



PUBLIC DISCLOSURE

June 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Eagle Lake
Charter Number: 7534**

**100 Commerce Street
Eagle Lake, Texas 77434**

**Office of the Comptroller of the Currency
Houston Field Office
1301 McKinney Street, Suite 3750
Houston, Texas 77010**

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 Community Reinvestment Act (CRA) performance of **First National Bank of Eagle Lake** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 28, 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.*”

First National Bank of Eagle Lake has a *satisfactory* record of meeting credit needs within the community, as evidenced by the following:

- C A reasonable distribution of loan originations to borrowers of different income levels and businesses of different sizes;
- C A majority of loan originations within the bank's assessment area;
- C A loan-to-deposit ratio which meets the standards for satisfactory performance;
- C A reasonable geographic distribution of lending within the assessment area; and,
- C No consumer complaints received since the bank opened for business. However, the bank has a satisfactory process to handle consumer complaints.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) of Eagle Lake is a \$69 million institution serving its customers through one location in Eagle Lake, Colorado County, Texas. The bank has three non-deposit taking automated teller machines (ATMs). The ATMs are located on the premise, another is located on the eastern edge of Eagle Lake on the main road coming into town, and the third is approximately 22 miles west of downtown Eagle Lake in the community of Sheridan. To help meet the credit needs of its community, the bank offers general loan products for consumers, residential, farm, and small businesses. The bank offers a variety of deposit accounts and other banking services as well.

As of March 31, 1999, the bank had total assets of \$69 million with net loans of \$26.2 million, or 38% of total assets. The following table shows the composition of gross loans as of March 31, 1999:

LOAN CATEGORY	DOLLAR AMOUNT (000'S)	PERCENT OF PORTFOLIO
Real Estate	11,539	43.38%
Agricultural	7,090	26.66%
Commercial	5,216	19.61%
Installment	2,579	9.70%
Other	174	.65%
Total	26,598	100.00%

Eagle Lake Bancshares, Inc., a Texas registered bank holding company, owns 100% of the bank's stock through ownership of its subsidiary FINABEL Corporation, a Delaware bank holding company. As of December 31, 1998, Eagle Lake Bancshares, Inc. had total assets of \$5.9 million, centered in FINABEL stock of \$5.6 million, and stockholders' equity of \$5.7 million. FINABEL's assets consist solely of FNB Eagle Lake common stock with a book value of \$5.6 million as of December 30, 1998.

There are no known legal, financial, or other factors that would impede the bank’s ability to help meet the credit needs in its assessment area. The bank received a “Satisfactory” rating at the last examination dated June 30, 1995.

DESCRIPTION OF ASSESSMENT AREA

The bank has designated Census Block 1501 as its assessment area. Census Block 1501 is a middle income census block. The bank’s office and ATMs are located within the bank’s assessment area. The assessment area meets the requirements of the regulation as it is a contiguous political subdivision, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income geographies.

According to the 1990 U.S. Census, the assessment area has a population of about five thousand people, with 32% living below the established poverty level. The area is primarily rural. The assessment area has approximately two thousand housing units with 81% being one-to-four family units. Owner occupied units account for 59% of the total. The percentage of vacant housing units is moderate at 15% of the total. Sixty-five percent of the population derive some of their income from wages and salary. Seventeen percent are self-employed and ten percent receive retirement income. Social security payments are received by 34% of the population within the assessment area. Approximately 11% percent of the population receive some form of public assistance. The median housing value is \$35,300, and the median monthly gross rent is \$256. As of the 1990 U.S. Census, the HUD Non-Metropolitan Statistical Area Median Family Income was \$24,586. The 1997 Median Family Income for the assessment area is \$33,900.

CENSUS BLOCK 1501	% OF HUD 1997 UPDATED MEDIAN FAMILY INCOME	INCOME LEVELS
Low Income (0)	Less than 50%	Up to \$16,950
Moderate Income (0)	51%-80%	\$16,951-\$27,120
Middle Income (1)	81%-120%	\$27,121-\$40,680
Upper Income (0)	Greater than 120%	Over \$40,681

Families Within Each Census Tract

CENSUS TRACT	LOW INCOME FAMILIES	MODERATE INCOME FAMILIES	MIDDLE INCOME FAMILIES	UPPER INCOME FAMILIES	TOTAL
Low Income Tract	0	0	0	0	0
Moderate Income Tract	0	0	0	0	0
Middle Income Tract	313 (25.85%)	254 (20.97%)	240 (19.82%)	404 (33.36%)	1,211 (100%)
High Income Tract	0	0	0	0	0
Total	313	254	240	404	1,211

