



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 22, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank
Charter Number 16617**

**2732 Midwestern Parkway
Wichita Falls, TX 76308**

**Comptroller of the Currency
ADC Michael K. Hughes - Dallas North
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 American National Bank (ANB) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- A majority of loans sampled, representing 88% of the number and 88% of the dollar volume, originated within the bank's assessment area;
- The loan-to-deposit ratio of 76% meets the standards for satisfactory performance given ANB's size and financial condition.
- The distribution of sampled consumer loans to borrowers reflects an excellent penetration among households defined as low- and moderate-income;
- The geographic distribution of the loans originated within the Wichita County Assessment Area reflects a good dispersion to low- and moderate-income census tracts within this area; and
- An adequate penetration of the commercial loans sampled was made to businesses with revenues of less than \$1 million.

DESCRIPTION OF INSTITUTION

American National Bank (ANB) is a community bank with its main office located in Wichita Falls, Texas. The bank is wholly owned by Ameribancshares, Inc., a one-bank holding company with combined total assets of \$240 million. ANB serves both Wichita and Denton Counties through four banking locations and three automated teller machines (ATM):

Office	Location	Hours of operation	
Main office	2732 Midwestern Parkway	9-3 M-F	ATM
Downtown Wichita Falls	719 Scott Avenue	9-3 M-F	
Iowa Park, Texas	219 West Park	9-4 M-TH, 9-6 F	ATM
Flower Mound, Texas	1201 Cross Timbers Road	9-3 M-F	ATM

In addition to these locations, a loan production office was opened October 6, 2003, at 2600 Eldorado Parkway in McKinney, Texas. The purpose of this location is to originate and eventually sell mortgage and interim-construction loans. No other banking services will be offered at this location at this time.

All locations have drive-up facilities with the exception of the loan production office. Each branch location provides extended weekday drive-up hours in addition to Saturday hours with the exception of the downtown location. The bank also operates three additional ATMs: two at the United Regional Health Care Center and one at the Clark Student Center on the Midwestern

State University campus.

ANB is a full service institution, providing various deposit and loan products. ANB also offers additional banking services – TeleBanker, a bank-by-phone service, Internet banking, a Leasing Department, and a Trust Department. The bank also participates in various first time homebuyers programs as well as the Texas Vet Program. This program provides a reduced interest rate to individuals who have entered the service while living in Texas or have lived in Texas for at least two years. Under the Texas Vet Program, ANB has made 35 loans totaling approximately \$3.4 million.

As of June 30, 2003, ANB had a “net loans to total assets” ratio of 70%. The following table portrays the principal loan mix of the bank:

Loan Category	\$ (000)	%
Commercial Real Estate	66,569	39.2%
Residential Real Estate	30,419	17.9%
Construction & Development	27,704	16.3%
Commercial	23,510	13.9%
Consumer	15,278	9.0%
Obligations of states and political subdivision in the U.S.	2,232	1.3%
Lease financing receivables	1,280	0.8%
Other Loans	1,198	0.7%
Loans to depository institutions	904	0.5%
Farmland	534	0.3%
Total	\$169,628	100%

ANB was rated “Satisfactory” in its previous CRA public evaluation dated February 8, 1999. The bank does not have financial or legal obstacles that affect its ability to meet community credit needs.

DESCRIPTION OF WICHITA COUNTY

One of ANB’s assessment areas is Wichita County. This assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas. The following table reflects the demographics for the assessment area (AA):

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	32,511
Number of Households	45,384
<i>Geographies</i>	
Number of Census Tracts	38
# - % Low-Income Census Tracts	5 – 13%
# - % Moderate-Income Census Tracts	10 – 26%
# - % Middle-Income Census Tracts	15 – 39%
# - % Upper-Income Census Tracts	8 – 21%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$28,853
1999 HUD-Adjusted MFI	\$39,200
2000 HUD-Adjusted MFI	\$39,800
2001 HUD-Adjusted MFI	\$40,600
2002 HUD-Adjusted MFI	\$40,900
<i>Economic Indicators</i>	
Unemployment Rate	5.7*
2002 Median Housing Value	\$50,650
% of Households on Social Security	26%
% of Households Below Poverty Level	15%
% of Households on Retirement	15%

*Based on August 2003 Bureau of Labor Statistics (BLS) Data for Wichita County, TX

The total occupied housing units are 88% with owner-occupied housing at 55%, rental-occupied housing at 32%, and vacant housing units at 11%.

Wichita County has 13 financial institutions that operate within the area. They are comprised of other national banks, branches of larger national and state banks, and credit unions, consisting of, but not limited to Bank One, National Association, Wells Fargo Bank Texas, NA, and Guaranty Bank. The economy of the area is improving, due to the increase in home starts, and is considered diverse. The largest employers in the bank's assessment area continues to be Sheppard Air Force Base in addition to Howmet, Certainteed, Midwestern State University, and United Regional Health Care. The largest industries are manufacturing and services.

The credit needs of the community were determined through interviews with an individual associated with Midwestern State University Small Business Development Center. The community contact indicated area financial institutions are very cooperative and are diligent in trying to meet the community's credit needs.

