



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 11, 2008

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

Frost National Bank  
Charter Number: 5179

100 West Houston Street  
San Antonio, TX 78205

Office of the Comptroller of the Currency

MIDSIZE BANK SUPERVISION  
440 South LaSalle Street, Suite 2700  
Chicago, IL 60605-1073

**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, and should not 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.

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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated Satisfactory.

The following table indicates the performance level of Frost National Bank (Frost) with respect to the Lending, Investment, and Service Tests:

| Performance Levels        | Frost Bank Performance Tests |                 |              |
|---------------------------|------------------------------|-----------------|--------------|
|                           | Lending Test*                | Investment Test | Service Test |
| Outstanding               |                              |                 |              |
| High Satisfactory         | X                            | X               |              |
| Low Satisfactory          |                              |                 | X            |
| Needs to Improve          |                              |                 |              |
| Substantial Noncompliance |                              |                 |              |

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Lending levels reflect good responsiveness to its deposit market share and area credit needs, particularly regarding loans to small businesses.
- The distribution of home mortgage loans by income level of geography is adequate while the distribution of loans to small businesses by income level of geography is excellent.
- The distribution of loans to borrowers of different income levels and to businesses of different sizes is adequate.
- The level of community development (CD) loans is high and a positive factor.
- There is a good level of qualified investments that are responsive to credit and CD needs of the assessment areas (AA).
- The distribution of branches and accessibility to products and services in all AA’s is adequate.
- The bank provides a relatively high level of CD services in the AA that received a full-scope review.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Frost Bank (Frost) is a wholly owned subsidiary and the major asset of Cullen/Frost Bankers, Inc. (NYSE: CFR), a financial holding company headquartered in San Antonio, Texas. Frost, an intrastate bank, is also headquartered in San Antonio and primarily engaged in the business of commercial and consumer banking through more than 105 financial centers across Texas in the Austin, Corpus Christi, Dallas, Fort Worth, Houston, Rio Grande Valley, and San Antonio regions. Frost was chartered as a national banking association in 1899. At December 31, 2007, Frost had consolidated total assets of \$13.5 billion, total deposits of \$10.5 billion, and Tier 1 capital of \$1.1 billion. Frost is the largest national bank headquartered in the State of Texas.

Services provided by Frost include commercial banking, consumer services, international banking, correspondent banking, trust services and other financial services. Frost also operates several subsidiaries that provide insurance brokerage services, securities brokerage and transactions, loans to borrowers to finance insurance purchases, and advisory and private equity services to Texas-based middle market companies. Activities within these subsidiaries had no impact on the bank's level of community development involvement within its assessment areas. Frost's business strategy centers on commercial and industrial lending, and commercial and consumer real estate lending activities. As of December 31, 2007, the loan portfolio represented approximately 58 percent of total assets, with real estate loans accounting for 47 percent of the loan portfolio. Commercial and industrial loans represent 42 percent of the loan portfolio. There are no significant financial or legal barriers limiting Frost's ability to help meet the identified credit needs of its assessment areas. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

Approximately 8 years ago, Frost and GMAC Mortgage Corporation (GMACM) entered into a co-branding agreement for the origination of residential mortgages. This arrangement essentially took Frost out of the home mortgage origination business. Historically, GMACM had offices located in or near Frost's locations throughout the state and received referrals from Frost for bank customers wanting residential mortgage financing. These entities generally associated in a partnership-like arrangement to facilitate mortgage loan originations, including linking of Internet web pages, and joint participation in community lending fairs. This arrangement did not negatively impact credit accessibility during the evaluation period within the bank's AAs as competition for mortgage financing was strong. Recently, GMACM closed all offices in Texas. This could have an impact on future evaluations. In response, management is searching for another mortgage lender in its AAs to establish a similar partnership. Additionally, Frost has acquired several mortgage purchase portfolios through recent acquisitions, as noted elsewhere in this document.

Frost has established 9 AA's, all consist of either whole MSA's or whole counties. This evaluation provides performance context data on the four AAs selected for a full scope review. They are the Austin-Round Rock TX MSA, Houston TX AA, San Antonio TX AA, and Tarrant County TX AA. Through June 30, 2007, Frost's deposit market share ranks sixth among financial institutions at approximately 3.2 percent in the combined AAs. The percentage of total deposits provided by each of the primary market is approximately 10 percent from the



Austin-Round Rock TX MSA, 18 percent from the Houston TX AA, 35 percent from the San Antonio TX AA, and 23 percent from the Tarrant County TX AA.

Branching and acquisition activity during the evaluation period has continued to expand the bank's geographic footprint. In 2005, Frost acquired Horizon Bank in Houston, TX adding 5 Houston-area locations. In 2006, Frost acquired 3 additional institutions adding 20 branch locations throughout the state. They are: Texas Community Bank & Trust in Dallas, TX adding a Dallas location; Alamo Bank of Texas in Alamo, TX adding 9 locations throughout the Rio Grande Valley; and Summit Bank in Ft. Worth, TX adding 10 locations in Tarrant County. Frost now operates 105 full-service branches in Texas, including its main office, drive-thru or motor banks, and night depositories. Frost also operates 119 full-service automated teller machines (ATM) locations in its 9 AAs. Additionally, the bank operates 39 cash dispensing only ATMs in these AA's. Non-proprietary ATM services are also available with no terminal fees at numerous HEB and HEB Pantry Food store locations throughout the bank's AA's.

Frost's CRA performance was last evaluated as of September 12, 2005. At that time, the bank's overall level of performance was rated "Satisfactory."

