

Public Disclosure

January 10, 2000

Community Reinvestment Act Performance Evaluation

**The American National Bank of Texas
Charter Number: 17043**

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NOTE: This evaluation is not, and should not 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.

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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 The American National Bank of Texas** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 10, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders=equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

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

The following table indicates the performance level of **American National Bank of Texas** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Bank Name Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- American National Bank's volume of lending is excellent. A substantial majority of home loans, small business loans, small farm loans, and consumer loans are made within the bank's two assessment areas.
- The geographic distribution of loans reflects strong penetrations in the low- and moderate-income geographies throughout the bank's assessment areas.
- Loan distribution to borrowers of different income levels is excellent for consumer loans and good for home loans.
- Small business lending to small businesses is excellent. The bank surpasses other CRA reporters for lending to businesses with revenues of \$1 million or less and over 90 percent of small business loans are originated for \$100,000 or less.

- American National Bank is the dominant small farm lender in its assessment areas. Substantially all small farm loans are extended to farms with revenues of \$1 million or less and have original balances of \$100,000 or less.
- Community development loans are responsive to assessment area needs, and the level of community development loans is high.
- American National Bank has invested a significant dollar volume in community development investments.
- Delivery systems are readily accessible to geographies and individuals of different income levels throughout the assessment areas. Services and hours are conducive to customer needs and do not inconvenience any portion of the assessment areas.
- Community development service performance is excellent. The bank has assumed a leadership role and provides a high level of community development services. Community development services include technical assistance, financial education, and loan counseling primarily for affordable housing and basic banking services.

Description of Institution

The American National Bank of Texas (ANB), an intrastate bank headquartered in Terrell, Texas, is one of the largest independent financial institutions in North Texas. As of September 30, 1999, ANB reported total assets of \$703 million, Tier I Capital of \$39 million and a loan-to-deposit ratio of approximately 52%. American National Bank of Texas is a wholly owned subsidiary of ANB Corporation, a one-bank holding company.

American National Bank of Texas operates predominantly in the Eastern Portion of the Dallas Metropolitan Statistical Area (MSA), including Collin, Henderson, Hunt, Kaufman and Rockwall counties as well as the eastern third of Dallas County. The bank also operates in Van Zandt County which is adjacent to the Dallas MSA.

The bank's business strategy centers on residential real estate, commercial and consumer lending. No significant legal or financial barriers limit ANB's ability to meet the credit needs of its assessment areas. A diverse choice of residential, commercial and consumer loan products are offered as well as retail and commercial deposit products. The bank also offers trust, insurance and retail non-deposit investment products. As of September 30, 1999, the bank's loan portfolio was centered in commercial loans (approximately 34%), 1-4 family residential real estate loans (approximately 27%) and consumer loans (approximately 25%). The bank sells a large volume of the residential real estate loans it originates, and sold loans are not reflected in ANB's portfolio.

The bank has experienced substantial growth during the past five years with total assets more than doubling during that time. Growth is attributed primarily to acquisitions and branching as the bank has expanded into more metropolitan areas such as Collin and Dallas Counties and extended its market into rural Van Zandt County. As a result, the bank now serves a more diverse market including both rural and metropolitan areas with varied demographics and varying degrees of competition. Refer to Appendix B: Market Profile of Full Scope Areas, to review the demographic data for the bank's assessment area.

The Office of the Comptroller of the Currency last evaluated **The American National Bank of Texas** CRA performance on **June 23, 1997**. The bank received an overall rating of "**Outstanding.**"

Scope of the Evaluation

Evaluation Period/Products Evaluated

Conclusions regarding the Lending Test are based on several different loan products. HMDA loans were reviewed for 1998 and the first three quarters of 1999. Small business and farm loans were analyzed for 1997, 1998, and the first three quarters of 1999. At the bank's request, motor vehicle loans extended from January 1 through September 30, 1999 were also reviewed. The community development lending performance analysis relied on loans made since the previous CRA evaluation on June 23, 1997 through January 10, 2000.

The evaluation period for the Services Test and Investment Test was also from the June 23, 1997 CRA evaluation through January 10, 2000. The Service Test was evaluated based on branch distribution, alternative service accessibility systems, retail and commercial deposit products, loan products and services, and community development services. The Investment Test conclusions are based on evaluation of qualified community development investments and donations.

Data Integrity

Prior to this examination, HMDA, small business, small farm, and community development loan data collected by the bank for 1998 was tested. Material errors were noted in the HMDA data and small farm and business loan data. Also, no community development loans had been reported. It was determined that similar errors also existed in the 1997 data. The bank corrected most of the data prior to this evaluation, and the corrected data is presented here. However, the bank could not correct errors in the 1997 HMDA data and that data is excluded from this analysis. Both HMDA and small business and farm data was made public for 1997 and 1998 prior to the data integrity test and the bank's corrections could not be incorporated into the public data. As a result, some market share data was not accurate as published and had to be manually calculated for this report.

Selection of Areas for Full-Scope Review

Refer to the table in Appendix A for more information. Both of the bank's assessment areas (AA) received full-scope reviews. The Eastern Dallas MSA AA accounts for the majority of bank branches, deposits and loans, therefore, receives the most weight in the overall CRA rating. The Van Zandt County AA was also reviewed using full-scope procedures since ANB has the highest percentage of deposits and is responsible for a significant amount of the credit available in Van Zandt County. The Van Zandt County AA does not weigh heavily in the overall CRA rating since it comprises only a small portion of ANB's business and the bank only recently achieved a large presence in the market.

Other

Two organizations were contacted in Terrell, which is part of the Eastern Dallas MSA AA and one was contacted in Canton, which is part of the Van Zandt County AA. Contacts made represented city governments and affordable housing offices. Community development opportunities and credit needs in these areas were discussed. Summaries of other recent contacts made in the bank's AAs were also reviewed to identify credit needs. In the Dallas MSA, needs were identified in the areas of small business development, affordable housing, rehabilitation of existing homes, homebuyer assistance programs and improved personal service for small businesses were noted needs of the AA. Ample community development investment opportunities are available in the Dallas MSA while community development opportunities in Van Zandt County are very limited.

