

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Bandera First State Bank
Bandera, Texas
Application for Federal Deposit Insurance
Deposit Insurance Fund

ORDER

The undersigned, acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act and relating to the applications for Federal deposit insurance through the Deposit Insurance Fund for Bandera First State Bank, a proposed new bank to be located at 800 Main Street, Bandera, Bandera County, Texas, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED that the applications submitted by Bandera First State Bank, Bandera, Texas, for Federal deposit insurance, be and the same is hereby approved subject to the following conditions:

- (1) That beginning paid-in capital funds (net of organization expenses) of not less than \$6,750,000 be provided, of which not less than \$6,750 shall be allocated to common capital and not less than \$6,743,250 to surplus;
- (2) That the Tier 1 capital to assets leverage ratio will be maintained at not less than eight percent throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided;
- (3) That during the first three years of operation, the bank shall maintain a Well Capitalized position as defined by the Prompt Corrective Action provisions of Part 325 of the FDIC's Rules and Regulations;
- (4) That any changes in proposed management or proposed ownership of 10% or more of stock, including new acquisitions of or subscriptions to 10% or more of the stock be approved by the FDIC prior to opening;
- (5) That an accrual accounting system be adopted for maintaining the bank's books;
- (6) That Federal deposit insurance shall not become effective unless and until the applicant has authority to conduct a depository institution business and its establishment and operation as a depository institution has been fully approved by the Texas Department of Banking;
- (7) That the bank shall operate within the parameters of the business plan submitted to the FDIC. Furthermore, during the first three years of operations, the bank shall notify the Regional Director of any proposed major deviation or material change from the submitted plan 60 days before consummation of the change.

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STATEMENT

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (12 U.S.C. §1815), an application for Federal deposit insurance has been filed for Bandera First State Bank (Bank), a proposed new bank to be located at 800 Main Street, Bandera, Bandera County, Texas.

The Bank will not be affiliated with any bank holding company or with another financial institution.

The Bank intends to become a full-service community bank providing traditional services to its target market, which consists of local individuals and small to medium sized business activities. The applicants are cognizant of and intend to fully comply with the Community Reinvestment Act.

For the purposes of this proposal, capital is adequate, projections for future earnings prospects are favorable, management is considered satisfactory, and the investment in fixed assets is reasonable. Corporate powers to be exercised are consistent with the purpose of the Federal Deposit Insurance Act. No formal objections to this proposal have been filed and no undue risk to the insurance fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, the Acting Regional Director, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**REGIONAL DIRECTOR
DALLAS REGIONAL OFFICE
DIVISION OF SUPERVISION AND CONSUMER PROTECTION
FEDERAL DEPOSIT INSURANCE CORPORATION**