



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**May 05, 2008**

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

Atascosa National Bank  
Charter Number 17434

1525 W. Oaklawn  
Pleasanton, TX 78064-0000

Office of the Comptroller of the Currency

San Antonio South Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4133

**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 performance of Atascosa National Bank (ANB) reflects a satisfactory response to community credit needs. Factors supporting this rating include:

- The loan-to-deposit ratio is reasonable considering the bank's size, area demographics, local competition, and identified credit needs.
- A majority of loans in our sample, representing 75 percent and 67 percent by number and dollar volume respectively, are within the bank's assessment area.
- The penetration of loans to small businesses with annual revenues equal to or less than \$1 million is reasonable. Approximately 80 percent of loans made within the assessment area were to businesses with revenues less than \$1 million.
- The geographical distribution of loans to moderate income areas is adequate considering the demographics of moderate income tracts within your assessment area. Your assessment area does not have any low income tracts.

## **SCOPE OF EXAMINATION**

Our review consisted of a full scope CRA examination covering the time period from December 2002 through December 2007. The primary lending products noted are residential, consumer and commercial business lending. Because of this our review focused on these three products in our sample for the lending component portion of this examination. Our loan sample consisted of 19 residential loans, 38 consumer and 20 commercial business loans made since the previous CRA review. Our focus centered on loans made to individuals and small businesses within the assessment area of Atascosa County and the tracts around the bank branch in Bexar County.

## **DESCRIPTION OF INSTITUTION**

ANB chartered in 1982, is an independently owned community bank headquartered in Pleasanton, Atascosa County, Texas. ANB also has a branch in China Grove, a suburban community in eastern Bexar County, Texas. Both locations offer full service banking including 24-hour automatic teller machines (ATMs). As of December 2007, ANB has total assets of \$43.5 million. The bank's primary business focus is residential, commercial, and consumer lending. Competition is strong in Atascosa County with several branches of other community banks, large multi-national banks, credit unions and finance companies. Competition near the China Grove branch in Bexar County is also significant with a branch of another community bank, a branch of a large multi-national bank, and a credit union.

ANB's current asset structure consists of 63 percent investment securities and federal funds sold, and 25 percent loans.

The following table depicts the ANB's loan portfolio composition as of December 31, 2007:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate	2,219	20
Commercial RE	2,432	22
Construction and Land Dev.	374	4
Commercial/Industrial	2,902	26
Consumer	1,557	14
Agricultural and Farm Land	1,559	14
<b>Total Loans</b>	<b>11,043</b>	<b>100</b>

The previous CRA Performance Evaluation, dated December 2002, reflected a satisfactory rating. There are no legal or other impediments that limit the bank's ability to meet the community's credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

ANB has two assessment areas (AAs). The first AA consists of the entire county of Atascosa, including the cities of Pleasanton, Jourdanton, Poteet, Campbellton, Charlotte and Christine, which is in the San Antonio Metropolitan Statistical Area (MSA). The other AA consists of one upper income census tract (CT) in Bexar County that includes the cities of China Grove and St. Hedwig, which is also in the San Antonio MSA. Both AAs meet the requirements of the regulation and do not arbitrarily exclude low- and moderate-income geographies. Atascosa County consists of nine census tracts; three moderate incomes, five middle incomes, and one upper income. The moderate income tracts are primarily rural and make up just 17 percent of the total population, while middle income tracts account for 66 percent. The one upper income tract accounts for 17 percent of the population. The city of Pleasanton remains the largest city in the county. The percentage of families in each income category by AA is detailed in the charts included under *Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes*.

The following table details additional AA demographic information.

<i>Population</i>	<i>Atascosa County</i>
Number of Families	12,255
Number of Households	15,509
Number of Census Tracts	9
% Low-Income	NA
% Moderate-Income	33%
% Middle-Income	56%
% Upper-Income	11%
2000 MFI for AA	\$37,602
2005 HUD-Adjusted MFI	\$51,500
2007 HUD-Adjusted MFI	\$53,500
Unemployment Rate	2.5%
2007 Median Housing Value	\$58,098
% of Households Below Poverty Level	17.5%

According to the Census, Atascosa County's population increased 20 percent from 2000 to 2007. The county's population was 38,628 in 2000 and 46,285 in 2007, an increase of 7,657. The agricultural industry is significant to Atascosa County's economy. However, much of the growth has been from retirees and families moving to the country and commuting to jobs in San Antonio. The largest employers in the AA include the school districts, HEB Grocery Company, and Wal-Mart. Current economic conditions remain relatively stable. In the Bexar County census tract, most of the areas growth is from new subdivisions accommodating expansion of the San Antonio metro area. Employment sources are very diverse due to being in the San Antonio MSA. Randolph AFB is located in the vicinity of the AA and serves as a key employment center. The recently opened Toyota manufacturing plant has also positively impacted local communities.