Fair Lending Review

Home purchase lending practices from January 1, 1999 through June 30, 1999 were reviewed to test for compliance with anti-discrimination laws. Denied loan applications from Hispanics were compared with originated loans to white applicants to ensure that all applicants received equitable consideration. No evidence of disparate treatment was noted. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. Policies and procedures are in place to prevent discriminatory or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "**Outstanding**". Based on full-scope reviews, the bank's performance is excellent in the Eastern Dallas MSA assessment area (AA) and good in the Van Zandt County AA. More weight was given to the bank's performance in the Eastern Dallas MSA AA since over 90% of its loans and 87% of its deposits are generated there and due to the relative newness of the bank's Van Zandt County presence (three years). In addition, one of the bank's two branches in that AA was an affiliate acquired by the holding company in 1998 and merged into the bank during 1999.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity. The bank's lending volume is excellent in both the Eastern Dallas MSA AA and the Van Zandt County AA.

The bank's loan-to-deposit ratio was approximately 52% as of September 30, 1999, with a substantial majority of the bank's loans originated within its AAs. Excluding the approximately \$62 million in public funds requiring pledging and taking into account the approximately \$143 million outstanding in mortgage loans the bank originated and sold but still services, the loan-to-deposit ratio would have been approximately 82% as of September 30, 1999.

Since the Eastern Dallas MSA AA includes only portions of Dallas County as well as several additional whole counties, deposit market share and rank, which is county based, is not available for the entire AA. The deposit market share for the combined whole counties within this AA as of June 30, 1999 is available. The bank is not as established and faces more competition in the Dallas County geographies than in a majority of the other counties; therefore the whole counties' deposit share is probably higher than the bank's actual market share for the Eastern Dallas MSA AA which is a consideration in evaluating the bank's performance. This deposit market share is compared to the banks loan product market shares in the entire AA to evaluate lending activity. Market rank was not determined for deposit share in the Eastern Dallas MSA AA analysis.

American National Bank's deposit market share in the combined whole counties of its Eastern Dallas MSA AA is 11.61%. The bank's market share is .76% for Home Purchase Loans, 6.09% for home improvement loans and 1.16% for refinance loans. Although, these loan market shares do not approximate the deposit market share, the bank's level of lending activity for these products is considered good. The loan market share numbers are diluted by the large volume of originations by a large number of lenders in Collin and Dallas Counties. The deposit market share numbers are not diluted to the same extent since a vast majority of the home purchase lenders did not have a share of the deposits in those areas. In Collin County, for example, 365 lenders originated 23,744 home purchase loans in 1998. The average number of home purchase loans originated by all lenders in Henderson, Hunt, Kaufman and Rockwall counties in 1998 was 1,579. The bank's market share numbers are significantly higher for these counties than for the entire assessment area. For example, in Kaufman County, where the bank is headquartered, the bank is the second ranked home purchase lender and originated more home improvement and refinance loans than any other lender in 1998. In addition, the bank's market share for low- and moderate-income borrowers and in low- and moderate-income geographies exceeds its overall market share for a vast majority of its products. The bank's market share of home improvement loans is impressive given the significant competition in its AA.

The bank's market share is 7.19% for small business loans and 58.29% for small farm loans in the Eastern Dallas MSA AA. The small business market share is also somewhat diluted due to the overall level of lending by the numerous financial institutions in Collin and Dallas Counties. The deposit market share numbers are not diluted to the same extent since a large number of the small business lenders did not have a share of the deposits in those areas. This level of lending is considered excellent given the bank's focus on small loans to small businesses. Over 93% of the small business loans originated during the evaluation period were for less than \$100,000 with an average loan size of approximately \$39,000. The bank is the dominant small farm lender in the Eastern Dallas MSA AA.

The bank's deposit market rank in the Van Zandt County assessment area as of June 30, 1999 is one (27% share). The bank's market rank in the Van Zandt County AA was three (5.56% share) for home purchase loans, one (28.5% share) for home improvement loans and one (10.3% share) for home mortgage refinance loans. This is excellent considering that during 1998, the year on which the loan market share data is based, the bank only had one small branch in the county. Of the 168 lenders originating HMDA loans in Van Zandt County in 1998, only six lenders had an overall HMDA market share greater than 3% and only three

lenders' market shares were greater than 6%, including this bank's 9.59% share.

The bank's market rank in the Van Zandt County AA is three, with a 15.69% share, for small business loans and one, with a 70.59% share, for small farm loans. These numbers reflect an excellent level of lending given the bank's relatively short operating time in Van Zandt County.

The bank made a significant number of consumer motor vehicle loans in both AAs, especially considering that the data reviewed is from only the first three quarters of 1999. In the Eastern Dallas MSA AA the bank originated 1,330 consumer motor vehicle loans for approximately \$20.6 million. In the Van Zandt County AA, the bank originated 235 consumer motor vehicle loans totalling approximately \$3.5 million.

American National Bank of Texas also made a significant level of community development loans in the Eastern Dallas MSA AA. No community development loans were originated in the Van Zandt County AA. In addition to the relatively new presence of the bank in Van Zandt County, it was determined through a community contact and additional research that very limited community development opportunities are available in that area. Therefore, no weight is given to the lack of community development lending in Van Zandt County. No market share data is available for consumer or community development loans.

Distribution of Loans by Income Level of the Geography

American National Bank's overall distribution of loans by income level of geographies is excellent in the Eastern Dallas MSA AA. Geographic distribution analysis is not meaningful in the Van Zandt County AA since all the geographies are middle income.

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations. The bank's geographic distribution of home mortgage loans is excellent in the Eastern Dallas MSA AA.

Home Purchase Loans

The bank's geographic distribution of home purchase loans is excellent in the Eastern Dallas MSA AA. The distribution of home purchase loans substantially exceeds the percentage of owner-occupied housing units in both low-income tracts and moderate-income tracts. The bank's 21.54% market share in low-income tracts and 2.01% market share in moderate income tracts both substantially exceed the bank's overall market share for home purchase loans.

