



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 2, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Atascosa National Bank
Charter Number 17434**

**1525 West Oaklawn
Pleasanton, TX 78064**

Supervisory Agency:

Office of the Comptroller of the Currency

**San Antonio South Field Office
10101 Reunion Place Blvd, Suite 402
San Antonio, TX 78216-4105**

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

INSTITUTION'S CRA RATING.....	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREAS	2
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	3

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Atascosa National Bank's lending performance reflects a satisfactory response to community credit needs, including low- and moderate-income individuals and areas. The primary factors supporting the bank's overall satisfactory rating are as follows:

- The loan-to-deposit ratio is reasonable given the bank's size, area demographics, and identified credit needs of the assessment areas.
- A majority of the bank's lending activity is within its assessment areas.
- The overall distribution of loans sampled reflects a good penetration among individuals of different income levels and to businesses and farms of different sizes.
- The geographic distribution of sampled loans reflects excellent dispersion throughout the assessment area.
- The bank has not received any complaints regarding their performance under the Community Reinvestment Act (CRA).

DESCRIPTION OF INSTITUTION

Atascosa National Bank (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 September 30, 2002, ANB has total assets of \$47 million. The bank's primary business focus is agricultural, residential, and commercial lending. Competition is strong in Atascosa County with three branches of other community banks, a branch of a large multi-national bank, and several finance companies. Competition near the China Grove branch in Bexar County is also strong with a branch of another community bank, a branch of a large multi-national bank, and a credit union.

ANB's asset structure consists of 56 percent investment securities and federal funds sold, and 34 percent loans. The loan portfolio mix, as of September 30, 2002, is as follows (dollars).

▶ agricultural & farmland	(22.4%)	▶ commercial & industrial	(19.9%)
▶ 1-4 family residential	(20.6%)	▶ consumer	(8.1%)
▶ non-farm/non-residential	(21.1%)	▶ construction	(7.9%)

The previous CRA Performance Evaluation, dated April 20, 1998, 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 AREAS

ANB has two assessment areas (AAs). The first assessment area (AA) consists of the entire county of Atascosa, including the cities of Pleasanton, Jourdanton, Poteet, Cambellton, Charlotte and Christine, which is not in a Metropolitan Statistical Area (MSA). The other AA consists of three census tracts (CTs) in Bexar County that includes the cities of China Grove and St. Hedwig, which is 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 six Block Numbering Areas (BNAs), two moderate and four middle-income. The two moderate-income BNAs are primarily rural and account for only seventeen percent of the households, while 83 percent are in the middle-income BNAs. The city of Pleasanton is the largest city in the county with 25 percent of the population. All three of the CTs in the Bexar County AA are middle-income and are considered bedroom communities of the San Antonio metro area. 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.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AAs		
<i>Population</i>	<i>Atascosa County</i>	<i>Portion of Bexar County</i>
Number of Families	7,971	4,347
Number of Households	10,028	5,151
<i>Geographies</i>		
Number of Census Tracts/BNAs	6	3
% Low-Income	NA	NA
% Moderate-Income	33.3%	NA
% Middle-Income	66.7%	100.0%
% Upper-Income	NA	NA
<i>Median Family Income (MFI)</i>		
1990 MFI for AA	\$24,585	\$29,898
2000 HUD-Adjusted MFI	\$33,900	\$43,100
2002 HUD-Adjusted MFI	\$36,100	\$46,200
<i>Economic Indicators</i>		
Unemployment Rate	3.4%	3.7%
1990 Median Housing Value	\$37,495	\$61,528
% of Households Below Poverty Level	26.4%	10.8%

According to the Census, Atascosa County's population increased 27 percent from 1990 to 2000. The county's population was 30,533 in 1990 and 38,628 in 2000, an increase of 8,095. The agricultural industry is the key 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 are stable. The portion of Bexar County that is in the bank's AA is a semi-rural area with some small agricultural production. However, 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.

Interviews were conducted with two community contacts, one in each AA, to discuss community economic development and credit needs. The contact in Atascosa County was with a local government entity and the contact in Bexar County was with a civic/religious organization. Both contacts felt that the local economy was stable, with more affordable housing and small business loans being the primary credit needs.