Interviews were conducted with one community contact in Atascosa County, to discuss community economic development and credit needs. The contact in Atascosa County was with a local government entity. This contact felt that the local economy was relatively stable, with more affordable housing and small business loans being the primary credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio – Meets standards for satisfactory performance**

ANB's loan-to-deposit ratio is adequate. For the previous twenty quarters, from December 2002 through December 2007, the average loan-to-deposit ratio has been 30.4 percent. During this time period this ratio has ranged from a low of 21 percent to a high of 41 percent. The past four quarters this ratio has averaged 25 percent. These ratios compare unfavorably to the bank's primary competition within the AA. During the period from December 2002 through December

2007, the competition had an average loan-to-deposit ratio of 44.4 percent. Factors that have impacted ANB's loan-to-deposit ratio include; (1) significant competition within their AA, and (2) a high level of public funds. In addition, similarly situated institutions that the bank is compared to have main offices in cities where there is little or no competition from other financial institutions.

The following table displays average ratios for similarly situated banks with offices located in or closely adjacent to ANB's AA.

<b>Institution</b>	<b>Total Assets (As of 12/31/07)</b>	<b>Average Loan-to-Deposit Ratio</b>
Jourdanton State Bank	\$80,379	39.72%
Lytle State Bank	\$72,987	47.12%
Nixon State Bank	\$63,285	46.33%
<b>Atascosa National Bank</b>	<b>\$43,501</b>	<b>30.38%</b>

**Lending in Assessment Area – meets standards for satisfactory performance**

Lending within the AA is satisfactory. The AA consists of nine census tracts: three moderate incomes, five middle incomes and one upper income. Our sample of residential, consumer and commercial business loans indicated that 75 percent of the number of loans in our sample and 67 percent of the dollar volume of loans were made within the assessment area.

The following table illustrates the distribution of these loans:

<b>Lending in Atascosa County</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	12	63	7	37	19	725	55	591	45	1,316
Commercial	12	60	8	40	20	1,368	76	443	24	1,811
Consumer	34	89	4	11	38	74	80	19	20	93
<b>TOTAL</b>	<b>58</b>	<b>75</b>	<b>19</b>	<b>25</b>	<b>77</b>	<b>2,167</b>	<b>67</b>	<b>1,053</b>	<b>33</b>	<b>3,220</b>

Source: Loan Sample

**Lending to Borrowers of Different Incomes and/or Businesses of Different Sizes – meets standards for satisfactory performance.**

Our sample focused on the bank's primary product lines, residential, consumer and commercial business loans. Loans reviewed had been originated since the previous CRA examination. Sample results indicated that 100 percent of the residential loans in the AA were to middle income borrowers. Our review of consumer loans made in the AA indicated that 21 percent

were to moderate income borrowers, while 79 percent were to middle income borrowers. This level of loans to moderate income borrowers is not unexpected since moderate income tracts are located in sparsely populated rural areas and make up just 17 percent of households within the AA. The bank's AA does not have any low income tracts.

The dispersion of income levels in comparison to our residential sample results is shown in the table below:

<b>Borrower Distribution of Residential and Consumer Loans in Atascosa County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Residential	0	0	17	0	66	100	17	0
Consumer	0	0	17	21	66	79	17	0

Source: Loan sample.

Our sample of commercial business loans made within the AA indicated a reasonable distribution of loans to small businesses. Of the twenty commercial business loans in our sample, 80 percent of the number, and 45 percent of the dollar volume were made to businesses with revenues less than \$1 million. The dollar amount of loans to large business is skewed by one loan that accounts for 47 percent of the dollar amount of our sample. The following table illustrates the distribution of these loans:

<b>Borrower Distribution of Loans to Businesses in Atascosa County</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	57	4
% of Bank Loans in AA by #	80	20
% of Bank Loans in AA by \$	45	55

Source: Loan sample; \* 39% of AA businesses did not report revenue data

**Geographic Distribution of Loans** – meets the standards for satisfactory performance.

ANB's overall geographic distribution of loans in the Atascosa County AA meets the standards for satisfactory performance. A geographical distribution analysis of loans in the Bexar County AA was not conducted since there were no low or moderate census tracts. The loan samples referred to in this section are the same ones used in the *Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes*.

Both the number and dollar volume of loans made in moderate income areas are reasonable. The number of residential, commercial business, and consumer loans made in moderate income areas compared favorably with the demographics of the assessment area. The only area that was slightly below the demographics of the area was the dollar volume of residential loans. Loans for residences in moderate income areas tended to have smaller outstanding balances even

though the number of residential loans to moderate income areas is reasonable.

The dollar volume of residential real estate loans to upper income individuals were significantly more than to moderate and middle income individuals. This can be attributed to the fact that one loan accounted for 48 percent of all residential loan balances outstanding in our sample. In our business loan sample, the dollar volume of business loans to upper income areas was significantly more than to moderate and middle income areas. This can be attributed to one loan accounting for 47 percent of all business loans outstanding in our sample.

The following tables compare the bank’s level of distribution to the demographics of the Atascosa County AA.

<b>Geographic Distribution of Residential Real Estate Loans in Atascosa County</b>								
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
Residential	0	N/A	16	16.5	65	67	19	16.5

*Source: Loan sample, U.S. Census data.*

<b>Geographic Distribution of Consumer Loans in Atascosa County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0	N/A	17	24	66	76	17	0

*Source Loan sample, U.S. Census data.*

**Qualified Investments and CD Services – not rated**

ANB chose not to have any qualified investments or CD services reviewed as part of this examination.

**Fair Lending Review**

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