



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**July 07, 2004**

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

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

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

**Comptroller of the Currency  
Houston Field Office  
1301 McKinney Street, Suite 3410  
Houston, TX 77010**

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

- The distribution of loans to farms and businesses of different income levels meets the standard for satisfactory performance and reflects a reasonable penetration of farm and commercial loans of different sizes and is representative of the demographics of the bank’s assessment area;
- The bank’s lending performance meets the standard for satisfactory performance. A substantial majority of First National Bank of Eagle Lake’s loan have been originated within its assessment area with 76 percent in number and 72 percent in volume originated within the assessment area;
- First National Bank of Eagle Lake’s average loan-to-deposit ratio meets the standard for satisfactory performance, given the bank’s size, financial condition, the assessment area credit needs, and seasonal adjustments. The bank’s loan-to-deposit ratio has averaged 55.6 percent for the 20 quarters since the last CRA evaluation;
- The bank’s assessment area meets the regulatory requirements; and
- There have been no consumer complaints received during the current evaluation period.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Eagle Lake is a \$63 million full service community bank wholly-owned by Eagle Lake Bancshares, Inc. headquartered in Eagle Lake, Texas. Primarily a rural and agricultural community known as the “*Goose Hunting Capital of the World*,” Eagle Lake is located in Colorado County, on U.S. Highway 90 Alternate, some 60 miles west of Houston and 12 miles to the north of Interstate 10.

The bank serves its customers with two full service locations that include motor banking and three non-deposit taking automated teller machines. The main office and two automated teller machines are in located Eagle Lake, a middle-income census tract and a branch office and one automated teller machine are located in East Bernard, Texas, a middle-income census tract. The East Bernard branch was opened June 1, 2000.

To help meet the credit needs of its community, the bank offers a wide range of deposit and loan products for consumers and small businesses. In addition, loans for agricultural and farming purposes are available. Banking hours reasonably meet community needs with lobby hours Monday through Friday and extended Friday hours, and motor banking at both locations. Saturday service is available at the branch office in East Bernard. First National Bank of Eagle

Lake's website ([www.fnbeaglelake.com](http://www.fnbeaglelake.com)) provides a 24-hour Internet banking service providing personal, commercial, and bill pay on-line services such viewing detailed account information and balances, transfer of funds between First National Bank of Eagle Lake accounts, statement retrieval, check re-orders, and stop payments.

Nonfarm nonresidential and commercial lending are the bank's primary lending focus with no financial or legal impediments existing that impede First National Bank of Eagle Lake from meeting the credit needs of the community.

*Please refer to First National Bank of Eagle Lake's public file for more information about the institution.*

## **DESCRIPTION OF COLORADO AND WHARTON COUNTIES**

First National Bank of Eagle Lake has defined its assessment area (AA) as all of Colorado and Wharton Counties. The bank's designated assessment area includes two contiguous census tracts that are designated as middle-income tracts. Colorado and Wharton counties do not include any low- or moderate-income census tracts. The two census tracts are middle-income census tracts. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Colorado and Wharton Counties are primarily bedroom communities for neighboring Houston employees looking for a rural harmony and agricultural background. Major employers in the area are the school districts, farming and agriculture, city, county and state offices, and a number of small businesses. Agriculture is the largest employer with rice the major crop and cotton, grains, and cattle production important to the economy. The unemployment rate in Colorado and Wharton counties is only 2.71 percent as compared to the state's June 2004 unemployment rate of 5.7 percent.

The assessment area's population statistics are 10,829. There are 2,944 owner occupied single-family housing units and 1,041 rental housing units. The median value of a single-family residence is \$51 thousand, and the median family income is \$41,200. The weighted average monthly gross rent is \$378.

We contacted a local small business owner and manager of the "Main Street" Economic Development Program to conduct a community contact meeting. The contact stated the greatest need in the Eagle Lake assessment area was economic development and continued opportunities for the establishment of small businesses. The contact spoke favorably of the performance of local banks in meeting credit needs of the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

First National Bank of Eagle Lake satisfactorily meets the standard for satisfactory performance in meeting the credit needs of its AA, including low- and moderate-income individuals, consistent with its resources and capabilities.

## Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio (LTD) meets the standards for satisfactory performance. As of March 31, 2004, the bank's LTD is 61.6 percent with an overall average of 55.6 percent for the 20 quarters (June 30, 1999 through March 31, 2004) and meets the standard for satisfactory performance, given the bank's size, financial conditions, assessment area credit needs, seasonal adjustments, and when compared to similarly situated banks. The ratio has experienced an increasing trend throughout the review period. As of June 30, 1999, the ratio was 48.1 percent and it increased to 61.6 percent as of March 31, 2004.

Performance was compared with other similarly sized banks located in and around the AA. The period of comparison used for the four similarly situated institutions was the 20-quarter history since the bank's last CRA evaluation and the table below depicts the comparable banks.

