



COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

PUBLIC DISCLOSURE

BANK OF TROY

543561/11-48-7915

18 South Central Avenue
Troy, Texas 76579

As of

September 2, 1997

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.

Federal Reserve Bank Of Dallas

P. O. Box 655906, Dallas, Texas 75265-5906

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CRA PERFORMANCE ASSESSMENT

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 **Bank of Troy, Troy, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of September 2, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Bank of Troy's (BOT) rating is primarily due to its consumer loan portfolio, which exhibits an excellent dispersion throughout the assessment area by borrower income. Of the consumer loans where income data was available, approximately 60% were to low- or moderate-income individuals. In addition, approximately 90% of the business loans were made to businesses with revenues under \$1 million.

The bank attained a satisfactory rating at its previous assessment conducted as of June 17, 1996.

DESCRIPTION OF INSTITUTION

BOT is a subsidiary of Minor Financial, LLC., Lorena, Texas. It is located at 18 South Central Avenue, Troy, Texas. There are no branch locations or automated teller machines (ATM). BOT is the only financial institution in Troy.

As of June 30, 1997, the bank reported total assets of \$11.4 million and a return on average assets of 1.36%. Net loans represented 59.27% of total deposits. As detailed on the following table, agriculture remains the bank's primary lending focus. However, management indicated that efforts to reduce the bank's concentration in agricultural related loans has been successful. Between March 31, 1996 and March 31, 1997 agricultural loans decreased 50% from \$3.6 million to \$1.8 million.

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF GROSS LOANS
Real Estate:		
Construction	\$ 377	6.09
Residential 1-4	1,292	20.85
Multifamily	7	0.11
Commercial	0	0.00
Agricultural	512	8.26
Total Real Estate	2,188	35.31
Consumer:		
Open-end credit	0	0.00
All other	831	13.41
Commercial and Industrial	1,301	21.00
Agricultural	1,875	30.26
State and Political Obligations	0	0.00
Other	1	0.02
Total	\$6,196	100.00

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the assessment area.

DESCRIPTION OF TROY ASSESSMENT AREA

Troy, Texas, is located approximately 30 miles south of Waco, Texas, on Interstate Highway 35. The bank's assessment area includes 21 census tracts (CT) or block numbering areas (BNA) in portions of Bell, Falls and McLennan Counties. Municipalities located within the assessment area include Troy, Temple, Rosebud, Lott, Chilton, Eddy, Bruceville and Lorena. Troy is located in Bell County which is part of Metropolitan Statistical Area (MSA) number 3810. Temple is in McLennan County which is part of MSA number 8800. Chilton is located in Falls County and is not part of an MSA. Contacts in the community indicated Troy is a bedroom community of Temple and that most residents work and shop in Temple. The contacts further indicated that the local school district is the largest employer. In addition, the assessment area has a large population of retirees. Agriculture plays a significant economic role in the area surrounding the city of Troy. The agricultural products produced include sorghum, cotton, hay, wheat, corn and cattle.

The 1990 United States Census estimated the population of the Troy assessment area at 69,581 and the median family income at \$30,349. Approximately 17% of the families in the assessment area live in moderate income census tracts. However, 34% of the families throughout the assessment area are considered low - or moderate - income. In addition, 14% of the families live below the poverty level. The Department of Housing and Urban Development (HUD) updates the 1990 census information for the median family income on an annual basis and reports the 1996 median family income for MSA 3810 at \$35,600. For CRA purposes, borrower income information is analyzed using the HUD adjusted figure. The following table details the various income levels in the assessment area based on the adjusted median family income.

MSA MEDIAN FAMILY INCOME \$35,600		
INCOME CATEGORY	INCOME RANGE AS A PERCENT OF MEDIAN	UPPER LIMIT OF RANGE
LOW-INCOME	0-50%	\$17,800
MODERATE-INCOME	50-80%	\$28,480
MIDDLE-INCOME	80-120%	\$42,720
UPPER-INCOME	over 120%	over \$42,720

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Commercial and Agricultural (Small Business) related loans represent the largest segment of the loan portfolio based on dollar volume while consumer loans represent the largest segment based on total originations. As a result, BOT's CRA performance was analyzed using a sample of 29 small business and 48 consumer loans made between

December 1996 and May 1997. The analysis of loans by the income level of the borrower and income level of the census tracts is limited to the sampled loans located within the assessment area.

