



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

May 5, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American National Bank  
Charter Number: 16617

2732 Midwestern Parkway  
Wichita Falls, TX 76308

Office of the Comptroller of the Currency  
Dallas Field Office  
17300 Dallas Parkway, Suite 2020  
Dallas, TX 75248

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The following major factors support American National Bank's (ANB) rating.

- The average loan-to-deposit (LTD) ratio of 84% is reasonable given the demographic and economic factors present in the assessment area (AA).
- ANB originates a substantial majority of its loans within its AAs.
- Lending performance reflects a reasonable penetration among borrower and geographic distribution.
- Community development activities adequately address the needs and opportunities in the AA.

## **Scope of Examination**

We reviewed the bank's CRA activities that occurred between October 2003 and May 2010 using Intermediate Small Bank CRA procedures. Our review mainly focused on the activities in the Wichita/Archer County AA; however, we also assessed the bank's activities in the Dallas/Denton/Collin County AA.

To complete this examination, we reviewed samples of residential real estate loans, business loans, and consumer loans originated during the same period mentioned above. In November 2009, we performed a data integrity review to determine the reliability of loan data provided by the bank. We compared loan file information to that reported on the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR). We also compared address geographical coding on commercial loans. We concluded the data was reliable based on the low error rate.

During the May 2010 portion of the examination, we reviewed the average LTD ratio, the assessment area, the local community and its needs, comments or complaints, and the distribution of credit within the AAs. To determine ANB's responsiveness to needs and opportunities within the community, we reviewed community development loans, services, and any qualified investments or donations.

## **Description of Institution**

American National Bank (ANB) is a community bank with \$499 million in total assets as of March 31, 2010. The main office is located in Wichita Falls, Texas. ANB has four branches located throughout Wichita and Archer Counties, and one branch located in Denton County. ANB is wholly owned by Ameribancshares, Inc., a one bank holding

company. ANB also serves the three counties through twelve automated teller machine (ATM) locations. All branch locations have drive-up facilities with extended and Saturday hours, with the exception of the branch in downtown Wichita Falls.

ANB provides various loan and deposit products, as well as internet banking, a leasing department, and a trust department. In addition, the bank still participates in the Nortex first time homebuyers program and the Texas Vet Program. Both programs provide reduced rate mortgages. The Nortex program targets individuals below a specified income level and offers down payment assistance.

Total loans and leases were 64% of total assets as of March 31, 2010. The following table details the amount of each loan category and its percentage of total loans.

<b>Loan Category</b>	<b>\$(000)s</b>	<b>%</b>
Commercial Real Estate	153,095	48.15
Construction & Development	52,816	16.61
Residential Real Estate	50,262	15.81
Commercial	35,051	11.02
Consumer	15,363	4.82
Loans to Non-Dep. Inst.	4,667	1.47
Lease Financing Rec.	3,897	1.23
Farmland	2,822	0.89
<b>Total</b>	<b>\$317,986</b>	<b>100%</b>

ANB does not have any financial or legal impediments that restrict its ability to meet the needs of its community.

## **Description of Assessment Areas**

### **Wichita/Archer County AA**

This AA consists of all of Wichita County and all of Archer County. The AA meets regulatory guidelines and does not arbitrarily exclude low- or moderate-income census tracts. There are 39 census tracts in this AA, and 13% of households are below the poverty level. Total population is approximately 140,500. The following table details the demographic and economic characteristics of the AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	35,615
Number of Households	51,782
Geographies	
Number of Census Tracts	39
# - % Low-Income Census Tracts	1 – 2.6%
# - % Moderate-Income Census Tracts	13 – 33.3%
# - % Middle-Income Census Tracts	15 – 38.5%
# - % Upper-Income Census Tracts	10 – 25.6%
Median Family Income (MFI)	
2000 MFI for AA	\$42,637
2008 HUD-Adjusted MFI	\$50,300
2009 HUD-Adjusted MFI	\$52,800
Economic Indicators	
Unemployment Rate	8.1%
2009 Median Housing Value	\$64,031
% of Households on Social Security	27.1%
% of Households Below Poverty Level	13.1%
% of Households on Retirement	17.4%

