



## INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

### **PUBLIC DISCLOSURE**

April 21, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

American Bank, National Association  
Charter Number: 17319

1601 North IH-35  
Waco, Texas 76702

Office of the Comptroller of the Currency  
Southern District  
ADC – San Antonio - North Field Office  
10001 Reunion Place, Suite 250  
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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION’S CRA RATING: This institution is rated “Satisfactory.”**

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

**The Community Development Test is rated: “Outstanding.”**

- Lending performance for American Bank National Association (AB) meets the standards for satisfactory performance in meeting the known credit needs of its community.
- AB’s loan-to-deposit (LTD) ratio is reasonable at 75%.
- The majority of loans were made within the bank’s assessment area (AA). Approximately 83% of the number of loans was to borrowers within the AA, which meets the standards for satisfactory performance.
- The distribution of loans to small businesses is reasonable. Approximately 65% of the number of loans was made to businesses with revenues below \$1 million. However, the Home Mortgage Disclosure Act (HMDA) data reflected a poor penetration of loans to low- to moderate-income (LMI) borrowers, and the bank needs improvement in this area.
- AB demonstrated satisfactory performance for commercial and residential real estate lending within LMI census tracts (CTs).
- AB’s community development loans and services are considered outstanding given the size of the institution and the competitive market in which it operates.
- AB has not received any complaints or public comments regarding its CRA performance during this evaluation period.

### **SCOPE OF EXAMINATION**

AB’s CRA performance was evaluated with intermediate small bank examination procedures, which includes lending and community development tests. The lending test evaluates the bank’s record of meeting the credit needs of its AA through its lending activities. The bank’s two largest loan products as of March 31, 2012 were commercial and residential real estate. These two products represent 91% of the bank’s total loans.

The commercial and residential real estate lending test for AB covers its performance from January 1, 2009, through March 31, 2012, and is representative of its lending strategy since the last CRA examination dated September 29, 2008. The bank is located within a metropolitan statistical area (MSA), and is a HMDA reporter. Therefore, HMDA data was used for the residential real estate lending test.

## DESCRIPTION OF INSTITUTION

AB is an intrastate bank headquartered in Waco, Texas. As of March 31, 2012, assets totaled \$366 million. The bank is 100% owned by American National Bancshares, Inc., a single-bank holding company. AB has two locations in the Waco area - Round Bank (east) and American Plaza (west). Both locations offer standard banking services Monday through Friday with extended drive-through hours in the evenings and on Saturday. Five automated teller machines (ATMs) are located within the community. ATM locations include the Round Bank, Providence Hospital Medical Center, St. Catherine at Providence Park, Express Bank, and McLennan Community College.

There are no legal, financial, or other factors hindering the bank's ability to help meet the credit needs within its AA. The previous CRA examination is dated September 29, 2008, in which AB was also rated "Satisfactory" under intermediate small bank criteria.

As of March 31, 2012, loans totaled approximately \$234 million, which is approximately 64% of total assets. A summary of the loan portfolio is as follows:

Loan Portfolio Summary by Loan Product March 31, 2012		
Loan Category	Dollar Volume \$(000)	% of Outstanding Dollars
<b>Commercial (Including Real Estate)</b>	\$162,141	69.3%
<b>Residential</b>	\$49,879	21.3%
Consumer	\$8,446	3.6%
Agricultural/Farm	\$5,370	2.3%
Other Loans	\$8,119	3.5%
<b>Total</b>	<b>\$233,955</b>	<b>100.0%</b>

AB offers standard deposit and loan products. Personal checking account options include Silver, Gold, and Platinum Checking. Silver checking is offered with the lowest minimum opening balance of \$50, and no monthly maintenance fee. Platinum checking is the bank's NOW account, which has a monthly fee and earns interest at market rates. All accounts offer unlimited check writing, VISA check card, Internet banking, and optional overdraft protection (ODP). The bank offers a variety of savings products including money markets, regular savings, Individual Retirement Account (IRA), and certificates of deposit (CDs) ranging from 32 days to 5-year maturity terms. Loan products include various types of commercial, consumer, and mortgage lending.

**DESCRIPTION OF ASSESSMENT AREA**

The Community Reinvestment Act (CRA) requires a financial institution to define the AA in which it will be evaluated. AB has defined its AA as all of McLennan County, which includes the Waco MSA. McLennan County is made up of 51 CTs ranging from low- to upper-income.

**McLennan County**

McLennan County is home to approximately 214 thousand residents according to 2011 US Census information. See the table below for demographic information.

