

PUBLIC DISCLOSURE

January 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bevans State Bank of Menard
Certificate Number: 10704**

**101 San Saba
P.O. Box 38
Menard, Texas 76859**

Federal Deposit Insurance Corporation

**Division of Compliance and Consumer Affairs
1910 Pacific Avenue, 20th Floor
Dallas, Texas 75201**

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.

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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 **The Bevans State Bank of Menard** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **January 25, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area. This rating is supported by the following:

- An analysis of loan originations reveals an adequate penetration among borrowers of different incomes.
- The bank has achieved a reasonable dispersion of loans within its assessment area.
- The average loan-to-deposit ratio reflects an adequate responsiveness to community credit needs.
- A majority of loan originations are within the bank's assessment area.

DESCRIPTION OF INSTITUTION

The Bevans State Bank of Menard is a commercial bank with \$6,706,000 in gross loans and \$13,323,000 in total assets as of September 30, 1998. The bank office is in Menard, Texas. The largest loan categories on the June 30, 1998, Report of Condition were agricultural production at 22.96 percent, consumer at 19.61 percent, 1-4 family residential at 18.67 percent, and commercial real estate at 13.88 percent, and secured by farmland at 13.66 percent, accounting for 88.78 percent of the reported loans.

The bank is not associated with a holding company. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The Bevans State Bank of Menard's defined assessment area is Menard County and consists of the two Block Numbering Areas (BNA).

According to the 1990 Census the assessment area includes one tract designated moderate-income and one tract designated middle-income. The assessment area is contiguous and reasonably reflects the bank's lending performance. According to the 1990 Census, the population of Menard County is 2,252.

The bank has few competitors within the assessment area. The only other competitor in the county is the Menard National Bank. Menard County's three largest industries, as a percentage of total industries, are trade (33.0 percent), local government (30.5 percent), and agriculture (11.4 percent).

Low- and moderate-income families comprise 56 percent of the assessment area population. Of the 938 households in the assessment area, 28.8 were below the poverty level during the 1990 census. In December 1998, employment data revealed there are 1,052 individuals in the labor force and 38 individuals were reported as unemployed. The December 1998 unemployment rate for Menard County was 3.6 percent. As a comparison, the December 1998 unemployment rate for the State of Texas was 4.4 percent.

There are 1,562 housing units in the assessment area; 44.2 percent are owner occupied, 15.8 percent are rental units, and 40.0 percent are vacant. The median housing value in the assessment area in 1990 was \$24,649.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Sampling Information

The evaluation of the bank's lending performance is based upon the review of a sample of consumer loans originated between January 1, 1998 and December 31, 1998. The sample consisted of 40 loans secured by vehicles totaling \$172,506 from a potential universe of 924 loans totaling \$601,326. The bank's performance in consumer lending is considered the most relevant for this review as the bank originated a substantially larger number of consumer loans than agricultural loans, although the dollar volume is lower. The bank has not set a minimum dollar amount for loans, which supports the large number of consumer loans as compared to dollar volume of consumer loans.

Lending to Borrowers of Different Incomes

The bank has achieved a good penetration among borrowers of different incomes within the assessment area. The 1998 HUD estimated median family income of \$32,100 for the non-metropolitan areas of the state of Texas was used for the borrower distribution analysis. The following table provides information on how each income level is defined.

INCOME LEVEL	PERCENT OF MEDIAN FAMILY INCOME	INCOME RANGE
Low	Less than 50%	Less than \$16,050
Moderate	50% to 80%	\$16,050 to less than \$25,680
Middle	80% to 120%	\$25,680 to less than \$38,520
Upper	120% and over	\$38,520 and over

The following table represents the lending distribution of the vehicle loans reviewed. In addition, the table includes the percentage of families within each income level according to the 1990 census data. The analysis only includes the sampled loans which were originated within the assessment area. As indicated in the table, 85.7 percent of the number of loans were to low- and moderate-income individuals. This distribution compares favorably to the 56.0 percent of the families in the assessment area within the low- and moderate-income categories.

