



## PUBLIC DISCLOSURE

June 12, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American National Bank & Trust  
Charter Number 16617

2732 Midwestern Parkway  
Wichita Falls, TX 76308

Office of the Comptroller of the Currency  
Dallas Field Office  
225 E. John Carpenter Frwy., Suite 900  
Irving, TX 75062

**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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>3</b>
<b>DESCRIPTION OF ASSESSMENT AREAS.....</b>	<b>5</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>8</b>
<b>LENDING TEST .....</b>	<b>8</b>
<b>COMMUNITY DEVELOPMENT TEST.....</b>	<b>13</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>16</b>

**Overall CRA Rating: This institution is rated Satisfactory.**

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

**The Community Development Test is rated: Satisfactory.**

Major factors that support this satisfactory rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of loan originations and purchases are inside the bank's assessment areas (AAs).
- The distribution of residential loans among borrowers of different income levels exhibits a reasonable penetration. The distribution of loans to businesses of different sizes is excellent.
- The distribution of residential loans reflects a poor dispersion across the low-and moderate-income (LMI) census tracts while the business loans are reasonably distributed across the LMI geographies.
- No consumer complaints regarding the bank's CRA performance were received during this evaluation period.
- The overall level and responsiveness of community development (CD) lending, investments, and services is adequate.

## **Scope of Examination**

American National Bank & Trust (ANB or bank) is subject to the interagency Intermediate Small Bank (ISB) CRA evaluation procedures. As such, this Performance Evaluation (PE) assesses the bank's performance under the Lending and Community Development Tests. The evaluation period ranges from August 22, 2013, the date of the prior PE, through June 12, 2017, the date of the current evaluation. We identified commercial and commercial real estate loans (business loans) and residential real estate loans as the bank's primary loan products. The Lending Test concentrated on business loan activity from January 1, 2015 to March 31, 2017 and residential loan activity from January 1, 2015 to December 31, 2016.

In addition to the Lending Test, ISBs are evaluated under the Community Development Test. Our consideration of CD activity - loans, investments and services - extended from August 22, 2013 to our current evaluation date of June 12, 2017.

In our evaluation of the distribution of loans, we utilized the demographics and geographies related to the 2010 Census as it applies to the years 2015 and 2016.

This evaluation is based on accurate data as follows:

- We tested Home Mortgage Disclosure Act (HMDA) data for residential mortgages reported by the bank to verify the accuracy of data used for this evaluation. We found the data reliable to use for this evaluation.
- To evaluate ANB's performance relative to business lending, for each of the three AAs we selected a random sample of 20 business loans that were originated and purchased during this timeframe. Based on our testing of the sampled loans, we found the aggregate data reliable to use for this evaluation. Relative to Table 1 in this PE, we used the entire population of originated and purchased business loans. Table 3A was completed for the Wichita Falls MSA using the population of business loans that were originated and purchased within the AA.

We did not consider the activities of affiliates in this evaluation.

We conducted a full-scope review of the Wichita Falls MSA that consists of Wichita and Archer Counties, both located in the Wichita Falls, Texas MSA. A full-scope review considers complete performance context information, quantitative factors and qualitative factors. This AA received the full-scope review because 82 percent of the bank's deposits, 63 percent of its offices, and 80 percent of the number of HMDA-reported and business loans are in that geography.

We performed a limited review of the Denton AA that consists of 95 contiguous census tracts comprising part of the southern half of Denton County. Denton County is part of the Dallas-Plano-Irving, Texas MSA. We also performed a limited review of the Non-MSA AA that includes all of Hardeman and Wilbarger Counties that are adjacent to each other and immediately west of Wichita County. This AA is not located in an MSA. Limited-scope reviews consider primarily quantitative factors with performance context data limited to the comparable demographics.

## **Description of Institution**

ANB is a full-service community bank located in Wichita Falls, Texas, which is 105 miles northwest of Fort Worth. ANB is wholly-owned by Ameribancshares, Inc. The previous CRA evaluation, dated August 22, 2013, assigned a "Satisfactory" rating to the bank.

