



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 21, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Community Bank, National Association
Charter Number 16809

1151 West Highway 77
San Benito, TX 78586

Office of the Comptroller of the Currency

San Antonio South Field Office
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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 loan-to-deposit (LTD) ratio is reasonable. The quarterly average for the evaluation period is 72 percent and it is consistent with competing institutions in the assessment area (AA).
- A substantial majority of loans originated within the AA.
- Loan originations represent reasonable penetration in the AA to businesses of different sizes and to borrowers of different incomes.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

This Performance Evaluation assesses First Community Bank's lending performance using small bank Community Reinvestment Act (CRA) procedures and financial information as of September 30, 2011. The evaluation period covered January 22, 2007, the date of the last CRA evaluation, to November 21, 2011 the start date of the current CRA evaluation.

To evaluate performance, we reviewed residential mortgage loans subject to reporting under the Home Mortgage Disclosure Act (HMDA) and a random sample of loans based on the primary loan products originated during the evaluation period. We compared reported HMDA data on twenty residential loans to source documents and did not identify any errors. We consider the data reliable and used the reported information for all 230 residential loans in our analyses. We also reviewed a sample of 25 business loans and 20 consumer loans. Lending performance for loans to small businesses received the most weight in determining the rating, since this is the major loan product for the bank.

DESCRIPTION OF INSTITUTION

First Community Bank, N.A. (FCB) is an intrastate bank headquartered in San Benito, Texas. It is a wholly owned subsidiary of First San Benito Bancshares Corporation, a one-bank holding company based in San Benito, Texas. FCB does not have any other operating subsidiaries or affiliates that affect its capacity to lend or invest in the community. FCB offers a full range of loan and deposit products through its six full-service offices located in Harlingen (2), San Benito (2), Los Fresnos (1), and Brownsville (1). Automatic teller machines (ATMs) are available at all offices.

FCB reported total assets of \$212.5 million and a Tier 1 leverage capital ratio of 8.99 percent at September 30, 2011. Net loans represented 55 percent of total assets and 72 percent of total deposits. Commercial lending remains the primary lending focus of the bank with commercial and commercial real estate loans representing 50 percent of the loan portfolio.

Our previous CRA Performance Evaluation, dated January 22, 2007, reflected a satisfactory rating. Based on its financial condition, size, and product offerings, there are not any legal, financial, or other factors that inhibit FCB's ability to help meet credit needs in its AA. For additional information about FCB, please refer to its CRA Public File.

The following chart provides a detailed summary of the loan portfolio at September 30, 2011.

Loan Type	Dollar Amount (000's)	Percent of Total Loans
Real Estate (RE) Nonfarm Nonresidential	33,822	29
Commercial and Industrial	23,354	20
RE Residential (1-4 family)	21,161	18
RE Farmland	12,396	11
RE Construction	11,045	9
Consumer	6,127	5
Agricultural Production	5,268	4
RE Residential (multifamily)	4,040	3
Other	129	<1
TOTAL Loans:	117,342	100

Source: Bank's regulatory Report of Condition

DESCRIPTION OF ASSESSMENT AREA(S)

The Cameron County assessment area (AA) meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income census tracts. The three major cities in the AA make up the Brownsville-Harlingen-San Benito MSA. FCB operates six branches in the AA that offer a full-range of banking products and services with primary focus on loans to small businesses.

FCB faces strong competition in the AA from branches of multinational and regional banking companies, such as Wells Fargo, Compass Bank, and JP Morgan Chase Bank. Several Rio Grande Valley community banks also have branches in the AA. At June 30, 2011, FCB deposits represented 4 percent of the total deposit market share in Cameron County.

Major employers include local school districts and colleges, federal and state government, H-E-B Grocery Stores, Wal-Mart Stores, and Valley Baptist Medical Center. The unemployment rate of 12.4 percent as of September 30, 2011, exceeds the state average of 8.4 percent and the national average of 8.8 percent.

