



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 7, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Bank of Texas, National Association
Charter Number: 17003

418 North Highway 281
Marble Falls, Texas 78654

Office of the Comptroller of the Currency
Southern District
San Antonio – North Field Office
10001 Reunion Place, Suite 250
San Antonio, Texas 78216

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 the 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”

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- American Bank of Texas, NA (ABOT) lending performance is satisfactory given its size, financial condition, and the known credit needs in its assessment area (AA).
- ABOT’s loan-to-deposit (LTD) ratio is satisfactory and has averaged 76% for this evaluation period.
- A substantial majority of ABOT’s loans are within its AA.
- ABOT has demonstrated a satisfactory willingness to extend loans to individuals of varying incomes and businesses of different sizes.
- The geographic distribution of loans exceeds AA demographic characteristics. This pattern of lending exceeds the standard for satisfactory performance.
- The bank is doing a satisfactory job at providing loans and services that benefit low- to moderate-income (LMI) individuals and small business owners.
- There have been no complaints with respect to ABOT’s performance under the Community Reinvestment Act (CRA).

Scope of Examination

We evaluated ABOT’s CRA performance under the intermediate/small bank procedures since our prior evaluation dated March 29, 2005. The Lending Test review focused on commercial real estate, commercial and industrial non-real estate, construction and development, and home mortgage loan originations from January 1, 2006 through December 31, 2007. A data integrity review of the Home Mortgage Disclosure Act of 1975 (HMDA) was conducted during this onsite examination to confirm the reliability of the HMDA Loan Application Register (LAR) information. We focused our review on these primary loan products because they represent over 91% of the total loan portfolio as of December 31, 2007. We also performed a Community Development Test, reviewing community development loans, services, and investments since the last CRA examination through December 31, 2007.

Description of Institution

ABOT is a \$669 million bank headquartered in Marble Falls, Texas, approximately 50 miles northwest of Austin, Texas. The bank has 15 banking facilities: the main office located in Marble Falls, one branch located in Horseshoe Bay, one in Lakeway, a branch in Rollingwood (Austin), and two branches in Fredericksburg. During the assessment period ABOT opened a branch in Kingsland, Avery Ranch (Austin), and Medical Parkway (Austin). The Kingsland branch is located in an underserved and distressed area of Llano County. On April 1, 2006, ABOT merged with the former State Bank and Trust located in Seguin, Texas. This merger added six banking locations. Three of these branches are located in Seguin, one in Schertz, one in Garden Ridge, and one in Bulverde. All locations have drive-through facilities and automated teller machines (ATMs). An ATM is located in San Antonio at the intersection of IH 10 and Loop 1604 and another is located at a local HEB grocery store in Marble Falls. The ATMs do not accept deposits. Total assets of the holding company, North American Bancshares, as of December 31, 2007, are \$1,688 million.

The institution was rated “Outstanding” under the small bank criteria during the last examination dated March 29, 2005. The institution’s primary focus is to promote the economic development in its service area through its lending programs and community involvement. The following table reflects a detailed breakdown of ABOT’s loan portfolio as of December 31, 2007.

Loan Type	Dollar Amount (000's)	% of Total Loans
Real Estate (RE) Construction	135,098	34.8
RE Nonfarm Nonresidential	93,034	23.9
RE Residential (1-4)	79,764	20.5
Commercial and Industrial	47,089	12.1
RE Farmland	17,322	4.5
Consumer	12,279	3.2
Other	2,268	.6
Agricultural Production	1,203	.3
RE Multifamily Residential	376	.1
Total	388,433	100

Description of Assessment Areas

The bank’s service area includes census tracts (CT) in the San Antonio and Austin-Round Rock metropolitan statistical areas (MSAs) as well as in non-MSA areas. The non-MSA area includes the counties of Burnet, Gillespie, and Llano. Due to different median family income (MFI) levels, we segmented ABOT’s service area into both MSA and non-MSA assessment areas (AAs). Segmenting ABOT’s service area will provide more accurate results when analyzing the bank’s lending to borrowers of different incomes and to businesses of different sizes. Specific demographic data for the bank’s AAs is provided in the following tables.

