

Public Disclosure

March 29, 1999

Community Reinvestment Act Performance Evaluation

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

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

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Field Office
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San Antonio, Texas 78216-4605**

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.

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 CRA performance of **The First National Bank of Eldorado** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 29, 1999. 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**.

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

- C The bank's loan volume, as measured by its loan-to-deposit ratio, meets the standard for satisfactory performance, averaging 47% since the previous CRA examination.
- C The bank makes a majority of its loans within the assessment area.
- C The distribution of borrowers reflects an adequate penetration among individuals of different income levels and businesses and farms of different sizes.
- C An analysis of the bank's geographic distribution of loans is not meaningful. The assessment area includes no low- or moderate-income block numbering areas (BNAs).
- C The bank received no CRA-related complaints since the previous CRA examination.

The following table indicates the performance level of **The First National Bank of Eldorado** with respect to each of the five performance criteria.

The First National Bank of Eldorado Performance Levels			
Small Institution Assessment Criteria	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-deposit Ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans	An analysis of the bank's geographic distribution of loans is not meaningful.		
Response to complaints	No complaints were received since the previous examination.		

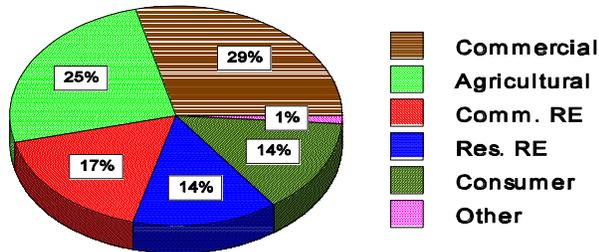
Description of Institution

The First National Bank of Eldorado (FNB), a \$39 million financial institution, is the only bank

headquartered in the assessment area. First Eldorado Bancshares, Inc. owns 100% of the bank's common stock. This one-bank holding company is locally owned. The bank has one location, and owns one automatic teller machine that is attached to the bank building. FNB is a full service bank that offers a variety of loan products with an emphasis on agricultural and consumer loans. As of December 31, 1998, commercial loans totaled 29% of the bank's \$18 million loan portfolio. Agricultural loans and commercial real estate (RE) loans represented 25% and 17%, respectively. Residential real estate loans and consumer loans each represented another 14%. Other loans account for 1% of the total.

Loan Portfolio Composition

As of December 31, 1998



The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. FNB has not opened or closed any branches since the last examination. At the previous CRA examination dated May 22, 1996, FNB received a "Satisfactory" rating.

Description of Assessment Area

The bank's assessment area consists of Schleicher county and includes two BNA's. One is designated middle-income, while the other is upper-income.

Eldorado is a small, rural community in Schleicher county with a population of about 2,000. Almost 3,000 people live in Schleicher county. Eldorado is roughly 45 miles south of San Angelo and 190 miles northwest of San Antonio. The economy is dominated by agriculture and oil industries. The local economy has suffered recently due to low commodities and oil and gas prices.

The median family income for the assessment area is \$22,177. The Texas 1998 nonmetropolitan median family income is \$32,100. Of all families in the assessment area, 17% are low-income, 20% are moderate-income, 19% are middle-income, and 44% are upper-income.

Examiners made community contacts with the local school board president and the area chamber of commerce. The contacts revealed no unmet credit needs, although they did express concerns about the local economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low- and moderate-income families.

Loan-to-Deposit Ratio

The bank's volume of lending, as measured by its loan-to-deposit ratio, is satisfactory when compared to other community banks located in surrounding counties. For the last 12 quarters ending December 31, 1998, the bank's average loan-to-deposit ratio was 47%. This compares to the average loan-to-deposit ratio of 49% for 13 community banks headquartered in the surrounding counties. Of the 14 banks, FNB has the eighth highest average loan-to-deposit ratio. The other banks have average loan-to-deposit ratios ranging from 29% to 69%.

Lending in Assessment Area

Based on samples of loans made since the previous CRA examination, FNB extends a majority of its loans within the assessment area. Of the 40 residential real estate loans sampled, the bank made 35, or 88%, within the assessment area. The bank made 70% of the 40 consumer loans sampled within the assessment area. Examiners found 55% of the 20 commercial loans and 80% of the agricultural loans sampled were made within the assessment area.

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

The distribution of loans to borrowers of different income levels demonstrates satisfactory lending efforts to low- and moderate-income borrowers. Examiners reviewed samples of the bank's primary product lines, including agricultural, commercial, consumer and residential real estate loans. Examiners sampled loans originated since the previous CRA examination. Based on this information, the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants.

Of the 40 consumer loans sampled since the last CRA examination, the bank made 17% to borrowers with low-incomes and 33% to borrowers with moderate-incomes. FNB made 13% of the dollar volume of these loans to low-income families and 22% to moderate-income families. These numbers compare favorably to 17% of all families in the assessment area having low-incomes and 20% having moderate-incomes. The bank's level of residential real estate lending to low- and moderate-income borrowers is lower. Examiners reviewed 40 residential real estate loans made since the previous CRA examination. The bank made 13% of the number of real estate loans to borrowers with low-incomes and 15% to borrowers with moderate-incomes. Below is a breakdown of the bank's consumer and residential real estate loans by borrower income level, compared to the percentage of families in the assessment area with those incomes.

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Families	17%		20%		19%		44%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	7	17	13	33	11	27	9	23	40	100
Residential	5	13	6	15	7	17	22	55	40	100

The bank adequately lends to businesses of different sizes, with a significant number of loans made to small businesses. Based on a sample of 20 commercial loans, the bank made 45% of its commercial loans to businesses with gross annual revenues under \$100,000. Only three of the borrowers sampled had gross revenues greater than \$1 million. The bank also makes its agricultural loans primarily to small farms. The bank made 40% of the 20 agricultural loans sampled to farms with gross annual revenues under \$100,000. All of the agricultural loan customers sampled had annual gross revenues of less than \$500,000. A breakdown of the examiners' commercial loan sample by gross annual revenues follows.

Gross Revenues	Commercial		Agricultural	
	# of Loans	Percent	# of Loans	Percent
\$100,000 & Under	9	45%	8	40%
From \$100,001 to \$250,000	2	10%	8	40%
From \$250,001 to \$500,000	2	10%	4	20%
From \$500,001 to \$750,000	2	10%	0	0%
From \$750,001 to \$1,000,000	2	10%	0	0%
Over \$1,000,000	3	15%	0	0%
TOTAL	20	100%	20	100%

Geographic Distribution of Loans

An analysis of the bank’s geographic distribution of loans is not meaningful. The assessment area contains no low- or moderate-income BNA’s.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.