



Public Disclosure

March 30, 1998

Community Reinvestment Act Performance Evaluation

**Amarillo National Bank
Charter Number: 14206**

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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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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 **Amarillo National Bank (ANB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **March 30, 1998**. 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.

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 safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

Census Tract (CT) - Small, locally defined 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.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA 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 its disposition (e.g., approved, denied, withdrawn).

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 census tracts. 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.

Low-Income - Income levels that are less than 50% of the MFI.

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

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

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

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500,000 or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution’s CRA Rating: This institution is rated”**Satisfactory**”.

The major factors which support this rating include:

- ▶ A good responsiveness to home and small business credit needs within ANB’s assessment areas.
- ▶ A substantial majority of home mortgage and small business related loans were originated within the assessment areas.
- ▶ The distribution of all types of loans to borrowers of varying income levels and businesses of different sizes is good.
- ▶ A good dispersion of home and small business loans throughout the assessment areas.
- ▶ The use of flexible underwriting guidelines to meet the credit needs of individuals.
- ▶ A relatively high level of community development services.

The following table indicates the performance level of **Amarillo National Bank** with respect to the lending, investment, and service tests:

Performance Levels	Amarillo National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		X
Low satisfactory			
Needs to improve		X	
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Amarillo National Bank (ANB) is the largest commercial bank in Amarillo, Texas. ANB is a wholly-owned subsidiary of Amarillo National Bancorp, Inc. As of December 31, 1997, the bank reported total assets of \$1.1 billion and a loan to deposit ratio of approximately 73%. The bank is adequately capitalized and operates profitably. There are no impediments which limit ANB's ability to help meet the credit needs of its assessment areas.

ANB has established the Amarillo MSA and Hutchinson County as the assessment areas. The bank's operations are centered in the City of Amarillo, with a branch in the City of Borger, Hutchinson County, about 55 miles northeast of Amarillo. As of December 31, 1997, approximately 91% of ANB's total deposits come from offices in the Amarillo MSA. The remaining 9% come from the bank's branch in Borger. Likewise, 97% of total loans were originated by offices in the Amarillo MSA, with 3% coming from the Borger branch.

The bank faces strong competition in its assessment areas. There are eleven commercial banks operating in the Amarillo MSA, and three commercial banks in Hutchinson County. The bank's market share position in each assessment area is shown in the following table.

Market Share Analysis		
Bank	June 30, 1997 Total Deposits	Dollar Volume of 1996 HMDA Reportable Loans
<i>Amarillo MSA</i>		
Amarillo National Bank	35%	18%
Nations Bank	28%	9%
Bank One	10%	1%
<i>Hutchinson County</i>		
Amarillo National Bank	48%	48%
Norwest Bank	39%	17%
Nations Bank	14%	0

ANB offers a full range of financial and credit services throughout its assessment areas. These include commercial, real estate, and consumer loan products. As of December 31, 1997, ANB's first and second lien residential real estate loans constitute approximately \$207 million or 23% of ANB's loan portfolio, while consumer lending makes up \$141 million or 22%. Commercial and industrial loans account for approximately \$195 million or 30% , with loans to farmers representing another \$89 million or 14%.

ANB's CRA performance was last evaluated as of April 15, 1996. At that time, the bank's overall level of performance was rated "Outstanding."

Description of the Assessment Areas

Amarillo MSA

The Amarillo MSA consists of Randall and Potter Counties in the Texas Panhandle. The economy is supported by agricultural crop production, beef production and slaughter, oil and gas production, Department of Defense contracting, health care, and public education. The top five employers are the Amarillo Independent School District, Iowa Beef Processors, Baptist St. Anthony's Health Systems, Mason and Hanger Corp., and Northwest Texas Healthcare Systems. The local and regional economies have rebounded after declines in the farm, energy, and real estate sectors in the 1980s. Areas of economic strength in 1997 included new job growth, strong real estate construction activity, and favorable agricultural conditions. Areas of economic weakness included sluggish retail sales and a high level of bankruptcy filings. Low- and moderate-income tracts is affected by the high poverty rate of 39% and 26% respectively of the households within those tracts and low volume of owner occupied housing.

The following table presents certain data regarding the Amarillo MSA.

Amarillo MSA	
Population	187,547
Households	72,252
Median Housing Value / Median Year Built	\$54,547 / 1964
Median Family Income - 1997 HUD updated amount	\$39,800

Source: 1990 U.S. Census Demographic Data

We conducted four community contacts. The purpose of these contacts was to develop a community profile, identify community credit needs, and determine opportunities for participation by financial institutions in helping to meet local credit needs. These contacts included city government and local organizations that assist low- and moderate- income segments of the population. All of these contacts identified the lack of affordable housing as a significant need. It was pointed out that there is no public housing in the City of Amarillo and that the average value of new home construction is about \$120,000. Additionally, several contacts cited other needs such as rental assistance, redevelopment of decaying neighborhoods, home ownership education, child care, and programs that target "at risk" youths.

The Amarillo MSA contains geographies and households as shown below.

Amarillo MSA				
	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Census Tracts	7	17	26	18
Households	3,803	15,427	32,908	20,114

Source: 1990 U.S. Census Demographic Data

Nonmetropolitan Area - Hutchinson County

Hutchinson County is located in the Texas Panhandle, about 55 miles northeast of Amarillo. This is a largely rural county with farm and ranch land comprising 71% of total land. The local economy is largely dependent upon petroleum production and refining. The dominant employer is Phillips Petroleum, which directly accounts for about a quarter of the workforce. An additional 30% to 40% of the workforce is employed by businesses dependent upon Phillips Petroleum. The local economy has recovered and stabilized from depressed conditions in the 1980s.

The following table presents certain data regarding Hutchinson County.

Hutchinson County	
Population	25,689
Households	9,705
Median Housing Value / Median Year Built	\$37,461 / 1961
Median Family Income - 1997 HUD updated amount	\$31,500

Source: 1990 U.S. Demographic Data

Branch management stated that the most pressing credit need in Hutchinson County is affordable housing. There is an insufficient supply of affordable housing for out-of-town temporary workers and renters who wish to purchase a house. A major factor contributing to this problem is the hilly local terrain. This results in high-cost site preparation and pushes the cost of home ownership beyond the means of many people. Additionally, there are many pipelines in the area, which tend to be located on flat land that could otherwise be used for low-cost housing development.

Hutchinson County contains geographies and households as shown below.

