



PUBLIC DISCLOSURE

October 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Santa Anna National Bank
Charter Number 13854

610 Wallis Avenue
Santa Anna, TX 76878

Office of the Comptroller of the Currency
Fort Worth Field Office
9003 Airport Freeway
Suite 275
North Richland Hills, TX 76180-9127

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 Santa Anna National Bank's (SANB) lending performance reflects a satisfactory response to community credit needs. Support for this assessment includes:

- SANB's loan-to-deposit ratio is reasonable given the resources, local credit needs, and local competition.
- A substantial majority of lending activities are within SANB's assessment area (AA).
- The distribution of loans reflects excellent penetration to low- and moderate-income households and small businesses.
- The distribution of loans reflects excellent dispersion throughout the AA.

SCOPE OF EXAMINATION

The evaluation period is from April 12, 2010 (the prior CRA examination date) to October 6, 2014. Our review considered lending activity since January 1, 2014 and focused on SANB's primary product lines, consumer and commercial lending. Our samples were randomly selected and compared to the 2010 Census data. We used the data from our samples for the ***Lending in the Assessment Area*** and ***Geographic Distribution of Loans, Lending to Borrowers of Different Incomes and Lending to Businesses of Different Sizes*** assessments.

SANB is primarily a consumer lender with 67% of the total number of loans extended for general consumer purposes and 1-4 family home loans. These loans are typically smaller and do not represent the largest dollar concentration in the portfolio, but are more reflective of the bank's lending pattern and practice.

DESCRIPTION OF SANTA ANNA NATIONAL BANK

SANB is a small community bank chartered in 1933 and located in Santa Anna, Texas (Coleman County). SANB is a full service bank operating out of one facility offering a drive-up service. SANB's primary product lines are consumer loans (by the number) and business loans (by the dollar). SANB also offers the customary deposit products for both individuals and businesses as well as Internet based intra-account transfers. SANB's business strategy is to continue to serve the local community with commercial and consumer lending products.

SANB is a stand-alone bank with ownership primarily vested in one individual (66.4%). There are no other subsidiaries or affiliates and there was no merger or acquisition activity during the evaluation period. At June 30, 2014 (the most recent Report of Condition), SANB reported total assets of \$46.3 million, total loans of \$21.4 million and total deposits of \$37.8 million. The following table details the composition of SANB's loan portfolio as of June 30, 2014.

Loan Portfolio Composition	(000's)	%
Commercial Real Estate	5,995	28.1
Commercial	4,912	23.0
Consumer	3,648	17.0
Agriculture	3,066	14.2
Farm Land	1,937	9.1
1-4 Family	1,766	8.2
Other	80	0.4
Totals (46.2% of Total Assets)	21,404	100.0

Source: June 30, 2014 Report of Condition

There are no legal, financial, or other factors that impede SANB's ability to meet the credit needs of its AA. The most recent CRA examination was performed as of April 12, 2010 and SANB received a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA: COLEMAN AND BROWN COUNTIES

SANB defines its AA as Coleman and Brown Counties. These counties consist of 15 whole and contiguous census tracts. The AA is not part of any metropolitan statistical area. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas. The primary communities located in the AA are Brownwood (the largest), Coleman, Santa Anna and Bangs. Specific demographic and economic data are listed below.

Assessment Area	
<i>Population</i>	
Number of Families	11,718
Number of Households	17,073
<i>Geographies</i>	
Number of Census Tracts	15
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	27%
% Middle-Income Census Tracts	53%
% Upper-Income Census Tracts	20%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$47,817
2014 HUD-Adjusted MFI	\$51,600
<i>Economic Indicators</i>	
Unemployment Rate	1.97%
2014 Median Housing Value	\$74,469
% of Households Below Poverty Level	19.14%

Source: 2010 U.S Census data.

Economic conditions are currently stable to improving. Santa Anna is primarily a bedroom community to Brownwood, Texas, which is approximately 20 miles to the east. Major employers include 3M, Kohler, Regional Medical Center and Wal-Mart; all located in Brownwood, and the ISDs and city governments of Brownwood, Santa Anna and Coleman. There are three other chartered financial institutions in the AA, two in Brownwood, Texas and one in Coleman, Texas. All institutions are at least twice the size of SANB.