SAMPLING CRITERIA

Loan samples for this evaluation included loans originated between April 21, 1998 and November 30, 2002, the period since the prior CRA evaluation. The loan portfolio of the main office is diversified among agricultural, residential, commercial and consumer loans. While consumer loans do not represent a significant dollar volume, they represent a significant number of loans made during the evaluation period. All of the above loan categories were considered when evaluating lending performance in the Atascosa County AA. The primary loan products at the branch during the evaluation period included residential and consumer loans. Therefore, only these products were considered for the Bexar County AA. The sample consisted of 109 loans; 20 farm related loans, 29 residential real estate loans, 20 business related loans, and 40 consumer loans. All loans in the above sample were considered in the *Lending in Assessment Area* analysis. For the *Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes* and *Geographic Distribution of Loans* analysis, we omitted loans that were made outside of the AAs, and replaced them with loans made within the AAs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

ANB's loan-to-deposit ratio meets the standards for satisfactory performance, and is reasonable commensurate with its size, competition, available resources, and demographics of the AAs. Since the last evaluation, loan and deposit growth was moderate at 58.0 percent and 54.7 percent, respectfully. During this period, the quarterly loan-to-deposit ratio remained relatively stable, averaging 38.6 percent. This percentage is below the peer bank's average of 46.2 percent. However, ANB has a large volume of public funds, and if excluded, ANB's loan-to-deposit ratio would be 47.3 percent at September 30, 2002. Ratios for all banks with assets less than \$100 million located within the region ranged from 18.6 to 68.4 percent. The following table displays average ratios for similarly situated banks with offices located in or closely adjacent to ANB's AAs.

Institution	Total Assets (As of 9/30/02)	Average Loan-to-Deposit Ratio
Nixon State Bank ⁽¹⁾	\$49.4 million	52.5%
Jourdanton State Bank ⁽²⁾	\$77.0 million	50.6%
Lytle State Bank ⁽²⁾	\$62.7 million	48.9%
Falls City National Bank ⁽¹⁾	\$89.1 million	40.7%
Atascosa National Bank	\$46.9 million	38.6%
The Bank of Texas ⁽²⁾	\$43.9 million	38.3%
(1) In/near Atascosa AA (2) In/near Bexar County AA		

Lending in Assessment Area

A majority of the bank's lending activity is within its AAs and meets the standards for satisfactory performance. As illustrated in the following table, 86.2 percent of the number and 85.1 percent of the dollar amount of our sample of loans were made in the AA. The table also depicts the location of our sample of loans originated during the evaluation period by type.

TOTAL SAMPLE LOANS REVIEWED								
	<i>IN ASSESSMENT AREA</i>				<i>OUT OF ASSESSMENT AREA</i>			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Farm	16	80.0	635	81.9	4	20.0	140	18.1
Residential	25	86.2	946	77.0	4	13.8	283	23.0
Commercial	16	80.0	1,880	90.9	4	20.0	188	9.1
Consumer	37	92.5	239	86.3	3	7.5	38	13.7
Total Reviewed	94	86.2	3,700	85.1	15	13.8	649	14.9

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

ANB's overall performance exceeds the standards for satisfactory performance in lending to borrowers of different income levels and to businesses and farms of different sizes. The distribution of loans reflects an overall good penetration among individuals, businesses and farms of diverse income and revenue levels.

A sample of 20 residential loans originated during the evaluation period was chosen from the Atascosa County AA. Six home purchase loans, or 100 percent of originations, were chosen from the Bexar County AA. The following table shows that 30 percent of the number of loans made in Atascosa County were to low and moderate-income families, compared to 43.3 percent of the population in those income categories. This is good given the high level of households – 26.4 percent – in the AA that are below the poverty level. This percentage indicates a high level of difficulty for low-income individuals to qualify for home purchase loans. This performance evaluation concentrated on the number of loans, as it is only reasonable that lower-income families borrow smaller dollar amounts given the demographics of the area.

RESIDENTIAL REAL ESTATE ORIGINATIONS – Atascosa County								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	26.5		16.8		19.3		37.4	
Sample of loans since prior CRA review	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	15.0	8.0	15.0	12.8	35.0	32.0	35.0	47.2

The following table shows that 33.4 percent of the number of loans made in the Bexar County AA were to low and moderate-income families, compared to 32.2 percent of the population in those income categories. This is excellent, particularly given that 10.8 percent of the households in the AA are below the poverty level. Again, given the demographics of the area, it is only reasonable that the dollar volume is at a proportionally lower level.