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. With the exception of CD loans, the evaluation period for the Lending Test is January 1, 2005, through December 31, 2007. Lending products reviewed include small loans to businesses, home purchase loans, home improvement loans, home mortgage refinance loans, and CD loans. Overall, the volume of small farm loans made during the evaluation period is not significant, and no analysis of data was performed. The bank's primary line of business for analyzing CRA performance is small business loans, as they totaled 75 percent of all reportable CRA loans.

The evaluation period for the Investment and Service Tests and community development loans was from January 1, 2005 to August 10, 2008. The Investment Test included a review of investments, grants, and donations made in the bank's AAs that meet the definition of community development investments. The Service Test included a review of retail and community development services provided in the bank's AA's.

### Data Integrity

Prior to this CRA examination, we verified the accuracy of data available to the public in accordance with the HMDA and CRA regulation. This public data included home mortgage purchase, refinance, improvement, and multifamily loans; and small loans to businesses and farms. We also verified the bank's reporting of community development loans, investments and services. Based on the results of our review, we considered the data to be materially accurate.

### Selection of Areas for Full-Scope Review

During this examination, we performed full-scope reviews for 4 of the bank's 9 AAs. The AA's selected for review were areas in which the bank has a substantial share of its deposit and loan business. A full-scope review was conducted for the Austin-Round Rock TX MSA, Houston TX, San Antonio TX, and Tarrant County TX AA's. A limited scope review was conducted in the Brownsville-Harlingen TX and McAllen-Edinburg-Mission TX MSA's; and the Corpus Christi TX, Dallas County TX, and Willacy County TX AA's. Please refer to the tables in Appendix A for more information.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews, as approximately 86 percent of deposits and 81 percent of total CRA reported loans are in these AA's. Based on their respective share of deposits and loans, the Houston TX, San Antonio TX, and Tarrant County TX AAs are given approximately equal weighting for analysis purposes. Activity in the Austin-Round Rock TX MSA carries less weight in overall conclusions given its smaller market share of loans and deposits.

## Other

We conducted 3 community contacts in connection with this examination (2 in the San Antonio TX AA and 1 in the Tarrant County TX AA). Numerous other community contacts were also conducted during the evaluation period by the OCC and other regulatory agencies to better understand the public's perception of Frost's and other banks' performance in the noted AA's. These community contacts were also conducted to determine credit needs and opportunities in the bank's AA's. A total of 16 community contacts were considered during the review period in the AA's that received a full-scope review. The group of contacts included entities engaged in small business development, affordable housing and neighborhood associations. Community contacts most commonly cited the continuing need for small business and affordable housing loans, economic development, and financial and credit education programs. In aggregate, the comments received were positive concerning the manner in which Frost and other banks provided needed credit, investment, and services.

## **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.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance rating under the Lending Test is "**High Satisfactory.**" Based on full-scope reviews, the bank's lending performance is good in the Austin-Round Rock TX MSA, Houston TX AA, San Antonio TX AA, and Tarrant County TX AA. Small business lending is the bank's primary product for evaluating CRA performance and had the most impact on the final rating. Additionally, a good level of community development loans had a positive impact on the final rating.

#### Lending Activity

*Refer to Tables 1 Lending Volume and 1 Other in appendix C for the facts and data used to evaluate the bank's lending activity.*

Frost's lending levels reflect good responsiveness to its deposit market share and area credit needs, particularly regarding loans to small businesses. We selected home mortgage products (home purchase, home improvement, and home refinance loans) and small loans to businesses to assess the bank's CRA performance.

Frost's primary loan product, small loans to businesses, represents 74 percent of all CRA reportable loans originated or purchased during the evaluation period. Small loans to businesses also represent a significant majority of the loans originated or purchased in each of the full scope areas reviewed. The breakdown is 77 percent in the Austin-Round Rock TX MSA, 81 percent in the Houston TX AA, 67 percent in the San Antonio TX AA, and 75 percent in the Tarrant County TX AA. The volume of loans to small farms is not material at less than 1 percent of total loans originated or purchased. Agricultural lending does not represent a primary business line for Frost.

Home mortgage products represent 25 percent of all CRA reportable loans originated or purchased during the evaluation period. Of this amount, home improvement loans makeup 61 percent, home refinance loans 22 percent, home purchase loans 17 percent, and multi-family loans less than 1 percent of total home mortgage loans. In May 2000, Frost sold its mortgage and servicing divisions to GMACM and created a co-branding partnership between the two entities. Frost had a referral arrangement with GMACM during the evaluation period for customers who wanted home purchase financing.

Frost does not capture a significant percentage of market share regarding mortgage loans or small loans to businesses in its primary AA's. Intense competition from several large and aggressive credit card companies, regional financial institutions, and mortgage lenders dominate these markets and hold the majority of market share. We included information on loan and deposit market share to put CRA reportable activity into perspective.

Frost ranked fifth in deposit market share at 5.48 percent in the Austin-Round Rock TX MSA. Based on 2006 HMDA aggregate data, Frost ranks 267th in overall market share for home

purchase loans at 0.01 percent, 13th in home improvement loans at 2.10 percent, and 91st in home refinance loans at 0.15 percent. Based on 2006 CRA aggregate data, Frost ranks 15th in overall market share for small loans to businesses with a market share of 0.74 percent. While Frost's market share of home mortgage and small loans to businesses is lower than its deposit market share, performance is good given the level of competition in this AA.