VEHICLE LOANS					
INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	33.9	15	42.86	\$43,517	29.57
Moderate	22.1	15	42.86	\$59,865	40.68
Middle	19.0	4	11.42	\$38,742	26.32
Upper	25.0	1	2.86	\$5,052	3.43
TOTALS	100.0	35	100.00	\$147,176	100.00

Geographic Distribution of Loans

Information shown in the following table depicts an equitable dispersion of loans throughout the assessment area considering the bank's location and the area's population distribution.

Geographic Distribution of Loans						
BNA INCOME DESIGNATION	NUMBER OF CENSUS TRACTS	PERCENT OF FAMILIES	NUMBER OF LOANS	PERCENT	DOLLAR VOLUME	PERCENT
Moderate	1	74.09	32	91.43	143,053	97.20
Middle	1	25.91	3	8.57	4,124	2.80
TOTALS	2	100.00	35	100.00	147,177	100.00

There are only two BNAs in the assessment area. The bank's main office is located in the moderate-income tract. The bank has conducted an internal analysis based on the four quadrants for the city and four quadrants for the county. The analysis performed by the bank indicated that in addition to lending being reasonably distributed between the two BNAs, it is also well distributed within the BNAs.

Loan-to-Deposit Ratio

The Bevans State Bank of Menard has demonstrated an adequate level of responsiveness to area credit needs as reflected by its loan-to-deposit (LTD) ratio. The bank's average quarterly LTD ratio for the 13 quarters since the prior evaluation dated September 22, 1995, is 54.46 percent. The table below lists similarly situated financial institutions with their respective LTD ratios.

LOAN-TO-DEPOSIT RATIO OF COMPETING BANKS			
September 30, 1998			
BANK NAME, CITY	COUNTY	ASSET SIZE (000s)	LOAN-TO- DEPOSIT RATIO
The Bevans State Bank of Menard, Menard	Menard	\$13,001	61.17%
The Commercial Bank, Mason	Mason	\$16,200	40.08%
First State Bank, Junction	Kimble	\$21,814	48.82%
Junction National Bank, Junction	Kimble	\$36,265	37.84%
Mason National Bank, Mason	Mason	\$38,228	60.67%
Menard National Bank, Menard	Menard	\$20,775	40.98%

Lending in Assessment Area

The bank originates a majority of its loans within the assessment area. Specifically, 87.5 percent of the number and 85.3 percent of the dollar volume of sampled loans were made within the assessment area.

Response to Complaints

The bank has not received any complaints regarding its performance under the Community Reinvestment Act since the prior evaluation.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified. A review of bank policies and procedures revealed no evidence of discriminatory or other illegal credit activities.

GLOSSARY

BLOCK NUMBERING AREA - an area defined by the U. S. Census, with State government assistance, that is similar to a census tract. Block numbering areas are usually located in rural areas.

CENSUS TRACT - a small locally demarcated area, usually in a metropolitan neighborhood, defined by the decennial census to generally consist of stable boundaries and an average population of 4,000.

LOW-INCOME -

- for a census tract - this refers to income levels less than 50% of the MFI for the MSA in which the tract is located.
- for a block numbering area - this income range is less than 50% of the MFI for all non MSA areas in the state in which the block numbering area is located.
- for individuals - this refers to income levels less than 50% of the most recent year's estimation of the MFI by the Department of Housing and Urban Development (HUD).

METROPOLITAN STATISTICAL AREA (MSA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population 50,000 or Census Bureau-defined urbanized area and a total MA population of at least 100,000. An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county.

MFI - median family income as determined by either the Census Bureau or adjusted annually by HUD.

MIDDLE-INCOME - determined using the same methodology as for low-income. The percentage used for middle-income designation is 80% - <120%.

MODERATE-INCOME - determined using the same methodology as for low-income. The percentage used for moderate-income designation is 50% - <80%.

UPPER-INCOME - determined using the same methodology as for low-income. The percentage used for upper-income designation is greater than or equal to 120%.