 7,324 | | 4,954 | | 4,918 | | 12,539 | | 29,735 | |
| Loan Type | | % | | % | | % | | % | | % |
| Consumer | 15 | 35% | 10 | 23% | 8 | 19% | 10 | 23% | 43 | 100 |
| Residential | 3 | 11% | 11 | 41% | 2 | 7% | 11 | 41% | 27 | 100 |

The bank's strong commercial lending effort has been successful in reaching small businesses. Of our sample of fifteen commercial lending relationships, four were to businesses with gross revenues of less than \$100 thousand. All but two were to businesses with revenues of less than \$1 million.

| Lending to Businesses of Different Sizes | | | | | | | | | | |
|---|--------------------------|----------|------------------------|----------|---------------------------|----------|----------------------------|----------|--------------|----------|
| Gross Revenues \$000's | Less than 100,000 | | 100,000-500,000 | | 500,000-1,000,000. | | More than 1,000,000 | | TOTAL | |
| Loan Type | # | % | # | % | # | % | # | % | # | % |
| Commercial | 4 | 27 | 9 | 60 | 0 | 0 | 2 | 13 | 15 | 100 |

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was performed. The distribution of loans reflects a reasonable dispersion of loans given the areas demographics and the location of the bank's two offices. The 1990 census information indicates 40% of families in Webb County reside in moderate income tracks, 29% in middle income tracks, and 31% in upper income tracks. Our loan sample findings indicate strong commercial effort in moderate income areas. Consumer and residential loans were less likely to be made in these areas. The opening of the bank's south Laredo branch in 1998 should improve its access to moderate income areas. Our findings are summarized in the chart below:

| GEOGRAPHIC DISTRIBUTION OF LOANS | | | | | | | | | | |
|---|------------------------------|---|------------------------------------|----|---------------------------------|----|--------------------------------|----|------------------------|-----|
| | Low Income Tracts 0 | | Moderate Income Tracts 11 | | Middle Income Tracts 8 | | Upper Income Tracts 5 | | Total 24 | |
| Loan Types | # | % | # | % | # | % | # | % | # | % |
| Commercial | NA | | 8 | 53 | 2 | 13 | 5 | 33 | 15 | 100 |
| Consumer | NA | | 11 | 25 | 12 | 28 | 20 | 47 | 43 | 100 |
| Residential | NA | | 6 | 22 | 6 | 22 | 15 | 55 | 27 | 100 |

Response to Complaints

NBC Bank - Laredo, N.A. 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. We performed a comparative analysis of all residential loans made in 1997 to Hispanics and Whites. We found no evidence of apparent disparate treatment or discriminatory practices.