



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 14, 2002**

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

**National Bank & Trust  
Charter Number 3906**

**141 West Colorado Street  
La Grange, TX 78945**

**Comptroller of the Currency  
San Antonio North Field Office  
10101 Reunion Place Boulevard, Suite 402  
San Antonio, Texas 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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

National Bank & Trust's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio indicates a reasonable level of lending.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The bank makes a substantial majority of its loans within the assessment area (AA).

## DESCRIPTION OF INSTITUTION

National Bank & Trust (NB&T) is an \$85 million financial institution. The bank currently has one location in La Grange, Texas. It sold a branch in north central San Antonio in September of 2001. NB&T is 100% owned by a one-bank holding company, First La Grange Bancshares, Inc. The holding company is locally owned. The bank owns one automatic teller machine located at the main office. It is a full service bank whose main focus is serving the rural area of La Grange. The bank's emphasis is on small business, residential real estate, and consumer lending. At the prior CRA examination dated May 17, 1997, a Satisfactory rating was assigned. There are no legal or financial factors impeding the bank's ability to help meet the credit needs of its AA.

As of September 30, 2001, net loans represent 47% of the bank's total assets. A summary of the loan portfolio is shown below:

<b>Loan Portfolio Composition As of September 30, 2001</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial/Agricultural Loans	17,114	42%
Residential Real Estate Loans	12,205	30%
Consumer Loans	8,341	21%
Other Loans/Leases	3,033	7%
<b>Total</b>	<b>40,693</b>	<b>100%</b>

## DESCRIPTION OF ASSESSMENT AREA

The bank's AA for the assessment period includes two distinct markets: Fayette county and a portion of Bexar county covering north central San Antonio. The Fayette county portion of the assessment area includes seven block numbering areas (BNAs). Six BNAs are designated as middle-income areas, while the seventh is considered upper-income. There are no low- or moderate-income census tracts in this part of the AA. The assessment area that covers north central San Antonio includes 40 census tracts in Bexar county. Two census tracts are moderate-income, eight are middle-income, 29 are upper-income, and one census tract is not assigned an income category. This census tract includes a military reservation. There are no low-income census tracts in the bank's Bexar county assessment area. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

La Grange is located about 100 miles east of San Antonio, 100 miles west of Houston, and 65 miles southeast of Austin. The economy of La Grange is dependent on oil and gas activity, oil field-related services, and agriculture. Of all families located in Fayette county, 20% are low-income, 18% are moderate income, 19% are middle-income, and 43% are upper-income. The following table provides more information on Fayette county.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF FAYETTE COUNTY</b>	
<i>Population</i>	
Number of Families	5,736
Number of Households	8,121
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	86%
% Upper-Income Census Tracts/BNA	14%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$25,836
2001 HUD-Adjusted MFI	\$35,800
2000 HUD-Adjusted MFI	\$34,700
1999 HUD-Adjusted MFI	\$33,900
1998 HUD-Adjusted MFI	\$32,100
1997 HUD-Adjusted MFI	\$31,500
<i>Economic Indicators</i>	
Unemployment Rate	2.15%
2001 Median Housing Value	\$52,864
% of Households Below Poverty Level	21%

The bank served its San Antonio AA from 1997, when it opened the branch, until September of 2001. The AA covers a large part of north central San Antonio. The area is mostly residential, but several retail areas exist. Of all families living in the Bexar county portion of the assessment area, 10% are low-income, 11% are moderate-income, 17% are middle-income, and 62% are

upper-income. The following table provides more information regarding the bank's San Antonio AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF NORTH-CENTRAL BEXAR COUNTY</b>	
<i>Population</i>	
Number of Families	209,092
Number of Households	84,714
<i>Geographies</i>	
Number of Census Tracts/BNA	40
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	5%
% Middle-Income Census Tracts/BNA	20%
% Upper-Income Census Tracts/BNA	72.5%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$29,898
2001 HUD-Adjusted MFI	\$45,300
2000 HUD-Adjusted MFI	\$43,100
1999 HUD-Adjusted MFI	\$41,900
1998 HUD-Adjusted MFI	\$39,800
1997 HUD-Adjusted MFI	\$38,900
<i>Economic Indicators</i>	
Unemployment Rate	2.53%
2001 Median Housing Value	\$98,519
% of Households Below Poverty Level	7%

Examiners made community contacts with two community leaders. The contacts revealed no unmet credit needs.

