



SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**September 13, 2012**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Eldorado  
Charter Number 8575

100 South Main Street  
Eldorado, TX 76936

Office of the Comptroller of the Currency  
Southern District  
San Antonio – North Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4165

**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 the 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.

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

***First National Bank of Eldorado's (FNBE) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA). There were no discriminatory lending practices identified at this examination.***

- FNBE's loan-to-deposit (LTD) is reasonable given the bank's size, financial condition, and AA credit needs. The LTD ratio averaged 36% for this evaluation period.
- The majority of FNBE's loans were originated within its AA.
- FNBE's record of lending reflects satisfactory penetration to borrowers of different incomes and businesses of different sizes.
- There have been no complaints with respect to FNBE's Community Reinvestment Act (CRA) performance.

**SCOPE OF EXAMINATION**

We evaluated FNBE's CRA performance under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The current review focused on the bank's primary loan products, which includes all commercial-related loans from January 1, 2010, through December 31, 2011. In addition, our review focused on residential real estate loans for the years 2009 through year end 2011.

**DESCRIPTION OF INSTITUTION**

FNBE is headquartered in the city of Eldorado, Texas. Eldorado is located approximately 45 miles south of San Angelo and 190 miles northwest of San Antonio. FNBE is 100% owned by Eldorado Bancshares Inc. (EBI) a one-bank holding company located in Eldorado. This affiliate was not reviewed or considered in this evaluation.

The bank's lobby and drive-through services are provided Monday through Friday. FNBE has an Internet website that provides online banking services including bill pay, capability to check account balances, transfer funds, and view account transactions.

Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNBE has the ability to meet the various credit needs in its community. At our last CRA examination conducted on June 2, 2008, FNBE's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its AA.

FNBE's primary lending products include residential, consumer, and commercial loans. Total loans as of June 30, 2012, amounted to \$19.5 million, which comprise 31.4% of total assets. The following table reflects a detailed breakdown of FNBE's loan portfolio as of June 30, 2012.

Loan Type	Dollar Amount (000's)	% of Total Loans
Real Estate (RE) Residential (1-4)	5,446	28%
Commercial and Industrial	5,537	28%
Agricultural Production	2,327	12%
RE Nonfarm Nonresidential	2,026	11%
Consumer	1,782	9%
RE Farmland	1,242	6%
RE Construction	1,002	5%
Other	100	1%
<b>Total</b>	<b>19,462</b>	<b>100%</b>

**DESCRIPTION OF ASSESSMENT AREA**

FNBE has designated Schleicher County as its AA. Schleicher County is not part of any Metropolitan Statistical Area (MSA). Eldorado is the principal community located in this county. Specific demographic and economic data is listed on the following table.

DEMOGRAPHIC INFORMATION FOR SCHLEICHER COUNTY ASSESSMENT AREA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (CTs)	2	0	0	50.00	50.00
Population by Geography	2,935	0	0	77.82	22.18
Owner Occupied Housing Units by Geography	844	0	0	76.90	23.10
Businesses by Geography	222	0	0	45.50	54.50
Farms by Geography	23	0	0	30.43	69.57
Family Distribution by Income Level	807	0	0	72.99	27.01
Household Distribution by Income Level	1,115	0	0	74.35	25.65
Census Median Family Income (MFI)	\$36,380	Median Housing Value		\$62,824	
HUD – Adjusted MFI: 2011	\$48,600	Households Below Poverty Level		20.00%	
HUD – Adjusted MFI: 2010	\$46,500	Unemployment Rate		1.04%	

Source: 2000 US Census Data and 2008 HUD updated income data

FNBE’s AA meets the requirements of the regulation and does not arbitrarily exclude low- to moderate-income (LMI) geographies. Based on 2000 Census data, the AA has a combined population of 2,935. There are 1,371 housing units in the AA, of which 62% are owner-occupied, 20% renter-occupied and 19% are vacant. *There are no low or moderate-income (LMI) tracts included in the 2000 Census.* Approximately 21% of the families in the AA are considered low-income. Moderate-income families approximate 19% of the population, while middle- and upper-income families comprise the remaining 60%. Major employers in the AA include the local school district, Baker Hughes (oil and gas), Southwest Texas Electric Corporation and the local hospital.