Hutchinson County				
	Low- Income	Moderate- Income	Middle- Income	Upper- Income
Census Tracts	0	1	4	4
Households	0	888	2,821	5,996

Source: 1990 U.S. Census Demographic Data

Conclusions with Respect to Performance Tests

LENDING TEST - ALL ASSESSMENT AREAS COMBINED

Lending Activity

Lending levels reflect a good responsiveness to credit needs within ANB's assessment areas. The bank's loan to deposit ratio at December 31, 1997 was 73%. This ratio has averaged 69% since the last evaluation. ANB ranks second in loan to deposit ratio among financial institutions in the Amarillo MSA. However, all of these banks are significantly smaller than ANB. The information is not available to compare the loan to deposit ratio for the NationsBank branch (formerly Boatmens FNB of Amarillo).

ANB is the number one lender of home mortgage products in the combined assessment areas. Also, ANB is a leader in the origination of mortgage products in low- and moderate-income census tracts and to low- and moderate-income borrowers.

The bank's small business and small farm lending levels are good when compared to available demographic data for the combined assessment areas. During 1996 and 1997 the bank originated 4,076 loans within the assessment areas totaling approximately \$169 million. Market share information for 1996 shows that this bank is a top lender of loans to small businesses and farms.

ANB has made few community development loans in either assessment area. The bank has committed to one project in Amarillo. No community development loans were reported in Hutchinson County.

Banks are not required to collect and report data on consumer loan activity. ANB collected the data but chose not to provide it for this evaluation. Consumer loans represent 22% of the bank's loan portfolio as of December 31, 1997. An evaluation of the consumer loan portfolio is not included in this CRA evaluation.

Assessment Areas Concentration

Small Business and Farm Loans

ANB originated 4,542 small business and farm loans totaling approximately \$225 million for the evaluation period. A substantial majority of these loans combined, both in number and dollar amount, were made in the assessment areas. The following table illustrates the number and dollar volume of small business and farm loans made inside of the assessment areas in 1996 and 1997.

Volume of Small Business and Small Farm Loan Originations in 1996 and 1997 Within the Assessment Areas						
Loan Product	Total Originations		Within the Assessment Areas			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	1,908	\$79,290	1,805	95%	\$62,242	78%
Small Farm	170	\$12,395	74	44%	\$3,132	25%
Total 1996	2,078	\$91,685	1,879	90%	\$65,374	71%
Small Business	2,163	\$109,038	2,041	94%	\$93,426	86%
Small Farm	301	\$23,889	156	52%	\$10,323	43%
Total 1997	2,464	\$132,927	2,197	89%	\$103,749	78%
Grand Total	4,542	\$224,612	4,076	90%	\$169,123	75%

Source: Bank prepared Small Business and Small Farm Data Collection Registers

Home Mortgage Loans

ANB originated 2,595 mortgage related loans totaling approximately \$160 million during 1996 and 1997. This level of lending demonstrates a good responsiveness to the housing related credit needs overall. However, as noted from community contacts, the main credit need is affordable housing financing.

A substantial majority of home mortgage related loans were made within the assessment areas. During the past two years 90% or more of the home mortgage related loans made by ANB have been within the assessment areas.

Volume of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Areas						
Product	Total Originations		Within the Assessment Areas			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance	1,061	\$70,351	961	91%	\$63,365	90%
Home Improvement	255	\$3,508	238	93%	\$3,373	96%
Multifamily	1	\$95	1	100%	\$95	100%
Total 1996	1,317	\$73,954	1,200	91%	\$66,833	90%
Home Purchase/Refinance	1,067	\$82,263	973	91%	\$74,350	90%
Home Improvement	210	\$3,347	180	86%	\$2,266	68%
Multifamily	1	\$100	1	100%	\$100	100%
Total 1997	1,278	\$85,710	1,154	90%	\$76,716	90%
Grand Total	2,595	\$159,664	2,354	91%	\$143,549	90%

Source: HMDA Loan Application Registers

Geographic Distribution of Loans within the Assessment Areas

Small Business and Farm Loans

The geographic distribution of small business loans reflects a good dispersion throughout the assessment areas. The following chart shows the number of small business/farm loans originated within the assessment areas in 1996 and 1997. The chart also displays the number and percentage of businesses located in each designated census tract.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Areas By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	9%	18	23%	30	39%	22	29%
Census Tracts Penetrated (% of tracts in income group)	7	100%	17	94%	30	100%	20	91%
Number of Businesses	1,118	12%	1,699	19%	3,954	43%	2,321	26%
Number of Farms	19	7%	29	11%	122	48%	86	34%
Loan Product	#	%	#	%	#	%	#	%
Small Business	163	10%	595	36%	588	35%	325	19%
Small Farm	4	5%	0	0%	33	45%	37	50%
Total 1996	167	10%	595	34%	621	36%	362	21%
Small Business	216	11%	750	37%	700	34%	375	18%
Small Farm	3	2%	0	0%	105	67%	48	31%
Total 1997	219	10%	750	34%	805	37%	423	19%
Grand Total	386	10%	1,345	34%	1,426	36%	785	20%

Source: Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The previous chart demonstrates that ANB has penetrated 91% to 100% of all census tracts and there are no conspicuous gaps in the lending patterns to small businesses and small farms. Lending patterns are reasonable given the demographics of the assessment area.

The following chart show's ANB's overall market share to small businesses with revenues less than \$1 million. It also shows the market share and rank for small business and small farm loans made in low- and moderate-income census tracts.

The high number of loans noted in moderate-income census tracts (primarily in the Amarillo assessment area) is a result of the fact that there are several small businesses with multiple loan originations. All of the other census tract designations have been affected similarly but to a lesser degree. These small businesses are typically used car dealers with floor plan loans. The average size of a majority of these individual loans is less than \$5,000.

ANB's market share indicates that the bank is one of the leaders in the origination of small business loans within the assessment area. ANB ranks second overall in lending as well as in both low- and moderate-income census tracts.

1996 Small Business/Farm Loan Origination Market Share Loans to Businesses with less than \$1 million in Gross Annual Revenues Within the Assessment Areas by Income Level of the Census Tract									
	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	1,790	30.7%	2	163	24.0%	2	729	58.5%	1
Small Farm	65	20.0%	2	4	25.0%	2	0	Note 1	----
Total	1,855	30.0%	2	167	24.0%	2	729	58.0%	1

Source: Small Business Aggregate Data

Note (1): Total small farm loans made by all lenders in moderate income tracts is eleven.

