



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 25, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Commercial Bank, National Association
Charter Number 17862**

**1336 East Court Street
Seguin, TX 78155**

**Comptroller of the Currency
San Antonio-North 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.

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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 Community Reinvestment Act (CRA) performance of **First Commercial Bank (FCB)** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of August 25, 2003. 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 **Satisfactory**.

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

- The bank's loan-to-deposit ratio is reasonable given the economy, lending opportunities, and local competition in each assessment area (AA).
- A majority of loans and other lending-related activities are within the bank's assessment areas.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels.
- The geographic distribution of loans is reasonably dispersed throughout the San Antonio MSA assessment area. There are no low- or moderate-income (LMI) census tracts in the Austin-San Marcos AA (Lakeway). Therefore, a geographic distribution analysis to determine penetration into LMI areas was not performed for that AA.
- There have been no consumer complaints regarding the bank's CRA performance during this evaluation period.

DESCRIPTION OF INSTITUTION

First Commercial Bank (FCB) is a community bank with \$104 million in total assets and headquartered in Seguin, Texas. The bank is a wholly owned subsidiary of First Commercial Financial Corporation, Inc., a locally owned one-bank holding company with total assets of \$8.9 million. There have been no recent changes to the bank's corporate structure. Aside from the

main office in Seguin, the bank has two branch offices. One branch is located in New Braunfels, Texas and one is in Lakeway, Texas. An automatic teller machine is located at each banking office.

The bank is primarily a commercial lender but also makes consumer, agricultural, home equity and home improvement loans. Aside from loans directly funded, the bank also facilitates a significant number of residential purchase loans for mortgage companies. As of June 30, 2003, net loans represented 70% of the bank's total assets. A summary of the loan portfolio is shown below.

Loan Portfolio Composition As of June 30, 2003		
Loan Category	\$ (000)	%
Commercial Real Estate Loans	27,943	38%
Commercial Loans	27,497	37%
Residential Real Estate Loans	11,921	16%
Consumer Loans	5,901	8%
Agricultural Loans	378	1%
Other	112	0%
Total	73,752	100%

There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs in its AAs. FCB's previous CRA rating, as of May 26, 1998, was "satisfactory."

DESCRIPTION OF ASSESSMENT AREAS

The bank has designated all of Guadalupe and Comal Counties and three census tracts in the Lakeway, Texas area (in Travis County) as its assessment areas (AA). The AAs meet the requirements of the regulation and do not arbitrarily exclude low-or moderate-income geographies.

Guadalupe and Comal Counties are both part of the San Antonio-New Braunfels Metropolitan Statistical Area (MSA) and were grouped together as one AA in our analysis. They include the cities of New Braunfels and Seguin where two bank offices are located. The two combined counties consist of 24 census tracts. Two census tracts are defined as moderate income, sixteen are middle income and six are upper income. Census information indicates 43% of families in the area are upper income, 21% are middle income, 18% are moderate income and 18% are lower income. The population of both counties grew dramatically in the 1990s. The combined population was 116,705 according to the 1990 Census but was estimated to be over 175,000 as of July 1, 2001. The economies of Guadalupe and Comal Counties are relatively diverse. Motorola, Seguin ISD, Tyson Foods and the regional hospital are among Guadalupe County's largest employers. Comal County's largest employers include Comal ISD and the Wal-Mart Distribution Center. Comal County, in particular, is a center for tourism and has a large population of retirees.

The Lakeway AA is in western Travis County, which is part of the Austin-San Marcos MSA. It is comprised of one upper and two middle-income census tracts. Although the area's population was 19,035 according to 1990 Census information, population has also grown dramatically in this area. Fifty-three percent of families in the area are considered upper income, 22% are middle income, 14% are moderate income and 11% are lower income. Lakeway itself is located on the southern shore of Lake Travis and is a major retirement and outdoor recreation center.

Economic conditions in both areas remain stable and rapid population growth continues. Each of the areas is a relatively competitive banking market with numerous regional bank branches as well as community banks. The unemployment rate in July 2003 was 5.9% for the San Antonio MSA and 6% for Travis County as a whole.

The following table provides demographic information for the designated AAs. The "San Antonio MSA" column refers to Guadalupe and Comal Counties and the "Austin MSA" column is for the three census tracts designated as the Lakeway AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA		
Population	San Antonio MSA	Austin MSA
Number of Families	32,808	5,637
Number of Households	42,125	7,509
Geographies		
Number of Census Tracts/BNA	24	3
% Low-Income Census Tracts/BNA	0	0
% Moderate-Income Census Tracts/BNA	8	0
% Middle-Income Census Tracts/BNA	67	67
% Upper-Income Census Tracts/BNA	25	33
<i>Median Family Income (MFI)</i>		
1990 Census MFI	\$29,898	\$35,481
1998 HUD-Adjusted MFI	\$39,800	\$50,800
1999 HUD-Adjusted MFI	\$41,900	\$55,400
2000 HUD-Adjusted MFI	\$43,100	\$58,900
2001 HUD-Adjusted MFI	\$45,300	\$64,700
2002 HUD-Adjusted MFI	\$46,200	\$71,100
Economic Indicators		
Unemployment Rate*	5.9	6.0
Median Housing Value	\$69,350	\$111,646
% of Households Below Poverty Level	14	4

* Rates for San Antonio MSA and Travis County

As part of our examination we interviewed a small business owner in Seguin. The contact interviewed during our examination indicated a need for more home improvement loans as other credit needs in Seguin. The contact's comments were favorable about the performance of FCB and its participation in the community.