LOAN TO DEPOSIT RATIO

BOT's loan to deposit ratio is adequate. As of June 30, 1997, the loan to deposit ratio was 59.27%, up from 54.46% a year ago. The national peer average loan to deposit ratio for June 1996 is 62.80%. To better understand the bank's performance in relation to other banks in the local area an analysis was conducted of similar sized banks in the surrounding communities. The average loan to deposit ratios of the similarly situated banks was 62.17%. BOT's average loan to deposit ratio since the previous assessment was 55.21%.

The loan to deposit ratio is not indicative of the bank's actual lending performance. This is because of limitations imposed by state law on the amount banks can lend to any one borrower, the bank must sell portions of its larger loans to other banks. If portion of loans sold to other banks were to be included in the loan to deposit ratio it would rise to approximately 65%.

LENDING IN ASSESSMENT AREA

BOT's lending within the assessment area is acceptable. As detailed on the following table, 79% of the consumer and 76% of the small business loans sampled were located inside the assessment area. When analyzed using dollar volume, 75% of the consumer and 60% of the small business loans were inside the assessment area.

Lending Inside the Assessment Area				
	Number of Loan Type	Percent of Loan Type	Dollar of Loan Type (000)	Percent of Loan Type
Consumer	38	79	334	75
Commercial	22	76	586	60
Total	60	78	920	64

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

The bank has an excellent record of lending to borrowers of different incomes and to businesses of different sizes. As detailed on the following table, approximately 60% of the consumer loans reviewed were made to low- or moderate-income borrowers. This compares favorably to 34% of the families living in the assessment area which are considered low- or moderate-income. The high level of lending to the less affluent in the assessment area demonstrates management's commitment to meet the credit needs of the entire community.

Consumer Loan Sample by Income Level				
INCOME CATEGORY	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS	DOLLAR VOLUME OF LOANS (000)	PERCENT OF TOTAL LOANS
LOW-INCOME	8	30	60	24
MOD-INCOME	8	30	59	23
MID-INCOME	3	10	27	10
UPPER-INCOME	8	30	109	43
TOTAL *	27	100	255	100

* Excludes 11 loans where the bank did not collect income information.

The bank's lending to small farm and small businesses was analyzed to determine the level of lending to farms and businesses with gross revenues under \$1 million per year. The analysis indicated that all but one loan sampled was to a small farm or small business. The following table details the bank's lending to businesses of different sizes.

SMALL BUSINESS LOAN SAMPLE		
GROSS REVENUES OF BUSINESS (THOUSANDS)	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS
\$0 - 100	2	18
\$100 - 250	2	18
\$250 - 1,000	6	55
OVER \$1,000	1	9
TOTAL *	11	100

* Excludes 9 loans where the bank used borrowers' income data and 2 loans where income data was not collected.

In some instances, a bank may use the borrower's income rather than the companies gross revenues when making a credit decision. In nine of the small business loans sampled, the bank used the borrower's income. The analysis of these loans supports the conclusions reached concerning the bank's lending to borrowers of different income levels as two of the loans were made to moderate income individuals.

GEOGRAPHIC DISTRIBUTION OF LOANS

BOT's level of lending throughout its assessment area is acceptable. The table below indicates that the majority of the bank's lending is conducted in the middle and upper income census tracts that immediately surrounds the bank's location. This is to be expected given the bank's sized and the location of the moderate income tracts in proximity to the bank. The five moderate income tracts in the assessment area are located in the southern most section of the assessment area in Temple, Texas. Despite this, 8% of the consumer loans sampled were located in moderate income census tracts.

Loan Sample by Census Tract						
	Small Business Loans		Consumer Loans		Assessment Area	
Income Category	Loans in CT Income Category	Percent of Total Loans By Loan Type	Loans in CT Income Category	Percent of Total Loans by Loan Type	Number of in CT or BNA by Income Category	Percent of Total CT and BNA
LOW-INCOME	NA	NA	NA	NA	0	0
MOD-INCOME	0	0	3	8	5	24
MID-INCOME	12	55	9	24	7	33
UPPER-INCOME	10	45	26	68	9	43
TOTAL	22	100	38	100	21	100

RESPONSE TO COMPLAINTS

BOT has not received any complaints about its CRA performance since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No violations involving illegal discrimination or discouragement were noted during the concurrent consumer affairs examination.