RESIDENTIAL REAL ESTATE ORIGINATIONS - Bexar County								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	16.2		16.0		23.8		44.0	
Sample of loans since prior CRA review	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	16.7	3.2	16.7	8.4	16.6	24.5	50.0	63.9

The sample of 20 consumer loans from each AA, originated during the evaluation period, reflects that the bank has an excellent record of consumer loan origination to low- and moderate-income borrowers. As noted in the following tables, the bank’s level of loans to low- and moderate-income families substantially exceeds the percentage of families in those income categories.

CONSUMER LOAN ORIGINATIONS – Atascosa County								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	26.4		15.9		17.0		40.7	
Sample of loans since prior CRA review	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	50.0	31.3	25.0	21.6	10.0	24.8	15.0	22.3

CONSUMER LOAN ORIGINATIONS - Bexar County								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	16.6		13.2		21.2		49.0	
Sample of loans since prior CRA review	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	45.0	21.6	35.0	41.8	10.0	7.6	10.0	29.0

The sample of 20 farm loans in the Atascosa County AA shows that the bank is doing an excellent job in originating loans to small farms. One hundred percent of the loans in our sample were made to farms with annual revenues of less than \$1 million. Fifteen, or 75 percent of the sample, were to farms with annual revenues of less than \$100 thousand.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS – Atascosa County		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	92.2	7.8
% of Bank Loans in AA #	100.0	0.0
% of Bank Loans in AA \$	100.0	0.0

The sample of 20 business loans originated in the Atascosa County AA shows that the bank is doing a good job in originating loans to small businesses. The dollar amount of loans to large businesses is skewed due to two large loans selected in the sample that accounts for 33.3 percent of the dollar amount of the sample. Thirteen, or 65 percent, of the business loans sampled were to businesses with annual revenues of less than \$250 thousand. Eight, or 40 percent, had annual revenues of less than \$100 thousand.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES – Atascosa County		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94.3	5.7
% of Bank Loans in AA #	80.0	20.0
% of Bank Loans in AA \$	61.3	38.7

Geographic Distribution of Loans

ANB’s overall geographic distribution of loans in the Atascosa County AA exceeds the standards for satisfactory performance. A geographical distribution analysis of loans in the Bexar County AA was not conducted. Such an analysis would be meaningless since the only three CTs in this AA are all middle-income. 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*.

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

RESIDENTIAL REAL ESTATE – Atascosa County								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		20.5		79.5		0	
Sample of loans since prior CRA review	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	NA	NA	20.0	7.0	80.0	93.0	NA	NA

FARM LOANS - Atascosa County								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Farms	0		19.8		80.2		0	
Sample of loans since prior CRA review	% of Number NA	% of Amount NA	% of Number 35.0	% of Amount 68.1	% of Number 65.0	% of Amount 31.9	% of Number NA	% of Amount NA

BUSINESS LOANS - Atascosa County								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		8.1		91.9		0	
Sample of loans since prior CRA review	% of Number NA	% of Amount NA	% of Number 10.0	% of Amount 11.7	% of Number 90.0	% of Amount 88.3	% of Number NA	% of Amount NA

CONSUMER LOANS - Atascosa County								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		16.9		83.1		0	
Sample of loans since prior CRA review	% of Number NA	% of Amount NA	% of Number 25.0	% of Amount 30.2	% of Number 75.0	% of Amount 69.8	% of Number NA	% of Amount NA

Responses to Complaints

The bank has not received any complaints since the last evaluation regarding its performance under the CRA.

Fair Lending Review

An analysis of the most recent public comments, consumer complaint information, and HMDA lending data was performed according to the OCC's risk-based fair lending approach. 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 CRA evaluation this year. The latest comprehensive fair lending examination was performed in April of 1998.

This document does not purport to describe all information that may be pertinent to ANB's activities in and services to its community. The reader is encouraged to contact the bank for any further information wanted and/or to review the bank's Public File. The bank's address is listed on the front page of this document. The telephone number is 830-569-2507.