



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

Public Disclosure

July 20, 1998

Community Reinvestment Act Performance Evaluation

**First National Bank of Sonora
Charter Number 5466**

**102 North Main
Sonora, Texas 76950**

**Office of the Comptroller of the Currency
Southwestern District
San Antonio North Field Office
9601 McAllister Freeway, Suite 200
San Antonio, Texas 78216-4605**

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 CRA performance of **First National Bank of Sonora** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 20, 1998. 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 Sonora's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance, averaging 57% since the previous CRA examination.
- The bank makes a substantial majority of its loans within the assessment area.
- The distribution of borrowers reflects an adequate penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of lending is reasonable.
- The bank received no CRA-related complaints since the previous CRA examination.

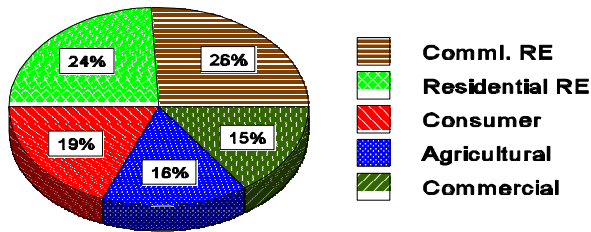
The following table indicates the performance level of **First National Bank of Sonora** with respect to each of the five performance criteria.

First National Bank of Sonora Performance Levels			
Small Institution Assessment Criteria	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	No complaints were received since the previous CRA examination.		

Description of Institution

Loan Portfolio Composition

As of June 30, 1998



First National Bank of Sonora (FNB), a \$69 million financial institution, is one of four banks headquartered in the assessment area. The bank is 100% owned by First Sonora Delaware Bancshares, Inc., which is in turn 100% owned by First Sonora Bancshares, Inc. FNB is located in Sonora, Texas, and has two branches in San Angelo. The bank has four automatic teller machines. One is located at the San Angelo airport, and one at each of the three bank locations. FNB is a full service bank and offers a variety of loan products with an emphasis on real estate loans. As of June 30, 1998, commercial real estate loans and residential real estate loans accounted for 26% and 24% of the bank's \$38 million loan

portfolio, respectively. Consumer loans equaled another 19%. Agricultural loans totaled 16%, and commercial loans represented 15%.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. The bank opened its second branch in San Angelo on May 18, 1998. FNB has not closed any branches since the last examination. At the previous CRA examination dated November 16, 1995, FNB received an outstanding rating.

Description of Assessment Area

The bank's assessment area includes two block numbering areas in Sutton county and 23 census tracts in Tom Green county. The Sutton county section of the assessment area includes the town of Sonora. Both block numbering areas are designated as middle-income. Tom Green county is part of the San Angelo Metropolitan Statistical Area (MSA). Of the 23 census tracts, two are low-income, five are moderate-income, eleven are middle-income, and five are upper-income.

Sonora is a small rural community with a population of about 4,000. Sonora is roughly 60 miles south of San Angelo and 170 miles northwest of San Antonio. The economy is dominated by the oil and gas industry and agriculture. Agricultural operations include sheep, goat, and cattle.

San Angelo is a city of over 100,000. San Angelo is located approximately 200 miles northwest of San Antonio, and has a diverse economy.

The median family income for the assessment area is \$29,166. The Texas 1997 metropolitan

median family income is \$34,448. Of all families in the assessment area, 20% are low-income, 18% are moderate-income, 22% are middle-income, and 40% are upper-income.

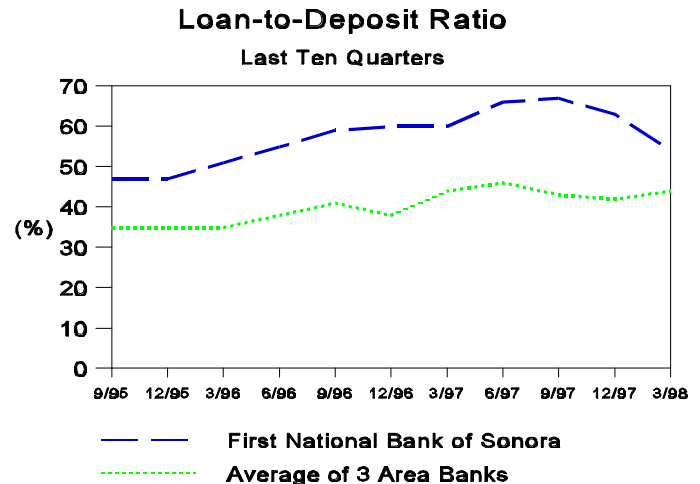
Examiners reviewed community contacts with the Sutton County Justice of the Peace, City Secretary from Sonora, and the Concho Valley Economic Development District in San Angelo. The contacts revealed a need for educational loans for students in low- and moderate-income areas. The contacts also indicated a need for mortgage loan programs for low-income borrowers along with a need for more community involvement by local bankers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low- and moderate-income families.