Home Improvement Loans

The bank's geographic distribution of home improvement loans is excellent in the Eastern Dallas MSA AA. The distribution of home improvement loans in this AA substantially exceeds the percentage of owner-occupied housing units in low-income geographies and exceeds the percentage of owner-occupied housing units in moderate-income geographies. The bank's 50% market share in low-income tracts substantially exceeds the bank's overall market share, indicating that the bank is the dominant home improvement lender in low-income geographies. The bank's 10.24% market share in moderate-income geographies exceeds its overall market share.

Refinance Loans

The bank's geographic distribution of refinance loans is excellent in the Eastern Dallas MSA AA. The distribution of refinance loans in the Eastern Dallas MSA AA substantially exceeds the percentage of owner-occupied housing units in low-income geographies and substantially meets the percentage of owner-occupied housing units in moderate-income geographies. The bank's 22.22% market share in low-income geographies and 3.29% market share in moderate-income geographies both substantially exceed the bank's overall market share for refinance loans in this AA. The refinance loan market is very competitive with 403 lenders originating loans in this AA based on 1998 Peer HMDA data. No lender held more than a 6.5% overall market share.

Small Business Loans

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

The bank's geographic distribution of small business loans is excellent in the Eastern Dallas MSA AA. The distribution of small business loans substantially exceeds the distribution of small businesses in low-income geographies and exceeds the distribution of small businesses in moderate-income geographies. The bank's market share for small business loans in low-income geographies substantially exceeds its overall market share and its market share in moderate-income geographies exceeds its overall market share.

Small Farm Loans

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.

The bank's geographic distribution of small farm loans is excellent in the Eastern Dallas MSA AA. The bank is the dominant small farm lender in the AA. The distribution of small farm loans substantially exceeds the percentage of small farms in both low-income and moderate-income geographies. The bank has 100% of the market share of small farm loans in low-income geographies and 51.76% of the market share in moderate-income geographies.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations.

The bank's geographic distribution of consumer loans is excellent in the Eastern Dallas MSA AA. Distribution of consumer loans exceeds the population distribution in both low-income geographies and moderate-income geographies. Market share data is not available for consumer loans.

Lending in the Assessment Area

The bank's distribution of loans inside and outside its assessment areas is excellent. A substantial majority (91%) of the bank's reported loans were made within its assessment areas. By loan type, 95% of home mortgage loans, 89% of small business loans, 92% of small farm loans and 91% of consumer loans were originated within the assessment areas.

Lending Gap Analysis

Analysis of home mortgage, consumer and small business/small farm lending activity in the Eastern Dallas MSA AA and the Van Zandt County AA revealed no unexplained conspicuous gaps in lending.

Distribution of Loans by Income Level of the Borrower

American National Bank's overall distribution of loans by income level of borrowers is excellent. Especially noteworthy is the bank's superior performance in its loan distribution for small businesses and small farms. The borrower distribution of consumer loans is also excellent and overall borrower distribution for home mortgage lending is good.

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations. The bank's distribution of home mortgage loans to borrowers of different income levels is good in the Eastern Dallas MSA AA and adequate in the Van Zandt County AA.

Home Purchase Loans

American National Bank's borrower distribution of home purchase loans is good in the Eastern Dallas MSA AA and adequate in the Van Zandt County AA.

The bank's distribution of home purchase loans to low-income borrowers does not meet the percentage of low-income families in either the Eastern Dallas MSA AA or the Van Zandt County AA. This performance, however, was not considered negatively. Since 8.59% of the households in the Eastern Dallas MSA AA and 18.45% of the households in the Van Zandt County AA are below the poverty level, a significant number of low-income families may not qualify for mortgage loans. In addition, the bank's market share for home purchase loans to low-income borrowers in the Eastern Dallas MSA AA exceeds the bank's overall market share which reflects positive results in lending to low-income borrowers.

The bank's distribution of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in The Eastern Dallas MSA. The bank's market share of home purchase loans to moderate-income borrowers exceeds the bank's overall market share in The Eastern Dallas MSA AA. The distribution of home purchase loans to moderate-income borrowers does not meet the percentage of moderate-income families in the Van Zandt County AA and the market share for home purchase loans to moderate-income borrowers does not meet the bank's overall market share in the Van Zandt County AA. The bank is the third ranked home purchase loan lender in the Van Zandt County AA based on 1998 HMDA data.

Home Improvement Loans

American National Bank's borrower distribution of home improvement loans is excellent in the Eastern Dallas MSA AA and good in the Van Zandt County AA.

In the Eastern Dallas MSA AA, the bank's distribution of home improvement loans to both low- and moderate-income borrowers exceeds the percentage of low- and moderate-income families in the AA and the bank's market share of home improvement loans to both low- and moderate-income borrowers exceeds the bank's overall market share.

The bank's distribution of home improvement loans to low-income borrowers in the Van Zandt County AA does not meet the percentage of low-income families in the AA. This relatively low penetration is mitigated by the bank's 62.5% market share of home improvement loans to low-income borrowers indicating that the bank is the dominant home improvement lender to low-income borrowers in this AA. In addition, due to the poverty level, a significant number of low-income families do not own their own homes. The bank's distribution of home improvement loans to moderate-income borrowers in the Van Zandt County AA substantially meets the percentage of moderate-income families in this AA. The bank's 35% market share of home improvement loans to moderate-income borrowers also indicates that the bank is a dominant home improvement lender to moderate-income borrowers in this AA.

Refinance Loans

American National Bank's borrower distribution of refinance loans is good in the Eastern Dallas MSA AA and poor in the Van Zandt County AA.

The bank's distribution of refinances to low-income borrowers in the Eastern Dallas MSA AA does not meet the percentage of low-income families in the AA, however, the bank's market share of refinances to low-income borrowers exceeds its overall market share in that AA. The bank's distribution of refinances to moderate-income borrowers in the Eastern Dallas MSA AA substantially meets the percentage of moderate-income families in the AA and the bank's market share of refinances to moderate-income borrowers exceeds its overall market share based upon 1998 HMDA data.