*\*Based on 2009 Bureau of Labor and Statistics data for Wichita & Archer Counties*

Major employers in the area include Midwestern State University, United Regional Healthcare Center, Sheppard Air Force Base, Wichita Falls ISD, North Texas State Hospital, and the City of Wichita Falls. Including ANB, there are 14 financial institutions in the AA. The other institutions consist of local national banks, branches of large national banks, state banks, and credit unions. Examples of other area banks include JP Morgan Chase, Bank of America, Wells Fargo, and Citibank.

We conducted one community contact during this examination. We interviewed a contact from the City of Wichita Falls Economic Development and Planning department. The contact stated affordable housing and jobs for low- and moderate-income individuals remain the biggest needs in the Wichita Falls area. Local financial institutions can also participate in two first time homebuyer programs and a mortgage revenue bond.

### **Denton/Dallas/Collin County AA**

This AA includes portions of Denton County, Dallas County, and Collin County. The AA meets regulatory guidelines and does not arbitrarily exclude low- or moderate-income census tracts. Total population is approximately 390,700 with 4% below the poverty level. The table below details the demographic and economic characteristics of the AA.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	104,971
Number of Households	141,079
Geographies	
Number of Census Tracts	54
# - % Low-Income Census Tracts	1 – 1.9%
# - % Moderate-Income Census Tracts	3 – 5.6%
# - % Middle-Income Census Tracts	24 – 44.4%
# - % Upper-Income Census Tracts	26 – 48.1%
Median Family Income (MFI)	
2000 MFI for AA	\$77,192
2008 HUD-Adjusted MFI	\$65,000
2009 HUD-Adjusted MFI	\$68,700
Economic Indicators	
Unemployment Rate	7.5%
2009 Median Housing Value	\$139,172
% of Households on Social Security	9.16%
% of Households Below Poverty Level	4.1%

*\*Based on 2009 Bureau of Labor and Statistics data for Denton, Dallas, & Collin Counties.*

Major employers in the area include, but are not limited to, University of North Texas, Lewisville ISD, Denton ISD, American Airlines Alliance, Frito-Lay Inc, Texas Women's University, and Denton State School. Total occupied housing units are 91.2% with vacant housing units at 5.4%.

## **Conclusions with Respect to Performance Tests**

Overall, American National Bank's CRA performance is satisfactory. We sampled loans from both assessment areas, but we placed more weight on performance within the Wichita/Archer County AA because of the number of branches and activity within that AA. ANB's strengths are lending within its AA and making consumer loans to low- and moderate-income individuals.

As of the March 31, 2010 call report, ANB's loans are concentrated in commercial real estate, residential real estate, and consumer loans. ANB reports under the Home Mortgage Disclosure Act (HMDA), so we also used that information in our analysis. We sampled business and consumer loans.

## LENDING TEST

The lending test is rated satisfactory. ANB's LTD ratio is reasonable given the bank's size and financial condition and the needs of the AA. A substantial majority of ANB's loans were originated inside the AA. Loan penetration to low- and moderate-income borrowers is reasonable and geographic dispersion in low- and moderate-income census tracts is also reasonable.

### Loan-to-Deposit Ratio

ANB's average loan-to-deposit (LTD) ratio is 84%. Given the bank's size, financial condition, and performance context, the LTD ratio is reasonable. The following table shows that ANB compares favorably with other banks in the AA and with the national peer group.