There are no legal or financial impediments to ANB's ability to meet the credit needs of its AAs. ANB is a full-service bank offering a full-range of loan and deposit products, as well as internet banking, a leasing department, and a trust department serving individuals and businesses.

As of March 31, 2017, net loans were 66 percent of ANB's total assets of \$590 million. The following table is a summary of ANB's loan portfolio:

<b>American National Bank &amp; Trust Loan Portfolio Summary</b>		
<b>Loan Category</b>	<b>Dollar Volume (000's)</b>	<b>Percentage</b>
Commercial and Commercial Real Estate	200,443	51%
Residential Real Estate	67,247	17%
Construction	41,056	10%
Lease Financing, Consumer and Other	85,338	22%
Total Loans	394,084	100%

*Source: March 31, 2017 Report of Condition.*

ANB's physical offices are its primary delivery system for retail products and services. In addition to its main office in Wichita Falls, the bank currently has seven branch offices. Their locations and census tract income designations are as follows:

- 2732 Midwestern Parkway, Wichita Falls (upper-income),
- 825 Scott Avenue, Wichita Falls (moderate-income),
- 1920 Elmwood Avenue North, Wichita Falls (upper-income),
- 219 West Park Avenue, Iowa Park (middle-income),
- 108 West Main Street, Archer City (middle-income),
- 1201 Cross Timbers Road, Flower Mound (middle-income),
- 200 Avenue H, Chillicothe (moderate-income), and
- 111 West Fourth Street, Quanah (moderate-income).

The latter two branches, located in Hardeman County, were acquired in August 2015 with the purchase of The First National Bank of Chillicothe. ANB also opened a loan production office in Fort Worth in January 2015. No branch openings or closings occurred during the evaluation period.

The main office and two of the branches have drive-up facilities with extended hours. Saturday hours are offered at the drive-up facilities at the main office and the Flower Mound branch.

The main office and the Iowa Park branch have full-service ATMs with 24-hour access. ANB has 11 branded cash-only ATMs that are located at five of the branch offices as well as six stand-alone locations across the city of Wichita Falls. The bank is partnered with MoneyPass, a network that offers 22,000 ATMs across the U.S. Use of these ATMs is surcharge-free to all ANB depositors. MoneyPass has an iPhone and Android ATM locator app for customer convenience.

ANB's banking programs and hours allow the bank to deliver needed banking and credit services to LMI areas and customers as well as small business owners throughout the bank's AAs. ANB offers on-line banking through its web site, [www.amnat.com](http://www.amnat.com). Bank customers can utilize on-line banking and the mobile app at no charge. Telephone banking in English and Spanish is available. ATM services are available in English and Spanish. The main office, two of the Wichita Falls branches, and the Chillicothe branch have employees who speak Spanish. ANB offers secured and unsecured small dollar personal loans to qualified customers. The bank also offers start-up and working capital loans for small businesses.

The bank has partnered with the City of Wichita Falls through its *First Time Home Buyers Program* to assist LMI individuals and families in obtaining financing to purchase a residence.

## **Description of Assessment Areas**

ANB has three AAs:

- Wichita Falls MSA consisting of all of Wichita County and Archer County,
- Denton AA that consists of 95 contiguous census tracts comprising part of the southern half of Denton County, and
- Non-MSA that includes all of Hardeman County and Wilbarger County.

Demographic and economic information for each of the AAs is reflected in the following table:

<b>Demographic and Economic Data for the AAs</b>			
<b>Assessment Area</b>	<b>Wichita Falls MSA</b>	<b>Denton AA</b>	<b>Non-MSA</b>
<b><i>Population</i></b>			
Number of Families	34,587	108,683	4,755
Number of Households	51,964	150,967	6,873
<b><i>Geographies</i></b>			
Number of Census Tracts	40	95	5
% Low-Income Census Tracts	5.00%	0.00%	0.00%
% Moderate-Income Census Tracts	27.50%	10.53%	40.00%
% Middle-Income Census Tracts	37.50%	27.37%	60.00%
% Upper-Income Census Tracts	27.50%	62.11%	0.00%
% N/A Census Tracts*	2.50%	0.00%	0.00%
<b><i>Median Family Income (MFI)</i></b>			
MFI for AA	\$56,649	\$97,727	\$44,902
2016 FFIEC Updated MFI	\$57,400	\$71,700	\$52,400
<b><i>Economic Indicators</i></b>			
Unemployment Rate – Wichita County	3.9%		
Unemployment Rate – Archer County	3.8%		
Unemployment Rate – Denton County		3.4%	
Unemployment Rate – Hardeman County			4.0%
Unemployment Rate – Wilbarger County			4.9%
2016 Median Housing Value	\$92,196	\$202,013	\$55,195
% Households Below Poverty Level	14.74%	5.33%	20.97%
% Households Receiving SS	28.69%	13.01%	34.58%
% Households Retired	19.11%	9.45%	18.43%

\*Geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, 2016 FFIEC updated MFI, and Bureau of Labor Statistics.

### Wichita Falls MSA

This AA includes 40 CTs comprising two entire counties – 37 in Wichita County and three in Archer County. The City of Wichita Falls is the county seat and the largest city in the AA with a population of 104,553 at the 2010 Census. Several other cities are located in the AA including Burkburnett, Iowa Park, Electra, Archer City, and Pleasant Valley. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

The main office and four of ANB's seven branches are located in this AA. According to the June 30, 2016 FDIC Deposit Market Share Report, 15 banks operate 45 branches within the AA. ANB is ranked second overall holding 13.33 percent of the total market share. Additionally, there are seven active credit unions in the Wichita Falls MSA.

Major employers in the Wichita Falls area include Sheppard Air Force Base, Wichita Falls Independent School District, North Texas State Hospital, United Regional Health Care System, the City of Wichita Falls, and Midwestern State University.

According to the March 2017 edition of *Moody's Analytics*, the Wichita Falls' economy has taken a turn for the worse. Payroll employment has trended lower since the beginning of 2016 and in February 2017 was at its lowest level since the mid-1990s. Cutbacks are broad-based, but job losses are greatest in retail and manufacturing. If not for a dip in the labor force at the start of 2017 to a new multi-decade low, the unemployment rate would be climbing. Further, an unfavorable mix of jobs is driving wages lower; as the share of jobs in mid- and high-wage industries has risen, so too has the gap between average hourly earnings in the U.S. and Wichita Falls, which is at a record high. Weaker pay and tepid population gains are tempering demand for housing, with single family residential permits running about half of their long-run average in Wichita Falls.

Per the above demographic data table, two of the 40 census tracts are designated low-income tracts and 11 are moderate-income tracts. The aggregate LMI census tracts represent 32.5 percent of the total geographies in the AA. The poverty level for this AA is 14.7 percent and over 28 percent of households receive social security income. There are no middle-income CTs in this AA that are distressed or underserved.

In 2016, owner-occupied units made up 57 percent of the housing in the Wichita Falls MSA. Two percent (707) of the AA's 33,874 owner-occupied units were in the low-income census tracts and almost 15 percent (4,912) were in the moderate-income geographies.

Two community contact interviews were conducted at a recent CRA evaluation of a local bank. Both contacts were with officials of non-profit organizations that specifically serve LMI individuals and families in the Wichita Falls MSA. Both officials indicated the greatest credit needs of the area are 1-4 family home loans, small personal loans, and small business loans. Both contacts stated that local financial institutions are responsive to the credit needs and activities of the community.

#### Denton AA

This AA consists of 95 contiguous census tracts comprising part of the southern half of Denton County. Denton County is located in the Dallas-Plano-Irving, Texas MD. Cities within this AA include Justin, Roanoke, Flower Mound, Lewisville, The Colony and Carrollton. In Denton County, major industries include education, government, and healthcare. Major employers in Denton County include University of North Texas, Denton School District, Wal-Mart Stores Inc., Peterbilt Motors Inc., Lewisville School District, and Northwest School District.