The bank's market share in moderate-income census tracts is similarly affected by the generation of multiple loans to single borrowers. However, the bank still ranks second overall in lending in the assessment area as well as in low-income census tracts. The level of lending in low-income tracts is slightly lower than the bank's overall market share.

Home Mortgage Loans

The distribution of mortgage related loans throughout the assessment areas is good. Lending levels in low- and moderate-income tracts are reasonable considering the number of owner occupied units and the bank's overall market share in these census tracts. The following chart shows residential lending patterns by the income level of the census tracts located in the assessment areas.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Areas By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	9%	18	23%	30	39%	22	29%
Census Tracts Penetrated (% of tracts in income group)	6	86%	18	100%	29	97%	22	100%
Owner Occupied Units	1,707	3%	9,682	18%	23,014	43%	19,198	36%
Median Year Built of Housing	1958		1953		1964		1971	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	11	1%	125	13%	397	41%	428	45%
Home Improvement	4	2%	71	30%	86	36%	77	32%
Total 1996	15	1%	196	16%	483	40%	505	42%
Home Purchase/Refi	12	1%	99	10%	427	44%	435	45%
Home Improvement	8	4%	36	20%	76	42%	60	33%
Total 1997	20	2%	135	12%	503	44%	495	43%
Grand Total	35	1%	331	14%	986	42%	1,000	43%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

ANB funded five times more home loans in middle- and upper-income census tracts than low- and moderate-income census tracts during the time periods noted above. This is reflective of the growth pattern in Amarillo. ANB is also the market leader in the middle- and upper-income census tracts. The level of lending in low- and moderate-income tracts is affected by the high poverty rate of 39% and 26% respectively of the households within those tracts. The lending is also affected by the low volume of owner occupied housing. ANB originated approximately 1% of home related loans in low-income census tracts and 14% in moderate-income census tracts. However, ANB's market share for 1996 is 16.5% in low-income tracts and 25.6% in moderate-income tracts. These market share totals place ANB second and first, respectively in the low- and moderate-income tracts. Lending in moderate-income tracts exceeds the bank's overall market share.

The following chart shows ANB's overall market share for home purchase/refinance and home improvement loans in its assessment areas. It also shows the market share and rank for home related loans made in low- and moderate-income census tracts.

1996 Home Mortgage Loan Originations Market Share Within the Assessment Areas by Income Level of the Census Tract									
	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	961	20.1%	1	11	17.5%	1	125	21.7%	1
Home Improvement	238	22.8%	2	4	14.3%	4	71	34.1%	1
Total	1,199	20.6%	1	15	16.5%	2	196	25.6%	1

Source: HMDA Aggregate Data

Distribution by Borrowers' Income within the Assessment Areas

Small Business and Farm Loans

ANB has been responsive to small business/farm credit needs within its assessment areas. The following chart shows ANB's willingness to make loans of varying sizes. The section on the right of the chart represents what portion of the loans of different sizes are made to businesses with annual revenues less than \$1 million.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Areas By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	3,719	91%	\$72,592	43%	3,165	85%	\$47,977	66%
\$100,000 to \$250,000	235	6%	\$37,504	22%	108	46%	\$17,002	45%
\$250,000 to \$1,000,000	121	3%	\$58,771	35%	40	33%	\$16,787	29%
Totals	4,075	100%	\$168,867	100%	3,313	81%	\$81,766	48%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:					< 1 Million 77 % > 1 Million 6 % Unknown 17 % *As a percentage of loans of the size category			

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

Clearly, the bank is extending credit to small businesses at varying dollar ranges but most significantly in amounts less than \$100,000. Additionally, these loans are being made to businesses with revenues less than \$1 million which is consistent with the demographics of the assessment areas.

Home Mortgage Loans

ANB originates home related loans to individuals and families across economic lines. The following table reflects the distribution of HMDA reportable loans made in 1996 and 1997. For comparison, the chart also presents the distribution of all families living in the assessment areas according to their income level.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Areas By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	11,640	20%	9,905	17%	12,981	22%	23,844	41%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	61	7%	133	15%	225	25%	488	54%
Home Improvement	38	16%	42	18%	39	17%	116	49%
Total 1996	99	9%	175	15%	264	23%	604	53%
Home Purchase/Refi	60	6%	139	15%	212	23%	521	56%
Home Improvement	31	17%	29	16%	37	21%	81	46%
Total 1997	91	8%	168	15%	249	22%	602	54%
Grand Total	190	8%	343	15%	513	23%	1,206	54%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

*The totals do not include 100 loans to borrowers with unknown incomes.

The overall distribution of loans to low-income borrowers appears low but is affected by the small number of households and the high poverty rate. Approximately 12% of all families within the combined areas have incomes below the poverty level. The distribution of loans to moderate-income borrowers is good and representative of the demographics of the area.

A review of the bank's market share for HMDA lending in 1996 shows that ANB ranked first in overall market share in the combined areas. Additionally, they rank first in lending to both low- and moderate-income borrowers. The bank's market share of lending to borrowers with these characteristics individually exceeds the bank's overall market share. ANB originated almost twice as many HMDA loans to LMI borrowers than the second ranked lender. ANB ranks second in market share to middle- and upper-income individuals. Overall, ANB originated 1.5 times as many loans in the market than the second ranked lender.

Overall HMDA lending is lower in 1997 than in 1996 with declines noted in each of the borrower income characteristics. The declines are not considered significant. However, the dollar volume of loans has increased. The most significant decline in volume occurred in the non-MSA assessment area. This was attributed to turnover in staff and the bank's inability to sustain the level of lending from the previous year. The staffing issue has been resolved.

The following chart shows ANB's overall market share in home purchase/refinance and home improvement loans originated within its assessment areas. It also shows market share and rank for HMDA originations to low- and moderate-income borrowers.

1996 Home Mortgage Loan Originations Market Share Within the Assessment Areas by Income Level of the Borrower									
Loan Product	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	961	20.1%	1	61	23.6%	1	133	19.3%	1
Home Improvement	238	22.8%	2	38	31.4%	1	42	28.6%	1
Total	1,199	20.6%	1	99	26.1%	1	175	21.0%	1

Source: HMDA Aggregate Data

Community Development Lending

Community development loans are those loans whose primary purpose meets the definition of community development lending contained in the CRA regulation and that have not been reported in the review of small business, small farm, home mortgage, or consumer loans.