Institution	Assets ('000's) As of 03/31/2010	Average LTD Ratio
First Bank	224,163	89%
First National Bank Wichita Falls	268,261	87%
National Peer Group	300,000 – 999,999	85%
<b>American National Bank</b>	<b>499,948</b>	<b>84%</b>
First National Bank	268,261	87%
Fidelity	227,163	76%
State National Bank of Texas	181,582	53%

### Lending in Assessment Area

ANB originates a substantial majority of its loans within its AA. To calculate the ratio of loans originated within the AA, we reviewed the geographical coding of residential real estate loans, commercial loans, and consumer loans originated since October 2003. We used information from bank reports, HMDA data, and census tracts within the bank's AA. The table below details the number and dollar amount of loans within both AAs for each loan type.

ANB originated 84% by number and 80% by dollar amount of residential real estate, commercial, and consumer loans within its AA between October 2003 and May 2010.

<b>Table 1 - Lending in Wichita Falls and Dallas, Plano, and Irving MSA AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	985	80.94	232	19.06	1,217	109,348	77.67	31,432	22.33	140,780
Home Improvement	43	84.31	8	15.69	51	834	86.78	127	13.22	961
Refinance	521	85.13	91	14.87	612	64,612	83.26	12,993	16.74	77,605
Commercial	343	84.3	64	15.7	407	40,878	76.3	12,700	23.7	53,579
Consumer	1,055	86.5	164	13.5	1,219	13,563	88.7	1,731	11.3	15,294
<b>Totals</b>	<b>2,947</b>	<b>84.1</b>	<b>559</b>	<b>15.9</b>	<b>3,506</b>	<b>229,235</b>	<b>79.5</b>	<b>58,983</b>	<b>20.5</b>	<b>288,219</b>

Source: Data reported under HMDA

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

The following tables illustrate ANB’s lending to borrowers of different incomes and to businesses of different sizes. We reviewed the data to determine the level of penetration to low- and moderate-income borrowers and to businesses with less than \$1 million in revenues.

#### Wichita/Archer County AA

ANB generally has poor penetration in residential real estate loans to low- and moderate-income borrowers, with the exception of home purchase loans to moderate-income borrowers. Penetration of low-income borrowers is significantly less than the percentage of low-income families. ANB has historically sold a majority of its mortgage loans to the secondary market, which typically has more stringent underwriting standards.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Wichita Falls (Counties of Archer and Wichita) MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.32	5.04	19.06	21.08	23.82	27.99	38.81	45.90
Home Improvement	18.32	3.33	19.06	6.67	23.82	30.00	38.81	60.00
Refinance	18.32	3.29	19.06	10.12	23.82	19.06	38.81	67.53

Source: Data reported under HMDA; U.S. Census data

ANB has reasonable penetration by number of loans to businesses with revenue less than \$1 million. However, there is a much higher percentage by dollar amount of loans to businesses with more than \$1 million in revenues. For instance, 55% of the number of commercial loans originated to businesses with less than \$1 million in revenues, but only 8.5% of the dollar amount of new loans went to small businesses. This percentage is highly distorted by two large loans, out of our sample of 20 loans, which comprise

over 70% of the dollar total. By loan size, 60% of our sample was less than \$100 thousand and 80% was less than \$250 thousand.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Wichita Falls (Counties of Archer and Wichita) MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.02	3.82	21.15	100%
% of Bank Loans in AA by #	55.00	45.00	0	100%
% of Bank Loans in AA by \$	8.46	91.54	0	100%

Source: Dunn and Bradstreet data

The following table shows that ANB has an excellent penetration of consumer loans to low- and moderate-income borrowers. The percentage of the number of consumer loans to low- and moderate-income individuals significantly exceeds the percentage of low- and moderate-income households in the AA.

<b>Table 2B - Borrower Distribution of Consumer Loans in Wichita Falls (Counties of Archer and Wichita) MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21.82	35	16.81	30	20.56	15	40.81	20

Source: Loan Sample, Data collected by the bank; U.S. Census data.

