

PUBLIC DISCLOSURE

November 8, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Nueces National Bank
Charter Number 16063
1434 South Port Avenue
Corpus Christi, Texas 78465**

Supervisory Office:

**Office of the Comptroller of the Currency
San Antonio South Field Office
10101 Reunion Place Blvd, Suite 402
San Antonio, Texas 78216-4160**

<p>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.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency 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 **Nueces National Bank, Corpus Christi, Texas** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 8, 1999**. 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 **ASatisfactory.**@

Nueces National Bank (NNB) is responsive to the credit needs of its community including low- and moderate-income individuals and areas, and small businesses. The following factors support this conclusion:

- The loan-to-deposit ratio is reasonable given NNB's size and financial condition, and the credit needs of its assessment area (AA). NNB's loan-to-deposit ratio has averaged 64 percent for the past 10 quarters and is comparable to similarly situated institutions in the AA.
- A substantial majority of loans, both in number and dollar volume, are made within NNB's AA. Our commercial sample reflected 87.5 percent by number and 89.9 percent by dollar volume were within NNB's AA. All of the loans in our consumer sample were within their AA. The loans reported on the Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR) for the past 12 months, 95 percent and 93.5 percent were in their AA by number and dollar volume, respectively.
- The distribution of borrowers reflects satisfactory penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans is reasonably dispersed throughout the AA. We based this conclusion on the even distribution of commercial and consumer loans, which included penetration into low- and moderate-income census tracts.
- There have been no consumer complaints, regarding the bank's CRA performance, filed during this evaluation period.

Description of the Institution

Nueces National Bank (NNB) is a commercial bank with its main office located on Port Avenue in Corpus Christi, Texas. The bank has two additional locations with branch facilities on Saratoga Boulevard and Leopard Street in Corpus Christi. Automated teller machines (ATMs) are at all banking locations. As of September 30, 1999, NNB had total assets of \$59.3 million with \$30.1 million or 50.8 percent of its assets in net loans.

The bank offers a wide range of deposit services and credit products. Primary loan products consist of commercial and commercial real estate loans that comprise over 65 percent of the portfolio followed by consumer loans and 1-4 family residential real estate loans. NNB received a satisfactory rating at the prior CRA evaluation dated April 1, 1997. As of September 30, 1999, the loan portfolio was distributed as follows:

Loan Type	Amount \$(000)	Percentage
Commercial Real Estate	10,196	33%
Commercial	9,997	32%
Consumer	5,223	17%
1-4 Family	4,261	14%
Other	1,263	4%
Total	30,940	100%

There are no legal or other impediments that limit the bank's ability to help meet the community's credit needs. First National Bank Group, Inc., a two bank holding company, located in Edinburg, Texas, owns 92.6 percent of NNB. As of September 30, 1999, First National Bank Group, Inc. had total assets of \$41.6 million.

Description of the Assessment Area (AA)

NNB's assessment area is the Corpus Christi Metropolitan Statistical Area (MSA) which comprises Nueces and San Patricio Counties. Corpus Christi is located along the Gulf of Mexico approximately 160 miles south of San Antonio, Texas. The local economy is good with low unemployment, which is approximately 6.5 percent. Shipping, petrochemicals, agriculture, military installations, and tourism are significant contributors to the economy. The MSA has 79 census tracts (CTs) which include 8 low- (10.4 percent), 16 moderate- (20.8 percent), 26 middle- (33.8 percent), and 27 upper- (35 percent) income CTs. Two CTs are not defined. According to the 1990 U.S. Census, the total population is 349,894 with 89,695 families. Forty percent of the families have low or moderate incomes. The breakdown by income is 24.3 percent low-, 16.0 percent moderate-, 18.9 percent middle-, and 40.8 percent upper-income. An estimated 23 thousand households are below the poverty level. The median housing value is \$56,154 with 51.9 percent owner-occupied. The Department of Housing and Urban Development updates the median family income (MFI) annually. The 1999 MFI for this AA is \$40,600. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Competition is fierce. In addition to six locally owned community banks, the AA includes branches of three regional banks, several savings banks, and numerous credit unions. We conducted one community contact with a minority interest group and considered another recently performed contact with a local community development organization by the OCC. Both contacts indicated the credit needs in the community are being met by the financial institutions. Both community contacts felt that the community's primary need is small business loans. Both contacts stated that the banks within the Corpus Christi area are active within the community and provide much needed community services.

Conclusions With Respect To Performance Criteria

NNB satisfactorily meets the credit needs of its AA, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

NNB's loan-to-deposit ratio meets the standards for satisfactory performance with an average loan-to-deposit ratio of 64 percent for the last 10 quarters. The loan-to-deposit ratio has increased since our prior review and was at 63 percent as of September 30, 1999. The ratio rose to 77 percent by November 30, 1999, due to the acquisition of the First National Bank of Edinburg branch. NNB's loan-to-deposit ratio compares favorably with the five other locally owned community banks located in the AA. Their loan-to-deposit ratios range from 57 percent to 74 percent.