DESCRIPTION OF DENTON COUNTY

Another assessment area is Denton County. This assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low-or moderate-income areas. The following table reflects the demographics for the assessment area (AA):

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	70,331
Number of Households	102,025
<i>Geographies</i>	
Number of Census Tracts	48
# - % Low-Income Census Tracts	3 – 6%
# - % Moderate-Income Census Tracts	6 – 13%
# - % Middle-Income Census Tracts	19 – 40%
# - % Upper-Income Census Tracts	20 – 42%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$38,754
1999 HUD-Adjusted MFI	\$58,200
2000 HUD-Adjusted MFI	\$60,800
2001 HUD-Adjusted MFI	\$64,400
2002 HUD-Adjusted MFI	\$66,500
<i>Economic Indicators</i>	
Unemployment Rate	5.2*
2002 Median Housing Value	\$84,405
% of Households on Social Security	11%

*Based on August 2003 Bureau of Labor Statistics (BLS) Data for Denton County, TX

The total occupied housing units are 90% with owner-occupied housing at 52%, rental-occupied housing at 38%, and vacant housing units at 9%.

Denton County has 30 financial institutions that operate within the area. These institutions are comprised of other national banks, branches of larger national and state banks, savings and loans institutions, and credit unions, consisting of, but not limited to Bank One, National Association, Wells Fargo Bank Texas, NA, Compass Bank, Washington Mutual Bank, FA, and Colonial Savings, FA. The economy of the area is improving and diverse. The largest employers in this assessment area are the University of North Texas, Coors Distributing, and Peterbilt Trucking Company. The largest industries are manufacturing and services.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

We took a sample of loans made in both assessment areas to determine ANB's performance as it relates to community reinvestment. However, we put more weight on the bank's lending activities within the Wichita County Assessment Area because of the number of branch locations.

The June 30, 2003 Call Report indicates that the majority of ANB's loan portfolio consists of commercial real estate loans. However, a good portion of the loan portfolio is also in residential real estate. Since the bank is a Home Mortgage Disclosure Act (HMDA) reporter, we used its HMDA information for our analysis. The bank does have a high percentage of construction loans; however, we did not analyze this loan type because it was difficult to obtain a sufficient

sample segregating businesses from consumers.

The next largest distribution of loans is business-related loans. As part of our analysis, we also took a sample of consumer installment loans. All of these loans originated between February 8, 1999, and December 31, 2002. We did not select any loans originated from January 1, 2003 to October 22, 2003 because 2000 Census information was not available for our use to analyze activity.

Overall, ANB is meeting the standards of satisfactory performance. The bank's strengths are lending within its assessment area and consumer loans made to low- and moderate-income borrowers.

Lending in Assessment Area

Based on our review of ANB's lending patterns, the bank exceeds the standards of satisfactory performance. The lending pattern revealed 88% were within the bank's assessment areas, totaling \$155.6 million or 88%. Since the bank is a HMDA reporter, we combined all home loans made in both the Wichita County and Denton County assessment areas. We also took a sample of 20 consumer installment loans, 20 commercial real estate loans, and 20 commercial loans for the Wichita County AA and combined those totals with 20 consumer installment loans, 20 commercial real estate loans and 16 commercial loans originated within the Denton County Assessment Area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home purchase	1,211	90	99,404	89	140	10	12,688	11
Home improvement	53	88	1,233	90	7	12	133	10
Refinancing	298	81	28,348	81	70	19	6,592	19
Multi-family	1	100	1,000	100	0	0	0	0
Consumer	33	83	500	86	7	18	80	14
Commercial Real Estate	38	95	19,742	95	2	5	976	5
Commercial	33	92	5,374	95	3	8	260	5
Total Reviewed	1,667	88%	155,601	88%	229	12%	20,729	12%

Loan-to-Deposit Ratio

ANB's average loan-to-deposit (LTD) ratio is 76%. Given the bank's size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. The 17-quarter average LTD ratio does appear favorable when compared to other financial institutions within the assessment area. Information for these financial institutions is detailed in the following table:

Institution	Assets ('000's) As of 06-30-2003	Average LTD Ratio
First Bank	136,395	80%
National Peer Group	100,000 – 300,000	77%
American National Bank	240,916	76%
First National Bank	154,749	75%
The Waggoner National	192,231	62%
Pointbank	185,611	58%
State National Bank of Texas	132,738	54%

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes.

We combined all of the home-related loans originated within both the Wichita County and Denton County Assessment Areas. ANB's home purchase lending to low-income borrowers is small and needs improvement in comparison to the percentage of low-income families within the assessment area. However, the bank's penetration of home purchase and refinance lending to moderate-income borrowers is good as seen in the following table:

RESIDENTIAL LOANS – Combined AAs										
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER		N/A	
% of AA Families	15		16		24		45		0	
LOANS by TYPE	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	4	2	18	12	31	26	46	60	0.8	0.1
Home Improvement	2	0.2	4	1	19	9	75	90	0	0
Refinancing	2	0.5	8	4	14	9	75	86	1	0.3
Multi-family	0	0	0	0	0	0	0	0	100	100

ANB has historically sold a majority of its mortgage loan portfolio to the secondary market. The criteria for these loans are more stringent, thus one reason for the low penetration of residential loans to low-income families. Also, the small penetration of home-related loans to low-income borrowers is attributed to a substantial portion of the bank's assessment area being on a fixed-income. The requirements of closing costs and down payments are more feasible for middle- and upper-income borrowers when purchasing a home. Typically, borrowers with higher incomes are able to produce these funds, which many lower income borrowers are unable to do.