**Denton/Dallas/Collin County AA**

As detailed in the table below, ANB has poor penetration in residential real estate loans to low- and moderate-income borrowers, with the exception of home refinance loans to low-income borrowers. The bank’s low penetration is somewhat mitigated by large volume of loans sold to the secondary market and more stringent underwriting standards described earlier.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in MSA 19124 Dallas, Plano, and Irving (Counties of Dallas, Denton, and Collin) AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	9.69	0.00	12.86	0.00	20.35	11.11	57.10	88.89
Home Improvement	9.69	0.00	12.86	0.00	20.35	0.00	57.10	100.00
Refinance	9.69	25.00	12.86	0.00	20.35	0.00	57.10	75.00

Source: Data reported under HMDA; U.S. Census data

Table 2A shows reasonable penetration of loans to businesses with \$1 million or less in revenues. Fifty-five percent of the number of loans originated went to small businesses. The low dollar percentage is again impacted by a small number of large dollar loans. By loan size, 80% of our sample was less than \$100 thousand and 90% was less than \$250 thousand.

<b>Table 2A - Borrower Distribution of Loans to Businesses in MSA 19124 Dallas, Plano, and Irving (Counties of Dallas, Denton, and Collin) AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	69.04	4.77	26.19	100%
% of Bank Loans in AA by #	55	45	0	100%
% of Bank Loans in AA by \$	21	79	0	100%

Source: Loan sample; Dunn and Bradstreet data

The distribution of consumer loans to low- and moderate-income borrowers significantly exceeds the percentage of low- and moderate-income households in this AA. Moderate-income households comprise 13.3% of this AA, but ANB originated 50% of consumer loans to moderate-income borrowers.

<b>Table 2B - Borrower Distribution of Consumer Loans in MSA 19124 Dallas, Plano, and Irving (Counties of Dallas, Denton, and Collin) AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	10.55	15	13.26	50	18.14	20	58.06	15

Source: Loan sample; U.S. Census data

### Geographic Distribution of Loans

The tables below show the dispersion of residential real estate loans, commercial loans, and consumer loans in low- and moderate-income census tracts within the AA. The residential real estate loan information is from ANB’s HMDA data. The information in the remaining tables is from our loan sample and US Census data.

### Wichita/Archer County AA

The percentage of owner occupied housing in low- and moderate-income census tracts is significantly less than that of middle- and upper-income census tracts. Dispersion of real estate loans in the low- and moderate-income census tracts is less than the percentage of owner occupied housing in those tracts and reflects poor performance.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Wichita Falls (Counties of Archer and Wichita) MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.68	0.12	18.50	5.85	45.91	50.35	33.91	43.68
Home Improvements	1.68	0.00	18.50	10.00	45.91	43.33	33.91	46.67
Refinance	1.68	0.00	18.50	5.88	45.91	33.41	33.91	60.71

Source: Data reported under HMDA; U.S. Census data

The geographic distribution of loans to businesses in low- and moderate-income census tracts is reasonable. Less than 1% of AA businesses are in low-income census tracts. ANB originated 30% of commercial loans to businesses in moderate-income census tracts.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Wichita Falls (Counties of Archer and Wichita) MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.95	0	31.75	30	32.63	30	34.68	40

Source: Data collected by bank; D & B data

The dispersion of consumer loans in low- and moderate-income census tracts is reasonable. Only 2% of households are in low-income census tracts. ANB exceeded the percentage of households in moderate-income census tracts, originating 30% of consumer loans in those tracts.

<b>Table 3B - Geographic Distribution of Consumer Loans in Wichita Falls (Counties of Archer and Wichita) MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	2.0	0	23.27	30	43.12	30	31.62	40

Source: Data collected by bank; U.S. Census data.