Lending in the Assessment Area

NNB exceeds the standards for satisfactory performance in lending within its AA. A substantial majority of their loans both in number and in dollar volume are located within their AA. Our analysis included loans reported on the HMDA-LAR over the past 12 months, a sample of 23 consumer loans, and a sample of 24 commercial loans originating during this same time period. The following table demonstrates the distribution of these loans in and outside their AA.

Loans Originated in the Assessment Area						
	Within the AA		Outside the AA		Totals	
	#	\$000	#	\$000	#	\$000
HMDA - LAR	76	1,229	4	86	80	1,315
	95.0%	93.5%	5.0%	6.5%	100%	100%
Consumer Loan Sample	23	205	0	0	23	205
	100%	100%	0%	0%	100%	100%
Commercial Loan Sample	21	2,651	3	297	24	2,948
	87.5%	89.9%	12.5%	10.1%	100%	100%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

NNB meets the standards for satisfactory performance of these criteria with a reasonable distribution of loans to individuals with different income levels and businesses of different sizes within its AA. The bank's primary product lines consist of commercial and commercial real estate loans. These loans comprise approximately 65 percent of the portfolio. The table below reflects a reasonable distribution of loans to businesses with revenues of less than \$1 million. The bank's performance also compares favorably to the demographics, which show that about 73 percent of the business lending in the AA is to small businesses. Our analysis focused on the number of loans because businesses with higher revenues tend to borrower much larger sums of money.

Lending Businesses of Different Sizes (dollars in thousands)										
Revenue Ranges	<\$100		\$100 - \$500		\$500-\$1,000		>\$1000		Total	
<i>By Number</i>	#	%	#	%	#	%	#	%	#	%
<i>By Dollar Volume</i>	\$(000)		\$(000)		\$(000)		\$(000)		\$(000)	
Commercial Loan Sample	4	19.0%	9	42.9%	2	9.5%	6	28.6%	21	100%
	162	6.1%	739	27.9%	50	1.9%	1,700	64.1%	2,651	100%

The distribution of HMDA-LAR reportable loans originating over the past twelve months indicates reasonable penetration to low- and moderate-income families. The principal home-related loan product for low-income and moderate-income borrowers was home improvement loans. Our analysis reflected no home purchase loans to low-income families and only modest penetration of home purchase loans to moderate-income families. This can be partially attributed to the high median housing cost in the AA and the nominal housing turnover surrounding the bank's main office facility.

Our consumer sample reflects good penetration of loans to low- and moderate-income families, which generally corresponds to the population distribution as shown in the following table.

Lending to Borrowers of Different Income Levels										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Totals	
Area Demographic Characteristics	21,778 (24.3%)		14,397 (16.0%)		16,933 (18.9%)		36,587 (40.8%)		89,695 (100%)	
<i>By Number</i>	#		#		#		#		#	
<i>By Dollar Volume</i>	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	#	%
HMDA - LAR	23	30.3%	18	23.7%	11	14.5%	24	31.5%	76	100%
	77	6.3%	133	10.8%	181	14.7%	838	68.2%	1,229	100%
Consumer Sample	9	39.1%	4	17.4%	6	26.1%	4	17.4%	23	100%
	38	18.6%	57	27.9%	67	32.9%	42	20.6%	204	100%

Geographic Distribution of Loans

The geographic distribution of loans is evenly dispersed throughout the AA and meets the standards for satisfactory performance. We based this conclusion on the reasonable penetration of commercial, consumer, and HMDA-LAR reportable loans located in low- and moderate-income census tracts. The following table reflects this distribution.

Lending in Areas of Different Income Levels within the Assessment Area										
	Low Income Areas		Moderate Income Areas		Middle Income Areas		Upper Income Areas		Total	
	#	%	#	%	#	%	#	%	#	%
Census Tracts	8	10.4%	16	20.8%	26	33.8%	27	35.0%	77	100%
Population (thousands)	31	8.9%	85	24.3%	129	36.8%	105	30.0%	350	100%
<i>Loan Type</i>	# \$(000)	%	# \$(000)	%	# \$(000)	%	# \$(000)	%	# \$(000)	%
HMDA - LAR	14 71	18.4% 5.8%	24 183	31.6% 14.9%	22 540	28.9% 43.9%	16 435	21.1% 35.4%	76 1,229	100% 100%
Consumer Loan Sample	6 43,297	26.1% 21.1%	6 64,073	26.1% 31.3%	3 9,151	13.0% 4.5%	8 88,224	34.8% 43.1%	23 204,745	100% 100%
Commercial Loan Sample	3 72	14.3% 2.7%	10 1,732	47.6% 65.3%	5 749	23.8% 28.3%	3 98	14.3% 3.7%	21 2,651	100% 100%

The bulk of the HMDA-LAR reportable loans are centered in home improvement loans with an absence of home purchase loans in the low -income census tracts. These tracts are primarily located in and around the downtown area of Corpus Christi, which is mostly industrial and business oriented.

Response to Complaints/Record of Compliance with Anti-discrimination Laws

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

Our fair lending review did not identify any substantive violations of the antidiscrimination laws or regulations. No practices were detected which are intended to discourage applicants from applying for the types of credit the bank offers. Our fair lending sample focused on unsecured consumer loans with our comparative analysis based on gender. We compared 12 female denied applicants to 48 male approved applicants.

