



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 27, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank
Charter Number 15109**

**5603 Ridge Road
Parma, OH 44129**

**Comptroller of the Currency
Cleveland Field Office
3 Summit Park Drive Summit Office Park, Suite 530
Independence, OH 44131**

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 major factors that support ANB’s rating include:

- The bank meets the standard for satisfactory performance for its loan to deposit ratio.
- The bank originates a majority of its small business loans within its assessment area.
- The bank’s geographic distribution of loans exceeds the standards for satisfactory performance
- Distribution of loans to small businesses with annual gross revenues of \$1 million or less is satisfactory.
- There were no complaints regarding the bank's CRA performance during the review period.

DESCRIPTION OF INSTITUTION

American National Bank (ANB) is a wholly owned subsidiary of American National Bancshares, a one-bank holding company. As of June 30, 2003 American National Bancshares had \$32 million in assets. Both the bank and the holding company are headquartered in Parma, Ohio, a suburb of Cleveland located in the northeast portion of the state. The bank has a single full-service office a drive-up teller window but no automatic teller machines. The bank’s primary focus is small business banking. There have been no new offices opened nor offices closed since the last CRA public evaluation. No other banking operations are conducted through the holding company.

As of June 30, 2003, ANB had \$31 million in total assets. Loans represent 72% of total assets. The distribution of ANB’s loan portfolio is as follows: real estate loans (63%) and commercial and industrial loans (34%). The remaining 3% is comprised of multiple other loan categories. The bank’s real estate loan mix consists of commercial real estate (62%) and 1-4 family residential (1%) loans.

ANB's business strategy is focused on commercial lending which comprises 97% of the bank's loan portfolio. The bank's primary business is originating business loans, particularly through the Small Business Loan Administration Program. The bank also works in partnership with the United States Department of Agriculture (USDA) and the Bank of the West in originating loans to this same constituency.

The bank received a "Satisfactory" CRA rating in the previous Public Evaluation dated August 2, 1999. There are no current financial or legal impediments that prevent the bank from meeting community needs.

DESCRIPTION OF CUYHOGA COUNTY ASSESSMENT AREA

The bank's assessment area (AA) meets the requirements of the regulation without arbitrarily excluding low- or moderate-income areas or borrowers.

ANB's assessment area consists of Cuyahoga County located in the Cleveland-Elyria-Lorain Metropolitan Statistical Area. This AA consists of 499 geographies comprised of 109 (22%) low-income, 91 (18%) moderate-income, 176 middle-income (35%), and 110 (22%) upper-income census tracts. There are 13 (3%) census tracts labeled not applicable.

The Department of Housing and Urban Development [HUD] updated median family income for the assessment area for the year 2002 is \$60,000. The 1990 Census Bureau lists the assessment area population at 1,412,140 persons comprising 373,183 families. Of these families, 22% are low-income, 17% are moderate-income, 23% are middle-income and 38% are upper-income. Approximately 13% of the households within the assessment area have incomes below the poverty level with 10% relying on public assistance. Owner-occupied housing units comprise 58% of the assessment area. The housing units are primarily one-to-four family with a median housing value of \$71,850.

As of June 2003 the unemployment rates for Cuyahoga County was 7.1%. The State of Ohio and national unadjusted unemployment rate for June 2003 was 6.5%. Although above both the state and national unemployment rates, this rate has not affected the bank's opportunities to make loans. Over the length of the evaluation period, unemployment trends have remained relatively the same with only slight fluctuations.

The area is basically urban with varied light and heavy manufacturing, cultural and sports facilities, wholesale and retail businesses, and other service industries. Major employers include the Cleveland Clinic Foundation, Case Western Reserve University, American Greetings Corporation, General Motors Corporation, Ford Motor Corporation, and Key Corp. The local economy is stable and influenced by local and national employers involved in the aforementioned areas.

Community contacts conducted during this examination included an economic development agency. The following credit needs were identified for this AA:

- Small business lending was expressed as a continuing need for the area including start-up loans to new businesses and working capital loans to existing businesses in the amount of \$100,000 or less.
- Loans for refurbishing and remodeling established retail businesses in the city.
- Technical assistance to new and existing small businesses was also identified as a need.

The market for financial services is highly competitive. The bank competes with many other financial institutions including local community banks and branches of regional and large national institutions. Major competitors within its AA and their corresponding deposit market shares include Key Bank (29%), National City (26%), Charter One (8%), and Third Federal

Savings (8%). ANB holds approximately 0.4% of the deposit market share within its AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio meets the standard for satisfactory performance. The bank's average loan-to-deposit ratio meets the standards for satisfactory performance given the bank's size, financial condition, and the AA credit needs. ANB's loan-to-deposit ratio (LTD) as of June 30, 2003 was 105.10% and its average LTD over the previous 16 quarters was 86.81%. For analysis purposes, ANB's current and 16-quarter average LTD ratios were compared with a peer group consisting of banks with total assets between \$25 and \$50 million with one banking office in a metropolitan statistical area.

The analysis shows that ANB's LTD ratios are well above the peer group 2Q03 LTD ratio of 69.49% and the 16-quarter average of 68.71%. This is due to ANB's policy of selling the guaranteed portion of its loans in the secondary market versus retaining these loans until maturity. The spike in the 2Q03 LTD is attributed to loans originated during the quarter but not yet sold from the portfolio.

Lending in Assessment Area

ANB's record of lending within its delineated AA meets the standards for a satisfactory performance. Our conclusions are based on a sample of 20 small business loans originated by the bank during the evaluation period. The majority of loans in the sample were made within the bank's AA. Eleven loans equaling \$1,513,000, representing 55% of the sample size and 25% of the dollar amount, were made within the designated assessment area.

Lending to Businesses of Different Sizes

Lending to businesses of different sizes is reasonable. In order to determine the bank's performance of lending to businesses of different sizes, we selected a sample of 26 small business loans. Sixteen of the twenty-six loans were made to businesses with annual gross revenues of \$1 million or less. This figure represents 62% of loans in the sample. Census data for businesses in the AA that reported revenue indicate 98% of those businesses had gross annual revenues of less than or equal to \$1million. Additionally, 4% (1 loan) in our sample was in an amount under \$100 thousand and 12% of the loans in the sample (3 loans) were for property improvements at established businesses which were identified as credit needs of the community.

Geographic Distribution of Loans

The bank's geographic distribution of loans exceeds the standards for satisfactory performance. Our analysis included 26 small business loans. The bank's distribution of small business loans exceeds the distribution of small businesses within the low- and moderate-income census tracts. The table below details the bank's geographic distribution of loans to low- and moderate-income

geographies.

Geographic Distribution of Lending of Small Business Loans					
	Commercial Loans				Percentage of Businesses in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	3	11.54	479	7.26	10.60
Moderate	6	23.08	2,930	44.41	17.38
Middle	12	46.15	2,642	40.04	34.27
Upper	4	15.38	522	7.91	36.48
NA	1	3.85	25	0.38	1.27
Total	26	100.00	6,598	100.00	100.00

Responses to Complaints

ANB has not received any written complaints regarding its performance meeting the credit and deposit needs of its AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of recent public comments, consumer complaint information, and Home Mortgage Disclosure Act [HMDA] was performed according the OCC'S risk based fair lending guidelines. 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 current CRA evaluation this year.