We met with two community contacts to help determine credit needs and opportunities for financial institutions to meet those needs. We received positive comments and the contacts indicated current economic environment, along with strengthening of credit standards, limits the ability of some borrowers. The contacts identified the continued need for small business financing, affordable housing, and better-paying job opportunities.

The following table provides relevant information about the Cameron County AA.

Demographic and Economic Characteristics of Cameron County	
Population	
Total	335,227
Number of Families	80,213
Number of Households	97,193
Geographies	
Number of Census Tracts	86
% Low-Income Census Tracts	3
% Moderate-Income Census Tracts	28
% Middle-Income Census Tracts	40
% Upper-Income Census Tracts	29
Median Family Income (MFI)	
2000 Census Bureau Median Family Income	\$28,017
2007 HUD-Adjusted Median Family Income	\$30,000
2008 HUD-Adjusted Median Family Income	\$31,000
2009 HUD-Adjusted Median Family Income	\$32,900
2010 HUD-Adjusted Median Family Income	\$33,500
2011 HUD-Adjusted Median Family Income	\$33,700
Economic Indicators	
Unemployment Rate %	5.98
Median Housing Value	\$55,770
% of Households Below Poverty Level	29

Source: 2000 U. S. Census and Department of Labor

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FCB's loan-to-deposit (LTD) ratio is reasonable. This ratio measures the percentage of deposits returned to the community in the form of loans. We averaged the LTD ratios for each quarter-end since the last CRA examination to determine performance. The average LTD ratio since the last CRA examination was 72 percent. It reflects an increase from the 58 percent reported at the previous evaluation dated January 22, 2007. Based on the available information, FCB's average LTD ratio is comparable to the other banks located in the AA and indicates FCB is meeting credit needs in its community. The following chart shows average LTD ratios as of September 30, 2011 for competing banks within the AA.

Institution	Total Assets (000's) as of 09/30/2011	Average LTD Ratio as a percentage (%)
South Padre Bank, N.A.	39,274	77
Texas Regional Bank	87,134	76
First Community Bank, N.A.	212,521	72
International Bank of Commerce	904,913	67
First National Bank of South Padre Island	59,796	48

Source: Quarterly call report data; average LTD based on data from September 2006 to September 2011

Lending in Assessment Area

A substantial majority of loans, 87 percent of the number and 84 percent of the dollar volume, originated within the AA. We reviewed a sample of business and consumer loans originated during the evaluation period and also used all the residential loans reported under the Home Mortgage Disclosure Act (HMDA) in the evaluation period.

Refer to the following table for the facts and data used to evaluate lending in and out of the AA.

Lending in Cameron County AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	151	89	19	11	170	18,345	90	2,057	10	20,402
Home Improvement	13	76	4	24	17	889	67	438	33	1,327
Refinance	35	81	8	19	43	6,017	80	1,547	20	7,564
Total Residential:	199	87	31	13	230	25,251	86	4,042	14	29,293
Businesses	23	92	2	8	25	3,598	69	1,620	31	5,218
Consumer	17	85	3	15	20	118	78	34	22	152
Total All Loans:	438	87	67	13	505	54,218	84	9,738	16	63,956

Source: Data reported under HMDA, Loan sample.

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

Business Loans

FCB's primary lending focus is business loans. We noted a substantial majority of loans, 88 percent of the number, and 90 percent of the dollar volume, originated to businesses with annual revenues less than \$1 million. These percentages represent excellent penetration. We noted 96 percent of the loans in our sample were in amounts less than \$1 million. Further analysis reflected 92 percent were less than \$500 thousand, 88 percent were less than \$250 thousand, and 56 percent were less than \$100 thousand. These percentages indicate FCB does an excellent job of providing small businesses with loans.

Refer to the following table for the facts and data used in evaluating the distribution of business loans in Cameron County.

Borrower Distribution of Loans to Businesses in Cameron County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68	2	30	100
% of Bank Loans in AA by #	88	12	-	100
% of Bank Loans in AA by \$	90	10	-	100

Source: Loan sample; Dunn and Bradstreet data.

