



PUBLIC DISCLOSURE

November 4, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Anahuac National Bank, N.A.
Charter Number 16625**

**FM 563 at Belton Lane
Anahuac, Texas 77514**

Office of the Comptroller of the Currency

**Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394**

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 Anahuac National Bank prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 4, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Anahuac National Bank, has a satisfactory CRA rating because of the following:

- A reasonable loan-to-deposit ratio of 48%;
- An outstanding percentage of loans within the assessment area at 86% of the number of loans and 80% of the dollar total.
- A satisfactory history of lending to borrowers of all income levels.
- A good record of lending to small farms and businesses.

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

| Small Institution Assessment Criteria | Anahuac 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

Anahuac National Bank is an independently owned institution having one office with a drive up facility located in Anahuac, Texas. The bank does not operate an ATM. As of September 30, 1996, the bank had total assets of \$27.3 million with loans of \$9.3 million or 33% of total assets. The following table shows the composition of loans as of September 30, 1996:

| Loan Category | Dollar Amount (000's) | Percent of Portfolio |
|----------------------|------------------------------|-----------------------------|
| Real Estate | 3,704 | 40% |
| Consumer | 3,172 | 34% |
| Agriculture | 1,144 | 12% |
| Construction | 976 | 10% |
| Commercial | 384 | 4% |
| TOTAL | 9,380 | 100% |

No legal, financial, or other factors impede the bank's ability to help meet the credit needs in its assessment area. The last CRA examination was dated March 16, 1994.

DESCRIPTION OF ASSESSMENT AREA

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The assessment area encompasses all of Chambers County which is in the Houston Metropolitan Statistical Area (MSA). There are six census tracts within Chambers County with the following characteristics according to the 1990 Census:

| TRACT CHARACTERISTICS | COUNT | PERCENT | HOUSEHOLDS |
|------------------------------|--------------|----------------|-------------------|
| Low-income | 0 | 0% | 0 |
| Moderate-income | 2 | 33% | 2,656 |
| Middle-income | 2 | 33% | 2,507 |
| Upper-income | 1 | 17% | 1,752 |
| N/A (Wildlife Refuge) | 1 | 17% | 0 |
| TOTAL | 6 | 100% | 6,915 |

According to the 1990 U. S. Census, the assessment area has a population of 20,088 persons. Persons more than 65 years of age represent 9% of the population or 1,885 persons. According to the Texas Almanac, the population increased to 21,709 persons in 1994. Winnie is the largest town in Chambers County with a population of 2,360 persons. Anahuac is the next largest with a population of 2,064 persons. The 1990 U. S. Census median household family income for the assessment area is \$36,886. The current Housing Urban Development MSA Median Family Income is \$46,000.

The economy of the area is based on rice and soybean farming, cattle ranching, commercial fishing, manufacturing, and oil production. Crawfish farming is the area's newest industry. Manufacturing and construction account for the greatest number of employees at approximately 2,760 workers. The 1994 Texas Almanac listed local unemployment at 6.6% of the population.

Anahuac National Bank's primary competitor is the state bank located in the immediate vicinity. Anahuac National Bank has used community surveys to determine credit needs. Community contacts did not indicate any unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

Anahuac National Bank meets the credit needs of its assessment area. The average quarterly loan-to-deposit ratio since the prior CRA examination through September 30, 1996 was 48%. The bank's loan-to-deposit ratio is below the national peer group loan-to-deposit ratio of 64%. This comparison is distorted by the volume of public funds on deposit at Anahuac National Bank. The loan-to-deposit ratio less public funds equates to 59%.

LENDING IN THE ASSESSMENT AREA

Lending within the assessment area is outstanding. As of September 30, 1996, analysis of the bank's loan portfolio reflects 86% of the number and 80% of the dollar volume of outstanding loans were within the assessment area. The following table illustrates the number and dollar totals within and outside the assessment area.

| TOTAL LOANS | NUMBER OF LOANS | PERCENT OF LOANS | AMOUNT (\$000) | PERCENT OF LOANS |
|----------------------------|--------------------------------|---------------------------------|---------------------------|---------------------------------|
| Within Assessment Area | 699 | 86% | \$7,518 | 80% |
| Outside of Assessment Area | 115 | 14% | \$1,862 | 20% |
| Total | 814 | 100% | \$9,380 | 100% |

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

An examiner prepared analysis of loans indicates that the bank extends loans to individuals of different income levels and businesses of different sizes. Based on the following table, 46% of the mortgage loans and 81% of the consumer loans included in the sample were made to low- and moderate-income individuals. Business of different income levels were also represented in the sample. The sample included all loans originated in August, 1996 and year to date mortgage loans. This table reflects the distribution of loans to individuals of different income levels.

| LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS | | | | | | | | | | |
|---|---------------------|-----|--------------------------|-----|------------------------|-----|-----------------------|-----|-------|------|
| | Low Income Families | | Moderate Income Families | | Middle Income Families | | Upper Income Families | | Total | |
| Assessment Area Demographic Characteristics | 0% | | 36% | | 38% | | 26% | | 100% | |
| Loan Types | # | % | # | % | # | % | # | % | # | % |
| Mortgage | 14 | 23% | 14 | 23% | 10 | 17% | 22 | 37% | 60 | 100% |
| Consumer | 27 | 58% | 11 | 23% | 6 | 13% | 3 | 6% | 47 | 100% |

GEOGRAPHIC DISTRIBUTION OF LOANS

Anahuac National Bank has six census tracts in the assessment area. Although none of the tracts are low-income according to the 1990 census, low-income individuals live throughout the assessment area. Management performs an analysis of the geographic distribution of its loans portfolio on a regular basis. Management's analysis reflects reasonable penetration of each census tract based on the characteristics of the census tracts.

OTHER CONSIDERATIONS

Management is committed to equal credit opportunity and does not permit discrimination or disparate treatment on a prohibited basis. The bank's loan policy and procedures do not promote discrimination, disparate treatment, or cause a disparate impact on a prohibited basis.