Demographic and Economic Data on the San Antonio MSA Assessment Area

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS SAN ANTONIO MSA ASSESSMENT AREA	
Population	
Number of Families	35,794
Number of Households	45,115
Geographies	
Number of Census Tracts (CT)	26
% Low-Income CT	0
% Moderate-Income CT	15.4
% Middle-Income CT	65.4
% Upper-Income CT	19.2
Median Family Income (MFI)	
2000 MFI for AA	44,591
2006 HUD-Adjusted MFI	53,100
2007 HUD-Adjusted MFI	53,100
Economic Indicators	
Unemployment Rate	2.35%
2007 Median Housing Value	92,744
% of Households Below Poverty Level	8.98

The bank has designated all CTs in Guadalupe County, two CTs in Comal County, and five CTs in Wilson County as one AA. These counties are part of the San Antonio MSA. This AA consists of 26 CT. There are no low-income CTs. There are 4 moderate-income, 17 middle-income, and 5 upper-income CTs. This area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

The total population of the CTs located in the San Antonio MSA AA based on 2000 census data is 130,619. Approximately 14% of the families in the AA are considered low-income. Moderate-income families approximate 16% of the population, while middle- and upper-income families comprise the remaining 70%. Of the households, 9% are living below the poverty level. There are 48,825 housing units in the AA of which 74% are owner-occupied, 18% renter-occupied and 8% are vacant.

As part of the examination, we conducted a community contact and spoke with the executive director of the Seguin Housing Authority. The community contact stated the Seguin area has experienced some economic growth but there is a lack of affordable housing for LMI families. Major area employers include CMC Steel, Seguin Independent School District, and the Guadalupe Regional Medical Center. The contact stated that local banks are active in meeting the credit needs of the community.

Demographic and Economic Data on the Austin-Round Rock MSA Assessment Area

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS AUSTIN-ROUND ROCK MSA ASSESSMENT AREA	
Population	
Number of Families	228,280
Number of Households	376,442
Geographies	
Number of Census Tracts (CT)	210
% Low-Income CT	9.5
% Moderate-Income CT	24.3
% Middle-Income CT	37.1
% Upper-Income CT	28.6
N/A	.5
Median Family Income (MFI)	
2000 MFI for AA	59,438
2006 HUD-Adjusted MFI	69,600
2007 HUD-Adjusted MFI	69,600
Economic Indicators	
Unemployment Rate	1.88%
2007 Median Housing Value	123,689
% of Households Below Poverty Level	6.84

The bank has designated most of Travis County with the exclusion of several far south and east CTs. Several CTs of Williamson County are also part of this AA. These two counties are part of the Austin-Round Rock MSA. This AA consists of 210 CTs of which 20 are low-income, 51 are moderate-income, 78 are middle-income and 60 are upper-income CTs. This area meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

The total population of the CTs located in the Austin-Round Rock MSA AA based on 2000 census data is 969,107. Approximately 19% of the families in the AA are considered low-income, moderate-income families approximate 17%, middle-income families are 22% of the population, and upper-income families comprise the remaining 42%. Of the households, 10% are living below the poverty level. There are 392,818 housing units in the AA, of which 52% are owner-occupied, 44% renter-occupied and 4% are vacant.

Demographic and Economic Data on the Non-MSA Assessment Area

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS NON-MSA ASSESSMENT AREA	
Population	
Number of Families	21,198
Number of Households	29,568
Geographies	
Number of Census Tracts (CT)	19
% Low-Income CT	0
% Moderate-Income CT	0
% Middle-Income CT	8
% Upper-Income CT	11
N/A	0
Median Family Income (MFI)	
2000 MFI for AA	36,380
2006 HUD-Adjusted MFI	43,100
2007 HUD-Adjusted MFI	43,100
Economic Indicators	
Unemployment Rate	1.41%
2007 Median Housing Value	96,582
% of Households Below Poverty Level	10.05

ABOT has designated all CTs located in Burnet, Llano, and Gillespie County as an AA. These counties are not part of an MSA. This AA consists of 19 CTs with 8 being middle-income and 11 being upper-income CTs. There are no LMI CTs in this AA; however, four of the CTs located in Llano County are classified as distressed and underserved. This AA meets the requirements of the regulation and does not arbitrarily exclude LMI geographies.

Based on 2000 census information the population of this AA is approximately 72,005. Of the 21,198 families in the AA 13% are low-income, 15% are moderate-income, 21% are middle-income and 51% are upper-income families. Of the households, 10% are living below the poverty level. There are 37,664 housing units in the AA, of which 62% are owner-occupied, 17% renter-occupied and 21% vacant.

