

PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bastrop
Charter #4093**

**1028 Main Street
Bastrop, Texas 78602**

**Office of the Comptroller of the Currency
Southwestern District
Austin Field Office
8310 N. Capital of Texas Highway, Suite 250
Austin, Texas 78731-1080**

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 the 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 Bastrop**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 12, 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 assessed a rating of “**Satisfactory.**”

The First National Bank of Bastrop’s (FNB) lending performance reflects a satisfactory responsiveness to community credit needs. The following highlights the bank’s performance:

- C The loan-to-deposit (LTD) ratio is comparable to most area banks’ ratio and meets the standard for satisfactory performance. FNB’s LTD ratio averaged 50.8% from December 1996 to March 1999; local competition averaged 53.7% for the same period.
- C The distribution of borrowers reflects a satisfactory penetration to individuals of different incomes and businesses of different sizes.
- C The substantial majority of the number, and dollar volume, of loans originated from January 1997 through June 1999 are in the bank’s assessment area.
- C The geographic distribution of loans reflects a level of lending very similar to area demographic characteristics. This pattern of lending meets the standard for satisfactory performance.
- C The bank received no consumer complaints concerning its CRA performance since the July 18, 1996 examination.

DESCRIPTION OF INSTITUTION

The First National Bank of Bastrop has total assets of \$185 million with loans totaling \$87 million. The bank's main office is located in the downtown area of Bastrop, Texas. FNB has two branches, one located at 501 Highway 71, Bastrop, Texas, and at 1312 Highway 290, Elgin, Texas. There is an automated teller machine (ATM) located at each facility.

Loans make up 47% of the bank's total assets. As of June 30, 1999, the loan portfolio consists of the following primary categories:

Loan Portfolio Composition		
Loan Type	Amount (000's)	Percentage of Gross Loans
1 - 4 Family Residential Loans	\$ 36,190	41%
Commercial Real Estate Loans	\$ 22,592	26%
Consumer Loans	\$ 15,037	17%
Agricultural Loans	\$ 8,543	10%
Commercial Loans	\$ 5,131	6%
Total	\$ 87,493	100%

The bank has established extended hours to accommodate customers who commute to Austin, Texas, daily. Drive-through facilities are open from 6:00 a.m. to 6:00 p.m., Monday through Friday, and 8:00 a.m. to 12:00 p.m. on Saturday. Lobby hours were extended to 6:00 p.m. on Friday at the main office, and both branches are open until 6:00 p.m., Monday through Friday. Branch offices are also open Saturday from 8:00 a.m. to 12:00 p.m.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment area. The previous CRA examination is dated July 18, 1996.

DESCRIPTION OF ASSESSMENT AREAS

Management has designated the Austin-San Marcos Metropolitan Statistical Area (MSA #640), Fayette County, and Lee County as the bank's assessment area. Total population for the bank's assessment area, based on 1990 census data, is 879 thousand. FNB's assessment area is considered a moderate income area with an average family income level approximating 68.5% of the median. The entire assessment area is composed of 250 census tracts and block numbering areas (BNA). Based on 1990 census data, 8% are designated as low-income, 26% are moderate-income, 40% are middle-income, and 26% are upper-income.

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. Discussion with management and local community leaders indicated a strong need for moderate- and middle-income housing.

Austin-San Marcos Metropolitan Statistical Area

Austin is the largest city in MSA #640. Its population is 465 thousand based on 1990 census data. The city of Bastrop is centrally located in Bastrop County, which is part of MSA #640. Bastrop's population is approximately four thousand according 1990 census data and is one of several rural, bedroom communities around Austin. Bastrop is located approximately 30 miles southeast of Austin.

The median family income for MSA #640 was \$35,481 based on 1990 census data. The current median family income, based on updated 1999 Housing and Urban Development (HUD) information, is \$55,400. All of the low-income census tracts in the bank's assessment area are located in MSA #640, the vast majority of which are located near the downtown area of Austin east of Interstate Highway 35.

Fayette and Lee Counties

Fayette and Lee Counties are contiguous to MSA #640, surrounding the eastern portion of Bastrop County. The counties are not in an MSA. The 1999 HUD Non Metro State median family income for the counties is \$33,900. These counties have a combined total of one moderate-income BNA, eight middle-income BNA's, and two upper-income BNA's. There are no low-income BNA's or census tracts in Bastrop, Fayette, or Lee Counties.