The bank made no refinance loans to low-income borrowers in the Van Zandt County assessment area. Due to the number of households below the poverty level, a significant number of low-income families may not qualify for mortgage loans. In addition, the refinance of low-income borrower mortgages often presents additional challenges such as higher original loan-to-value ratios and the need for additional funds for closing costs. The bank's distribution of refinances to moderate-income borrowers in Van Zandt County does not meet the percentage of moderate-income families, but the bank's market share of refinances to moderate-income borrowers exceeds its overall market share based on 1998 HMDA Data.

Small Business Loans

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations. The bank's distribution of small business loans to businesses of different sizes is excellent in both the Eastern Dallas MSA AA and the Van Zandt County AA.

In both the Eastern Dallas MSA AA and the Van Zandt County AA, the distribution of small business loans to businesses with revenues less than \$1 million exceeds distribution of small businesses in the AA with revenues less than \$1 million. A substantial majority, 93.8% in the Eastern Dallas MSA AA and 92.3% in the Van Zandt County AA, of the bank's small business loans were for amounts less than \$100,000. The bank's market share of loans to businesses with revenues less than \$1 million exceeds its overall market share of small business loans in both AAs.

Small Farm Loans

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small farm loan originations. The bank's distribution of small farm loans to farms of different sizes is excellent in both the Eastern Dallas MSA AA and the Van Zandt County AA.

The distribution of small farm loans to farms with revenues less than \$1 million exceeds the percentage of small farms with revenues less than \$1 million in both AAs. A substantial majority, 97.2% in the Eastern Dallas MSA AA and 98.4% in the Van Zandt County AA, of the bank's small farm loans were for amounts less than \$100,000. The bank's market share of loans to small farms with revenues less than \$1 million exceeds its overall market share of small farm loans in both AAs.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations.

The bank's distribution of consumer loans to borrowers of different income levels is excellent in the Eastern Dallas MSA AA and good in the Van Zandt County AA.

The distribution of consumer loans to low-income borrowers exceeds the distribution of low-income households in the Eastern Dallas MSA AA and does not meet the distribution of low-income households in the Van Zandt County AA. The weaker penetration of low-income borrowers in the Van Zandt County AA is due, in part, to the relative newness of the bank's presence. The distribution of consumer loans to moderate-income borrowers exceeds the distribution of moderate-income households in both the Eastern Dallas MSA AA and the Van Zandt AA.

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending. All of the community development loans were extended in the Eastern Dallas MSA AA.

Eastern Dallas MSA AA

The bank has a good level of community development loans in the East Dallas MSA AA. During the review period, ANB extended 16 community development loans to 5 different borrowers in the AA. Loans totaled \$3,550,310. The loans were primarily for affordable housing and were dispersed throughout the AA. One loan was to help move a business to Terrell.

The largest loan, at \$1,500,000, provided refinancing for an apartment building in Greenville. The building was rehabilitated and HUD Section 8 units were added. At the time of the evaluation, 23 of the 120 units had Section 8 tenants. Average rents for all of the units are affordable and are primarily rented by low- and moderate-income individuals.

A business loan was extended for \$1,105,910 and was secured by commercial real estate. The purpose was to help move a manufacturing business to the Terrell Industrial Park, which is in an enterprise zone. It was a short-term loan that resulted in approximately 40 permanent jobs. The designated enterprise zone is in a moderate-income geography. Enterprise zones are designated areas in need of stabilization which offer incentives to encourage new businesses to locate to the area and existing businesses to grow. This loan helped stabilize and revitalize the area by providing permanent jobs.

The other loans provided interim financing to build new affordable single family units. These loans were extended in Kaufman County and Dallas County. One of the loans was for initial development of subdivision, and the other 13 loans were for interim construction. The bank works with several builders that target the Farmers Home Administration Guaranteed Rural Housing Loan Program. The program helps provide housing for moderate-income borrowers in rural areas. The bank's involvement in these loans has helped bring needed affordable housing to various sectors of the AA.

Van Zandt County AA

American National Bank has not originated any community development loans in the Van Zandt County AA during the review period. The AA is rural with small cities and the entire AA consists of middle-income geographies. In addition, ANB only recently obtained a large presence in the county, with the merger of the Bank of Van Zandt during 1999. Prior, ANB only operated one branch in the county, in Wills Point, and that branch was acquired during 1997. During the examination, no opportunities for involvement in community development projects in Van Zandt County were identified. Given, the bank's recent entrance into this AA and very limited opportunities for community development, ANB's lack of community development loans in Van Zandt County does not detract from the bank's performance.

Product Innovation and Flexibility

American National Bank has a good record of providing flexible lending products. A number of flexible lending programs related to affordable housing are available and the bank is involved in one innovative program in Terrell. In addition, the bank will use alternative sources to determine credit histories for consumer loan applicants.

- Terrell Community Redevelopment - ANB partnered with the City of Terrell and the Federal Home Loan Bank to offer this program. The city donates foreclosed lots and \$5,000 in grant money is provided through a FHLB grant for down payment and closing cost assistance. American National Bank provides interim and permanent loans with minimum fees. The bank took a leadership position in this project and has closed six loans since the previous CRA evaluation. The project is innovative and helps revitalize Terrell and provides affordable housing. The bank is looking at ways to expand the program since only a limited number of lots become available through the city.
- Farmers Home Administration Rural Development Guaranteed Loan Program - This program's purpose is to provide affordable housing for moderate-income families in rural communities. American National Bank has closed three permanent mortgages since the last examination.

Borrowers can go directly to FmHA for the permanent loan under this program. In these cases, ANB provides interim loans to the homebuilders with minimal or no fees to help control the cost of building and avoid costs that would be passed to the borrower. The interim construction loans extended since the previous evaluation are described with the community development loans.

- Texas Rural Housing Service - Leverage Loan Program - This program provides flexible home purchase credit for low-income individuals. American National Bank makes a first lien note and the leverage loan program makes a second lien for the remaining amount up to 100 percent loan-to-value. The second lien note is made at a below market rate and can be as low as one percent. The bank has closed six loans under this program since the previous CRA evaluation. American National Bank also provides interim financing for three builders who build houses under this program.
- FNMA Community Homebuyers Program - This program targets first time homebuyers and reaches primarily low- and moderate-income families. The program includes homebuyer education, counseling favorable interest rates, and expanded underwriting criteria. Two loans have been closed under this program since the previous CRA evaluation.
- Additional Home Loan Programs - ANB initiated a FHA program when the bank identified a need for this type of loan in the bank's trade area. The program attracts many low- and moderate-income families since expanded debt ratios and lower credit scores are required compared with industry standards. In addition, only a three- percent downpayment is required. ANB originates and sells the loans. Since implementation in the fall of 1998, ANB has brokered 20 closed loans.