Demographic Information for Williamson County					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	51	9.80	27.45	31.37	31.37
Population by Geography	213,517	10.94	25.71	31.10	32.24
Owner-Occupied Housing Units by Geography	47,463	4.80	18.68	36.55	39.97
Businesses by Geography	21,430	3.94	24.81	28.32	42.93
Farms by Geography	1,076	1.39	8.74	47.30	42.57
Family Distribution by Income Level	53,122	20.68	17.54	21.36	40.42
Household Distribution by Income Level	78,926	25.33	15.07	17.82	41.78
<b>Additional Data</b>					
US Census Median Family Income (MFI)		43,454	Median Housing Value		62,261
HUD – Adjusted MFI: 2011		54,000	Households Below Poverty Level		17.73%
HUD – Adjusted MFI: 2010		51,900	Unemployment Rate		4.76%
HUD – Adjusted MFI: 2009		51,700			

AB operates in an extremely competitive banking environment in Waco. According to 2011 demographic data, McLennan County consists of about 79 thousand households of which 56% are owner-occupied and 37% renter-occupied. The median housing value is \$62 thousand. Of the 51 CTs, 9.8% are low-income, 27.45% moderate-income, 31.37% middle-income, and 31.37% upper-income. Therefore, about 37% of households are located in LMI CTs. The area exceeds the national poverty statistics with almost 18% of households living below the poverty level. However, the unemployment rate is lower than national and state averages at 4.76%. One whole CT is made up of a VA hospital and therefore lending opportunities in this moderate-income CT are limited.

Main employers in the area include Providence Health Centers, Baylor University, Waco ISD, City of Waco, and Hillcrest Health Systems. Higher education and health care continue to be the area’s main industries. Several colleges call Waco home including the afore-mentioned Baylor, Texas State Technical College, and McLennan Community College. Other large employers are HEB, Wal-Mart, and Sanderson Farms, Inc. Of the 15 thousand businesses, 89% are single location with sole operations located in McLennan County. The majority of businesses (78%) have revenues under \$1 million.

In conjunction with the assessment of AB’s performance, we conducted a community contact with NeighborWorks. The bank has made several loans through the program for LMI borrowers to obtain financing for home purchases. According to the contact, the bank is active in the community and eager to help when opportunities arise. Overall, the bank is well perceived by the Waco community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

AB’s overall CRA performance is satisfactory. The bank has displayed poor penetration to LMI borrowers. However, all other lending test components were rated satisfactory. The bank has displayed a willingness to lend to LMI borrowers, small business, and to those located in LMI CTs. AB’s community development initiatives are considered to be outstanding. The bank is clearly meeting community credit needs through lending, investing, and services.

**LENDING TEST**

***AB’s performance under the Lending Test is rated “Satisfactory.”*** The review focused on residential real estate and commercial lending in McLennan County. Poor performance was noted for penetration to LMI families. However, the bank was rated satisfactory in all other lending test categories including its LTD ratio, lending in the AA, penetration to commercial borrowers with revenues less than \$1 million, and lending within LMI geographies to both commercial borrowers and families. Overall, AB’s lending test merits a satisfactory rating under CRA standards.

**Loan-to-Deposit Ratio**

AB’s LTD ratio has averaged 74.85% over the past fourteen quarters since the last CRA examination and is reasonable in comparison to other banks in the area. The average of the other institutions is 74.71%. AB is well above Texas First State Bank, the institution most similar in size, as its LTD is 42%. AB’s overall performance is considered satisfactory given its asset size, financial condition, and lending opportunity within its AA. See the table below for comparative information.

LOAN-TO-DEPOSIT RATIO COMPARISON		
Institution	Assets as of 3/31/2012 (\$000s)	Average LTD Ratio (%)
American Bank, N.A.	357,205	74.85%
Central National Bank	605,791	83.69%
First National Bank of Central Texas	608,273	91.62%
Texas First State Bank	336,182	41.69%
Community Bank and Trust	407,757	81.85%

**Lending in Assessment Area**

The majority of the number and dollar amount of loans were made within the AA. Of the 20 loans reviewed in the commercial sample, four were found to be outside the bank’s AA. HMDA data showed that over 80% of the number of residential real estate loans were made within McLennan County. Overall, 83% of the total number of loans was made within the AA. Additionally, about 72% of the dollar volume of loans made was to borrowers inside the AA. In summary, AB is doing a satisfactory job of allocating its lending within the AA. The table on the following page illustrates the result of our analysis.

LENDING IN McLENNAN COUNTY ASSESSMENT AREA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	130	81.25	30	18.75	160	\$17,215	67.65	\$8,232	32.35	\$25,447
Home Improvement	24	85.71	4	14.29	28	\$1,135	93.65	\$77	6.35	\$1,212
Refinance	62	87.32	9	12.68	71	\$10,064	78.95	\$2,684	21.05	\$12,748
Commercial	16	80	4	20	20	\$7,020	86	\$1,182	14%	\$8,202
Totals	232	83	47	17	279	\$7,047	72.10	\$1,193	27.90	\$8,241

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

***Residential Real Estate***

HMDA data was used in our CRA review as AB is located within the Waco MSA. The distribution of residential real estate loan reflects poor penetration among borrowers of different income levels. Loans originated to LMI borrowers are far below demographic data. Demographics show that 20.68% of families are low-income and 17.54% are moderate-income. However, HMDA data shows only 2.31% of home purchase loans were to low-income borrowers and 7.69% were to moderate-income borrowers. The less-than-satisfactory penetration is a result of limited housing availability in the area where an LMI borrower would qualify, and overall low loan demand. Overall, AB needs improvement in this area.