ANB has committed to participate in one project that qualifies as a community development loan under the revised regulation. This involvement includes a commitment for interim financing, up to \$100,000 for a project that will result in the construction of 16 homes in a moderate-income census tract. Construction is expected to begin in the fall of 1998. ANB has also committed to providing permanent financing through its various affordable loan products. The houses will be sold to individuals who have incomes that are 80% or less of the median family income in Amarillo. This is the first project of this kind attempted in the Amarillo MSA.

ANB also participates with the City of Amarillo through the Single Family Mortgage Revenue Bond Program. The purpose of this program is to provide access to affordable housing for low- and moderate-income individuals. ANB designated \$5.7 million towards this project. Approximately \$2.7 million or 52 loans have been funded through this program. Those loans are included in the analysis of HMDA reportable loans discussed previously. ANB has funded the largest number of loans of all of the lenders participating in this program. The average size of these loans is \$52,000 which is significantly less than the average value of new home construction of approximately \$120,000. The median housing value is \$54,547 as listed in the 1990 U.S. Census Demographic Data.

There are no community development loans reported for the Hutchinson County assessment area.

Product Flexibility

ANB uses flexible underwriting guidelines to meet the credit needs of both individuals and small businesses. Examples of loan products with flexible loan criteria include:

Community Home Buyers Program - This program is designed to enable customers to purchase homes with smaller than normal investments. There are various programs depending on needs and income limits. It is possible to work out or resolve some credit problems. Some of the programs require attendance at first time home buyer classes. The bank offers these on a monthly basis. An applicant may be eligible for bond programs that may aid in reducing down payment and closing costs. Other programs may offer a low long term interest rate.

Special Loan - This program is designed for a home buyer who needs some flexibility. Loan to value ratios can be as high as 95% for a \$50,000 loan or 90% for a \$75,000 loan. Payments are determined based on 30 year amortization. The loan must be refinanced at the end of five years. The bank does not charge points or mortgage insurance. Sweat equity is allowed.

FHA and VA Home Mortgage Loans - These programs offer low down payment and closing cost requirements.

City Grant and Bond Program - The bank participates with the city on two programs that provide down payment assistance, higher loan to value ratios, and have lower closing costs.

The NO Ratio Loan - This product is directed at the self-employed applicant who has difficulty verifying income.

The Home Improvement First Mortgage - This is a conventional mortgage for home purchase and improvements. The loan to value can be as high as 90%. This product allows the borrower to close into a permanent fixed rate loan at the time of purchase and do the repairs after closing.

INVESTMENT TEST

Amarillo National Bank has a poor level of qualified community development investments and grants. Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development. Community development is specifically defined in the CRA regulation. Based on the information provided by the bank, ANB has made donations to approximately 70 different organizations or projects. For example, these organizations are the Evelyn Rivers Christmas Project, United Way of Amarillo and Hutchison County, and Amarillo Area Advanced Learning Center. These are typically small dollar amounts. For the review period of 1996 to March 30, 1998, the dollar total of these qualified donations amounts to \$302,576. These donations include affiliate transactions and represent .87% of the bank's net income for the review period.

The qualified donations primarily affect social issues and community services such as food, clothing, shelter and other social services for the low and moderate income citizens of the assessment areas. One of the donations totaled \$33,333 to the local Salvation Army. This donation was the first payment of a three year pledge of \$100,000. Not included in the total amount of donations is a \$25,000 membership fee to the Amarillo Housing Finance Corporation that was made in 1995. The fee allows the bank to participate in an ongoing manner in the Corporation's loan program (see discussion of lending performance).

During this evaluation, we performed community contacts and held meetings with bank management in an attempt to identify local community development needs. From both of these sources we were informed that the lack of affordable housing units in the assessment areas is the most significant need. Of the community contacts interviewed, these individuals all expressed opinions that ANB is responsive to requests for donations to assist the local community needs. However, these contacts also found the need for affordable housing units as a significant need that should be addressed by community leaders. We found no significant constraints that would prohibit the bank from attempting to meet this need under the investment test.

ANB does not generally make use of, or initiate, innovative or complex investment products. The primary focus of investment performance has been on donation activities.

SERVICE TEST

Retail Banking Services

The quantity, quality, and accessibility of the bank's service-delivery systems are accessible to essentially all portions of the assessment areas. The bank provides a very reasonable range of services through its office locations and ATM network. ANB has eight full-service locations and 46 ATM locations in the combined assessment areas. Two branches are located in low-income areas, with one (1) branch in moderate and middle-income areas and the remaining (5) in upper-income areas. Hours of operation are generally 7:00a.m. to 6:00p.m. for drive-ups, 9:00a.m. to 5:00p.m. for lobby services, 6:00p.m. on Fridays, and Saturday banking hours with one (1) branch providing Sunday banking service.

One branch has been opened since the prior examination. That branch is located in an upper-income census tract in an area of Amarillo that is experiencing significant growth. ANB is in the process of expanding one of its branches located in a low-income tract to accommodate the increase in traffic.

All products offered by ANB are available at all locations. In addition to loan and deposit products, several services are offered including bank-by-phone; Internet banking; bilingual services; and check cashing for non-bank customers. Payroll checks from a number of local businesses are cashed for no fee.

ANB offers a free checking account product that was designed to minimize account fees and maximize convenience. There are no minimum balance requirements, no monthly service charges, and no per check fees. A survey of the other banks in town revealed that there is not another similar product offered.

Community Development Services

ANB provides a relatively high level of community development services in the assessment areas. These activities relate to the provision of financial services with the primary purpose of community development. These services include providing technical assistance on financial matters to nonprofit organizations that serve low- and moderate-income individuals and families. ANB also provides monthly home ownership counseling to prospective home buyers, primarily focusing on low- and moderate-income individuals. All of these services benefit the bank's assessment areas. See the ***Community Development Services*** section for each assessment area for specific involvement.

Fair Lending Review

We performed a fair lending review utilizing procedures outlined within the OCC's Fair Lending Handbook, dated October 1997. The fair lending review focused on a selected group of applications for Home Improvement (HI) loans. A comparative file review was conducted with specific emphasis upon the potential for illegal discrimination on the basis of race. We compared 13 denied Hispanic applicants to 63 approved white applicants. We found no reason to believe that illegal discrimination occurred. In addition, the bank's internal procedures for prevention and/or detection of possible illegal discrimination were reviewed and analyzed.