We conducted a community contact in Santa Anna as part of this examination. There was no information noted in the contact that would indicate SANB is not meeting the credit needs of its AA. The main credit needs identified are small business loans, home purchase/improvement loans and general consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Refer to the **SCOPE OF EXAMINATION** section of this Report for details on the sampling process.

Loan-to-Deposit Ratio

SANB's loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the prior CRA examination was used to determine performance in this area. The average LTD ratio for SANB since the prior CRA examination was 48%. There are three other chartered financial institutions with which to compare SANB. This does not include branches of institutions chartered outside the AA. The average LTD ratios, for the same period, of these institutions ranged from 68% to 82%. SANB's LTD ratio is below the range of competing institutions. This is not a CRA concern for the following reasons:

- Our loan trial data, as of September 4, 2014, reflected 1,238 as the total number of loans. Of this number, 825 (66.6%) were consumer related, which typically are smaller in originating amounts and would tend to result in a lower LTD ratio. By dollar amount, these loans represent only 25% of total loans. The number of loans supports the discovery of our community contact that consumer loans (1-4 family and general consumer) are a primary credit need in the community.
- The competitors in our analysis range in size from \$100 million to \$375 million, well above the size of SANB. The larger size enables these institutions to originate larger loans, favorably impacting the LTD ratio.

Based on the facts above, SANB's LTD ratio is reasonable and reflects satisfactory efforts to meet the credit needs of the communities served.

Lending in Assessment Area

SANB's lending practice reflects a substantial majority of the lending activity within the AA, which exceeds the standards for satisfactory performance.

This section quantifies which proportion of the bank's lending activity was within its AA. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own AA, would be considered less than satisfactory. However, a substantial majority of SANB's lending efforts are concentrated within its AA.

To assess the SANB’s performance, we used the samples described in the **SCOPE OF EXAMINATION** section of this Report. The following table reflects the results of our assessment of SANB’s efforts to lend within its AA.

Table 1 - Lending in Brown and Coleman Counties										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	20	100.0	0	0.0	20	94	100.0	0	0.0	94
Commercial	16	80.0	4	20.0	20	314	93.7	21	6.3	335
Totals	36	90.0	4	10.0	40	408	95.1	21	4.9	429

Source: loan sample

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

SANB’s loan distribution to different household income levels, as well as to businesses of different sizes, reflects excellent penetration to borrowers of different incomes and businesses of different sizes. This exceeds the standards for satisfactory performance.

SANB obtains and analyzes applicant income information during the loan decision process; however, this information is not used for CRA purposes. To assess SANB’s efforts, we used the samples described in the **SCOPE OF EXAMINATION** section of this Report. Refer to the following tables for sample details. SANB does not have a minimum loan amount in its loan policy. We reviewed the September 4, 2014 loan trial and noted a large number of loans for \$1,000 or less (the lowest was \$100.00), and noted an additional number of other loans for \$1,500 or less. Combined, these loans represent 22% of the total number of loans on the loan trial. These factors indicate SANB is meeting the credit needs of the community.

Borrower Distribution of Consumer Loans in Brown and Coleman Counties								
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	26.7	40.0	17.8	10.0	17.0	20.0	38.5	30.0

Source: loan sample, U.S. Census data.

Borrower Distribution of Loans to Businesses in Brown and Coleman Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.69	3.48	26.83	100%
% of Bank Loans in AA by #	100.0	0.0	0.0	100%
% of Bank Loans in AA by \$	100.0	0.0	0.0	100%

Source: loan sample, U.S. Census data.

Geographic Distribution of Loans

SANB’s geographic distribution of loans reflects excellent penetration in the moderate-income census tracts, which exceeds the standards for satisfactory performance.

The following tables illustrate the lending distribution for the consumer and business loans sampled. The bank’s lending by geography is reasonable and there were no conspicuous gaps in lending throughout the AA.

Geographic Distribution of Consumer Loans in Brown and Coleman Counties								
Census Tract 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	0.0	0.0	24.2	45.0	55.0	50.0	20.8	5.0

Source: loan sample; U.S. Census data.

Geographic Distribution of Loans to Businesses in Brown and Coleman Counties								
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	0.00	0.0	35.4	50.0	45.7	40.0	18.9	10.0

Source: loan sample; D & B data.

Responses to Complaints

SANB did not receive any CRA related complaints since the prior CRA examination.

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.