American National Bank has agreements with three outside sources that help provide home loans for less creditworthy applicants or provide more flexibility in qualifying criteria. The bank makes the programs available to applicants, but does not make the loan or credit decision. The programs are not limited to low- and moderate-income borrowers, although often are used to help these borrowers purchase homes. Two of the programs are targeted at borrowers that due to credit history or other underwriting criteria, pose a higher level of risk to lenders; the bank has brokered 13 closed loans during 1999 through these programs. The other program provides loans with no downpayment and includes financing for up to 3 percent of closing costs. Extended debt-to-

income ratios are used to qualify borrowers. American National Bank has brokered six loans under this program.

- Alternative Credit Histories - ANB will consider sources other than borrowing history to show an applicant's history of paying obligations for mortgage applications and for consumer applications. This includes utility payments, rent, and telephone bills.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

The bank's performance under the Investment Test is rated "**High Satisfactory.**" Based on full scope reviews, the bank's performance in the Eastern Dallas MSA AA is strong. The lack of investments in Van Zandt County is not considered negatively given the very limited opportunities and short presence of ANB in the county.

During the investment evaluation period, from June 24, 1997 through January 10, 2000, the bank purchased a limited number but a significant dollar volume of investments.

During the first quarter of 1999, the bank purchased \$3.4 million of a \$4.5 million bond offering from the City of Terrell. According to the City Manager, ANB took a leadership role in this purchase in two ways. First, the bank purchased 75% of the offering. Without this large purchase, the city would not have been able to sell 100% of the offering. Second, the bank's bid was approximately 100 basis points below the average bid. This municipal bond was used for street improvements and related drainage and utility improvements in the low- and moderate-income areas of Terrell. A large portion of the funds was targeted for projects in the only low-income census tract in the city in an area that is also an enterprise zone.

During the rating period, the bank also donated \$1 thousand to the Kaufman Senior Citizens Center. Clientele for the center are primarily low- and moderate-income individuals. The center provides vital community services to clientele.

Total qualified investments and grants during the rating period equate to \$3.4 million or 7.2% of Tier I Capital as of December 31, 1999. This is an excellent level of qualified investments and demonstrates an admirable responsiveness to community economic development needs. The bank took a strong leadership position in purchasing a large portion of the municipal offering mentioned above. The investment provided financing for projects to improve low- and moderate-income areas that would not have been available without ANB's purchase. During the rating period, the bank did not make use of innovative and/or complex investments to support community credit needs.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**Outstanding.**" Based on full scope reviews, the bank's performance in the Eastern Dallas MSA AA is excellent and performance in the Van Zandt County AA is strong. Performance in the Eastern Dallas MSA AA is weighted more in the bank's Service Test rating. American National Bank has achieved strong performance in providing banking products and services that are readily accessible to geographies and individuals of different incomes in both of its AAs. The primary delivery system is the bank's branch network, which provides good accessibility to banking services throughout its AAs. Retail products and services meet a wide array of customer needs. Community service involvement has been extensive and ANB is a leader in providing community development services in its communities.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of bank branches. In the Eastern Dallas MSA AA, the branch distribution compares favorably with the population. In Van Zandt County, the two branches are located in the more populated portions of the county. Since the AA consists only of middle-income census tracts the branch distribution of this AA does not weigh heavily in the overall conclusion.

The Eastern Dallas MSA AA branch distribution closely correlates with the

percentage of census tracts in each income-level and the penetration of branches in moderate-income geographies slightly exceeds the geographic makeup of the AA with 31.25% of AA branches compared with 26.88% of AA census tracts. The branch distribution also compares favorably with the population as less than 2% of the AA population lives in low-income geographies and 22.31% lives in moderate-income geographies. American National Bank does not have banking offices in any low-income geographies; however, branches are located in close proximity to each of the four low-income census tracts in its Eastern Dallas MSA AA.

American National Bank has extended Friday lobby and Saturday drive-in services available at its branches. In addition, in the Eastern Dallas MSA AA, ANB operates five full service supermarket locations that offer Monday through Saturday extended banking hours. Extended branch hours provide banking services for the large segment of the bank's customer base that has nontraditional working hours or long commuting distances to work. Two of these supermarket branches are located in moderate-income geographies, one is in a middle-income geography and two are in upper-income geographies.

The branch network and banking hours provide good access to bank products and services to all segments of the bank's two AAs.

To augment the branch system, 18 proprietary ATMs are operated. Two of the ATMs are located separate from branches and all provide 24-hour banking services. In addition, services are accessible through telephone banking and bank-by-mail.

American National Bank offers the same banking services throughout its branch network. A free checking product has been developed primarily for the bank's supermarket branches and is designed to attract low- and moderate-income individuals with no banking relationship. Only \$10 is required to open an account and no monthly service fee is assessed. As of this evaluation, more than 17,600 active free checking accounts were in place. The product is responsive to basic banking needs of the low- and moderate-income population in the bank's AAs.

Check cashing services for non-customers is also provided. This is a responsive service for the low- and moderate-income population in the bank's AAs.

The variety of banking services offered by ANB in Van Zandt County increases access to banking and the variety of products available in the county.

Community Development Services

American National Bank has demonstrated strong community development service performance. Community development services are concentrated in the Eastern Dallas MSA AA including Terrell, Kaufman County, Rockwall County, and Hunt County. One community development service benefits the Van Zandt County AA.

Activities demonstrate the bank's commitment to its communities through providing technical assistance, credit counseling, and banking education. For several activities, ANB assumed a leadership role.