One of the bank's seven branches is located in this AA in the city of Flower Mound. The June 30, 2016 FDIC Deposit Market Share Report shows that 38 financial institutions operate 148 branches in this AA. ANB is ranked 24th with a 0.44 percent share of the deposit market.

As noted in the above demographic data table, this AA contains no low-income census tracts and ten moderate-income tracts. None of the middle-income census tracts are distressed or underserved. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

#### Non-MSA

As noted previously, ANB added this AA upon the August 2015 acquisition of The First National Bank of Chillicothe. This AA includes all of Hardeman County and Wilbarger County that are adjacent to and west of Wichita County. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies. This is a rural area that is dependent on the agriculture industry.

Two of the bank's seven branches are located in this AA in the cities of Chillicothe and Quanah, both of which are in Hardeman County. The June 30, 2016 FDIC Deposit Market Share Report shows that seven financial institutions operate 11 branches in this AA. ANB is ranked third with a 10.00 percent share of the deposit market.

There are five census tracts in the AA designated as follows: no low-income, two moderate-income, and three middle-income. One of the two moderate-income geographies comprises all of Hardeman County. Per the 2017 Federal Financial Institutions Examination Council's (FFIEC) list of distressed or underserved nonmetropolitan middle-income geographies, none of the middle-income CTs are classified as distressed or under-served. However, Hardeman County's sole census tract is classified as distressed based on population loss. Per the updated 2010 U.S. Census, the AA's total population is 17,674.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The bank's performance under the Lending Test is rated "**Satisfactory**".

### **Loan-to-Deposit Ratio**

ANB's LTD ratio is reasonable given the bank's size, location, local competition, and the credit needs of the AAs. This determination is based on the quarterly average LTD ratio of 72.76 percent from September 30, 2013 through March 31, 2017. During this evaluation period, ANB's LTD ratio ranged from a low of 66.22 percent to a high of 82.80 percent.

Management considers the banks shown in the following table to be similarly situated institutions (SSIs). All are community banks with less than \$1 billion in assets that actively offer similar loan products and have branch locations in the AAs.

The quarterly average LTD ratio for each SSI is listed in the following table. Please note that no ranking is intended or implied.

<b>Loan-to-Deposit Ratios</b>		
<b>Financial Institutions</b>	<b>Total Assets \$ (000's) (As of 3/31/2017)</b>	<b>Average Loan-to-Deposit Ratio</b>
<b>American National Bank &amp; Trust</b>	<b>589,996</b>	<b>72.76%</b>
First National Bank	430,479	107.25%
Fidelity Bank	483,898	91.93%
First Bank	398,752	96.31%

*Source: Institution Reports of Condition from September 30, 2013 to March 31, 2017.*

### Lending in Assessment Areas

A majority of the number and dollar amount of ANB's loans were originated or purchased inside its AAs. As depicted in Table 1 below (\$000s omitted), 67.88 percent of the number and 38.48 percent of the dollar amount of loans were originated or purchased inside the AAs. The disparity between the percentages for the number of loans and the dollar amount of loans is even more pronounced for the business loans at 63.31 percent vs. 29.91 percent, respectively. This provides evidence that the bank is making smaller business loans inside its AAs which typically are used to support small businesses.

<b>Table 1 – Lending in Combined AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	349	73.01	129	26.99	478	49,506	66.41	25,043	33.59	74,549
Home Improvement	18	94.74	1	5.26	19	872	94.47	51	5.53	923
Home Refinance	165	69.33	73	30.67	238	24,133	58.18	17,347	41.82	41,480
Business	459	63.31	266	36.69	725	103,038	29.91	241,466	70.09	344,504
Total	991	67.88	469	32.12	1,460	177,549	38.48	283,907	61.52	461,456

*Source: Data reported under HMDA and bank aggregate data.*

As noted in the *Scope of Examination* section, we used the entire population of loans originated and purchased during the evaluation period to complete Table 1. The bank-provided loan data was sampled and determined to be reliable.