Amarillo Metropolitan Area

Discussion of Performance Tests in the Amarillo Metropolitan Area

LENDING TEST

Geographic Distribution of Loans within the Amarillo MSA

Small Business and Farm Loans

ANB's geographic distribution of small business/farm loans reflects a good dispersion throughout the Amarillo assessment area. The following chart shows the number of small business/farm loans originated within the Amarillo assessment area in 1996 and 1997. The chart also displays the number and percentage of all businesses and farms located in each of the census tract designations.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	10%	17	25%	26	38%	18	26%
Census Tracts Penetrated (% of tracts in income group)	7	100%	16	94%	26	100%	17	94%
Number of Businesses	1,118	14%	1,506	18%	3,676	45%	1,913	23%
Number of Farms	19	8%	27	11%	119	50%	71	30%
Loan Product	#	%	#	%	#	%	#	%
Small Business	163	10%	588	36%	566	35%	300	19%
Small Farm	4	6%	0	0%	30	42%	37	52%
Total 1996	167	10%	588	35%	596	35%	337	20%
Small Business	216	11%	735	37%	682	34%	349	18%
Small Farm	3	2%	0	0%	105	68%	47	30%
Total 1997	219	10%	735	34%	787	37%	396	19%
Grand Total	386	10%	1,323	35%	1,383	36%	733	19%

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The distribution of loans made to small businesses in low- and moderate- income census tracts is comparable to those originated to small businesses in middle- and upper- income census tracts. The number of loans made in low- and moderate-income census tracts is good when considering the number of businesses located in these areas.

The high number of loans noted in moderate-income census tracts is a result of the fact that there are several businesses with multiple loan originations. All of the other census tract designations have been affected similarly but to a lesser degree. These businesses are typically used car dealers with floor plan loans. The average size of a majority of these individual loans is less than \$5,000.

The bank's market share in moderate-income census tracts is similarly affected by the generation of multiple loans to single borrowers. However, the bank still ranks second overall in lending in the assessment area as well as in low-income census tracts. The level of lending in low-income tracts is slightly lower than the bank's overall market share.

The following chart shows the bank's market share of small business lending in the Amarillo MSA. It also shows the market share and rank for small business and farm loans made in low- and moderate-income census tracts.

1996 Small Business/Farm Loan Origination Market Share Loans to Businesses with less than \$1 million Gross Annual Revenues Within the Assessment Areas by Income Level of the Census Tract									
	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	1,751	31.0%	2	163	24.0%	2	722	59.0%	1
Small Farm	63	20.0%	2	4	25.0%	2	0	Note 1	----
Total	1,814	30.0%	2	167	24.0%	2	722	58.5%	1

Source: Small Business Aggregate Data

Note (1): Total small farm loans made by all lenders in moderate income tracts is eleven.

Home Mortgage Loans

A review of ANB's residential lending patterns for 1996 and 1997 demonstrates a low volume of lending to low-income census tracts and a reasonable level of lending in moderate-income census tracts. The following chart shows the residential lending patterns by the income level of the census tracts located within the Amarillo assessment area.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	7	10%	17	25%	26	38%	18	26%
Census Tracts Penetrated (% of tracts in income group)	6	86%	17	100%	25	96%	18	100%
Owner Occupied Units	1,707	4%	9,185	20%	20,925	45%	14,315	31%
Median Year Built of Housing	1958		1953		1965		1972	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	11	1%	116	14%	360	45%	315	39%
Home Improvement	4	2%	70	32%	78	36%	64	30%
Total 1996	15	1%	186	18%	438	43%	379	37%
Home Purchase/Refi	12	1%	90	10%	420	47%	379	42%
Home Improvement	8	5%	35	21%	73	43%	54	32%
Total 1997	20	2%	125	12%	493	46%	433	40%
Grand Total	35	2%	311	15%	931	45%	812	39%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

ANB funded approximately four times as many home loans in middle- and upper-income census tracts than in low- and moderate-income census tracts. During this evaluation period, ANB originated approximately 2% of home related loans to individuals in low-income tracts and approximately 15% of home related loans to individuals in moderate-income tracts. These percentages are low compared to demographic information for the assessment area. This information reflects that approximately 4% and 20% of the 1-4 family owner-occupied housing units are located within low-income census tracts and moderate-income census tracts, respectively.

Even though this appears low, ANB ranks number one in market share in the origination of home purchase and refinance loans in both low- and moderate-income census tracts. ANB originated an equal number of loans (11) as its nearest competitor but generated a higher dollar volume in low-income tracts. ANB's average loan size of home purchase/refinance products in low-income tracts was \$21M.

ANB has a much stronger market share of home purchase and refinance loans to individuals in moderate-income census tracts. The bank ranks first in the origination of both the number and dollar volume of loans. These levels are more than two times that of the nearest competitor.

The following chart shows ANB's overall market share for home purchase/refinance and home improvement loans in the Amarillo assessment area. It also shows market share and rank for home related loans made in low- and moderate-income tracts.

1996 Home Mortgage Loan Originations Market Share Within the Assessment Area by Income Level of the Census Tract									
	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	802	17.9%	1	11	17.5%	1	116	20.6%	1
Home Improvement	216	23.1%	2	4	14.3%	4	70	37.8%	1
Total	1,018	18.7%	1	15	16.5%	1	186	24.8%	1

Source: FFIEC HMDA Aggregate Data

Distribution by Borrowers' Income within the Amarillo MSA

Small Business and Small Farm Loans

ANB has demonstrated a good responsiveness to the small business credit needs within the Amarillo assessment area. The following chart shows the bank's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	3,621	91%	\$69,274	43%	3,092	85%	\$45,804	66%
\$100,000 to \$250,000	217	5%	\$34,642	21%	98	45%	\$15,439	45%
\$250,000 to \$1,000,000	121	3%	\$58,771	36%	40	33%	\$16,787	29%
Totals	3,959	100%	\$162,687	100%	3,230	82%	\$78,030	48%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:				< 1 Million	77 %	*As a percentage of loans of the size category		
				> 1 Million	7 %			
				Unknown	16 %			

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

The information presented above demonstrates that a substantial majority of the number and percentage of small business loans had original loan amounts of \$100,000 or less, and a similar distribution is noted regarding the distribution of those loans to businesses with revenues less than

\$1 million. This is consistent with the demographic breakdown of businesses within the assessment area.

