



Public Disclosure

August 19, 1998

Community Reinvestment Act Performance Evaluation

**First Lockhart National Bank
Charter # 13934**

**111 South Main Street
Lockhart, Texas 78644**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201**

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 **First Lockhart National Bank (FLNB), Lockhart, Texas**, as prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **August 27, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

Institution's CRA Rating: This institution is rated **"SATISFACTORY."**

FLNB's lending performance reflects a satisfactory responsiveness to community credit needs. The following information highlights the bank's performance.

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. FLNB's LTD ratio, as of June 30, 1998, is 41.5%.
- A majority of the number of loans originated are within the bank's assessment area.
- The distribution of borrowers reflects an excellent penetration to individuals of different incomes and businesses of varying sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There have been no complaints with respect to FLNB's CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First-Lockhart National Bank</u> PERFORMANCE LEVELS		
	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		X	
Response to Complaints	FLNB has not received any complaints relating to its CRA performance since the February 16, 1995 evaluation.		

DESCRIPTION OF INSTITUTION

FLNB is a full-service community bank having total assets of \$105 million, as of June 30, 1998. The bank is locally owned by a one-bank holding company, Lockhart Bancshares, Inc. The main banking facility is located in downtown Lockhart. There are two motor bank locations and four automatic teller machine (ATM) sites within Caldwell County.

The bank's primary mission is to provide a wide array of banking products to the citizens and businesses of Lockhart, Texas, and Caldwell County. Lending is centered in residential real estate, consumer, agriculture, and small business loans. The following reflects a detailed breakdown of FLNB's loan portfolio as of June 30, 1998:

Loan Type	Dollar Amount (000's)	% of Total Loans
1-4 Family Residential Loans	11,897	29.8%
Consumer Loans	4,147	10.4%
Agricultural Loans	8,751	21.9%
Commercial Loans	7,377	18.5%
Commercial Real Estate Loans	6,826	17.1%
All Other Loans	940	2.3%
Total	39,938	100%

DESCRIPTION OF ASSESSMENT AREA

FLNB has designated Caldwell County as its assessment area. Caldwell County is part of the Austin-San Marcos Metropolitan Statistical Area (MSA). Principal communities located in the assessment area include Lockhart, Luling, Martindale, Dale, and Maxwell.

The 1990 US Census indicates that the assessment area has a population of 26,392. Housing units in the assessment area total 10,123 with an 86% occupancy rate. Characteristics of housing units reflect 76% single-family residences, 17% mobile homes, and 3% multi-family. Occupancy data indicates that 59% of housing units are owner-occupied and 27% are renter-occupied. The median housing value is \$44,219 and the median year built is 1971.

The local economy is considered good, and future growth is anticipated to be slow but steady. Because of Lockhart's close proximity to Austin, Texas, employers are within commuting distance. Additional growth is also expected as a result of the relocation of the Austin Municipal Airport to the southeast quadrant.

Major employers in the assessment area include the local school district, several manufacturing companies, the city and county, and the local prison facility. Agriculture continues to play a vital role in the local economy with farming, ranching, and agricultural supply businesses providing local jobs and markets.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management is performing in a satisfactory manner in meeting the credit needs of the bank's assessment area.

Loan-to-Deposit Ratio

FLNB's LTD ratio is reasonable and has steadily increased since the last evaluation dated February 16, 1995. However, the LTD ratio is below other banks with total assets of less than \$250 million in the area (peer). The bank's average LTD ratio since the last CRA examination is 34.8%.

As of March 31, 1998, LTD ratios for area peer banks ranged from 49.7% to 78.6%. FLNB's LTD ratio on March 31, 1998, is 35%. Updated information, as of June 30, 1998, indicates that FLNB's LTD ratio had increased to 41.5%. While the LTD ratio is below peer, FLNB originates a large volume of small consumer loans which effectively meets a need in the community, but has only a minimal impact on the LTD ratio.

Lending in the Assessment Area

A majority of the number of recent loans made are in the bank's assessment area. A sample of 67 consumer loans originated from March 1998 through July 1998 reflected that 84% of the total number of loans were originated within the assessment area. Additionally, a review of new commercial and agricultural loan relationships made during 1998 disclosed that approximately 71% of the relationships were also granted within the bank's assessment area.

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

FLNB's loan portfolio reflects an excellent distribution of loans to individuals with varying income levels and to businesses of different sizes. We reviewed a sample of real estate mortgages and consumer loans since our last evaluation. The results of the review are reflected in the table on the following page.

Loan Sample Distribution by Income Group										
	Low- Income Families		Moderate- Income Families		Middle- Income Families		Upper- Income Families		Total # of Families	
Area Demographic Characteristics	38%		22%		23%		17%		100%	
# of Families	2,478		1,473		1,540		1,143		6,634	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	43	64	13	20	10	15	1	1	67	100
Residential	2	6	4	12	13	39	14	43	33	100
Total	45	45%	17	17%	23	23%	15	15%	100	100%

We also sampled 19 commercial and 17 agricultural loans originating in 1998 to determine the distribution among businesses and farms of different income levels. Our analysis reflected a good dispersion of small business and small farm lending, with 90% of commercial loans and 95% of agricultural loans being granted to entities having gross revenues of less than \$1 million. Details of the review are reflected in the table below:

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less Than 100M		100M - 250M		250M - 1MM		More Than 1MM		Total	
Loan Type	#	%	#	%	#	%	#	%	#	%
Commercial	7	37	3	16	7	37	2	10	19	100
Agricultural	12	71	4	24	0	0	1	5	17	100

Geographic Distribution of Loans

The geographic distribution of loans in the bank's assessment is reasonable. FLNB's assessment area is comprised of one low-, three moderate-, and three middle-income tracts, there are no upper-income census tracts in the assessment area. An analysis of the geographic distribution of consumer and residential loans originated during 1997 and 1998 is listed below:

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: Count:	14%		43%		43%		0%		100%	
	1 1,085		3 4,358		3 3,325		0 0		7 8,768	
Loan Types	#	%	#	%	#	%	#	%	#	%
Consumer	52	25	64	30	94	45	0	0	210	100
Residential	10	15	17	26	39	59	0	0	66	100
Total	62	23%	81	29%	133	48%	0	0%	276	100%

Response to Complaints

The bank has not received any consumer complaints concerning its CRA performance since the February 16, 1995 evaluation.

Other Pertinent Information

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