Technical Assistance

A variety of technical assistance services have been provided including the following examples:

- Working on Economic Development Corporations (EDC)- American National Bank employees serve in leadership positions for two Economic Development Corporations in Terrell and Kaufman that seek to stabilize and revitalize low- and moderate-income geographies by promoting business growth and encouraging new businesses to locate in these communities to provide permanent jobs. Bank employees provide technical assistance through serving on the board of directors or as chairman of the board of the entities. The corporations help attract businesses and provide jobs for low- and moderate-income individuals, and help stabilize and revitalize the communities. The Terrell EDC serves an enterprise zone, a designated area in need of stabilization.
- Developing an innovative low-income housing program - ANB has taken a leadership role in an innovative partnership to provide low-income housing in Terrell. The City of Terrell, FHLB, and ANB are involved in the program. The city donates foreclosed lots. ANB helped obtain FHLB grant money that is used for downpayment and closing cost assistance. The bank provides the loan and provides assistance with the application process for prospective borrowers.
- Assisting the City of Terrell to develop a First Time Homebuyers Program - ANB provided background information and held monthly meetings to help develop a program format. The program helps provide affordable housing and focuses on low- and moderate-income families and individuals.

- Servicing Habitat for Humanity Loans - The bank services two loans for free. These loans help provide housing for low-income families.

- Sponsoring a FHLB grant to provide housing - The bank has taken a leadership role in this project. American National Bank sponsored a grant that is being used to build and operate a 180 unit structure to house low- and moderate-income seniors in Terrell. The bank oversees fund distributions and the construction phase. In addition, ANB will help monitor the project to ensure it meets a 15-year requirement to remain housing for low- and moderate-income people.

- Serving on the Board for Helping Hands - A loan officer serves on the board for this Rockwall organization that provides clothing and temporary shelter to low-income individuals. Duties include obtaining funds and working with budgets and finances.

Credit Counseling

- Counseling prospective Habitat for Humanity homeowners - A loan officer has provided credit counseling for six prospective homeowners in Greenville.

- Serving as chairman for Consumer Credit Counseling - A branch president serves as chairman for Consumer Credit Counseling in Rockwall. The organization primarily helps low- and moderate-income individuals through providing education on financial services, counseling individuals on loans and bank accounts, and teaching people to better handle personal finances.

- Processing applications for the Rural Housing Office - ANB provides extensive credit counseling and helps create applicant credit files for the State's Leverage Loan Program. Through the program the State makes an 80% loan-to-value second lien loan at below market rates to help provide home loans for low- and moderate-income people. The bank processes the applications with minimal fees and provides Spanish translation for applicants when needed. The bank also provides the first lien loan in some cases. Six loans have been closed during the evaluation period.

- Working with Hispanic Mission - A loan officer works with this Greenville organization to provide one-on-one credit counseling on a quarterly basis. The service is targeted toward low-income people. The bank also provides Spanish translation when needed.

Banking Education

- Providing translation services for Spanish speaking people - ANB has eight bilingual employees. They have provided translation for the Terrell School District for Spanish speaking parents and have used these opportunities to explain banking products and services and distribute Spanish information on products. The target is low- and moderate-income Hispanic families.
- Presenting information on banking to high school students - ANB has taught students at Kaufman and Terrell high schools about banking services, mortgage loans, and credit history. The classes have targeted low- and moderate-income students with limited knowledge of the banking system.
- Conducting homebuyer seminars - Two seminars have been done. One was sponsored in conjunction with the Terrell Section 8 Housing Clerk and had 108 attendees. The other seminar was in Kaufman and had 13 attendees. These seminars provided financial education and targeted low- and moderate-income individuals.

In the Eastern Dallas MSA AA, community development service performance is strong. The bank's leadership position in community development activities is reflected in the large number of projects the bank is involved with, the wide variety of service activities, and initiative taken in community development services. Performance in Van Zandt County, while more limited than activities in Dallas, is adequate. The bank has not had enough time to perform a large number of community development services in the Van Zandt County AA since ANB has only had a presence in the county for a short period of time and community development projects in Van Zandt County are limited.

Appendix A: Scope of Examination

The following table identifies the time periods covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "Full Scope" and those that received a less comprehensive review (designated by the term "Limited Scope").

Time Period Reviewed	Lending Test: January 1, 1997 through September 30, 1999 Investment Test: June 24, 1997 through January 10, 2000 Service Test: June 24, 1997 through January 10, 2000	
Financial Institution	Products Reviewed	
The American National Bank of Texas Terrell, Texas	January 1, 1998 to September 30, 1999 - home purchase, home improvement, home refinance January 1, 1997 to September 30, 1999 - small business and small farm January 1, 1999 to September 30, 1999 - motor vehicle Community development loans, investments and services Retail products and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>[Instructions: Provide only if affiliate products are reviewed.]</i> None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
East Dallas MSA Van Zandt County	Full Full	Does not include entire MSA One entire county

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Eastern Dallas MSA #1920	B-2
Van Zandt County	B-4

EASTERN PORTION OF DALLAS MSA

Demographic Information for Full-Scope Area: Eastern Dallas MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	160	2.50	26.88	35.62	33.75	1.25
Population by Geography	831,618	1.49	22.31	37.27	38.93	0.00
Owner-Occupied Housing by Geography	341,445	0.73	22.50	35.17	41.60	0.00
Businesses by Geography	41,095	1.37	21.10	35.77	41.76	0.00
Farms by Geography	1,241	0.48	27.32	40.45	31.75	0.00
Family Distribution by Income Level	238,320	16.69	16.72	22.63	43.96	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	76,274	3.08	38.45	40.25	18.22	0.00
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$38,754 = \$58,200 = 25,945	Median Housing Value Unemployment Rate				= \$83,352 = 3%

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

American National Bank of Terrell (ANB) primary assessment area (AA) is the eastern portion of the Dallas MSA. Specifically, this area includes: Collin County, Hunt County, Rockwall County, Kaufman County, and the eastern third of Dallas County. The portion of the MSA not included is Denton County, Ellis County, and the western 2/3 of Dallas County.

Sixteen of the ANB's 18 full service branches are in this AA. Of these offices, none are in low-income census tracts, five are in moderate-income census tracts (31%), seven are in middle-income census tracts (44%), and four are in upper-income census tracts (25%).