Loan-to-Deposit Ratio

The bank's level of lending is strong compared to other banks located in the assessment area. During the last 11 quarters ending March 31, 1998, the bank's average loan-to-deposit ratio was 57%. This compares to the average loan-to-deposit ratio of 40% for three banks headquartered in the assessment area. Of the four banks, FNB has the highest average loan-to-deposit ratio. The other banks have average loan-to-deposit ratios ranging from 28% to 52%.



Lending in Assessment Area

FNB extends a substantial majority of its loans within the assessment area. Examiners took a sample of consumer and commercial loans made in 1997 and 1998. Examiners also reviewed information concerning residential real estate loans using the bank's Home Mortgage Disclosure Act Loan Application Register (LAR). The following table shows the percentage of loans the bank made in its assessment area, both by number and dollar volume, based on 77 residential real estate loans, 42 consumer loans, and 10 commercial loans.

Percent of Loans Made in the Assessment Area	#	\$ volume
Residential Real Estate	96%	97%
Consumer	90%	90%
Commercial	90%	81%

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

The distribution of loans to borrowers of different income levels demonstrates satisfactory lending efforts to low- and moderate-income borrowers. Examiners reviewed consumer, residential real estate, and commercial loans originated in 1997 and 1998. Based on these consumer and commercial loan samples and the residential real estate loan information from the LAR, the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants.

Of the 42 consumer loans sampled, the bank made 43% to borrowers with low-incomes and 26% to borrowers with moderate-incomes. These numbers compare favorably to 20% of all families in the assessment area having low-incomes and 18% having moderate-incomes. Of the 66 residential real estate loans that had income information, the bank made 6% to borrowers with low-incomes and 12% to borrowers with moderate-incomes. Below is a breakdown of the bank's consumer and residential real estate loans by borrower income level, compared to the percentage of families in the assessment area with those incomes.

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total Families	
Families	20%		18%		22%		40%		100%	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	18	43	11	26	7	17	6	14	42	100
Residential	4	6	8	12	8	12	46	70	66	100

The bank adequately lends to businesses of different sizes, with a significant number of loans made to small businesses. A breakdown of the examiners' commercial loan sample by gross annual revenues follows.

Gross Revenues	# of Loans	Percent
Under \$100,000	1	10%
From \$100,001 to \$250,000	2	20%
From \$250,001 to \$500,000	0	0%
From \$500,001 to \$750,000	3	30%
From \$750,001 to \$1,000,000	3	30%
Over \$1,000,000	1	10%
TOTAL	10	100%

Geographic Distribution of Loans

The bank's geographic distribution of loan originations in the assessment area is reasonable. Of the 74 residential real estate loans sampled that were made within the assessment area, one loan, or just over 1%, was made in a low-income census tract. The bank made eight residential real estate loans, or approximately 10%, in the moderate-income census tracts. Of the 38 consumer loans sampled that were made in the assessment area, FNB made one (3%) in a low-income census tract and no loans in the moderate-income census tracts. These figures compare to 2% of all families in the assessment area living in the low-income census tract, and 18% of families living in the moderate-income areas. The bank's low penetration into the low- and moderate-income areas is understandable given the bank's geographic location. One San Angelo branch is located on the far west side of San Angelo, while the low- and moderate-income areas are located in the east half of town. There are numerous branches of other banks between those areas and the FNB branch. The bank's second San Angelo branch opened in May of 1998 just to the south of the low- and moderate-income census tracts. The branch will provide FNB an increased opportunity to make loans in those areas.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with Anti-Discrimination Laws and Regulations

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.