Major area employers include the Marble Falls Independent School District, Horseshoe Bay Resort, and the mining industry provides many area jobs. We spoke with the executive director of the Marble Falls Chamber of Commerce as part of a community contact. The contact stated there is a lack of affordable housing in the area. The contact further stated local banks are active in meeting the credit needs of the community.

Conclusions with Respect to Performance Tests

LENDING TEST

Based on our analysis and the demographic characteristics, ABOT is performing in a satisfactory manner in meeting the credit needs of its AA, including LMI individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

ABOT's average LTD ratio is satisfactory when compared to other similarly situated banks and meets the standard for satisfactory performance given its asset size, financial condition, and the lending opportunities within its AA. ABOT's LTD ratio averaged 76% from January 2005 to December 2007 while the local competition's average LTD ranged from 72% to 84%. The bank's average LTD ratio decreased from 87% at the last evaluation to the current level of 76%. Part of the decrease is due to ABOT's merger with the State Bank and Trust in Seguin. As a result, ABOT acquired a large deposit base while the majority of the assets were centered on securities as opposed to loans. During the evaluation period the bank has sold to the secondary market approximately \$65 million in mortgage loans. Additionally, the bank has seen an influx in large depositors.

Institution	Assets as of 12/31/07(*)	Average LTD Ratio % (**)
The Blanco National Bank	138,345	83.8
Schertz Bank & Trust	142,467	72.2
First State Bank Central Texas	954,200	79.5
Security State Bank and Trust	593,435	81.9
American Bank of Texas, N.A.	668,839	76.0

* Asset sizes of institutions are in thousands (000's)

**The average LTD ratio for the four comparable banks and ABOT is for the period from January 2005 through December 2007.

Lending in Assessment Area

A majority of the number and dollar volume of loans originated by ABOT are within its AAs. In order to assess performance for these criteria we reviewed aggregate HMDA report data and tested a sample of 25 commercial and industrial loans, 25 commercial real estate loans, and 28 construction and development loans. Our analysis indicated that 88% of the number and 89% of the dollar amount of all loans originated between 2006 and 2007 were within the bank's AA. The table on the following page provides details by product type.

TOTAL LOANS REVIEWED								
LOAN TYPE	In Assessment Area				Out Of Assessment Area			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Real Estate	322	87.7	51,752	87.1	45	12.3	7,658	12.9
Commercial and Industrial	20	80.0	1,428	92.9	5	20.0	110	7.1
Commercial Real Estate	25	100	11,319	100	0	0	0	0
Construction and Development	23	82.1	4,229	82.3	5	17.9	908	17.7
Total	390	87.6	68,728	88.8	55	12.4	8,676	11.2

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

The bank is performing a satisfactory job of extending credit to LMI individuals and small businesses.

San Antonio MSA Assessment Area

HMDA RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	14.3		16.1		21.8		47.8	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	11.7	2.9	13.3	2.5	25.0	18.1	50.0	76.5

ABOT’s level of residential lending to LMI families is satisfactory and in line with AA demographics. The percentage of the dollar volume is lower than the percentage of the total number of loans. The reason for this is that many LMI borrowers apply for loans of smaller amounts than middle- and upper-income borrowers.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94.6	5.4
% of Bank Loans in AA #	70.0	30.0
% of Bank Loans in AA \$	74.1	25.9

A small business is one with revenues of \$1 million or less. ABOT’s level of lending to small businesses is satisfactory and in line with the performance of the prior evaluation. Although the bank’s distribution of loans to businesses with revenues less than 1 million was below AA demographics, it should be noted that commercial lending comprises a large concentration within the bank’s loan portfolio and is a driving factor in its LTD performance.

Austin-Round Rock MSA Assessment Area

While the number of residential real estate loans to LMI families is below AA demographics, the distribution is considered satisfactory given the bank’s lending opportunities. The bank’s residential lending opportunities are limited by the low supply of affordable housing in the AA. According to management and supported by community contact input, there are a limited number of homes available in the AA at selling prices that LMI families can afford.