In addition, we reviewed a sample of 20 consumer installment loans made within the bank's assessment area. The bank's record of installment lending to low- and moderate-income borrowers is excellent as the following tables illustrate:

CONSUMER INSTALLMENT – Wichita County AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24%		16%		19%		41%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	20	17	30	28	20	15	30	40

CONSUMER INSTALLMENT – Denton County AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	18%		15%		20%		47%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	25	18	30	30	20	26	25	26

Moreover, ANB has originated an adequate number of loans to businesses with revenues of less than \$1.0 million within both assessment areas. We reviewed a sample of 40 commercial related loans totaling \$16.6 million originated within the bank’s assessment area. Of the loans sampled, 28 were made to businesses with revenues of less than \$1.0 million. These loans totaled \$13.0 million. The following table illustrates the bank’s lending penetration to businesses of different sizes within the Wichita County AA:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES Wichita County AA		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94%	6%
% of Bank Loans in AA #	70%	30%
% of Bank Loans in AA \$	79%	21%

We reviewed a sample of 34 commercial related loans totaling \$9.5 million originated within the bank’s assessment area. Of the loans sampled, 28 were made to businesses with revenues of less than \$1.0 million. These loans totaled \$6.9 million. The following table illustrates the bank’s lending penetration to businesses of different sizes within the Denton County AA:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES Denton County AA		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94%	6%
% of Bank Loans in AA #	82%	18%
% of Bank Loans in AA \$	81%	19%

Geographic Distribution of Loans

ANB has a reasonable dispersion of loans in its Wichita County Assessment Area (AA). However, increased lending efforts are needed for the bank’s Denton County AA. The reason for no loan penetration in low-income census tracts in the Denton County AA is because the branch location is not in close proximity to these tracts. Despite this, management needs to

make a concerted effort to improve their performance regarding these particular census tracts.

The number and dollar volume of residential loans made to low-income census tracts needs improvement. However, the loan penetration to moderate-income census tracts is adequate as detailed in the following table:

RESIDENTIAL LOANS – COMBINED AAs								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Owner Occupied	2%		10%		46 %		42%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	0.5	0.3	7	5	57	49	36	45
Home Improvement	0	0	4	1	34	24	62	75
Refinancing	0.3	0.4	6	3	40	29	53	67
Multi-family	0	0	0	0	0	0	100	100

The number and dollar volume of the sampled consumer loans made to low- and moderate-income census tracts is good in comparison to the percentage of households in the assessment area as can be seen in the following table:

CONSUMER – Wichita County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	6		21		49		24	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	10	9	15	10	60	62	15	18

Consumer loans sampled = 20 loans totaling \$267 thousand

The number and dollar volume of the sampled consumer loans made to low- and moderate-income census tracts is less than satisfactory in comparison to the percentage of households in the assessment area as can be seen in the following table:

CONSUMER – Denton County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households	4		9		45		42	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	0	0	20	16	80	84

Consumer loans sampled = 20 loans totaling \$ 274 thousand

The number of business loans made to the low- and moderate-income census tracts is excellent in comparison to the percentage of businesses in the assessment area, as shown in the following table:

BUSINESS LOANS – Wichita County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	14%		23%		36%		26%	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Commercial Real Estate	30	13	25	21	5	0.2	40	66
Commercial	30	68	15	5	10	4	45	22

Commercial real estate loans sampled = 20 loans totaling \$10.7 million

Commercial loans sampled = 20 loans totaling \$2.4 million

The number of business loans made to the low-income census tracts is less than satisfactory. However, the commercial loan penetration to moderate-income census tracts is excellent in comparison to the percentage of businesses in the assessment area, as shown in the following table:

BUSINESS LOANS – Denton County AA								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	4%		14%		35%		47%	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Commercial Real Estate	0	0	10	10	35	51	55	39
Commercial	0	0	25	16	0	0	75	84

Commercial real estate loans sampled = 20 loans totaling \$6.4 million

Commercial loans sampled = 14 loans totaling \$461 thousand

Community Development Loans

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

During this evaluation period, ANB has originated many community development loans through various organizations. For example, under the Nortex First Time Homebuyers Program, the bank made a total of 194 community development loans totaling \$9.8 million or 6% of the bank’s total loan portfolio. The Nortex program offers first-time homebuyers a below market interest rate with a 4% grant for down payment and closing costs. In addition, under The City of Wichita Falls 1st Time Homebuyers Program, ANB made 36 loans totaling \$1.5 million. The City’s program offers a homebuyer a \$5,000 forgivable second lien loan for closing and down payment assistance.

Responses to Complaints

ANB has not received any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of four years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.