Residential Loans

To evaluate the borrower distribution of residential loans, we considered the number of households living below the poverty level and average sales prices of homes in the AA. Based on the 2000 U.S. Census data, 29 percent of households in the AA live below the poverty level. The Real Estate Center at Texas A&M University website indicates the median housing price in Harlingen and Brownsville at September 30, 2011 was \$87,500 and \$85,700, respectively. The average sales price for homes was \$128,400 in Harlingen and \$106,200 in Brownsville. When compared to the 2011 HUD Adjusted Median Family Income of \$33,700, the unsubsidized purchase of an average single-family residence might be beyond the financial means of some low- or moderate-income individuals. In addition, residential loan volumes during the evaluation period were low because these loans are not the primary lending focus of the bank.

The distribution of home purchase loans by borrower income level is poor. The percentage of loans made to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of loans made to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. The distribution of home improvement loans by borrower income level is not applicable, as FCB did not originate any home improvement loans to low- and moderate-income borrowers during the evaluation period. The distribution of home refinance loans by borrower income level is poor. The percentage of loans made to low- and moderate-income borrowers is lower than the percentage of low- and moderate-income families in the AA.

Refer to the following table for the facts and data used in evaluating the distribution of residential loans in Cameron County.

Borrower Distribution of Residential Real Estate Loans in Cameron County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	24	2	16	7	18	8	42	56
Home Improvement	24	0	16	0	18	8	42	69
Refinance	24	3	16	6	18	6	42	60

Source: U.S. Census data, Data reported under HMDA. Income NA for 27% of home purchase loans, 23% of home improvement loans, and 25% of refinancing loans.

Consumer Loans

The distribution of consumer loans by borrower income level is adequate. The percentage of loans made to low- and moderate-income borrowers is somewhat lower than the percentage of low- and moderate-income households in the AA.

Refer to the following table for the facts and data used in evaluating the distribution of consumer loans in Cameron County.

Borrower Distribution of Consumer Loans in Cameron County AA

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	26	17	15	11	17	33	42	39

Source: Loan sample; U.S. Census data.

Geographic Distribution of Loans

Business Loans

The geographic distribution of business loans is excellent. Although no loans originated in the low-income census tracts, the percentage of loans originated in the moderate-income census tracts exceeded the percentage of businesses located in these tracts.

Refer to the following table for the facts and data used in evaluating the geographic distribution of business loans in Cameron County.

Geographic Distribution of Loans to Businesses in Cameron County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
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
Businesses	3	0	22	28	35	40	40	32

Source: Loan sample; Dunn and Bradstreet data.

Residential Loans

The geographic distribution of home purchase loans is poor. The percentage of loans originated in moderate-income census tracts is lower than the percentage of owner-occupied housing units. The geographic distribution of home improvement loans is adequate. The percentage of loans originated in moderate-income census tracts is somewhat lower than the percentage of owner-occupied housing units. The geographic distribution of home refinance loans is poor. The percentage of loans originated in moderate-income census tracts is lower than the percentage of owner-occupied housing units. FCB did not originate any residential loans in the low-income census tracts.

Refer to the following table for the facts and data used in evaluating the geographic distribution of residential loans in Cameron County.

Geographic Distribution of Residential Real Estate Loans in Cameron County AA				
Census Tract Income Level	Low	Moderate	Middle	Upper

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	< 1	0	21	7	44	41	34	52
Home Improvement	< 1	0	21	15	44	54	34	31
Refinance	< 1	0	21	3	44	40	34	57

Source: Data reported under HMDA, U.S. Census data.

Consumer Loans

The geographic distribution of consumer loans is poor. The percentage of loans originated in moderate-income census tracts is lower than the percentage of households. FCB did not originate any loans in the low-income census tracts.

Refer to the following table for the facts and data used in evaluating the geographic distribution of consumer loans in Cameron County.

Geographic Distribution of Consumer Loans in Cameron County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	2	0	24	5	41	60	33	35

Source: Loan sample; U.S. Census data.

Responses to Complaints

FCB did not receive any complaints related to CRA during the evaluation period.

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.