## **SAMPLING INFORMATION**

Our review focused on the bank's main product lines: consumer loans, residential real estate loans, and commercial/small business loans. We reviewed separate loans samples for the two portions of the AA. For Fayette county, we sampled 23 consumer loans, 26 residential real estate loans, and 29 commercial loans. For the portion of Bexar county, we sampled 17 consumer loans and 19 commercial loans. For residential real estate loans, we reviewed 38 loans from the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA LAR). All loans in our sample were originated since the last CRA examination.

Because the bank sold its San Antonio branch in September of 2001, limited information was available for the loans made by that branch. We were unable to verify the HMDA LAR information. Income information for consumer and commercial loans was unavailable. We used loan size as a proxy for the *Lending to Borrowers of Different Incomes and Businesses of Different Sizes* analysis. The exact location where the bank made these loans was also unavailable, so we were unable to perform a complete *Geographic Distribution of Loans* analysis of the San Antonio AA.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

### Loan-to-Deposit Ratio

NB&T's loan-to-deposit ratio is reasonable compared to other banks located in Fayette county. These are the banks that management considers its primary competition. The table that follows shows how NB&T's average-loan to deposit ratio compares to the six other community banks headquartered in Fayette county. Since December 31, 1997, the bank's quarterly average loan-to-deposit ratio is 71%. NB&T's average loan-to-deposit ratio is third highest out of the seven area banks.

Institution	Assets (as of ) 09/30/01 (000's)	Average LTD Ratio
National Bank & Trust	85,064	71%
Colorado Valley Bank, La Grange, TX	26,906	72%
Fayetteville Bank, Fayetteville, TX	43,238	65%
Fayette Savings Bank, La Grange, TX	59,090	63%
Round Top State Bank, Round Top, TX	96,086	56%
Central Texas Bank, Flatonia, TX	143,606	50%
State Bank, La Grange, TX	276,549	73%

### Lending in Assessment Area

NB&T extends a majority of its loans within the AA. The following tables show the bank's level of lending in each portion of the AA. Of the loans reviewed that were made from the bank's location in La Grange, 86% of the number and 76% of the dollar volume of loans were made in the AA.

TOTAL LOANS REVIEWED FAYETTE COUNTY								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	23	88%	263	88%	3	12%	34	12%
Residential	26	84%	1,594	70%	5	16%	687	30%
Commercial/Ag	29	85%	741	89%	5	15%	95	11%
<b>Total Reviewed</b>	<b>78</b>	<b>86%</b>	<b>\$2,598</b>	<b>76%</b>	<b>13</b>	<b>14%</b>	<b>\$816</b>	<b>24%</b>

Based on the number of loans reviewed from the San Antonio branch, management made over 50% of each loan category in the AA. Based on dollar volume, only the percentage of

commercial loans was less than 50%. This percentage is skewed by a few large commercial loans made outside the AA.

TOTAL LOANS REVIEWED NORTH CENTRAL BEXAR COUNTY								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	17	57%	263	61%	13	43%	166	39%
Residential	38	50%	4,999	67%	38	50%	2,444	33%
Commercial/Ag	19	63%	3,327	33%	11	37%	6,789	67%
<b>Total Reviewed</b>	<b>74</b>	<b>54%</b>	<b>\$8,589</b>	<b>48%</b>	<b>62</b>	<b>46%</b>	<b>\$9,399</b>	<b>52%</b>

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

NB&T meets the standards for satisfactory performance with a reasonable distribution of loans to individuals with different income levels and businesses of different sizes. The bank's lending to consumer borrowers in Fayette county compares reasonably to the demographic makeup of the community. The bank made 22% of the number of loans sampled to low-income borrowers and 13% to moderate-income borrowers. This compares to 26% of all households in the community being low-income and 16% being moderate-income.