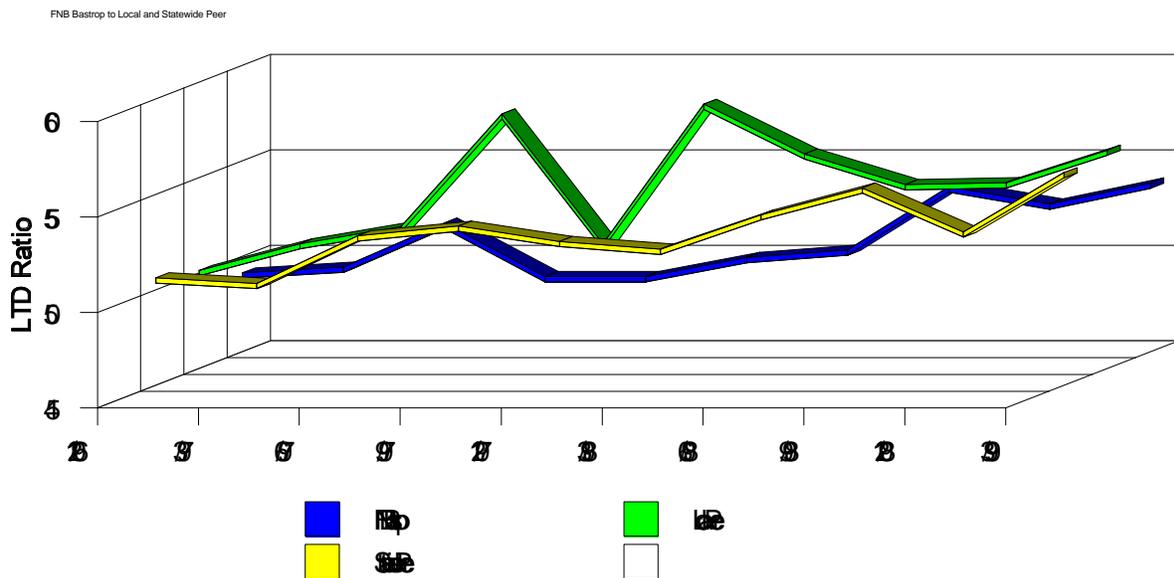
Two independent banks, one regional bank, and a local mortgage company are FNB's primary competition for the bank. The local economy has been improving with the strong economic growth being realized in the Austin economy. Major employers in Bastrop include the Bastrop Independent School District, Federal Correctional Institute-Bastrop, and the University of Texas Science Park.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is performing satisfactorily in meeting the credit needs of the assessment areas, including low- and moderate-income individuals and areas, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

The LTD ratio is comparable to most area banks' ratio and meets the standard for satisfactory performance. FNB's LTD ratio averaged 50.8% from December 1996 to March 1999. Local competition averaged 53.7% for the same period. The bank's LTD ratio, as of June 30, 1999, is 54.3%. The following graph reflects the bank's historical performance in relation to local area banks and the



statewide average LTD ratios.

Lending in the Assessment Areas

A substantial majority of the number, and dollar volume, of loans originated from January 1997 through June 1999 are in the bank's assessment area. Of all loans originated during the period, 95.7% of the number and 95.4% of the dollar amount of loans were within FNB's assessment area. These figures were supported through the testing of 70 consumer loans and 50 business loans originated during this period of review. HMDA data for January 1997 through March 1999 reflected 96.6% of the number of loans and

95.6% of the dollars of loans originated were in the bank's assessment area. Loans in Bastrop County alone comprise 86.1% of the number and 83.3% of the dollar volume of loans originated from January 1997 through June 1999.

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

The loan distribution to individuals with different income levels within the assessment areas is satisfactory. Our review of HMDA data for January 1997 through March 1999, and a sample of consumer loans, indicated that lending activity to low- and moderate-income families generally fell in line with demographic characteristics of the assessment areas. The details of our review are reflected in the following table:

Loan Sample Distribution by Income Group										
	Low- Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total # of Families	
Area Demographic Characteristics	21%		18%		22%		39%		100%	
# of Families	44,763		37,266		47,816		84,463		214,308	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	35	50	19	27	11	16	5	7	70	100
Residential	64	15	104	25	113	27	140	33	421	100
Total	99	20	123	25	124	25	145	30	491	100

We also reviewed 30 commercial loans and 20 agricultural loans to determine the distribution among businesses and small farms of different income levels. Our analysis reflected a reasonable dispersion, given the bank's emphasis on small business lending and small farm lending, with 94% of commercial loans being granted to entities having gross revenues of less than \$1 million. Details of our review are reflected in the following table:

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000- 250,000		250,000- 1,000,000		More than 1,000,000		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	13	43	6	20	8	27	3	10	30	100

Agricultural	20	100	0	0	0	0	0	0	20	100
Total	33	66	6	12	8	16	3	6	50	100

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion of loans throughout the bank's assessment area when compared to area demographic characteristics. As FNB's primary loan product is residential real estate, we based our analysis on residential loans reported on the bank Home Mortgage Disclosure Act Loan Application Register (HMDA LAR). This data was tested for accuracy during our Fair Lending review. The following table reflects the comparison of FNB residential loan distribution for loans originated from January 1997 through March 1999 to the demographic characteristics of the bank's assessment area.

Lending in Areas of Different Income Levels within the Assessment Area										
	Low Income Areas		Moderate Income Areas		Middle Income Areas		Upper Income Areas		Total	
Percent of Total Demographic Areas in AA:	8%		26%		40%		26%		100%	
Count:	18		57		90		58		223	
Loan Type	#	%	#	%	#	%	#	%	#	%
Residential	1	0	122	29	292	69	8	2	423	100

Response to Complaints

The bank received no consumer complaints concerning its CRA performance since the July 18, 1996 examination.

Other Pertinent Information

A Fair Lending examination was performed in conjunction with this evaluation and found no evidence of disparate treatment or discriminatory practices.