Home Mortgage Loans

ANB has made home loans to individuals and families across economic lines. The following table reflects the distribution of HMDA reportable loans for 1996 and 1997. For comparison, the chart also presents the distribution of all families living in the assessment area according to their income level.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	10,518	21%	9,036	18%	11,688	23%	19,787	39%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	59	8%	114	15%	199	26%	407	52%
Home Improvement	34	16%	40	19%	35	16%	104	49%
Total 1996	93	9%	154	16%	234	24%	511	52%
Home Purchase/Refi	60	7%	136	16%	199	23%	466	54%
Home Improvement	31	18%	27	16%	33	20%	77	46%
Total 1997	91	9%	163	16%	232	23%	543	53%
Grand Total	184	9%	317	16%	466	23%	1,054	52%

Source: 1990 U.S Census Demographic Data, and HMDA Loan Application Registers
*The totals do not include 68 loans to borrowers with unknown incomes.

Approximately 9% of the total number of loans were made to low-income borrowers during the time period reflected above. Although this percentage appears low considering that 21% of all families within the assessment area are designated as low-income; approximately 12% of all families have incomes below the poverty level. Loan volumes to moderate-income borrowers is good with approximately 16% of the loans during this time period made to moderate-income borrowers. This compares favorably with the demographics of the assessment area in which 18% of all the families are moderate-income. Combined, the bank’s lending to low- and moderate-income borrowers is good when compared to all other home lenders in the Amarillo MSA. ANB ranked first in market share for HMDA loans to low- and moderate-income borrowers in 1996.

The following chart shows ANB’s overall market share in home purchase/refinance and home improvement loans originated within the Amarillo assessment area. It also shows the market share and rank for HMDA related loans originated to low- and moderate-income borrowers.

1996 Home Mortgage Loan Originations Market Share Within the Assessment Area by Income Level of the Borrower									
Loan Product	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	802	17.9%	1	59	23.2%	1	114	17.1%	1
Home Improvement	216	23.1%	2	34	29.3%	1	40	29.0%	1
Total	1,018	18.7%	1	93	25.1%	1	154	19.1%	1

Source: HMDA Aggregate Data

Overall, the above market share data shows that ANB is the leader among financial institutions originating HMDA reportable loans to low- and moderate-income borrowers in the Amarillo MSA. Lending to both low- and moderate-income borrowers individually is greater than the bank's overall market share.

Community Development Lending

ANB has committed to participate in one project that qualifies as a community development loan under the revised regulation. This involvement includes a commitment for interim financing, up to \$100,000 for a project that will result in the construction of 16 homes in a moderate-income census tract. Construction is expected to begin in the fall of 1998. ANB has also committed to providing permanent financing through its various affordable loan products. The houses will be sold to individuals who have incomes that are 80% or less of the median family income in Amarillo. This is the first project of this kind attempted in the Amarillo MSA.

ANB also participates with the City of Amarillo through the Single Family Mortgage Revenue Bond Program. The purpose of this program is to provide access to affordable housing for low- and moderate-income individuals. ANB designated \$5.7 million towards this project. Approximately \$2.7 million or 52 loans have been funded through this program. Those loans are included in the analysis of HMDA reportable loans discussed previously. ANB has funded the largest number of loans of all of the lenders participating in this program. The average size of these loans is \$52,000 which is significantly less than the average value of new home construction of approximately \$120,000. The median housing value is \$54,547 as stated in the 1990 U.S. Census Demographic Data.

INVESTMENT TEST

ANB has a low dollar level of qualified investments in the Amarillo MSA Assessment Area, especially considering the existence of additional identified needs for this area, the lack of innovative or complex investment products, and the absence of any significant financial constraints on the bank.

Total qualified donations identified in the prior section of this evaluation are \$302,576. Of these, \$288,076 (95%) are attributable to the Amarillo Assessment Area. This percentage dispersion between the two assessment areas is consistent with the dispersion of the institution's assets among the assessment areas.

SERVICE TEST

Retail Banking Services

The quantity, quality, and accessibility of the bank's service-delivery systems are accessible to essentially all portions of the assessment area. The bank provides a wide range of services through its branch and ATM networks. Seven full service locations are within reasonable proximity of all low- and moderate-income census tracts. The bank has 44 proprietary ATMs in the Amarillo MSA. No branches were closed since the last examination. One branch was opened during the review period. This branch is in an upper-income census tract and was opened in response to population growth patterns and demand. The following table illustrates how the bank's locations generally reflect the income distribution of the area's population and geographies.

Distribution of Delivery System By Income Level of the Census Tracts									
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Census Tracts	7	10%	17	25%	26	38%	18	26%	
Households	3,803	5%	15,427	21%	32,908	46%	20,114	28%	
Type of Service	#	%	#	%	#	%	#	%	
Branches	2	29%	0	0%	1	14%	4	57%	
ATMs	8	18%	7	16%	14	32%	15	34%	
Totals	10	20%	7	14%	15	29%	19	37%	

Source: Internal Bank Records

Standard bank services are offered at all branches. No portions of the assessment area are inconvenienced. Several services are offered by telephone, including deposit balance inquiry, balance transfers, reporting lost or stolen ATM cards, and loan application processing. Deposit-related Internet services are also available. Bilingual services in Spanish are available when needed. Additionally, the bank cashes checks for non-bank customers with fees less than prevailing market rates. Payroll checks from a number of local businesses are cashed for no fee.

ANB offers a free checking account which was designed to minimize account fees and maximize convenience. This account has no minimum balance requirement, no monthly service charge, and no per check fees. A minimum deposit of \$50 is required to open the account. The account comes with an initial \$100 overdraft protection feature that automatically increases to \$300 after

30 days. Account holders are not required to apply for this coverage. Additionally, the bank's \$12 per item overdraft fee is the lowest in Amarillo.

Hours of operation are generally equitable bank-wide. ANB offers extended business hours on Fridays and at all drive-up facilities and ATMs. Saturday banking hours are offered at five of the seven Amarillo MSA locations. Saturday banking is not offered at the main downtown bank and at the North branch due to lack of sufficient weekend business. The North branch is one of two branches located in low-income census tracts. Management stated that surrounding neighborhoods are not inconvenienced due to the close proximity of another branch, which is in a low-income census tract. The Soncy branch offers Sunday banking due to strong demand. This branch is located in a rapidly growing section of the city. ATMs, banking by phone, and the Internet are available 24 hours per day.