The local economy is stable but weaker than the national economy. The local economy is highly dependent on agricultural production. Rice Independent School District and Rice Community Hospital are the largest employers in the assessment area. The bank is subject to competition from other national and state chartered banks, and non-bank financial entities in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The bank's loan-to-deposit ratio (LTD) meets the standard for satisfactory performance. As of March 31, 1999, the bank's LTD is 42%. The bank's ratios for the fourteen most recent quarters compared to similar peer groups are shown in the table below. The banks in the first peer group are national bank in this bank's assessment area and the surrounding counties. The banks in the second peer group are national banks in the state of Texas with total assets less than \$100 million.

LOAN-TO-DEPOSIT RATIO FOR THE QUARTER ENDED	FIRST NATIONAL BANK OF EAGLE LAKE	NATIONAL BANKS IN COUNTIES OF AUSTIN, COLORADO, FAYETTE, AND WHARTON	NATIONAL BANKS IN TEXAS WITH TOTAL ASSETS LESS THAN 100MM
March 31, 1999	42.02%	51.34%	55.62%
December 31, 1998	39.37%	47.81%	54.34%
September 31, 1998	44.48%	48.98%	56.24%
June 30, 1998	48.83%	47.98%	55.26%
March 31, 1998	41.53%	47.19%	54.14%
December 31, 1997	44.09%	44.91%	54.24%
September 31, 1997	50.48%	44.61%	55.27%
June 30, 1997	48.20%	44.07%	54.61%
March 31, 1997	43.60%	42.42%	52.15%
December 31, 1996	43.66%	40.98%	52.23%
September 31, 1996	48.90%	40.93%	53.48%
June 30, 1996	55.51%	41.18%	52.97%
March 31, 1996	50.86%	39.39%	51.26%
December 31, 1995	51.44%	37.66%	50.90%

Average	46.64%	44.24%	53.77%
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LENDING IN THE ASSESSMENT AREA

Lending within the assessment area meets the standards for satisfactory performance. The majority of the bank’s lending is within its assessment area. Sixty-three percent of the number of loans and 59% of the dollar volume of lending is in the bank’s assessment area. Of the bank’s approximate total of 1,063 loans, 667 are within the assessment area. A sample of 42 installment loans, made since the last CRA examination, or 10% of the installment loan portfolio used to review income level and geographic distribution revealed approximately the same results.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The bank’s level of lending to individuals of different income levels and businesses of different sizes meets the standard for satisfactory performance. Loan applications are solicited from all income levels. A sample of installment loans showed lending to low- and moderate-income borrowers mirrors the characteristics of the assessment area. The table below, which is based on the sample described above, illustrates the lending to borrowers of different income levels.

	Income Level in Dollars	Sample Loans in Assessment Area	Percent of Sample Loans in Assessment Area	Percent of Families by Income Level in Assessment Area
Low Income	< 16,950	8	19%	26%
Moderate Income	16,951 - 27,120	12	29%	21%
Middle Income	27,121 - 40,680	9	21%	20%
Upper Income	> 40,681	13	31%	33%

Thirty-two percent of the entire loan portfolio or 48% by dollar volume are to farms and businesses with revenues below \$1 million.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans meets the standard for satisfactory performance. The bank has made loans throughout its assessment area. Since the bank's assessment area has no low- or moderate-income identified areas, an analysis of the geographic distribution of loans was not performed. However, our analysis of lending to borrowers of different income levels demonstrates a commitment to lending to low- and moderate-income borrowers.

RESPONSE TO COMPLAINTS

The bank's process for responding to complaints is satisfactory. During this evaluation period, First National Bank of Eagle Lake did not receive any consumer complaints concerning a loan request.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS

A Fair Lending review was performed at the same time as this CRA examination to determine compliance with anti-discrimination laws and regulations. Forty two installment loans made since the last CRA examination dated June 30, 1995 were reviewed. Loans were reviewed to determine if differences in loan terms could be attributed to any prohibitive factor such as race, religion, sex, etc. First National Bank of Eagle Lake's compliance with the provisions of anti-discrimination laws and regulations is satisfactory. We found no evidence of practices intended to discourage potential borrowers from applying for credit at this bank.