During 1998, there were more than 100 financial service entities operating in this AA. Significant loan and deposit competitors include, but are not limited to, NationsBank, Chase Bank, Wells Fargo Bank, Bank One, World Savings Bank, Comerica Bank, Compass Bank and Bank United. The bank also faces competition from many smaller banks and a large number of non-bank entities such as mortgage companies.

This AA accounts for 87% of ANB's deposits. The 160 AA census tracts include census tracts in each income-level as follows: 3% low-income, 27% moderate-income, 36% middle-income, and 34% upper-income. Based on 1990 census data, 8.59% of the households earn an annual income below the poverty level, 88.25% of available housing is occupied, and 58.91% of available housing is owner occupied.

Based on November 1999 regional economic data, the entire Dallas MSA had a civilian labor force of 1,846,600. The unemployment rate on this date was 2.9% compared to a state rate of 4.2% and a United State unemployment rate of 3.8%. The economy is considered strong and stable. The Dallas MSA has been one of the fastest growing metropolitan areas in the United States. This growth is expected to continue. Employment growth for 1999 through November was 3.3%. The local economy is diverse with employment opportunities predominantly in retail trade, construction, transportation, public utilities, education, health services, finance, insurance, real estate, and manufacturing.

Community Contact Information

The OCC and other regulators have conducted numerous community contacts who have indicated that there is a high level of investment opportunities in the Dallas MSA in the areas of small business development, affordable housing, and rehabilitation of existing homes. These contacts included community development corporations, affordable housing organizations, and small business development groups. Additionally, homebuyer assistance programs and improved personal service for small businesses were noted needs of the AA.

VAN ZANDT COUNTY

Demographic Information for Full-Scope Area: Van Zandt County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	10	0.00	0.00	100.00	0.00	0.00
Population by Geography	37,944	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	17,013	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	1,563	0.00	0.00	100.00	0.00	0.00
Farms by Geography	165	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	11,148	20.43	17.16	20.11	42.30	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,191	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$24,586 = \$33,900 = 2,666	Median Housing Value Unemployment Rate				= \$45,695 = 3.6%

Source: 1990 U.S. Census, and 1999 HUD updated MFI.

ANB's second AA is Van Zandt County. Two of the bank's 18 full service branches are in this AA. Ten census tracts comprise the county. All of the census tracts are middle-income. As of June 30, 1999, there were 9 insured financial service providers with 14 offices operating in this AA. Significant loan and deposit competitors include, but are not limited to, Citizen's National Bank of Wills Point, First National Bank-Canton, Austin Bank, and First National Bank-Athens.

This AA accounts for 13% of ANB's deposits. Based on 1990 census data, 18.45% of the households earn an annual income below the poverty level, 84.34% of available housing is occupied, and 67.9% of available housing is owner occupied.

Based on November 1999 regional economic data, the AA had a civilian labor force of 27,998. The current unemployment rate for the AA is estimated to be 3.6% compared to a state rate of 4.2% and a United States rate of 3.8%. The local economy is considered strong and stable.

Community Contact Information

One community contact was performed with city leaders of Canton, Texas. The results of this contact, combined with other information gathered during the course of this examination from OCC personnel, indicate the level of investment opportunity in Van Zandt County is low.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the **Abank** include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also compares the banks percentage distribution with the percentage of loans originated and

purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.
- Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME													State: TEXAS	Evaluation Period: JANUARY 1, 1997 TO SEPTEMBER 30, 1999
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans(#) in MSA/AA		
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)			
Full-Scope:														
Eastern Dallas MSA	87.40	1,422	99,853	1,964	77,463	393	8,817	16	3,550	3,795	189,683	91.47		
Van Zandt County	12.60	201	10,776	91	3,879	62	1,523	0	0	354	16,178	8.53		
Limited-Scope:														

* Deposit data as of June 30, 1999.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE																
State: TEXAS				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999												
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Eastern Dallas MSA	0.73	3.53	22.50	27.70	35.17	46.84	41.6	21.93	34	0.76	21.54	2.01	1.29	0.29	538	90.27
Van Zandt County	NA	NA	NA	NA	100.00	100.00	NA	NA	3	5.56	NA	NA	5.56	NA	58	9.73
Limited-Scope:																

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.
 (**) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT																
State: TEXAS				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999												
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Eastern Dallas MSA	0.73	2.49	22.50	25.40	35.17	49.66	41.60	22.45	5	6.09	50.00	10.24	10.01	2.54	441	87.33
Van Zandt County	NA	NA	NA	NA	100.00	100.00	NA	NA	1	28.46	NA	NA	28.46	NA	64	12.67
Limited-Scope:																

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE State: TEXAS Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Eastern Dallas MSA	0.73	2.03	22.50	19.19	35.17	49.66	41.60	29.12	27	1.16	22.22	3.29	2.20	0.51	443	84.87
Van Zandt County	NA	NA	NA	NA	100.00	100.00	NA	NA	1	10.30	NA	NA	10.30	NA	79	15.13
Limited-Scope:																

(*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 5. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES																
				State: TEXAS				Evaluation Period: JANUARY 1, 1997 TO SEPTEMBER 30, 1999								
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total **
Full-Scope:																
Eastern Dallas MSA	1.37	3.87	21.10	22.81	35.77	49.29	41.76	24.03	NA	7.19	26.73	9.48	9.96	3.81	1,964	95.57
Van Zandt County	NA	NA	NA	NA	100.00	100.00	NA	NA	3	15.69	NA	NA	15.69	NA	91	4.43
Limited-Scope:																

(*) Complete market data was not available for the Eastern Dallas MSA AA due to inability to capture individual lender ranks below county level. Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

(**) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 6. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS State: TEXAS Evaluation Period: JANUARY 1, 1997 TO SEPTEMBER 30, 1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total **
Full-Scope:																
Eastern Dallas MSA	0.48	3.82	27.32	38.17	40.45	50.63	31.75	7.38	NA	58.29	100.00	51.76	73.49	16.67	393	86.37
Van Zandt County	NA	NA	NA	NA	100.00	100.00	NA	NA	1	70.59	NA	NA	70.59	NA	62	13.63
Limited-Scope:																

(*) Complete market data was not available for the Eastern Dallas MSA AA due to inability to capture individual lender ranks below county level. Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(**) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 7. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE State: TEXAS Evaluation Period: JANUARY 30, 1998 TO SEPTEMBER 30, 1999																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Eastern Dallas MSA	16.69	11.60	16.72	19.96	22.63	27.95	43.96	40.49	34	0.76	1.04	1.05	1.01	0.81	538	90.27
Van Zandt County	20.43	5.26	17.16	12.28	20.11	15.79	42.30	66.67	3	5.56	4.35	3.70	2.96	9.33	58	9.73
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 2.23% of Eastern Dallas MSA AA and 1.72% of Van Zandt County AA loans originated and purchased by the bank.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined. Market rank is based on all loans and market share by borrower income is a based on loans with known borrower

incomes.