Frost ranked tenth in deposit market share at 1.90 percent in the Houston TX AA. Based on 2006 HMDA aggregate data, Frost ranks 241st in overall market share for home purchase loans at 0.01 percent, 11th in home improvement loans at 2.07 percent, and 105th in home refinance loans at 0.10 percent. Based on 2006 CRA aggregate data, Frost ranks 18th in overall market share for small loans to businesses with a market share of 0.57 percent. While Frost's market share of home mortgage and small loans to businesses is lower than its deposit market share, performance is good given the level of competition in this AA.

Frost ranked second in deposit market share at 8.54 percent in the San Antonio TX AA. Based on 2006 HMDA aggregate data, Frost ranks 183rd in overall market share for home purchase loans at 0.02 percent, 5th in home improvement loans at 5.53 percent, and 60th in home refinance loans at 0.36 percent. Based on 2006 CRA aggregate data, Frost ranks 12th in overall market share for small loans to businesses with a market share of 1.57 percent. While Frost's market share of home mortgage and small loans to businesses is lower than its deposit market share, performance is good given the level of competition in this AA.

Frost ranked fifth in deposit market share at 2.91 percent in the Tarrant County TX AA. Based on 2006 HMDA aggregate data, Frost ranks 236th in overall market share for home purchase loans at 0.02 percent, 14th in home improvement loans at 1.94 percent, and 93rd in home refinance loans at 0.17 percent. Based on 2006 CRA aggregate data, Frost ranks 15th in overall market share for small loans to businesses with a market share of 1.04 percent. While Frost's market share of home mortgage and small loans to businesses is lower than its deposit market share, performance is good given the level of competition in this AA.

### **Distribution of Loans by Income Level of the Geography**

Frost's distribution of all CRA reportable loans by income level of geography is good. The bank's performance in loans to small businesses carried the most weight in the overall analysis.

#### ***Home Mortgage Loans***

*Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.*

Frost's overall distribution of home mortgage loans by income level of geography is adequate. In this assessment, activity within moderate-income tracts carried more weight than activity in low-income tracts based on the larger percentage of owner-occupied units and opportunities to lend.

#### **Austin-Round Rock TX MSA**

The geographic distribution of home purchase loans is poor. The bank did not originate or purchase any loans in low-income geographies. The distribution of loans in moderate-income geographies is lower than the percentage of owner-occupied housing units. The bank did not have a market share in low-income geographies. The bank's market share in moderate-income geographies is equal to its overall market share.

The geographic distribution of home improvement loans is good. The distribution of loans in low-income geographies exceeds the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units. The bank's market share in low-income geographies is somewhat lower than its overall market share. The bank's market share in moderate-income geographies is somewhat lower than its overall market share.

The geographic distribution of home refinance loans is excellent. The distribution of loans in low-income geographies exceeds the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies exceeds the percentage of owner-occupied housing units. The bank did not have a market share in low-income geographies. The bank's market share in moderate-income geographies exceeds its overall market share.

A geographic distribution analysis of multifamily loans is not meaningful. This product represents less than 1 percent of total home mortgage products and the bank originated only 3 loans in this AA during the evaluation period.

### **Houston TX Assessment Area**

The geographic distribution of home purchase loans is excellent, largely due to the home purchase portfolio of an acquisition bank (Horizon Bank). The distribution of loans in low-income geographies far exceeds the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies exceeds the percentage of owner-occupied housing units. The bank's market share in low-income geographies exceeds its overall market share. The bank's market share in moderate-income geographies equals its overall market share.

The geographic distribution of home improvement loans is good. The distribution of loans in low-income geographies is lower than the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies is near to the percentage of owner-occupied housing units. The bank's market share in low-income geographies is somewhat lower than its overall market share. The bank's market share in moderate-income geographies exceeds its overall market share.

The geographic distribution of home refinance loans is good. The distribution of loans in low-income geographies is lower than the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies exceeds the percentage of owner-occupied housing units. The bank did not have a market share in low-income geographies. The bank's market share in moderate-income geographies exceeds its overall market share.

A geographic distribution analysis of multifamily loans is not meaningful. This product represents less than 1 percent of total home mortgage products and the bank originated only 3 loans in this AA during the evaluation period.

**San Antonio TX Assessment Area**

The geographic distribution of home purchase loans is poor. There are no loans in low-income geographies. The distribution of loans in moderate-income geographies is lower than the percentage of owner-occupied housing units. The bank did not have a market share in low-income geographies. The bank's market share in moderate-income geographies exceeds its overall market share.

The geographic distribution of home improvement loans is adequate. The distribution of loans in low-income geographies is near to the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units. The bank's market share in low-income geographies exceeds its overall market share. The bank's market share in moderate-income geographies is near to its overall market share.

The geographic distribution of home refinance loans is adequate. The distribution of loans in low-income geographies is somewhat lower than the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units. The bank's market share in low-income geographies exceeds its overall market share. The bank's market share in moderate-income geographies exceeds its overall market share.

A geographic distribution analysis of multifamily loans is not meaningful. This product represents less than 1 percent of total home mortgage products and the bank did not originate any loans in this AA during the evaluation period.

**Tarrant County TX Assessment Area**

The geographic distribution of home purchase loans is excellent, largely due the home purchase portfolio of an acquisition bank (Summit Bank). The distribution of loans in low-income geographies exceeds the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies exceeds the percentage of owner-occupied housing units. The bank did not have a market share in low-income geographies. The bank's market share in moderate-income geographies exceeds its overall market share.

The geographic distribution of home improvement loans is adequate. The distribution of loans in low-income geographies is lower than the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units. The bank's market share in low-income geographies is near to its overall market share. The bank's market share in moderate-income geographies is somewhat lower than its overall market share.

