



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 19, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Eldorado
Charter Number 8575**

**100 South Main Street
Eldorado, Texas 76936**

**Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, Texas 78216-4605**

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.

The First National Bank of Eldorado'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 bank's size, financial condition, and assessment area credit needs.
- A majority of loans are in the bank's assessment area.
- The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

DESCRIPTION OF INSTITUTION

The First National Bank of Eldorado (FNB) is a \$42 million financial institution. The bank's one location is in Eldorado, Texas. First Eldorado Bancshares, Inc. owns 100% of FNB's common stock. The one-bank holding company is locally owned. The bank owns one automatic teller machine which is attached to the bank building. FNB is a full-service bank. It offers traditional loan products with a primary focus on agricultural and small business lending. At the prior CRA examination dated March 29, 1999, a Satisfactory rating was assigned. There are no legal or financial factors impeding the bank's ability to help meet the credit needs of the assessment area.

As of March 31, 2003, net loans represent 35% of the bank's total assets. A summary of the loan portfolio is shown below.

Loan Category	\$ (000)	%
Commercial Loans	5,135	35%
Residential Real Estate Loans	4,084	28%
Agricultural Loans	2,564	18%
Commercial Real Estate Loans	1,809	12%
Consumer Loans	1,096	7%
Total	14,688	100%

DESCRIPTION OF ASSESSMENT AREA

Schleicher County is the bank's assessment area. The county consists of two block numbering areas. One block numbering area is designated middle-income and the other is upper-income. There are no low- or moderate-income tracts in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income

geographies.

Eldorado is a small, rural community in Schleicher County with a population of approximately 2,000. Nearly 3,000 people live in the entire county. Eldorado is located approximately 45 miles south of San Angelo and 190 miles northwest of San Antonio. The economy is dominated by agriculture and the oil and gas industry. The agricultural industry has been hurt by drought for the last several years, but Eldorado's economy has been helped by a strong oil and gas industry. The local school district and hospital are two of the area's largest employers.

No other banks are headquartered in the assessment area, but a branch of a local credit union provides competition in Eldorado. FNB also competes indirectly with several banks and other financial institutions located in the surrounding communities, including San Angelo.

Of all families living in the assessment area, 17% are low-income, 20% are moderate-income, 19% are middle-income, and 44% are upper-income. The following table provides more information on the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Persons	2,990
Number of Families	825
Number of Households	1,058
<i>Geographies</i>	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	50%
% Upper-Income Census Tracts/BNA	50%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$25,637
2002 HUD-Adjusted MFI	\$36,100
<i>Economic Indicators</i>	
Unemployment Rate	1.34%
2002 Median Housing Value	\$37,443
% of Owner-occupied Properties	58%
% of Households Below Poverty Level	19%

Examiners contacted the local chamber of commerce. The contact identified no unmet credit needs.

SAMPLING/COMPARISON INFORMATION

Our review focused on the bank's primary product lines: commercial/small business loans, agricultural loans, and residential real estate loans. For the purpose of our evaluation, we

combined commercial and commercial real estate loans into one sample. FNB originated all loans in our samples since the previous CRA examination.

In evaluating the bank’s loan-to-deposit ratio, we compared FNB to the 12 banks that are headquartered in the counties that surround the bank’s assessment area. There are no banks other than FNB headquartered in the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The table that follows shows how FNB’s quarterly average loan-to-deposit ratio compares to the ratios of the 12 banks headquartered in the surrounding area. Since the previous CRA examination in March of 1999, FNB’s quarterly average loan-to-deposit ratio is 54%. This ranks FNB the sixth highest out of the thirteen area banks.

Institution	Assets as of 12/31/02 (000's)	Average LTD Ratio
First National Bank	41,504	54%
First National Bank of Mertzon	116,741	30%
Junction National Bank	39,261	45%
Ozona National Bank	128,202	45%
San Angelo National Bank	316,024	48%
Menard National Bank	25,729	48%
Texas State Bank	147,963	48%
First State Bank (Junction)	34,670	51%
The Bevans State Bank of Menard	16,305	57%
The Eden State Bank	31,308	58%
First State Bank (Paint Rock)	41,903	58%
First National Bank of Sonora	116,390	61%
Crockett National Bank	152,034	79%

Lending in Assessment Area

A majority of loans are in the bank’s assessment area. FNB made 75% of all 60 loans sampled in the assessment area. Loans made in the assessment area represent 63% of the dollar volume of all loans sampled. Based on dollar volume, FNB made just less than a majority of its

commercial loans in the bank’s assessment area. However, this number is skewed by one large loan. Excluding this one large loan, FNB made 79% of the commercial loans in the assessment area based on dollar volume. The following table shows FNB’s record of lending in the assessment area.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	15	75	444	49	5	25	465	51
Agricultural	16	80	664	80	4	20	167	20
Residential	14	70	452	61	6	30	285	39
Total Reviewed	45	75	1,560	63	15	25	917	37

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

The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. FNB’s record of commercial lending to businesses with gross annual revenues less than \$1 million is reasonable. FNB made all but one of the 20 commercial loans sampled, or 95%, to businesses with gross annual revenues of less than \$1 million. Ninety-four percent of all businesses in the assessment area that reported revenues have gross annual revenues of less than \$1 million. The bank’s record of lending to small businesses is lower when considering dollar volume of loans. FNB made 75% of the loans sampled based on dollar volume to businesses with gross annual revenues less than \$1 million. This is reasonable as businesses with lower revenues generally borrow in smaller amounts than businesses with higher revenues.

BORROWER DISTRIBUTION OF LOANS TO SMALL BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94	6
% of Bank Loans in AA #	95	5
% of Bank Loans in AA \$	75	25

The bank’s record of lending to small farms is strong. FNB made all 20 of the agricultural loans sampled to farms with gross annual revenues of less than \$1 million. Of the farms that reported revenues, 97% had gross annual revenues of less than \$1 million.

BORROWER DISTRIBUTION OF LOANS TO SMALL FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97	3
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

The bank’s record of residential lending to moderate-income families is comparable to the area

demographics. FNB made 25% of the residential loans sampled to moderate-income borrowers. Twenty percent of families living in the assessment area are moderate income. The bank's record of residential real estate lending to low-income borrowers is low compared to the demographics of the assessment area based on the number of loans. FNB made 5% of the residential real estate loans sampled that were made in the assessment area to low-income borrowers. Seventeen percent of families in the assessment area are low-income. Low-income families generally purchase homes less frequently than middle- and upper-income families.

FNB's level of lending is low when considering the dollar volume of loans. This is reasonable as low- and moderate-income families generally borrow lower dollar amounts than middle- and upper-income families when purchasing homes.

The following table reflects the bank's record of residential real estate lending.

RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	17		20		19		44	
LOANS BY YEAR	% of Number	% of Amount						
1998 to 2003	5	3	25	16	15	13	55	68

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful because there are no low- or moderate-income geographies in the assessment area.

Responses to Complaints

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

Fair Lending Review

An analysis of 1999 through 2003 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 1999.