Community Development Services

ANB provides a relatively high level of community development services in the Amarillo MSA. These activities relate to the provision of financial services with the primary purpose of community development. These services include providing technical assistance on financial matters to nonprofit organizations that serve low- and moderate-income individuals and families. ANB also provides monthly home ownership counseling to prospective home buyers, primarily focusing on low- and moderate-income individuals. All of these services benefit the bank's assessment areas. Examples include:

City of Amarillo Development Block Grant Advisory Committee - This committee receives and reviews grant applications from various agencies and entities, most of which serve low- and moderate-income constituencies. The committee makes funding recommendations to the City of Amarillo. A bank officer chairs this committee.

Catholic Family Service, Inc. (Refugee Program) - About every other month, bank officers lend their financial expertise to this organization by conducting counseling for recently relocated refugees. These counseling sessions cover such issues as basic banking services and how to establish credit.

Catholic Family Service, Inc. (Oakdale Project) - This is a 16 unit single-family affordable housing project in Amarillo. The project has been in the planning phase for about a year, with construction scheduled to begin later this year. A bank officer has been actively involved in this project as a coordinator, using her financial and organizational expertise to bring the various parties together who play a role in the development of the project.

Amarillo Hospital District - The primary purpose of this organization is to provide indigent medical care. A bank officer is Chairman of the Board.

Amarillo Housing Finance Corporation - The purpose of this organization is to develop and oversee a bond program to provide financing for affordable housing. A bank officer has lent her financial expertise by serving on the board since inception in 1995.

Opportunity School - This is a church-sponsored Headstart program for low- and moderate-income pre-kindergarten children. A bank officer used his financial and organizational expertise to chair a fundraiser for the school.

Home Ownership Counseling - ANB conducts monthly home ownership and home financing classes for the Community Home Buyers Program. Class attendees are generally low- and moderate-income individuals.

United Way - A bank officer is serving a three year term on the local United Way Board of Directors. She uses her financial expertise by serving on the Community Investment Committee. This committee is responsible for the allocation of funds to various organizations, the majority of which target their services to low- and moderate-income individuals and families. Additionally, she was Chairperson of the Family Services Subcommittee.

Texas State Technical College Foundation - This organization awards scholarships to individuals who attend the Texas State Technical College, a two year accredited state junior college. One of its campuses is in Amarillo. Foundation scholarships are targeted at low- and moderate-income individuals. Scholarship applicants must meet certain maximum income thresholds. A bank officer uses his financial expertise by serving as Treasurer of the organization. He is also Chairman of the Scholarship Allocation Committee.

Nonmetropolitan Area

Conclusions about Performance Tests in the Nonmetropolitan Area (Hutchinson County)

LENDING TEST

Geographic Distribution of Loans within the Nonmetropolitan Area

Small Business and Small Farm Loans

The geographic distribution of small business/farm loans reflects a reasonable dispersion throughout the nonmetropolitan assessment area. The following chart shows the number of small business/farm loans originated in Hutchinson County in 1996 and 1997. The chart also displays the number and percentage of businesses located in each census tract designation.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tract								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	0	0%	1	11%	4	44%	4	44%
Census Tracts Penetrated (% of tracts in income group)	0	0%	1	100%	4	100%	3	75%
Number of Businesses	0	0%	193	22%	278	32%	408	46%
Number of Farms	0	0%	2	10%	3	15%	15	75%
Loan Product	#	%	#	%	#	%	#	%
Small Business	0	0%	7	13%	22	41%	25	46%
Small Farm	0	0%	0	0%	3	100%	0	0%
Total 1996	0	0%	7	12%	25	44%	25	44%
Small Business	0	0%	15	25%	18	31%	26	44%
Small Farm	0	0%	0	0%	0	0%	1	100%
Total 1997	0	0%	15	25%	18	30%	27	45%
Grand Total	0	0%	22	19%	43	37%	52	44%

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

The number of loans made in the middle- and upper-income census tracts is approximately five times the number of loans made in the moderate-income census tract. The bank's volume of loans in the moderate-income tract (19%) is reasonable considering that there are no low-income census tracts and that approximately 22% of the businesses are located within the only moderate-income census tract in the county.

The following chart represents the bank's market share of small business lending within the Hutchinson County assessment area. Additional information is provided on the market share within the moderate-income census tract.

1996 Small Business/Farm Loan Origination Market Share Loans to Businesses with less than \$1 million in Gross Annual Revenues Within the Assessment Areas by Income Level of the Census Tract									
Loan Product	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	39	29.3%	2	0	Note 1	---	7	30.4%	2
Small Farm	2	14.3%	4	0	Note 1	---	0	Note 2	----
Total	41	27.9%	2	0	Note 1	---	7	30.4%	2

Source: Small Business Aggregate Data

Note (1): There are no low income tracts in the Hutchinson County Assessment Area.

Note (2): There were no small farm loans made by any lenders in Moderate Income Tracts.

Home Mortgage Loans

ANB's residential lending activity in Hutchinson County is reasonable when considering the number of 1-4 family owner occupied units and its overall market share in these census tracts. Lending levels in the only moderate-income census tract were constant from 1996 to 1997 while lending in middle- and upper-income tracts declined significantly. This decline is attributed to a staffing problem that has been addressed. The following chart shows residential lending patterns by the income level of the census tracts located within the nonmetropolitan assessment area.

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	0	0%	1	11%	4	44%	4	44%
Census Tracts Penetrated (% of tracts in income group)	0	0%	1	100%	4	100%	4	100%
Owner Occupied Units	0	0%	497	7%	2,089	28%	4,883	65%
Median Year Built of Housing	N/A		1952		1953		1966	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refi	0	0%	9	6%	37	23%	113	71%
Home Improvement	0	0%	1	5%	8	36%	13	59%
Total 1996	0	0%	10	6%	45	25%	126	70%
Home Purchase/Refi	0	0%	9	13%	7	10%	56	78%
Home Improvement	0	0%	1	10%	3	30%	6	60%
Total 1997	0	0%	10	12%	10	12%	62	76%
Grand Total	0	0%	20	8%	55	21%	188	71%

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

The following chart shows ANB's overall market share for home purchase, refinance and home improvement loans in this area. It also shows market share and rank for home related loans made in the moderate-income census tract.