(**) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT State: TEXAS Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Eastern Dallas MSA	16.69	18.49	16.72	18.25	22.63	23.36	43.96	39.90	5	6.09	11.98	9.60	6.35	4.09	441	87.33
Van Zandt County	20.43	9.68	17.16	16.13	20.11	27.42	42.30	46.77	1	28.46	62.50	35.00	54.55	16.95	64	12.67
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 6.80% of Eastern Dallas MSA AA and 3.13% of Van Zandt County AA loans originated and purchased by the bank.
 (**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined. Market rank is based on all loans and market share by borrower income is based on loans with known borrower incomes.

(***) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE																
State: TEXAS				Evaluation Period: JANUARY 1, 1998 TO SEPTEMBER 30, 1999												
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Eastern Dallas MSA	16.69	5.57	16.72	15.31	22.63	26.68	43.96	52.44	27	1.16	1.51	1.78	2.10	1.40	443	84.87
Van Zandt County	20.43	0.00	17.16	10.26	20.11	19.23	42.30	70.51	1	10.30	0.00	11.76	6.98	13.30	79	15.13
Limited-Scope:																

(*) As a percentage of loans with borrower income information available. No information was available for 2.71% of Eastern Dallas MSA AA and 1.27% of Van Zandt County AA loans originated and purchased by the bank.

(**) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined. Market rank is based on all loans and market share by borrower income is a based on loans with known borrower

incomes.

(**) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES State: TEXAS Evaluation Period: JANUARY 1, 1997 TO SEPTEMBER 30, 1999										
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Loans To Businesses	
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total****
Full-Scope:										
Eastern Dallas MSA	75.59	83.40	58.54	93.79	3.72	2.49	7.19	8.36	1,964	95.57
Van Zandt County	81.38	89.01	77.91	92.30	4.40	3.30	15.69	16.77	91	4.43
Limited-Scope:										

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.
 (**) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 5.45% of Eastern Dallas MSA AA and 5.49% of Van Zandt County AA small loans to businesses originated and purchased by the bank.
 (***) The market consists of all other Small Business reporters in the MSA/AA and is based on 1998 Aggregate Small Business Data only.
 (****) Based on 1998 Aggregate Small Business Data only.
 (*****) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS State: TEXAS Evaluation Period: JANUARY 1, 1997 TO SEPTEMBER 30, 1999										
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans	
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total****
Full-Scope:										
Eastern Dallas MSA	92.75	97.96	84.34	97.19	1.79	1.02	58.29	62.37	393	86.37
Van Zandt County	94.55	100.00	90.00	98.39	1.61	0.00	70.59	72.73	62	13.63
Limited-Scope:										

(*) Farms with revenues of \$1 million or less as a percentage of all farms.
 (***) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.76% of Eastern Dallas MSA AA small loans to farms originated and purchased by the bank.
 (****) The market consists of all other Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.
 (*****) Based on 1998 Aggregate Small Farm Data only.
 (*****) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: TEXAS Evaluation Period: MONTH DAY, 19XX TO MONTH DAY, 19XX									
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$-s	#	\$ (000's)
Full-Scope:									
Eastern Dallas MSA	0	0	2	3,416	2	3,416	100.00	0	0
Van Zandt County	0	0	0	0	0	0	0.00	0	0
Limited-Scope:									

(*) **Prior Period Investments** means investments made in a previous evaluation period that are outstanding as of the examination date.
 (***) **Unfunded Commitments** means legally binding investment commitments reported on the Report of Condition Schedule-L Off Balance Sheet Items.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																State: TEXAS		Evaluation Period: JUNE ???, 1997 TO JANUARY 7, 2000			
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population							
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography							
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp				
Full-Scope:																					
Eastern Dallas MSA	87.40	16	88.89	0	31.25	43.75	25.00	0	0	0	0	0	0	1.49	22.31	37.27	38.93				
Van Zandt County	12.60	2	11.11	0	0	100.00	0	0	0	0	0	0	0	0.00	0.00	100.00	0.00				
Limited-Scope:																					

Table 14. Geographic and Borrower Distribution of Consumer Loans

Geographic and Borrower Distribution: CONSUMER AUTOMOBILE LOANS																			State: TEXAS		Evaluation Period: JANUARY 1, 1999 TO SEPTEMBER 30, 1999	
MSA/Assessment Area:	Geographic Distribution								Borrower Distribution													
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Total Consumer Loans					
	% of Pop *	% BANK Loans**	% of Pop *	% BANK Loans	% of Pop*	% BANK Loans	% of Pop *	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	#	% of Total**				
Full-Scope:																						
Eastern Dallas MSA	1.49	2.26	22.31	24.89	37.27	49.10	38.93	23.76	18.36	24.40	15.19	25.25	19.95	23.23	46.50	27.12	1,330	84.98				
Van Zandt County	NA	NA	NA	NA	100.00	100.00	NA	NA	24.68	12.00	14.78	21.33	17.81	24.89	42.73	41.78	235	15.02				
Limited-Scope:																						

(*) The percentage of the population in the MSA/assessment area that resides in these geographies.
 (**) As a percentage of loans with known income. Income was not known for 3.2% of Eastern Dallas MSA AA and 4.26% of Van Zandt County AA loans reported by the bank.
 (***) Consumer loans originated and purchased in the MSA/AA as a percentage of all consumer loans originated and purchased in the rated area.