The geographic distribution of home refinance loans is poor. The distribution of loans in low-income geographies is lower than the percentage of owner-occupied housing units. The distribution of loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units. The bank did not have a market share in low-income geographies. The bank's market share in moderate-income geographies is lower than its overall market share.



A geographic distribution analysis of multifamily loans is not meaningful. This product represents less than 1 percent of total home mortgage products and the bank originated only 5 loans in this AA during the evaluation period.

### **Small Loans to Businesses**

*Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.*

Frost's overall distribution of loans to small businesses by income level of geography is excellent. In this assessment, activity within moderate-income tracts carried more weight than activity in low-income tracts based on a larger percentage of businesses and opportunities to lend.

### **Austin-Round Rock TX MSA**

The geographic distribution of small loans to businesses is excellent. The distribution of loans in low-income geographies is near to the percentage of small businesses located in low-income census tracts. The percentage of loans in moderate-income geographies exceeds the percentage of small businesses located in moderate-income census tracts. The bank's market share in low-income geographies exceeds the overall market share. The bank's market share in moderate-income geographies exceeds the overall market share.

### **Houston TX Assessment Area**

The geographic distribution of small loans to businesses is excellent. The distribution of loans in low-income geographies is near to the percentage of small businesses located in low-income census tracts. The percentage of loans in moderate-income geographies exceeds the percentage of small businesses located in moderate-income census tracts. The bank's market share in low-income geographies exceeds the overall market share. The bank's market share in moderate-income geographies exceeds the overall market share.

### **San Antonio TX Assessment Area**

The geographic distribution of small loans to businesses is excellent. The distribution of loans in low-income geographies exceeds the percentage of small businesses located in low-income census tracts. The percentage of loans in moderate-income geographies exceeds the percentage of small businesses located in moderate-income census tracts. The bank's market share in low-income geographies exceeds the overall market share. The bank's market share in moderate-income geographies exceeds the overall market share.

### **Tarrant County TX Assessment Area**

The geographic distribution of small loans to businesses is excellent. The distribution of loans in low-income geographies is near to the percentage of small businesses located in low-income census tracts. The percentage of loans in moderate-income geographies exceeds the percentage of small businesses located in moderate-income census tracts. The bank's market

share in low-income geographies exceeds the overall market share. The bank's market share in moderate-income geographies exceeds the overall market share.

### ***Small Loans to Farms***

*Refer to Table 7 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.*

A geographic distribution analysis of small loans to farms is not meaningful. This product represents less than 1 percent of total loan originations and Frost originated only 25 loans in all 4 full-scope review assessment areas during the evaluation period. We provided the table for informational purposes only.

### ***Lending Gap Analysis***

We reviewed reports and maps detailing Frost's lending activity for home mortgage products and small loans to businesses during the evaluation period and did not identify any conspicuous gaps in the geographic distribution of loans.

### ***Inside/Outside Ratio***

Frost's distribution of loans inside/outside of its AA's is excellent. We analyzed the distribution of loans at a bank-wide level rather than by assessment area. The analysis reflected that a significant majority of the home mortgage and small business loans made during the evaluation period originated inside the bank's AAs. Overall, 93 percent of the total number of loans and 92 percent of the total dollar volume of loans originated within the banks AA's. By loan product and number of loans, 94 percent of small loans to businesses and 89 percent of home mortgage loans originated within the AA's. We also noted that 100 percent of the CD loans originated within the AA's. The excellent distribution of loans originating inside the bank's assessment areas factored positively in the overall lending performance analysis.

### **Distribution of Loans by Income Level of the Borrower**

Frost's distribution of all CRA reportable loans by income level of the borrower is adequate. The bank's performance in loans to small businesses carried the most weight in the overall analysis.

### ***Home Mortgage Loans***

*Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.*

The distribution of loans to borrowers of different income levels is adequate.

### **Austin-Round Rock TX MSA**

To evaluate the borrower distribution of home mortgage loans, we considered the number of families and households living below the poverty level. In this AA, 7 percent of all families and

10 percent of all households live below the poverty level based on 2000 Census data. When compared with a 2007 HUD Adjusted Median Family Income of \$69,300 and an average median housing value of \$131,505, the unsubsidized purchase of an average single-family residence might be beyond the financial means of some low- or moderate-income individuals.

The distribution of home purchase loans by borrower income level is poor. The percentage of loans made to low-income borrowers is lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank did not have a market share in low-income geographies. The bank's market share for moderate-income borrowers is equal to its overall market share.

The distribution of home improvement loans by borrower income level is poor. The percentage of loans made to low-income borrowers is lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is lower than its overall market share. The market share for moderate-income borrowers is somewhat lower than its overall market share.

The distribution of home refinance loans by borrower income level is adequate. The percentage of loans made to low-income borrowers is lower than the percentage of low-income families, but considered adequate when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is somewhat lower than its overall market share. The market share for moderate-income borrowers exceeds its overall market share.

### **Houston TX Assessment Area**

To evaluate the borrower distribution of home mortgage loans, we considered the number of families and households living below the poverty level. In this AA, 11 percent of all families and 12 percent of all households live below the poverty level based on 2000 Census data. When compared with a 2007 HUD Adjusted Median Family Income of \$57,300 and an average median housing value of \$99,687, the unsubsidized purchase of an average single-family residence might be beyond the financial means of some low- or moderate-income individuals.

The distribution of home purchase loans by borrower income level is excellent, largely due the home purchase portfolio of an acquisition bank (Horizon Bank). The percentage of loans made to low-income borrowers exceeds the percentage of low-income families. The percentage of loans made to moderate-income borrowers exceeds the percentage of moderate-income families. The bank's market share for low-income borrowers exceeds its overall market share. The bank's market share for moderate-income borrowers is equal to its overall market share.