1996 Home Mortgage Loan Originations Market Share Within the Assessment Area by Income Level of the Census Tract									
Loan Product	All Tracts			Low-Income Tracts			Moderate-Income Tracts		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	159	59.0%	1	-----	-----	-----	9	81.8%	1
Home Improvement	22	20.6%	2	-----	-----	-----	1	14.3%	3
Total	181	47.9%	1	-----	-----	-----	10	55.6%	1

Source: HMDA Aggregate Data
There are no low-income tracts in the Hutchinson County Assessment Area.

ANB's lending volume of home related loans in this assessment ranks first overall as well as in the moderate-income tract. The level of lending in this moderate-income tract is greater than the bank's overall market share. ANB's loan volume compared favorably to the second ranked financial institution who made three loans.

Distribution by Borrowers' Income within the Nonmetropolitan Area

Small Business and Farm Loans

ANB has been responsive to small business/farm credit needs within Hutchinson County. The following chart shows ANB's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	98	84%	\$3,318	54%	73	74%	\$2,173	65%
\$100,000 to \$250,000	18	16%	\$2,862	46%	10	56%	\$1,563	55%
\$250,000 to \$1,000,000	0	0%	\$0	0%	0	0%	\$0	0%
Totals	116	100%	\$6,180	100%	83	72%	\$3,736	60%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:					< 1 Million 79% > 1 Million 4% Unknown 17% *As a percentage of loans of the size category			

Source: Dun & Bradstreet Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

ANB's responsiveness to small business credit needs is noted by the high percentage of the number and dollar amount of small business loans with original loan amounts of \$100,000 or less. Also, a substantial majority of the number and dollar volume of these loans were made to businesses with revenues less than \$1 million. This lending pattern is consistent with the number of businesses within the assessment area whose revenues are less than \$1 million.

Home Mortgage Lending

Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Borrower									
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income		
Characteristics of Families	1,122	15%	869	12%	1,293	18%	4,057	55%	
Loan Product	#	%	#	%	#	%	#	%	
Home Purchase/Refi	2	2%	19	15%	26	20%	81	63%	
Home Improvement	4	18%	2	9%	4	18%	12	55%	
Total 1996	6	4%	21	14%	30	20%	93	62%	
Home Purchase/Refi	0	0%	3	4%	13	18%	55	77%	
Home Improvement	0	0%	2	20%	4	40%	4	40%	
Total 1997	0	0%	5	6%	17	21%	59	73%	
Grand Total	6	3%	26	11%	47	20%	152	66%	

Source: U.S. Census Demographic Data and HMDA Loan Application Registers

*The totals do not include 32 loans to borrowers with unknown incomes.

The decline in overall home related lending noted in the geographic distribution analysis is reflected here with significant declines in the volume of loans to individuals of all income characteristics. The loan volume to low-income borrowers appears low compared to the number of low-income families within the assessment area. Approximately 10% of the families in Hutchinson County have incomes below the poverty level. Loans to moderate-income individuals totaled 11% of the total number of home loans made in the evaluation period. This is good when compared to the demographics which reflect that 12% of the families in the assessment area are moderate-income.

1996 Home Mortgage Loan Originations Market Share Within the Assessment Area by Income Level of the Borrower									
Loan Product	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	159	59.0%	1	2	40.0%	1	19	90.0%	1
Home Improvement	22	20.6%	2	4	80.0%	1	2	22.2%	2
Total	181	47.9%	1	6	60.0%	1	21	70.0%	1

Source: HMDA Aggregate Data

Community Development Lending

Based on information provided by the bank, no community development loans were originated in the Hutchinson County assessment area. However, community development lending opportunities are limited.

Investment Test

ANB has a low dollar level of qualified investments in the Hutchinson County Assessment Area, especially considering the existence of additional identified needs for this area, the lack of innovative or complex investment products, and the absence of any significant financial constraints on the bank.

Total qualified donations identified in the prior section of this evaluation are \$302,576. Of these, \$14,500 (5%) are attributable to the Hutchinson County Assessment Area. This percentage dispersion between the two assessment areas is consistent with the dispersion of the institution's assets among the assessment areas.

Service Test

Retail Banking Services

The quantity, quality, and accessibility of the bank's service-delivery systems are accessible to essentially all portions of the assessment area. The Hutchinson County branch offers the same range of services as the branches in the Amarillo MSA. This branch and two ATMs are located in the City of Borger. The branch and one ATM are located in a moderate-income Census Tract, and one ATM is in a middle-income census tract. The bank does not have any branches or ATMs outside the City of Borger. However, the remainder of Hutchinson County is sparsely populated and rural in nature. Several small towns in the county already have banking services. There are no low-income census tracts in Hutchinson County. The bank has not opened or closed any branches in Hutchinson County during the evaluation period. The following table illustrates how the bank's locations generally reflect the income distribution of the area's population and geographies.

Distribution of Delivery System By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	0	0%	1	11%	4	44%	4	44%
Households	0	0%	888	9%	2,821	29%	5,996	62%
Type of Service	#	%	#	%	#	%	#	%
Branches	0	0%	1	100%	0	0%	0	0%
ATMs	0	0%	1	50%	1	50%	0	0%
Totals	0	0%	2	67%	1	33%	0	0%

Source: Internal Bank Records

The same standard bank services that are offered at the Amarillo MSA offices are available at the Borger branch. No portions of the assessment area are inconvenienced. Bank-by-phone, Internet banking, bilingual services, and check cashing for non-bank customers are offered.

With the exception of Saturday banking, the hours of operations are consistent with the Amarillo MSA branches. Management stated that Saturday banking is not offered at the Hutchinson County branch because the small town environment does not create a need.

Community Development Services

ANB provides an adequate level of community development services in the Hutchinson County assessment area. Examples include:

United Way - A bank officer serves on the local United Way Board of Directors. He uses his financial expertise by serving on the Budget Committee.

Hutchinson County Hospital District - This organization owns the local public hospital, the primary purpose of which is to meet the medical needs of indigent county residents. A bank contributes his financial expertise by serving as Chairman of the Budget Committee.

Home Ownership Counseling - ANB's Borger branch conducts quarterly home ownership counseling classes for the Community Home Buyers Program. Class attendees are generally low- and moderate-income individuals.

Appendix A: Scope of Examination

The scope of this CRA examination included an analysis of ANB's small business and small farm and HMDA lending activity for 1996 and 1997. We evaluated the bank's lending, investment, and service performance in both of the assessment areas, the Amarillo MSA and Hutchinson County.