Institution	Assets ('000's) as of 03/31/04	Average LTD Ratio
Fayetteville Bank	\$61,589	73.3%
Community State Bank	\$63,913	42.0%
The First State Bank	\$76,624	27.6%
Columbus State Bank	\$83,189	15.1%
<i>First National Bank of Eagle Lake</i>	<i>\$62,992</i>	<i>55.6%</i>

## Lending in Assessment Area

First National Bank of Eagle Lake satisfactorily meets the standard for satisfactory performance for lending within its AA both in number and in dollar volume. Agricultural, commercial, and nonfarm nonresidential real estate secured loans comprise 67 percent of percent of the loan portfolio and are the bank's primary lending focus. Our analysis included a random sample of 105 loans. The sample included 58 commercial loans and 47 agricultural loans. A review of the sample loans revealed 76 percent of the number and 72 percent of the dollar amount were originated within the AA. Performance for each category review demonstrates a substantial portion of loans made in the AA as reflected on the following table.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	40	85	7	15	47	4,115,422	72	1,620,387	28	5,735,809
Commercial	40	69	18	31	58	2,354,413	72	928,396	28	3,282,809
Totals	80	76	25	24	105	6,469,835	72	2,548,783	28	9,018,618

Source: Indicate source, i.e., data reported under sample of loans.

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

Overall, performance for lending to farms and businesses of different sizes meets the standard for satisfactory performance. For this evaluation period, a sample of agricultural and commercial loans was used. Both, agricultural and commercial loans had comparable impact on assessing performance for lending to businesses and farms of different sizes.

The following tables displays the bank’s overall lending performance for agricultural lending based on a sample of loans originated June 1999 through December 31, 2002.

<b>Table 2A - Borrower Distribution of Loans to Farms in Colorado and Wharton Counties as Compared to 1990 Census Data (June 1999 – December 2002)</b>		
Business Revenues (or Sales)	≤\$500,000	>\$500,000
% of Bank Loans in AA by #	90	10
% of Bank Loans in AA by \$	95	5

*Source: Loan sample; Dunn and Bradstreet data.*

At 90 percent of number and 95 percent of dollar amount of loans compared to 2002 business geodemographic data, this table reveals a reasonable level of penetration of lending to small farm and commercial borrowers with gross annual revenues of less than \$500,000. This exceeds the demographic comparator of Dunn and Bradstreet data showing 66.18 percent of reporters had gross annual incomes of less than \$500,000.

<b>Table 2A - Borrower Distribution of Loans to Farms in Colorado and Wharton Counties as Compared to 2000 Census Data (January 2003 – July 2004)</b>		
Business Revenues (or Sales)	≤\$500,000	>\$500,000
% of Bank Loans in AA by #	85	15
% of Bank Loans in AA by \$	51	49

*Source: Loan sample; Dunn and Bradstreet data.*

At 85 percent of number and 51 percent of dollar amount of loans compared to 2003 geodemographic data, this table reveals a satisfactory level of penetration of lending to small farm borrowers with gross annual revenues of less than \$500,000. This exceeds the demographic comparator of Dunn and Bradstreet data showing 62.43 percent of reporters had gross annual incomes of less than \$500,000.

The following tables displays the bank’s overall lending performance for commercial lending during the evaluation period, June 30, 1999 through July 31, 2004.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Colorado and Wharton Counties as Compared to 1990 Census Data (June 1999 – December 2002)</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000

% of Bank Loans in AA by #	75	25
% of Bank Loans in AA by \$	31	69

Source: Loan sample; Dunn and Bradstreet data.

At 75 percent of number and 31 percent of dollar amount of loans compared to 2002 geodemographic data, this table reveals a satisfactory level of penetration of lending to small business borrowers with gross annual revenues of less than \$1,000,000. This satisfactorily compares to Dunn and Bradstreet data showing 70.16 percent of reporting businesses had gross annual incomes of less than \$1,000,000.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Colorado and Wharton Counties as Compared to 2000 Census Data (January 2003 – July 2004)</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of Bank Loans in AA by #	100	0
% of Bank Loans in AA by \$	100	0

Source: Loan sample; Dunn and Bradstreet data.

At 100 percent of number and 100 percent of dollar amount of loans compared to 2003 geodemographic data, this table reveals an exceptional level of penetration of lending to small business borrowers with gross annual revenues of less than \$1,000,000. This exceeds the demographic comparator of Dunn and Bradstreet data showing 65.64 percent of reporting businesses had gross annual incomes of less than \$1,000,000.

### **Geographic Distribution of Loans**

A meaningful analysis of the geographic distribution of loans could not be performed because there are no designated low- or moderate-income census tracts within the bank’s designated assessment area.

### **Responses to Complaints**

FNB of Eagle Lake has not received any CRA related complaints during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.