The following table details AB’s performance as compared to the percentage of households in each CT income level:

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN McLENNAN COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	20.68	2.31	17.54	7.69	21.36	9.23	40.42	56.92
Home Improvement	20.68	20.83	17.54	12.50	21.36	12.50	40.42	54.17
Refinance	20.68	1.61	17.54	3.23	21.36	11.29	40.42	64.52

***Commercial Loans***

The distribution of loans to small business is reasonable. Based on our sample, 65% of loans originated were to business with revenues below \$1 million. Demographic data shows that about 68% of businesses in McLennan County have revenues below \$1 million. Therefore, AB’s penetration among small business meets the standards set forth by CRA, and is considered to be satisfactory.

The following table details the bank’s performance as compared to the percentage of businesses below the \$1 million threshold:

<b>BORROWER DISTRIBUTION OF LOANS TO BUSINESSES IN MCLENNAN COUNTY ASSESSMENT AREA</b>				
<i>Business Revenues (or Sales)</i>	<i>≤\$1,000,000</i>	<i>&gt;\$1,000,000</i>	<i>Unavailable/ Unknown</i>	<i>Total</i>
% of AA Businesses	68.04	2.84	29.13	100%
% of Bank Loans in AA by #	65%	35%	--	100%
% of Bank Loans in AA by \$	54.55%	45.45%	--	100%

**Geographic Distribution of Loans - Waco MSA Assessment Area**

***Residential Real Estate***

HMDA data reflects a reasonable/satisfactory dispersion to borrowers in LMI CTs. Demographic data shows 4.8% of owner-occupied housing within the AA is in low-income CTs. The bank comes close to or exceeds this in lending to borrowers for home purchase, home improvement, and refinances. Additionally, 18.68% of owner-occupied housing is located in moderate-income CTs. Dispersion among these tracts is reasonable within the three residential real estate lending categories. See the table below for findings:

<b>GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN MCLENNAN COUNTY ASSESSMENT AREA</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<i>Loan type</i>	<i>% of Owner Occupied Housing</i>	<i>% of # of Loans</i>	<i>% of Owner Occupied Housing</i>	<i>% of # of Loans</i>	<i>% of Owner Occupied Housing</i>	<i>% of # of Loans</i>	<i>% of Owner Occupied Housing</i>	<i>% of # of Loans</i>
Home Purchase	4.80	3.08	18.68	15.38	36.55	21.54	39.97	60.00
Home Improvement	4.80	8.33	18.68	12.50	36.55	37.50	39.97	41.67
Refinance	4.80	8.06	18.68	20.97	36.55	24.19	39.97	46.77

***Commercial Loans***

Geographic distribution of loans to businesses in McLennan County is satisfactory. AB meets the standards for lending to businesses located in LMI CTs. Based on our sample, 5% of loans to businesses were located in low-income tracts. Demographic data shows 3.94% of businesses in McLennan County are in low-income tracts. Additionally, demographic data showed 24.81% of businesses are in moderate-income CTs, and the sample resulted in a 20% penetration. The bank’s dispersion is considered reasonable as the bank is meeting the standards as set forth by the CRA regulations.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES IN MCLENNAN COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Businesses	3.94	5%	24.81	20%	28.32	5%	42.93	70%

**Responses to Complaints**

American Bank has received no complaints relating to its performance under CRA.

**COMMUNITY DEVELOPMENT TEST**

CD loans and services provided by AB are outstanding given the bank’s size, the competitive environment in which it operates, its financial condition, and credit needs of the community.

**Number and Amount of Community Development Loans**

The bank is working with Neighborhood Housing Services to obtain financing for LMI first-time home buyers. Currently, AB has five different home loans through the program totaling \$321 thousand. Also, AB lends money to Amerigo, Inc., who then finances LMI first-time home buyers. This loan to Amerigo totals \$1.4 million. AB also has loaned \$250 thousand to 3 Balu Enterprises, Inc., who converts vacant apartments into LMI housing projects. Additionally, AB has invested \$500 thousand in the Valesco Commerce Street Capital Fund. Monies provided by Valesco are used to invest in growth-oriented, lower/middle market businesses seeking expansion, acquisitions, recapitalizations, and buyouts primarily in the South-Central US. In summary, AB has exceeded CRA standards for community development loans and investments.

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

AB provides community development services in a variety of ways. AB’s Chairman of the Board serves on the Independent Bankers Association of Texas’ Education Foundation Board. This foundation works to educate youth on responsible financial management. Specifically, AB participates in the Teach the Teacher program. The bank has also become involved with Teach the Children to Save by going to schools and holding classes on how to save money. AB recently purchased financial literacy books for LaVega ISD, an LMI school district, and bank employees take time in the schools teaching children how to balance a check book. Various employees are also involved in the Greater Waco Community Education Alliance, CareNet, Waco Housing Authority, and Friends For Life.

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

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

