



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 28, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American National Bank
Charter Number: 18303**

**1606 North Sarah Dewitt Drive
Gonzales, Texas 78629**

**Office of the Comptroller of the Currency
San Antonio North Field Office
10101 Reunion Place Boulevard, Suite 402
San Antonio, Texas 78216-4160**

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.

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 **American National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 28, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

American National Bank's lending performance reflects reasonable responsiveness to community credit needs, including low and moderate income individuals and areas. The following describes the bank's performance:

- C The loan-to-deposit ratio meets the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs.
- C A majority of the number, and dollar volume, of loans originated in 1998 and 1999 are in the bank's assessment area.
- C The distribution of borrowers reflects a satisfactory penetration among individuals of different incomes and businesses of different sizes.
- C An analysis of the geographic distribution of loans shows a reasonable distribution among low, moderate, and middle income areas.
- C The bank received no consumer complaints concerning its CRA performance since the November 1996 examination.

The following table indicates the performance level of **American National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	American National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination.		

Description of Institution

American National Bank (ANB) is a locally owned and managed institution with \$94 million in assets. It is a wholly owned subsidiary of ANB Bancshares, Inc., a one bank holding company headquartered in Gonzales. The bank provides services through its offices located in the city of Gonzales, the county seat of Gonzales County, Texas, and in Luling and Lockhart, both located in Caldwell County. The bank operates an automatic teller machine (ATM) in the drive-up facility adjacent to each office. All ATM instructions are in both English and Spanish.

The bank offers small business and farm loans, consumer, residential purchase and home improvement loans. ANB is an approved Farm Service Agency and Small Business Administration lender and has a strong commercial and agricultural lending effort. In fact, the bank has over \$18 million in government guaranteed commercial and agricultural loans. Net loans amounted to 59% of total assets on that date. The bank is in sound financial condition and there are no legal impediments to providing credit. The previous CRA examination was dated November 12, 1996.

A summary of the bank's loan portfolio as of March 31, 1999, is detailed below:

Loan Portfolio Breakdown As of 3/31/99		
Type of Loan	Amount (by dollar)	% of Portfolio
1-4 Family	8,543	15%
Commercial Real Estate	20,413	36%
Commercial and Industrial	7,636	14%
Agricultural	13,385	24%
Consumer	6,604	11%
Gross Loans	56,581	100%

Description of Assessment Area

The assessment area is defined as Gonzales and Caldwell Counties, Texas, two adjoining counties located in south central Texas. The principal industry in both counties is agriculture with substantial oil and gas production. The current unemployment rate for Gonzales County is 3.2%. Caldwell County's unemployment rate is comparable, at 3.3%. Caldwell County is part of the Austin-San Marcos metropolitan statistical area (MSA). Gonzales County is not part of a MSA.

Gonzales County

Gonzales County has an estimated 1999 median family income (MFI) of \$24,586. It is one of the poorer counties in the area with 28% of households being below the poverty level. The Census Bureau estimated the 1998 population to be 17,551. Population growth has been relatively flat in recent years. Twenty-nine percent of families in the county are defined as low income, 17% moderate, 20% middle, and 34% are upper income. The county is composed of six census block numbering areas, three of which are designated as middle income, and three are moderate income. There are no low or upper income tracts in the county.

Aside from several branches of regional institutions, there are two other financial institutions headquartered in the county, Central Texas Bank, with total assets of \$37 million and Nixon State Bank with total assets of \$35 million.

Caldwell County

According to the Census Bureau, Caldwell County had an estimated population of 32,447 in 1998, having experienced considerable growth since 1990. Lockhart in particular has experienced strong growth as a bedroom community of Austin. The county is composed of seven census tracts. Three are middle income, three are moderate income and one is lower income. There are no upper income tracts. The Austin-San Marcos MSA, of which Caldwell County is a part, had a 1999 Median Family Income of \$55,400. However, Caldwell County's MFI is considerably lower than the area average. In fact, 25% of households in the county are below the poverty level. Overall, 38% of families in the county are considered low income, 22% are moderate income, 23% are middle income and 17% are upper income. Institutions based in Caldwell County include NBC - Central, N.A. with total assets of \$32 million, and First Lockhart National Bank with total assets of \$104 million.