CONSUMER FAYETTE COUNTY								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	26%		16%		18%		40%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	13%	11%	13%	11%	18%	13%	13%	17%
2000	9%	8%	0%	0%	4%	3%	4%	1%
1999	0%	0%	0%	0%	4%	7%	13%	19%
1998	0%	0%	0%	0%	9%	10%	0%	0%
1997	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>22%</b>	<b>19%</b>	<b>13%</b>	<b>11%</b>	<b>35%</b>	<b>33%</b>	<b>30%</b>	<b>37%</b>

Borrower income information was unavailable for consumer loans made by the San Antonio branch, but of the 20 consumer loans sampled, 11, or 55%, were for \$10,000 or less, including four for less than \$4,000. All consumer loans sampled were under \$40,000.

The bank's level of residential real estate lending to low- and moderate-income borrowers is lower than the percentage of families in the respectable portions of the AA. This is understandable given this type of lending and the strong competition in the area.

<b>RESIDENTIAL REAL ESTATE MADE IN FAYETTE COUNTY</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20%		18%		19%		43%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	0%	0%	0%	0%	8%	11%	19%	32%
2000	0%	0%	4%	2%	4%	0%	12%	3%
1999	0%	0%	0%	0%	0%	0%	22%	13%
1998	0%	0%	0%	0%	4%	1%	15%	26%
1997	0%	0%	0%	0%	4%	2%	8%	9%
Total	0%	0%	4%	3%	20%	14%	76%	83%

<b>RESIDENTIAL REAL ESTATE MADE IN NORTH CENTRAL BEXAR COUNTY</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <sup>1</sup>	10%		11%		17%		62%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	0%	0%	0%	0%	0%	0%	5%	4%
2000	0%	0%	0%	0%	0%	0%	11%	14%
1999	0%	0%	0%	0%	11%	8%	49%	60%
1998	0%	0%	0%	0%	3%	2%	21%	15%
1997	0%	0%	0%	0%	0%	0%	0%	0%
Total	0%	0%	0%	0%	14%	10%	86%	90%

The bank adequately lends to businesses of different sizes. Of the 29 commercial loans sampled from the La Grange location, 27, or 93%, were made to borrowers with gross annual revenues of less than \$1 million.

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES FAYETTE COUNTY</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of Bank Loans in AA #	93%	7%
% of Bank Loans in AA \$	53%	47%

Income information for commercial loans made by the San Antonio branch was unavailable. However, of the 20 commercial loans sampled, all had loan amounts less than \$500 thousand. This included 11 loans, or 55%, with original amounts less than \$100 thousand.



## **Geographic Distribution of Loans**

Based on information available, the bank's geographic distribution of loans is reasonable. Since there are no low- or moderate-income BNAs in Fayette county, an analysis of the bank's geographic distribution of loans from the La Grange location would not be meaningful.

The Bexar county portion of the AA contains no low-income census tracts and two moderate-income census tracts. Because the bank sold the San Antonio branch, we were unable to collect information to perform geographic distribution analysis on consumer or commercial loans. The bank's HMDA LAR indicated that the bank made no residential loans in the moderate-income census tracts. This is understandable considering the two moderate-income census tracts represent a very small part of the AA and are located approximately 15 miles from the bank's former location. There are several community and large banks in the area that provide strong competition.

## **Responses to Complaints**

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

## **Fair Lending Review**

An analysis of 1997 through 2001 public comments and consumer complaint information 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 2000.