The distribution of home improvement loans by borrower income level is poor. The percentage of loans made to low-income borrowers is lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of

moderate-income families. The bank's market share for low-income borrowers is near to its overall market share. The market share for moderate-income borrowers is somewhat lower than its overall market share.

The distribution of home refinance loans by borrower income level is good. The percentage of loans made to low-income borrowers is lower than the percentage of low-income families, but considered adequate when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is equal to the percentage of moderate-income families. The bank's market share for low-income borrowers exceeds its overall market share. The market share for moderate-income borrowers is near to its overall market share.

### **San Antonio TX Assessment Area**

To evaluate the borrower distribution of home mortgage loans, we considered the number of families and households living below the poverty level. In this AA, 12 percent of all families and 14 percent of all households live below the poverty level based on 2000 Census data. When compared with a 2007 HUD Adjusted Median Family Income of \$53,700 and an average median housing value of \$84,656, the unsubsidized purchase of an average single-family residence might be beyond the financial means of some low- or moderate-income individuals.

The distribution of home purchase loans by borrower income level is poor. The percentage of loans made to low-income borrowers is significantly lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is lower than the percentage of moderate-income families. The bank's market share for low- and moderate-income borrowers is lower than its overall market share.

The distribution of home improvement loans by borrower income level is adequate. The percentage of loans made to low-income borrowers is lower than the percentage of low-income families, but considered adequate when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is exceeds its overall market share. The market share for moderate-income borrowers is somewhat lower than its overall market share.

The distribution of home refinance loans by borrower income level is good. The percentage of loans made to low-income borrowers is somewhat lower than the percentage of low-income families, but considered good when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families, but also considered good when considering the impact of poverty levels. The bank's market share for low-income borrowers exceeds its overall market share. The market share for moderate-income borrowers is near to its overall market share.

### **Tarrant County TX Assessment Area**

To evaluate the borrower distribution of home mortgage loans, we considered the number of families and households living below the poverty level. In this AA, 8 percent of all families and 10 percent of all households live below the poverty level based on 2000 Census data. When compared with a 2007 HUD Adjusted Median Family Income of \$60,500 and an average

median housing value of \$101,614, the unsubsidized purchase of an average single-family residence might be beyond the financial means of some low- or moderate-income individuals.

The distribution of home purchase loans by borrower income level is poor. The percentage of loans made to low-income borrowers is significantly lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is too low to be measured. The bank's market share for moderate-income borrowers is near its overall market share.

The distribution of home improvement loans by borrower income level is poor. The percentage of loans made to low-income borrowers is significantly lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is somewhat lower than its overall market share. The market share for moderate-income borrowers is somewhat lower than its overall market share.

The distribution of home refinance loans by borrower income level is poor. The percentage of loans made to low-income borrowers is significantly lower than the percentage of low-income families and considered poor even when considering the impact of poverty levels. The percentage of loans made to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is near to its overall market share. The market share for moderate-income borrowers is somewhat lower than its overall market share.

### ***Small Loans to Businesses***

*Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.*

The distribution of loans to businesses with annual revenues of \$1 million or less is adequate.

### **Austin-Round Rock TX MSA**

The distribution of small loans to businesses with annual revenues of \$1 million or less is adequate. The percentage of small loans to businesses is somewhat lower than the percentage of businesses with annual revenues of \$1 million or less in the AA. Approximately 53 percent of the small loans to businesses originated in amounts \$100,000 or less. The bank's market share to businesses with annual revenues of \$1 million or less exceeds its overall market share.

### **Houston TX Assessment Area**

The distribution of small loans to businesses with annual revenues of \$1 million or less is adequate. The percentage of small loans to businesses is somewhat lower than the percentage of businesses with annual revenues of \$1 million or less in the AA. Approximately 52 percent of the small loans to businesses originated in amounts \$100,000 or less. The

bank's market share to businesses with annual revenues of \$1 million or less exceeds its overall market share.

**San Antonio TX Assessment Area**

The distribution of small loans to businesses with annual revenues of \$1 million or less is adequate. The percentage of small loans to businesses is somewhat lower than the percentage of businesses with annual revenues of \$1 million or less in the AA. Approximately 54 percent of the small loans to businesses originated in amounts \$100,000 or less. The bank's market share to businesses with annual revenues of \$1 million or less exceeds its overall market share.

**Tarrant County TX Assessment Area**

The distribution of small loans to businesses with annual revenues of \$1 million or less is adequate. The percentage of small loans to businesses is somewhat lower than the percentage of businesses with annual revenues of \$1 million or less in the AA. Approximately 49 percent of the small loans to businesses originated in amounts \$100,000 or less. The bank's market share to businesses with annual revenues of \$1 million or less exceeds its overall market share.

**Small Loans to Farms**

*Refer to Table 12 in the appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.*

A distribution analysis of small loans to farms by revenue is not meaningful. This product represents less than one percent of total loan originations and Frost originated only twenty-five loans in all four full-scope review assessment areas during the evaluation period. We provided the table for informational purposes only.

**Community Development Lending**

*Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.*

CD lending has a positive impact in 3 of the bank's 4 full-scope AA's, and an overall positive impact on the Lending Test conclusions. The biggest impact was in the San Antonio TX AA followed by the Tarrant County TX AA and Houston TX AA. CD lending has a neutral impact in the Austin-Round Rock TX MSA. The bank's CD loans primarily help borrowers that provide services targeted to low- and moderate-income (LMI) individuals (64 percent) and affordable housing (20 percent). The opportunities for CD lending in the bank's full-scope AA's are high (refer to each areas Market Profile in Appendix B), and the dollar amount of CD loans originated by Frost in these areas is considered significant.

