



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 1, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Goliad
Charter Number 4565**

**243 S. Market
Goliad, TX 77963**

**Comptroller of the Currency
San Antonio South Field Office
5350 South Staples, Suite 405
Corpus Christi, Texas 78411-4654**

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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	1
<u>DESCRIPTION OF INSTITUTION</u>	1
<u>DESCRIPTION OF ASSESSMENT AREA</u>	2
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	3

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

First National Bank of Goliad's lending performance reflects a satisfactory response to its Assessment Area's (AA) credit needs. We based this conclusion on:

- The bank's loan-to-deposit ratio is good. While there are no other similarly situated financial institutions in the AA, it compares favorably to other community banks in the region.
- The ratio of loans made within the bank's AA is satisfactory.
- The distribution of borrowers reflects a reasonable penetration among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans is reasonably dispersed throughout the AA.
- There are no consumer complaints with respect to the bank's CRA performance.

DESCRIPTION OF INSTITUTION

First National Bank of Goliad (FNB) is an independently owned community bank with assets of \$40.8 million as of March 31, 2002. The main office is located in Goliad, Goliad County, Texas, and there is one full service branch located in Victoria, Victoria County, Texas. The bank operates two 24-hour automated teller machines, one at each location. FNB's loan portfolio consists mainly of commercial/commercial real estate, 1-4 family residential, and consumer loans.

Net loans of \$28.3 million represent 68.5 percent of FNB's total assets. Commercial/Commercial Real Estate loans represent 38 percent of total loans. One-to-four family residential and consumer loans each represent 22 percent of total loans. Over the past few years, the portfolio has shown an increase in 1-4 family residential loans and a decline in agriculture and farmland loans. The following table reflects the distribution of outstanding loan balances as of March 31, 2002:

Loan Category	\$ (000)	% of Total Portfolio
Commercial/Commercial Real Estate	10,792	38
Residential Real Estate	6,323	22
Consumer	6,305	22
Agriculture and Farmland	4,142	14
Other	1,067	4
Total	28,629	100

There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs in its AA. The bank does not have any affiliate relationships and there have been no changes in its corporate structure since the last review.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's AA includes all of Goliad and Victoria Counties where the two banking facilities are located. Goliad is not in a Metropolitan Statistical Area (MSA); however, Victoria is located in the Victoria MSA, which includes only Victoria County. This review combined the two counties for statistical purposes since they are contiguous. The AA consists of 23 census tracts, two in Goliad County and 21 in Victoria County. There are one low-income, seven moderate-income, eleven middle-income, and four upper-income census tracts in the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Competition in Goliad County is minimal with one branch of a community bank located in the city of Goliad. In Victoria County, competition is much stronger. A much larger community bank with several branches is headquartered in the city of Victoria. In addition, branches of three large banks are located in Victoria. Additional competition comes from several credit unions and savings banks.

The following table summarizes some of the statistics discussed in the ensuing narrative:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	21,727
Number of Households	28,499
<i>Geographies</i>	
Number of Census Tracts/BNA	23
% Low-Income Census Tracts/BNA	4.35
% Moderate-Income Census Tracts/BNA	30.43
% Middle-Income Census Tracts/BNA	47.83
% Upper-Income Census Tracts/BNA	17.39
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	31,933
2002 HUD-Adjusted MFI	46,326
<i>Economic Indicators</i>	
Unemployment Rate (%)	2.92
1990 Median Housing Value	51,363
% of Households Below Poverty Level	17.43

The population of the AA grew approximately 13 percent between 1990 and 2000, from 80 thousand to 91 thousand residents. Most of the actual growth was in Victoria County; however,

Goliad County grew at a slightly higher percentage rate. The 1990 weighted average median housing value was \$51,363 and the weighted average of median year built was 1967.

The economic conditions are good, however over 17 percent of the population is living below the poverty level. Goliad County's major economic sectors continue to be agriculture, tourism, and oil and gas production. The larger employers are the Goliad Independent School District, Central Power & Light, and the County of Goliad. In Victoria, the largest employers are the Victoria Independent School District, Inteplast Group, and Formosa Plastics. Other major economic and employment sectors in Victoria County include medical, construction, banking, trades, and service industries.

The updated Department of Housing and Urban Development (HUD) weighted average median family income (MFI) for the AA is \$46,326 in 2002. Of the 28,499 households in the AA, 3 percent are low-income, 28 percent are moderate-income, 46 percent are middle-income, and 23 percent are upper-income.

One community contact was made in Victoria. It was an economic development organization that is funded by both the private and public sectors. The contact stated that the biggest credit need in the community is small business loans.

The last CRA examination was completed in February 1998 and resulted in a satisfactory rating.