SAMPLING INFORMATION

Our review focused on FCB's three primary product lines: commercial loans, consumer loans, and residential real estate loans. We sampled 40 combined commercial and commercial real estate loans and 40 consumer loans where the bank collected income information. We also included in our sample 237 residential real estate loans originated since the previous CRA examination and reported under the provisions of the Home Mortgage Disclosure Act (HMDA). For the *Lending to Borrowers of Different Incomes*, *Lending to Businesses of Different Sizes* and *Geographic Distribution of Loans* analyses, we omitted loans that were made outside of the two AAs. The loans included in the sample originated between July 1, 1999 and December 31, 2002, and were selected at random.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FCB's loan to deposit ratio is reasonable, given the bank's size, financial condition and AA credit needs. During the last 20 quarters ending March 31, 2003, the bank's average loan to deposit ratio was 72%. Average ratios, for the same period, for comparable community banks based in FCB's AAs, ranged from a high of 85% for Village Bank & Trust (in Lakeway) to a low of 59% for State Bank & Trust of Seguin. The chart below compares FCB's ratio to that of comparable banks in the surrounding area.

Institution	Assets (\$000) as of 3/31/2003	Average Quarterly LTD Ratio
First Commercial Bank	95,920	71.76
First State Bank	135,091	85.23
State Bank & Trust of Seguin	256,874	58.99
Village Bank & Trust, Lakeway	104,946	85.40

Lending in Assessment Areas

A majority of the bank's lending-related activities are within the AAs. This assessment is based on our sample of commercial and consumer loans originating between July 1, 1999 and December 31, 2002 as well as loans reported on the 1998-2002 Home Mortgage Disclosure Act-Loan Application Registers (HMDA-LAR). Using our loan sample and the HMDA-LAR, we determined that 76% and 71% of the sampled loans were located within the AAs by number and dollar volume, respectively. The bank's vendor generated Community Reinvestment Geo-Analysis reports reported that an average 77% of loans by number (or an average of 76% by dollar volume) originated between January 1, 1998 and December 2002 were to borrowers residing within the AAs. The results of our sample suggest this report is accurate.

The following table shows the bank's lending activities in and out of the AAs by type of loan

sampled.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase (Austin-San Marcos)	14	82	1,589	76	3	18	515	24
Other Home Loans* (Austin-San Marcos)	36	71	1,110	77	15	29	337	23
Commercial and Commercial RE (Austin-San Marcos)	15	75	1,227	73	5	25	450	27
Consumer (Austin-San Marcos)	16	80	319	89	4	20	38	11
Home Purchase (San Antonio)	31	82	2,351	65	7	18	1,256	35
Other Home Loans* (San Antonio)	96	73	2,538	75	35	27	843	25
Commercial and Commercial RE (San Antonio)	18	90	2,961	70	2	10	1,288	30
Consumer (San Antonio)	16	80	276	80	4	20	68	20
Total Reviewed	242	76	12,371	72	75	24	4,795	28

*Includes home improvement, refinancing, and multi-family property loans.

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

The loan distribution reflects reasonable penetration among business of different sizes and individuals of different income levels. Although commercial loans are the dominant lending product, the bank also originates a good number of consumer loans. A sample of 40 combined commercial and commercial real estate loans, 40 consumer loans, and 177 residential real estate transactions within the AA were used for this evaluation. Each of these loan products was considered in the overall rating for this assessment factor. The following tables summarize (by AA) the distribution of FCB's lending for residential real estate, consumer, and business loans.

Distribution of Residential Loan Borrowers by Income Level								
Austin-San Marcos AA								
Period: January 1, 1998 to December 31, 2002								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	11		14		22		53	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	7	2	7	3	21	20	65	75
Other Home*	17	4	14	7	19	15	50	74

*Includes home improvement and refinancing loans.

The residential lending pattern in the Lakeway or "Austin" AA, particularly in home equity and home improvement lending, indicates (as reflected above) a solid effort to low and moderate income borrowers. The residential lending pattern in Guadalupe and Comal Counties (below) also reflects a satisfactory effort.

Distribution of Residential Loan Borrowers by Income Level								
San Antonio-New Braunfels AA								
Period: January 1, 1998 to December 31, 2002								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	18		18		21		43	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	7	4	16	16	16	13	61	67
Home Other*	16	8	13	8	28	27	43	57

*Includes home improvement and refinancing loans.