**Austin-Round Rock TX MSA**

The bank originated an adequate level of CD loans within the Austin TX AA during the evaluation period. Frost originated 3 CD loans totaling \$90,000. All 3 loans benefited economic development in the area by assisting an organization that provides micro-loans, business training and other financial services to LMI individuals starting their own businesses.

### **Houston TX Assessment Area**

The bank originated an excellent level of CD loans within the Houston TX AA during the evaluation period. Frost originated 14 CD loans totaling \$24.4 million. This includes 4 loans totaling \$6.3 million for affordable housing, 4 loans totaling \$10.2 million for services targeted to LMI individuals, 4 loans totaling \$5.7 million for economic development, and 2 loans totaling \$2.3 million for revitalization and stabilization of LMI areas.

Detailed below are examples of CD loans in this AA:

Frost originated a \$1.3 million Small Business Administration (SBA) CDC/504 loan to a qualified small business. The CDC/504 loan program is a long-term financing tool for economic development within a community. The program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The borrower expects to create 25 new jobs over a 2 year period.

Frost originated an \$8.5 million loan for the construction and mini-perm of facilities for a non-profit organization that provides services related to alcohol and drug abuse. The majority of beneficiaries of the organization's services are LMI individuals. The organization serves 15 zip codes in the Houston area and roughly, 1 out of 5 families in these zip codes live below the poverty level.

### **San Antonio TX Assessment Area**

The bank originated an excellent level of CD loans within the San Antonio TX AA during the evaluation period. Frost originated 17 CD loans totaling \$82.2 million. This includes five loans totaling \$3.5 million for affordable housing, 6 loans totaling \$69.2 million for services targeted to LMI individuals, and 6 loans totaling \$9.5 million for economic development.

Detailed below are examples of CD loans in this AA:

Frost originated a \$50 million unsecured revolving line of credit for capital expenditures to a faith-based non-profit organization. The organization provides care to the underserved through health and human services and programs that it owns and operates, and through financial support of established organizations that are already effectively fulfilling the needs of the underserved. Many of the non-profit's clients are working individuals who cannot afford health insurance for themselves or their families. The non-profit owns 3 clinics. One clinic is in a low-income census tract and the other 2 clinics are in moderate-income census tracts. The majority of beneficiaries that utilize the clinics services are LMI individuals.

Frost originated a \$9.2 million loan to finance a borrower's equity contribution in a joint venture that created approximately 400 manufacturing jobs in San Antonio. The borrower is located in the San Antonio, TX Empowerment Zone (EZ) which is part of a moderate-income census

tract. The objective of the EZ is to attract businesses that will increase job opportunities for residents and improve access to goods and services, thus promoting long-term community revitalization.

**Tarrant County TX Assessment Area**

The bank originated an excellent level of CD loans within the Tarrant County TX AA during the evaluation period. Frost originated 16 CD loans totaling \$42.5 million. This includes 1 loan totaling \$20 million for affordable housing, 10 loans totaling \$16.5 million for services targeted to LMI individuals, 3 loans totaling \$117 thousand for economic development, and 2 loans totaling \$5.8 million for revitalization and stabilization of LMI areas.

Detailed below are examples of CD loans in this AA:

Frost originated a \$20 million real estate construction line of credit to a builder of entry-level homes targeting first and second time homeowners. The majority of homes built under the LOC are affordable to LMI buyers in Tarrant County and surrounding areas. The borrower also utilizes downpayment assistance programs targeted for LMI qualified buyers.

Frost originated an \$8.6 million bank-qualified tax-exempt loan to a non-profit organization to refinance and acquire new facilities. The organization operates thrift stores primarily for the benefit of LMI individuals and families, and provides job training for disabled and otherwise unskilled LMI persons.

**Product Innovation and Flexibility**

The bank did not have any lending products considered innovative or flexible that were developed and implemented during this evaluation period. However, Frost continues to offer two programs (The Progress Home Improvement Program and the Progress Interim Construction Loan Program) cited as innovative and flexible in the last performance evaluation. These products were designed to help low- and moderate-income individuals.

**INVESTMENT TEST**

**Conclusions for Areas Receiving Full-Scope Reviews**

The bank’s performance under the Investment Test is rated “High Satisfactory”. Based on full-scope reviews, the bank’s performance in the Austin-Round Rock TX MSA is excellent. Performance in the Houston TX AA, San Antonio TX AA, and Tarrant County TX AA is satisfactory.

*Refer to Table 14 in appendix C for the facts and data used to evaluate the bank’s level of qualified investments.*

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation. Frost’s investments are beneficial to and meet the identified needs of the bank’s AA’s. The bank continues to provide qualifying investments in all of the markets it serves through investments in mortgage-backed securities, Small Business Investment Company’s (SBIC), and operating



grants and donations to community development organizations that support the needs of LMI individuals or support the growth of small businesses. While opportunities exist for investment opportunities in each of these markets, the competition among bank's wanting to participate is high.