HMDA RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.2		17.3		22.2		41.3	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	2.9	0.2	11.4	4.9	5.7	1.6	80.0	93.3

The bank’s level of commercial real estate lending to small businesses is considered satisfactory given the bank’s size and lending opportunities. A review of outstanding loan reports further supports the satisfactory assessment rating.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93.4	6.6
% of Bank Loans in AA #	76.0	24.0
% of Bank Loans in AA \$	84.1	15.9

Non-MSA Assessment Area

The number of residential real estate loans to LMI families is below area demographics. Like in the Austin-Round Rock MSA AA, the bank’s residential real estate lending opportunities are limited due to the lack of housing LMI families can afford. Additionally, the high poverty level in the area further limits the bank’s lending opportunities. Based on the latest area demographics, approximately 10% of the households live below the poverty level.

HMDA RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	13.3		15.4		21.4		49.9	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	3.1	1.2	5.3	3.1	17.6	7.8	74.0	87.9

Based on our sample testing and review of outstanding loan reports, ABOT’s lending to small businesses is satisfactory given its lending opportunities. The bank’s performance is in line with its performance of the last evaluation.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95.6	4.4
% of Bank Loans in AA #	82.6	17.4
% of Bank Loans in AA \$	69.5	30.5

Geographic Distribution of Loans

Overall, the bank is doing an outstanding job in extending credit to individuals and businesses located in LMI geographies.

San Antonio MSA Assessment Area

HMDA RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		10.8		57.7		31.5	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.0	0.0	20.0	7.9	61.7	70.2	18.3	21.9

This AA does not have any low-income CTs. The bank’s level of residential real estate lending to borrowers in moderate-income CTs is good and exceeds AA demographics.

COMMERCIAL AND INDUSTRIAL								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		15.5		44.6		39.9	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	10.0	2.0	50.0	77.0	40.0	21.0

The level of lending to small businesses located in LMI CTs is satisfactory and in line with AA demographics.

Austin-Round Rock MSA Assessment Area

HMDA RESIDENTIAL REAL ESTATE								
Census Tract Income Level	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
% of AA Owner Occupied	3.4		15.7		38.8		42.1	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	11.4	4.3	14.3	14.6	74.3	81.1

The bank’s level of residential real estate lending to borrowers located in LMI CTs within the Austin-Round Rock MSA is satisfactory and in line with AA demographics. The bank does not have loans to borrowers located in low-income CTs. However, this is not a concern as the residential lending opportunities in these areas are limited. Based on the area demographics, only 3% of the housing units in the low-income CTs are owner occupied.

COMMERCIAL REAL ESTATE								
Census Tract Income Level	<i>LOW</i>		<i>MODERATE</i>		<i>MIDDLE</i>		<i>UPPER</i>	
% of AA Businesses	5.1		16.2		35.9		42.8	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	8.0	2.1	24.0	22.3	24.0	15.0	44.0	60.6

The level of commercial real estate lending to small businesses located in LMI CTs within this AA is good and exceeds AA area demographics.

Non-MSA Assessment Area

As previously stated there are no LMI geographies in the Non-MSA AA of Gillespie, Llano, and Burnet counties. Therefore, an analysis of loan distribution by geographic area would not provide any meaningful analysis.

Responses to Complaints

ABOT has not received any complaints related to CRA since the last performance evaluation.

COMMUNITY DEVELOPMENT TEST

Overall, community development loans and services provided by ABOT are satisfactory given the bank's size, financial condition, and lending opportunities.

Number and Amount of Community Development Loans

In 2006, ABOT extended a \$50,000 loan to the Texas Housing Foundation Housing Management Corporation (THFHMC). This corporation's purpose is to provide affordable housing for LMI families in and around the bank's AA. One of the projects is located in Llano, Texas, and consists of 64 housing units. Prior to this evaluation period, the bank made a loan to the Marble Falls Housing Development Corporation for the construction of affordable housing for LMI families. Additionally, ABOT has worked with the Star of Texas Fair and Rodeo, which provides scholarships based on financial need.

Extent to Which the Bank Provides Community Development Services

ABOT is active in helping to improve the credit availability in its AA. Two of the bank's branches are located in a moderate-income CT. During this evaluation period, a branch was opened in Kingsland, Texas, which is designated as an underserved and distressed area. Additionally, two branches located in the Austin-Round Rock MSA are readily accessible to LMI geographies.

Review of Fair Lending or Other Illegal Credit Practices

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.