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

The borrower distribution of loans in the Wichita Falls MSA is reasonable. The bank's performance relative to the Denton AA and the Non-MSA is consistent with the results of the Wichita Falls AA.

### Wichita Falls MSA

The borrower distribution of loans in the Wichita Falls MSA to borrowers of different income levels is reasonable. The distribution of home mortgage loans among borrowers of different income levels is reasonable. The distribution of business loans reflects an excellent penetration among businesses of different sizes.

As detailed in Table 2 below, in each loan category, the bank's 1-4 family real estate lending (HMDA reportable loans) to LMI borrowers lags the percentage of families in those income levels. Although ANB's distribution of home purchase and refinance loans to moderate-income borrowers is below the demographic, it is still considered reasonable when considering the worsening economic conditions resulting in a weak housing market as discussed in the *Description of Assessment Areas* section above, the 15 percent poverty rate, and the high level of lender competition in the AA. Low-income applicants typically have difficulty qualifying for residential loans so a reduced level of lending is expected. The bank's overall distribution of residential loans to LMI borrowers is reasonable.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.06	3.06	17.44	10.54	22.74	25.51	39.76	60.88
Home Improvement	20.06	5.88	17.44	5.88	22.74	17.65	39.76	70.59
Home Refinance	20.06	2.26	17.44	8.27	22.74	22.56	39.76	66.92

Source: Data reported under HMDA; U.S. Census data.

As noted in the *Scope of Examination* section, we considered a sample of 20 business loans ANB originated inside the Wichita Falls MSA from January 1, 2015 through March 31, 2017 in our analysis. As illustrated in Table 2A below, the percentage of loans by number to small businesses (90 percent) exceeds the percentage of small businesses in the AA (80 percent). A small business is defined as a business with revenues of \$1 million or less. Although the percentage by the dollar volume of loans (24 percent) is well below the demographic, we placed the most weight on the number of loans originated or purchased to arrive at a rating.

<b>Table 2A – Borrower Distribution of Loans to Businesses in Wichita Falls MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.56	6.00	14.45	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	23.51	76.49	0.00	100%

*Source: Sample of loans; Dun and Bradstreet data.*

### **Limited-Scope AAs**

Based on limited-scope reviews, the bank's overall performance for borrower distribution in the Denton AA and the Non-MSA is consistent with the results of the Wichita Falls MSA.

### **Geographic Distribution of Loans**

The geographic distribution of loans in the Wichita Falls MSA is reasonable. The bank's performance relative to the Denton AA is consistent with the overall results of the Wichita Falls MSA. ANB's performance for geographic distribution of loans in the Non-MSA is more favorable than the results of the Wichita Falls MSA. We did not identify any material or unexplained gaps in our analysis of lending in the AAs.

### **Wichita Falls MSA**

The geographic distribution of loans in the Wichita Falls MSA is reasonable. The distribution of home mortgage loans reflects a poor dispersion across the LMI census tracts while the business loans are reasonably distributed across the LMI geographies. The AA has two low-income tracts and 11 moderate-income geographies that represent 5 percent and 28 percent, respectively, of its 40 total census tracts.

In evaluating the geographic distribution of home loans in the AA, it is important to note that, as discussed in the *Description of Assessment Areas* section, only 2 percent of the AA's owner-occupied housing units are in the low-income tracts and 15 percent are in the moderate-income geographies. Of the total housing units in low-income geographies, rental and vacant units account for a total of 61.60 percent. For the moderate-income census tracts, that figure decreases to 57.53 percent. Moreover, as discussed immediately above, the low-income tracts represent 5 percent of the total geographies (two of the AA's 40 geographies) while the moderate-income census tracts total 11 and represent 28 percent. Based on these statistics, the bank had limited opportunities for home mortgage lending in the low-income census tracts. As such, greater emphasis was placed on the bank's performance in the moderate-income geographies when determining the overall geographic distribution conclusion for home mortgage loans.