### **Austin-Round Rock TX MSA**

Frost has been responsive to AA needs and provided an excellent level of qualified investments in the Austin-Round Rock TX MSA. The bank has 103 investments/grants/donations totaling \$9.4 million. This AA represents 10.1 percent of the bank's deposits and 19.1 percent of the bank's qualified investments. Investments include mortgage-backed securities totaling \$7.3 million, and \$1.9 million in an SBIC that invests in Texas-based businesses. Examples of responsive qualified grants and donations include:

- ACCION Texas, statewide 501(c)(3) non-profit loan fund that makes loans to small business owners with limited access to traditional bank credit. ACCION offers flexible smaller dollar individual business loans, business line of credit, start-up business loans and loans to establish a first trade line or credit history. Loan funds may be used for merchandise, equipment, expansion or working capital.
- Austin Habitat for Humanity, a national volunteer organization that strives to build affordable, quality homes for low-income families in need and to eliminate poverty housing. The local chapter primarily focuses its effort in East Austin.
- PeopleFund, a federally certified community development financial institution (CDFI). The PeopleFund provides existing and start-up businesses access to flexible lending products, offers small businesses technical assistance to sustain or grow a business, and operates a community land trust established to create permanent affordable housing for LMI families in Austin.

### **Houston TX Assessment Area**

Frost has been responsive to AA needs and provided a good level of qualified investments in the Houston AA. The bank has 81 investments/grants/donations totaling \$8.8 million. The Houston AA represents 17.9 percent of the bank's deposits and 17.9 percent of the bank's qualified investments. Investments include mortgage-backed securities totaling \$8.6 million and donations to community organizations that promote the growth of small businesses and that support the needs of LMI individuals. Examples of responsive qualified grants and donations include:

- ACCION Texas, a statewide 501(c)(3) non-profit loan fund that makes loans to small business owners with limited access to traditional bank credit. ACCION offers flexible smaller dollar individual business loans, business line of credit, start-up business loans and loans to establish a first trade line or credit history. Loan funds may be used for merchandise, equipment, expansion or working capital.
- The Houston Credit Coalition, a 501(c)(3) non-profit organization and HUD-approved Housing Counseling Agency that provides free financial and homebuyer education and outreach services to community members in the greater Houston area.
- St. Vincent's House, a not-for-profit social service agency located and serving the low- and very low-income population of the Old Center/Carver Park neighborhood; the poorest population in Galveston, TX. St. Vincent's provides health and human services

including, low-cost childcare, free medical healthcare, food pantry, emergency assistance and referrals, community outreach services, transportation services, and quality of life art and anti-gang programs.

### **San Antonio Assessment Area**

Frost has been responsive to AA needs and provided a good level of qualified investments in the San Antonio AA. The bank had 147 investments/grants/donations totaling \$15.7 million. The San Antonio AA represents 35.2 percent of the bank's deposits and 32 percent of the bank's qualified investments. Investments include mortgage-backed securities totaling \$12.9 million, \$1 million in investments in a SBIC that invests in Texas-based businesses, and donations to community organizations that promote the growth of small businesses, community groups that support the needs of LMI individuals and to city-wide initiatives to advance community development in San Antonio and Bexar County. Examples of responsive qualified grants and donations include:

- ACCION Texas, a statewide 501(c)(3) non-profit loan fund that makes loans to small business owners with limited access to traditional bank credit. ACCION offers flexible smaller dollar individual business loans, business line of credit, start-up business loans and loans to establish a first trade line or credit history. Loan funds may be used for merchandise, equipment, expansion or working capital.
- Antioch Community Transformation Network, a 501(c)(3) non-profit organization engaged in community education and economic development. Programs offered include volunteer tax assistance, adult literacy, and parenting classes.
- CommuniCare Health Centers, provides services to uninsured and underinsured patients, free or on a sliding scale, based on income and family size. CommuniCare provides medical services, dental and behavioral services, on-site pharmacy and laboratory, Medicaid eligibility, and Women, Infants, and Children services.
- Community Development Loan Corporation, a certified CDFI focused on stimulating economic development by financing small businesses, particularly minority or women-owned businesses. The fund is an alternative source of funding for entities that may not qualify for conventional financing.
- Neighborhood Housing Services of San Antonio is a builder and lender for affordable housing targeted to LMI families in San Antonio and Bexar County.
- Project Quest, a community-based welfare to work program offering comprehensive training opportunities to disadvantaged adults.
- San Antonio Alternative Housing Corporation, a non-profit social service organization established to provide housing and support services for LMI families.

### **Tarrant County TX Assessment Area**

Frost has been responsive to AA needs and provided a good level of qualified investments in the Fort Worth AA. The bank had 62 investments/grants/donations totaling \$9.5 million. The Fort Worth AA represents 22.9 percent of the bank's deposits and 19.3 percent of the bank's qualified investments. Investments include mortgage-backed securities totaling \$9.3 million, and the balance of the bank's investments is to agencies and organizations that provide services to LMI individuals and promote the growth of small businesses. Examples of responsive qualified grants and donations include:

- ACCION Texas, a statewide 501(c)(3) non-profit loan fund that makes loans to small business owners with limited access to traditional bank credit. ACCION offers flexible smaller dollar individual business loans, business line of credit, start-up business loans and loans to establish a first trade line or credit history. Loan funds may be used for merchandise, equipment, expansion or working capital.
- Catholic Charities Diocese of Fort Worth, Inc., a 501(c)(3) non-profit organization that provides social services to low-income families and individuals in Fort Worth. Catholic Charities operates multi-family Section 8 housing in Fort Worth and Arlington.
- The Women’s Center of Tarrant County, a non-profit United Way agency. The Women’s Center offers services designed to empower women individually and as a group. The center provides rape crisis and victim services, job-training and operates a Women’s Helpline for crisis counseling, problem solving assistance and information and referral to community services.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank’s performance under the Investment Test in the Brownsville-Harlingen TX MSA, Corpus Christi TX AA, McAllen-Edinburg-Mission TX MSA, and Willacy County TX AA is weaker than the overall “High Satisfactory” performance under the Investment Test. The weaker performance is reflected by a comparatively lower volume of investments given the percentage of bank deposits associated with these AAs, but did not materially impact the overall conclusion for investments.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank’s performance under the Service Test is rated “Low Satisfactory”. Based on full-scope reviews, the bank’s performance in the Austin-Round Rock TX MSA is good. Performance in the Houston TX AA, San Antonio TX AA, and Tarrant County TX AA is adequate.