Distribution of Borrowers by Income Level

Consumer Austin-San Marcos AA Period: July 1, 1998 to December 31, 2002								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Household	10		12		16		62	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002	15	8	0	0	10	5	0	0
2001	10	3	10	4	0	0	10	25
2000	10	5	5	2	5	4	5	3
1999	0	0	5	4	5	2	10	35
1998	0	0	0	0	0	0	0	0
Total	35	16	20	10	20	11	25	63

Our consumer loan samples showed an appropriate effort to lower income borrowers. In fact, the pattern reflected in consumer loans made at the Lakeway (Austin) office showed a strong effort to low- income borrowers.

Distribution of Borrowers by Income Level Consumer San Antonio-New Braunfels AA Period: July 1, 1998 to December 31, 2002								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Household	22		15		19		44	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002	0	0	10	4	10	13	10	11
2001	5	1	0	0	0	0	15	21
2000	5	2	0	0	5	3	15	12
1999	5	2	0	0	0	0	5	5
1998	5	10	5	8	0	0	5	8
Total	20	15	15	12	15	16	50	57

We also reviewed samples of commercial loans originating in the Austin-San Marcos AA as well

as the San Antonio-New Braunfels AA. Our sample for commercial loans originated between July 1, 1999 and December 31, 2002 suggested a satisfactory level of lending to small businesses. The following tables illustrate the lending distribution to businesses located within the bank's AAs. A small business is defined as a business with annual revenues of less than \$1 million.

BORROWER DISTRIBUTION OF BUSINESS LOANS (NON-FARM) (AUSTIN-SAN MARCOS AA)		
Business Revenues	<\$1,000,000	>\$1,000,000
% of AA Businesses	93	7
% of Bank Loans in AA #	70	30
% of Bank Loans in AA \$	59	41

BORROWER DISTRIBUTION OF BUSINESS LOANS (NON-FARM) (SAN ANTONIO-NEW BRAUNFELS AA)		
Business Revenues	<\$1,000,000	>\$1,000,000
% of AA Businesses	94	6
% of Bank Loans in AA #	75	25
% of Bank Loans in AA \$	67	33

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the San Antonio AA. As previously noted, the bank's Austin-San Marcos AA (Lakeway) has no low- or moderate-income (LMI) census tracts in the Austin-San Marcos AA. Therefore, a geographic distribution analysis to determine penetration into LMI areas in that AA would not be meaningful and none was performed. The geographical distribution of our San Antonio- New Braunfels AA (Guadalupe and Comal Counties) sample is reflected on the following tables.

Distribution of Borrowers by Tract Income Level San Antonio-New Braunfels AA Period: January 1, 1998 to December 31, 2002								
Census Tract Income Level	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Tracts	0		8		67		25	
% of Owner- Occupied Housing	0		6		70		24	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	NA	NA	3	1	81	75	16	24
Other Home*	NA	NA	6	7	65	60	29	33

*Includes home improvement, refinancing, and multifamily loans.

The geographical pattern of both our consumer and residential loan samples was comparable to the proportions of the owner-occupied housing and population living in census tracts of each defined income type. For example, Census Bureau information indicates 8% of households within the AA live within moderate- income tracts. This compares with 10% of the consumer loans sampled being in those areas as noted below.

Distribution of Borrowers by Tract Income Level San Antonio-New Braunfels AA – Consumer Loans Period: July 1, 1998 to December 31, 2002								
Census Tract Income Level	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Tracts	0		8		67		25	
% of AA Households	0		8		69		23	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
1998	NA	NA	0	0	7	8	7	15
1999	NA	NA	0	0	7	7	0	0
2000	NA	NA	0	0	20	16	0	0
2001	NA	NA	7	2	7	3	10	16
2002	NA	NA	3	2	28	29	7	2
Total	NA	NA	10	4	66	63	24	33

The commercial loan sample also indicates a reasonable distribution to moderate- income areas.

Distribution of Business Loans (Non-Farm) by Tract Income Level San Antonio-New Braunfels AA Period: July 1, 1998 to December 31, 2002								
Census Tract Income Level	LOW (None)		MODERATE		MIDDLE		UPPER	
% of AA Tracts	0		8		67		25	
% of AA Businesses	0		7		59		34	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2002	NA	NA	0	0	25	16	15	19
2001	NA	NA	5	19	0	0	15	9
2000	NA	NA	0	0	15	24	5	1
1999	NA	NA	0	0	15	5	5	7
1998	NA	NA	0	0	0	0	0	0
Totals	NA	NA	5	19	55	45	40	36

Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance during this evaluation period.

Fair Lending Review

An analysis of 1998, 1999, 2000, 2001, 2002, and 2003 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, we decided that a comprehensive fair lending examination would not be needed in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was done concurrently with the consumer compliance examination dated May 26, 1998.