The bank's geographic distribution of home loans in the Wichita Falls MSA demonstrates a poor dispersion throughout the LMI census tracts. As detailed in Table 3, in each loan category, the bank's 1-4 family real estate lending (HMDA reportable loans) originated in both the low- and moderate-income census tracts lags the

percentage of owner-occupied housing units in those geographies. In none of the three home loan types in the moderate-income census tracts did the bank’s lending exceed 45 percent of the owner-occupied housing units in those tracts. Further, no home mortgage loans were reported in the low-income tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.09	0.00	14.50	3.53	42.61	32.69	40.80	63.78
Home Improvement	2.09	0.00	14.50	5.88	42.61	41.18	40.80	52.94
Home Refinance	2.09	0.00	14.50	6.47	42.61	20.86	40.80	72.66

Source: Data reported under HMDA; U.S. Census data.

Business loans originated by the bank during the review period reflect an overall reasonable geographic dispersion. As detailed in Table 3A below, the percent of the bank’s loans to businesses in the low-income census tracts lags the percent of businesses located in those geographies. The percent of ANB’s loans to businesses in the moderate-income census tracts (19 percent) is somewhat below the percent of businesses located in those geographies (25 percent). As 28 percent of the census tracts in the AA are moderate-income and only 5 percent are low-income, we place more weight on the bank’s performance in the moderate-income geographies.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	4.21	1.23	24.59	19.33	30.80	29.14	40.28	50.30

Source: Bank aggregate data; Dun and Bradstreet data.

**Limited-Scope AAs**

There are no low-income census tracts in either limited-scope AA. Based on limited-scope reviews, the bank’s overall performance for geographic distribution of loans in the Denton AA is consistent with the results of the Wichita Falls MSA. ANB’s performance for geographic distribution of loans in the Non-MSA is more favorable than the results of the Wichita Falls MSA. The bank has stronger geographic distribution performances for both home mortgage and business loans in the Non-MSA.

**Responses to Complaints**

No CRA-related complaints were made against the bank during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's overall responsiveness to the community development needs of the AAs through CD lending, investments, and services is adequate.

Our conclusion is based on ANB's performance context, the full scope review of the Wichita Falls MSA and the limited scope reviews of the Denton AA and the Non-MSA. In the Denton AA, the bank has significant competition from other financial institutions in the AA resulting in less CD lending and investment opportunities. Further, in the Denton AA, there are no low-income census tracts and only 10 moderate-income geographies. In the Non-MSA, there are limited opportunities for CD lending and investment opportunities due to its rural nature.

As noted previously, the evaluation period starts at the date of the last CRA evaluation period (August 22, 2013) and extends to the date of the current CRA evaluation (June 12, 2017).

### **Number and Amount of Community Development Loans**

The level of CD lending in the Wichita Falls MSA reflects an adequate responsiveness to CD needs. The level of CD lending in the Denton AA is not consistent with the results of the Wichita Falls MSA. The level of CD loans in the Non-MSA exceeds the results of the Wichita Falls MSA.

#### **Wichita Falls MSA**

The bank originated or renewed 11 CD loans in the Wichita Falls MSA totaling \$4.5 million or 7.97 percent of tier 1 capital allocated to the AA. Examples include:

- ANB originated a loan in the amount of \$1.5 million for a machinery company located in a moderate-income census tract to purchase new equipment. Proceeds from the loan assist in retaining permanent jobs. Over 50 percent of the employees are moderate-income workers.
- The bank originated a \$307,000 loan collateralized by a six-unit apartment complex in a moderate-income census tract. Proceeds provide affordable housing for six LMI families.
- ANB renewed a \$150,000 line of credit to a non-profit company that employs handicapped workers. The firm contracts with government and other entities to make and sell supplies. Proceeds from the loan assist in retaining permanent jobs for handicapped workers the majority of whom are LMI. These jobs enhance the economic and personal independence of these individuals.

Through loans such as these, ANB is making a positive impact on the CD credit needs of the AA.