Examiners conducted community contacts with the Gonzales Chamber of Commerce and the Department of Agriculture's Farm Service Agency office. Credit needs identified by the community contacts included housing, flood relief and agricultural loans. Both contacts stated that the local financial institutions are doing a reasonable job of meeting these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan to deposit ratio is satisfactory. The bank's average loan to deposit ratio since the previous examination is 62%. Similar institutions in the area had loan to deposit ratios averaging between 31% to 82% over the same period. The bank's ratio has fluctuated since the previous examination and amounted to 65% as of March 31, 1999.

Lending in the Assessment Areas

A majority of the number and dollar volume of loans are to consumers or businesses located within the assessment area (AA). As part of our examination, we reviewed a sample of 20 consumer, 33 residential, 12 commercial, and 12 agricultural loans originating in 1998 and 1999. Of the residential loans sampled, 91% by number and 95% by dollar amount were within the AA. Ninety percent of consumer loans by number and 94% by dollar amount were within the assessment area. The proportion of commercial and agricultural loans in the area was less impressive. By number, 83% of both the commercial and agricultural loans in our sample were within the assessment area. These types of loans account for a large portion of the overall loan portfolio.

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

The distribution of loans to borrowers of different income levels demonstrates a satisfactory lending effort to low and moderate income families. In fact, of the 20 consumer loans sampled, 70% were to either low or moderate income borrowers. These income groups make up only 54% of families in the area. The consumer lending distribution has benefitted from a strong small consumer loan effort reaching low-income borrowers. Although these loans do not amount to a large dollar volume of the overall lending effort, our findings suggest this product has been very helpful to lower income borrowers. Consumer lending to moderate income families was particularly good. The bank has no minimum loan amount. Our sample included loans originating for as little as \$600.

The residential lending effort has had less success reaching lower income borrowers. Only three of the 33 residential loans sampled (9%) were to low income borrower. Over half of the residential loans in our sample (55%) were to upper income borrowers. A summary of the distribution of sampled loans within the AA is included below:

Loan Sample Distribution by Income Group										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
Area Demographic Characteristics	34%		20%		22%		24%		100%	
# of Families	3,825		2,272		2,447		2,685		11,229	
Loan Type	#	%	#	%	#	%	#	%	#	%
Consumer	7	35	7	35	2	10	4	20	20	100
Residential	3	9	7	21	5	15	18	55	33	100

The bank's strong commercial lending effort has been successful in reaching small businesses. Of our sample of 12 commercial lending relationships, 42 percent were with businesses with gross revenues of less than \$100 thousand. All but two were to businesses with revenues of less than \$1 million. The agricultural sample also indicated a good effort to small operations. A summary of our loan sample findings is included on the next page.

Lending to Businesses and Farms of Different Sizes										
Gross Revenues \$000's	Less than 100,000		100,000-500,000		500,000-1,000,000.		More than 1,000,000		TOTAL	
Loan Type	#	%	#	%	#	%	#	%	#	%
Agricultural	5	42	6	50	0	0	1	8	12	100
Commercial	5	42	4	33	1	8	2	17	12	100

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was performed. The distribution of loans reflects a reasonable dispersion of loans given the area's demographics and the location of the bank's three offices. 1990 census information indicates 46% of families in the AA reside in middle income tracts, 47% in moderate income tracts and 7% in the one lower income tract. Our loan sample findings indicates a good commercial effort in moderate income areas. Residential and consumer loans were less likely to be made in these areas. The distribution of sampled loans within the AA is summarized in the chart below:

Geographic Distribution of Loans										
	Low Income Tracts 1		Moderate Income Tracts 6		Middle Income Tracts 6		Upper Income Tracts 0		Total 13	
Loan Types	#	%	#	%	#	%	#	%	#	%
Agricultural	0	0	5	50	5	50	0	0	10	100
Commercial	0	0	6	60	4	40	0	0	10	100
Consumer	0	0	3	17	15	83	0	0	18	100
Residential	1	3	12	40	17	57	0	0	30	100

Response to Complaints

American National Bank has not received any complaints from the public regarding the bank's CRA performance.

A Fair Lending examination was performed in conjunction with this evaluation. We performed a comparative analysis of auto loans made since the previous examination to Hispanics and Anglos. We found no evidence of disparate treatment or discriminatory practices.