**Denton/Dallas/Collin County AA**

All three geographic distribution tables in this AA show the very small percentage of low- and moderate-income census tracts available. ANB had zero penetration in those census tracts. This is mitigated by the small number of low- and moderate-income census tracts in this AA (four total) and by the distance of ANB’s one branch to those census tracts. It is unlikely that borrowers from those census tracts would travel that distance when other financial institutions are much closer.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in MSA 19124 Dallas, Plano, and Irving (Counties of Dallas, Denton, and Collin) AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.40	0.00	2.17	0.00	38.38	22.22	59.05	77.78
Home Improvement	0.40	0.00	2.17	0.00	38.38	0.00	59.05	100.00
Refinance	0.40	0.00	2.17	0.00	38.38	0.00	59.05	100.00

Source: Data reported under HMDA; U.S. Census data

<b>Table 3A - Geographic Distribution of Loans to Businesses in MSA 19124 Dallas, Plano, and Irving (Counties of Dallas, Denton, and Collin) AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.22	0	0.96	0	37.64	35	60.28	65

Source: Loan Sample, Data collected by bank; D & B data

<b>Table 3B - Geographic Distribution of Consumer Loans in MSA 19124 Dallas, Plano, and Irving (Counties of Dallas, Denton, and Collin) AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.42	0	2.31	0	37.96	15	59.32	85

Source: loan sample, data collected by bank; U.S. Census data

**Responses to Complaints**

ANB has not received any comments or complaints related to CRA since the previous examination.

## **COMMUNITY DEVELOPMENT TEST**

Community development activities include providing affordable housing for low- or moderate-income (LMI) individuals – including multi-family rental housing; supporting community services targeted to LMI individuals (such as health care facilities, battered women’s centers, youth programs, and homeless centers); promoting economic development (such as job creation for LMI individuals or LMI geographies) by financing businesses or farms eligible by size or that have gross revenues less than or equal to \$1,000,000; and supporting activities that revitalize or stabilize LMI geographies.

Financial institutions can participate in all of these activities through community development loans, community development services, and qualified investments. During this examination, we considered community development activity for the Wichita/Archer County AA. We did not rate community development in the Denton/Dallas/Collin County AA because of the small number of LMI census tracts and the distance of those tracts from the branch. ANB’s community development test is rated satisfactory.

### **Number and Amount of Community Development Loans**

ANB originated eight community development loans to local businesses and non-profit organizations totaling \$1.5 million. In addition, the mortgage department originated 221 loans to first time homebuyers through the Nortex Regional Housing Finance Corporation. The total of these loans during this examination period was \$11.8 million. These loans provided lower interest rates and down payment assistance to low- and moderate-income borrowers.

### **Number and Amount of Qualified Investments**

ANB does not currently have any qualified investments. Management could not provide us documentation of possible previous qualified investments during this examination period. However, there are limited opportunities for qualified investments in the Wichita Falls area and ANB does not have the internal expertise regarding CRA related qualified investments. Therefore, ANB focuses their efforts on community development lending opportunities. Total donations to programs and charitable organizations that target LMI individuals are approximately \$45,000.

### **Extent to Which the Bank Provides Community Development Services**

ANB actively participates in community development services. ANB worked with three local employers to develop an ATM card that allows low or moderate income employees to access their paychecks at ANB ATMs. These employees typically do not have checking accounts. This eliminates their need to use check cashing services and pay higher fees at other institutions.

ANB also provides many services to schools in the Wichita Falls Independent School District. All but two of the schools are Title 1 schools and receive government

assistance. At least 40% of the students at these schools qualify for the free and reduced lunch program. Several bank officers teach one-day classes at these schools through out the year. The classes teach students how to save money, use credit wisely, and balance a checking account.

Many bank employees serve the community by volunteering or serving on boards of local non-profit organizations that target LMI individuals or areas.

### **Responsiveness to Community Development Needs**

American National Bank adequately responds to the community development needs and opportunities within the Wichita Falls assessment area. This is evident through the community development loans and services mentioned above. ANB could enhance its responsiveness by investing in local community development corporations and revitalization zones.

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

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