SAMPLING INFORMATION

Our review focused on FNB's main loan products including commercial/commercial real estate, 1-4 family residential, and consumer loans. A random sample of 20 of each of the three types of loans was taken, using loans originated from April 1998 through March 2002. We excluded loans originated outside of the AA for our analyses of *Lending to Borrowers of Different Incomes*, *Lending to Businesses of Different Sizes*, and *Geographic Distribution of Loans*.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Management has demonstrated "**satisfactory**" performance in meeting the credit needs of the AA.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio (LTD) meets the standards for satisfactory performance. Since the last examination, the ratio at the end of each quarter has been relatively steady and has averaged 73.2 percent. The lowest LTD, 66.5 percent, occurred at year-end 1999, and the highest LTD, 80.2 percent occurred at the end of the second quarter of 2001. For the latest quarter, ending March 31, 2002, the LTD was 76.6 percent. FNB has been above its peer group since year-end 2001. There are no other similarly situated financial institutions in FNB's AA.

Lending in Assessment Area

FNB's lending in the AA meets the standards for satisfactory performance. A majority of the bank's lending activity has been within the AA. As illustrated in the following table, 80 percent of the number of sampled loans originated within the AA and 77 percent of the dollar volume of the sample originated within the AA. The consumer sample is skewed because of one large loan originated outside the AA. That loan is three times the average size of the consumer loan sample.

LENDING IN AND OUT OF THE ASSESSMENT AREA								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial/ Commercial Real Estate	16	80	1,182	74	4	20	411	26
Residential Real Estate	17	85	634	88	3	15	88	12
Consumer	15	75	98	63	5	25	57	37
Total Reviewed	48	80	1,914	77	12	20	556	23

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

FNB exceeds the standards for satisfactory performance in this category. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

Of the 16 business loans originated within the AA, 94 percent were to small businesses. The following table illustrates the lending distribution to businesses located within the bank's AA. As the table reflects, the percent of both number and dollar of loans granted to small businesses substantially exceeds the number and dollar volume of loans to larger businesses. The ratio is also closely aligned to the percentage of businesses reporting these income levels. The ratios are indicative of a very reasonable level of performance regarding loans to small businesses.

Borrower Distribution of Small Loans to Businesses (Non-Farm)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94	6
% of Bank Loans in AA #	94	6
% of Bank Loans in AA \$	97	3

The table below reflects that the bank is exceeding the expectations for lending to low-income residential borrowers and is meeting the expectations for lending to moderate-income borrowers.

Distribution of Borrowers by Income Level Residential Real Estate				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER

% of AA Households	3		28		46		22	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	12	8	0	0	0	0
2000	12	6	0	0	6	3	11	16
2001	0	0	0	0	6	3	12	19
2002	0	0	6	1	12	24	23	20
Total	12	6	18	9	24	30	46	55

The sample of consumer loans illustrates that FNB has exceeded expectations for meeting the credit needs of both low- and moderate-income borrowers.

Distribution of Borrowers by Income Level Consumer								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	3		28		46		22	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	0	0	7	8	0	0
2000	0	0	7	10	7	9	0	0
2001	20	16	13	13	0	0	6	5
2002	20	16	7	10	6	9	7	4
Total	40	32	27	33	20	26	13	9

Geographic Distribution of Loans

FNB's geographic distribution of loans throughout the AA is reasonable and meets the standards for satisfactory performance. The one low-income census tract in the AA is in the flood plain. That area was severely flooded in 1998 and again is currently flooded. Potential residents have avoided the area for the last four years.

Before the branch in Victoria County was opened, the bank had a loan production office, which generated business loans in the Victoria market. As expected, business loans are originated proportionately across the census tracts. An important note is that the one low-income census tract is in the flood plain.

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	4		31		48		17	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	0	0	0	0	0	0
2000	0	0	0	0	6	7	0	0
2001	0	0	12	16	25	24	0	0
2002	0	0	13	19	19	18	25	16
Totals	0	0	25	35	50	49	25	16

Seventeen percent of the households in the AA are living below the poverty line. This generally excludes this segment of the community from a potential residential loan pool. The trade area for the main branch is Goliad County. This county is comprised of two middle-income census tracts.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	4		31		48		17	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	0	0	12	8	0	0
2000	0	0	0	0	29	25	0	0
2001	0	0	6	3	12	19	0	0
2002	0	0	6	3	35	42	0	0
Totals	0	0	12	6	88	94	0	0

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	4		31		48		17	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1999	0	0	7	9	6	8	0	0
2000	0	0	0	0	7	10	0	0
2001	0	0	7	10	33	23	7	11
2002	0	0	0	0	33	29	0	0
Totals	0	0	14	19	79	70	7	11

Responses to Complaints

There have been no CRA related complaints received since the last examination.

Fair Lending Review

An analysis of four years of public comments, consumer complaint information, and HMDA data was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997. There were no indications of any prescreening or discouragement of applicants noted during this review.