### **Limited-Scope AAs**

The level of CD lending in the Denton AA is not consistent with the results of the Wichita Falls MSA. The bank originated or purchased two CD loans in the Denton AA for \$281,000 that provides affordable housing to LMI tenants. Fewer opportunities were available due to the higher income borrower and geographic levels of the AA. The bank's CD lending performance in the Non-MSA exceeded the Wichita Falls MSA. Although six CD loans totaling \$1.1 million were originated during the review period, as a percent of allocated tier 1 capital, the Non-MSA had a stronger performance at 16.40 percent.

### **Number and Amount of Qualified Investments**

The level of qualified investments in the Wichita Falls MSA reflects an excellent responsiveness to CD needs. The level of qualified investments in the Denton AA and the Non-MSA is not consistent with the results of the Wichita Falls MSA.

### **Wichita Falls MSA**

The level of qualified investments in the Wichita Falls MSA reflects an excellent responsiveness to the CD needs of the AA.

During the evaluation period, the bank made one qualifying debt investment totaling \$5.1 million in the AA and 156 grants totaling \$139,000 to CD organizations. These accounted for 9.07 percent of tier 1 capital allocated to the AA.

The bank purchased a \$5.0 million bond from the Wichita Falls Independent School District (WFISD). The WFISD is a Title I district as designated by the U.S. Department of Education. WFISD has a total of 21 campuses with 18 of the schools having a majority of their students designated economically disadvantaged as determined under the guidelines of the U.S. Department of Agriculture's National School Lunch Program. The proceeds of this bond issuance are used to perform renovations and improvements at existing WFISD schools (building and classrooms) including roof repair and replacements, HVAC replacements, the installation of new lighting and electrical systems, and other work to upgrade technology. The bond's primary purpose is to finance community development as the proceeds will primarily benefit a low- and moderate-income student population.

ANB made 156 separate community development grants totaling \$139,000 to several non-profit organizations in the Wichita Falls MSA. The most notable was \$84,000 in scholarships through the Texas Bankers Association's Banker Scholarship program, which benefited 23 LMI students.

### **Limited-Scope AAs**

The level of qualified investments in the Denton AA and the Non-MSA is not consistent with the results of the Wichita Falls MSA. In the Denton AA, the bank made 58 separate community development grants totaling \$41,000. In the Non-MSA, the bank made 37 separate grants totaling \$12,000. The level of these qualified investments represent 0.63 percent and 0.18 percent of tier 1 capital allocated to their respective AAs.

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

The level of CD services in the Wichita Falls MSA reflects an adequate responsiveness to CD needs. The level of CD services in the Denton AA and the Non-MSA are consistent with the results of the Wichita Falls MSA.

### **Wichita Falls MSA**

The level of CD services in the Wichita Falls MSA reflects an adequate responsiveness to the CD needs of the AA. The bank meets the CD service needs of the AA through the volunteer activities of its directors, officers and employees, many on a continuing basis to the CD organizations. Employees develop and conduct financial literacy programs at schools throughout the WFISD. The majority of the students attending the WFISD schools are economically disadvantaged. These programs include the American Bankers Association's programs "Get Smart About Credit" and "Teaching Children to Save". ANB's officers serve in leadership roles at non-profit organizations throughout the AA. Examples include serving as a director of Beacon Lighthouse, Chamber of Commerce, and Habitat for Humanity. Many of these organizations provide a combination of economic development or community services for LMI families or individuals.

### **Limited Scope AAs**

The level of CD services in the Denton AA and Non-MSA are consistent with the results of the Wichita Falls MSA. One officer of the bank in the Denton AA is a director of both the Chamber of Commerce and Pedi Place. Pedi Place is a nonprofit organization that assists LMI children in obtaining medical services and care. In the Non-MSA, an employee is on the board of Hardeman County's sole hospital.

### **Responsiveness to Community Development Needs**

#### **Wichita Falls MSA**

The bank reflects adequate responsiveness to the CD needs of the community. The board has identified economic development, affordable housing, financial literacy, and basic community services such as child/youth care and health care as its CD goals.

#### **Limited Scope AAs**

Overall performance in the Denton AA and the Non-MSA are consistent with the adequate responsiveness in the Wichita Falls MSA.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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