In order to gather more current information on the nature of the community and potential lending opportunities in the AA, we contacted one community leader during this examination. The contact is the publisher of the local newspaper, *The Eldorado Success*. This person commented that economic

conditions have improved in the community due to increased oil and gas activity in the area. He further stated that FNBE is active in the community and has opportunities to participate in community development, and that there are no unmet credits needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on our analysis and AA demographic characteristics, FNBE is performing in a satisfactory manner in meeting the credit needs of it AA, including LMI individuals, consistent with its resources and capabilities.

### Loan-to-Deposit Ratio

***FNBE's LTD ratio is satisfactory given its asset size, financial condition, and lending opportunities within its AA.*** Since the last CRA examination, the average LTD ratio has decreased from 42% on March 31, 2008, to 36% on June 30, 2012. FNBE's LTD ratio is comparable to other similarly situated banks and is reasonable when considering the nature of its community, customer base, and known credit needs in the AA. The average LTD ratio for similarly situated banks ranged from 19% to 56%.

INSTITUTION	ASSETS AS OF JUNE 30, 2012	AVERAGE LTD RATIO %
First National Bank of Mertzson	\$266,169	18.37
Junction National Bank	50,862	36.50
Ozona National Bank	204,176	55.98
Menard National Bank	33,264	47.13
Eden State Bank	90,826	18.75
<b><i>First National Bank of Eldorado</i></b>	<b><i>\$60,314</i></b>	<b><i>36.17</i></b>

\* Asset sizes of institutions are in thousands (000's)

### Lending in Assessment Area

***A majority of the bank's loans were made within its AA.*** In order to assess performance for this criterion, we reviewed a sample of 25 commercial loans originated during 2010 and 2011. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter, so we sampled 25 1-4 residential mortgage loans originated during 2009 through 2011. Our analysis determined that 56% of the number and 38% of the dollar amount of all loans sampled were made within the AA. FNBE's high dollar amount of loans to borrowers outside of their AA were principally due to larger participations and residential mortgage loans purchased or originated to borrowers located in counties adjacent to this bank's AA.

Based on our analysis, FNBE meets the standards for satisfactory performance regarding this criterion.

LENDING IN ASSESSMENT AREA								
	In Assessment Area				Out of Assessment Area			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Loans (limited sample)	15	60	\$1,165	41	10	40	\$1,697	59
Commercial (limited sample)	13	52	\$167	12	12	48	\$1,174	88
<b>Total Reviewed</b>	<b>28</b>	<b>56</b>	<b>\$1,332</b>	<b>38</b>	<b>22</b>	<b>44</b>	<b>\$2,871</b>	<b>62</b>

Source: Residential sample data and Commercial Loan Sample

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

FNBE has a reasonable penetration in lending to borrowers of different incomes and businesses of different sizes, meeting the standards for satisfactory performance. The results of our analysis noted that residential mortgage loan penetration to low-income families is not reasonable or consistent with area demographics, but is explainable, however, given the bank's performance context.

FNBE's record of commercial lending to small businesses within the AA reflects satisfactory penetration. Of the 25 commercial loans sampled, FNBE originated 68% of loans to businesses with annual revenues of \$1 million or less and 40% by dollar volume. This performance is considered reasonable and consistent with area demographics which indicated that 52% of businesses within the MSA reported revenues of \$1 million or less. Refer to the following table for additional details.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN SCHLEICHER COUNTY ASSESSMENT AREA				
Business Revenues (or Sales)	<\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	51.80%	3.60%	44.59%	100%
% of Bank Loans in AA by # (limited sample)	68.00%	32.00%	0.00%	100%
% of Bank Loans in AA by \$ (limited sample)	40.00%	60.00%	0.00%	100%

Source: Commercial Loan Sample; Dunn and Bradstreet data

### Residential Real Estate Loans

FNBE's record of 1-4 family residential real estate lending is below demographic levels for LMI families. According to Census demographic information, 21% of families within this AA are low-income and 18.5% are moderate-income. Our sample of 25 residential real estate loans indicated that FNBE made no loans to low-income families. However, lending to moderate-income families was consistent with AA demographics and represented 16% of the loans sampled. The limited supply of lower priced/quality residential properties, median home values, and an active rental market limit the ability of low-income borrowers to qualify to purchase a home.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Loans	20.94	0	18.59	16	17.47	8	43	76

Source: Loan sample; US Census data

**Geographic Distribution of Loans**

There are no LMI geographies within the bank’s AA and therefore an analysis of the bank’s geographic distribution of loans would not be meaningful.

**Responses to Complaints**

No complaints relating to the banks CRA performance has been received by FNBE or the Office of the Comptroller of the Currency’s Customer Assistance Group.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.