### **Retail Banking Services**

*Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank’s branch delivery system and branch openings and closings.*

The distribution of branches and accessibility to products and services in all assessment areas is adequate. Frost operates 79 branches within the full-scope AAs, representing 75 percent of total branches operated in the state of Texas.

The distribution of Frost branches in low-income areas is lower than the distribution of the population living in a low-income geography in all four full-scope AAs. However, our analysis of branches located in moderate-income tracts indicates that a majority of these are adjacent to low-income tracts and are reasonably accessible to residents of those tracts. Branch closures in these AAs have not affected the accessibility of delivery systems in any of these AAs.

The distribution of Frost branches in moderate-income geographies in the Austin-Round Rock TX MSA is excellent. It is adequate in the Houston TX and Tarrant County TX AAs. It is poor in the San Antonio TX AA. The distribution of branches in the Austin-Round Rock TX MSA exceeds the percentage of the population residing in the moderate-income geography. The distribution of branches in the Houston TX and Tarrant County TX AAs is somewhat lower than each AAs respective population residing in such geographies. Finally, the distribution of branches in the San Antonio TX AA is lower than the population residing in this geography.

There are no material differences in banking hours or services available at any of Frost's financial centers. Lobby hours, services, and products offered do not vary in a way that inconveniences any portion of the bank's AAs. Banking hours are fairly consistent across all areas. Generally the standard banking hours are Monday through Thursday, 9 a.m. to 4 p.m., Friday, 9 a.m. to 5 p.m., and on Saturday from 9 a.m. to 1 p.m. Motor banks are usually open until 6 p.m. on weekdays.

Frost offers the same products in all AAs, including loans for personal use; loans for small businesses, professional persons and associations; and loans for commercial and industrial entities. Banking services include personal accounts, business accounts, and other services. Bank-wide, Frost offers a variety of loan and deposit products at its financial centers. Several are of particular use to LMI individuals, as well as small businesses.

ATMs are considered an alternative delivery system, and are used to supplement the branch network and provide consumers and small business account holders access to their deposit accounts, both during and outside traditional banking hours. Frost operates 125 ATMs throughout the full-scope AA's as part of its overall service delivery system. All of Frost's ATM's have bilingual (English and Spanish) screens. Approximately 76 percent of all ATM's are full-service machines. Of the full service machines, approximately 11.6 percent are located in the Austin-Round Rock TX MSA, 20.7 percent in the Houston TX AA, 23.9 percent in the San Antonio TX AA, and 21.5 percent in the Tarrant County TX AA. Frost also has non-proprietary ATM's in HEB grocery stores throughout the state of Texas.

The dispersion of the ATM's represents a good distribution across the AA's, including the LMI geographies. There are no ATM's situated in any of the low-income census tracts in the full-scope AA's. In the Austin-Round Rock TX MSA and Houston TX AA, the distribution of Frost ATM's in moderate-income geographies is excellent, while the distributions in the San Antonio TX AA and Tarrant County TX AA are good. The ATM distributions in Austin-Round Rock TX MSA and Houston TX AA exceed the population living in such geographies. The distribution of Frost ATM's in moderate-income geographies in San Antonio TX AA and Tarrant County TX AA is near to the percentage of the population residing in such geographies.

Other alternative delivery systems include debit cards, online banking with a bill-payment feature, "bank-at-work", and telephone banking. Various internet banking services for consumers, as well as businesses, are available at [www.frostbank.com](http://www.frostbank.com). Services are relatively standard, including services such as bill payment (free for personal accounts), transfer between accounts (including loan payments), balance inquiry, and check re-orders. Frost offers a secure e-mail service at [frostbank@frostbank.com](mailto:frostbank@frostbank.com) and "Internet Cafés" are available at all financial centers. In evaluating the bank's services, no significant weight was given to these systems since the bank does not track how well these services benefit LMI individuals or geographies.

To reach the needs of the “unbanked”, Frost offers a payroll card product to large commercial customers to assist them with meeting the needs of the underserved. The payroll card benefits minimum and low-wage workers who do not have a banking relationship or a checking account. The payroll card allows companies to provide employees with a prepaid debit card equal to the employee’s salary. The employee may use the card at any Frost ATM, free of charge and to make pin-based debit card purchases.

## Community Development Services

Frost Bank provides a relatively high level of community development services in the AA that received a full-scope review. Activities demonstrate the bank’s continued commitment to its communities. Bank officers, including members of executive management, are active in providing expertise to non-profit organizations regarding community and economic development, community action, and strategies to sustain or grow small businesses. Activities focus on financial education for LMI individuals; help to secure grant financing; small business education and counseling; and credit and homeownership counseling.

The following describes some of the more prominent examples of the bank’s involvement in CD services in the full-scope AA’s:

### Austin-Round Rock TX MSA

- Austin Habitat for Humanity. Habitat’s mission is to build affordable, quality homes and eliminate poverty in housing for low-income families. Bank Officer served on the Board of Directors, as treasurer and as a member of the Family Section Committee.
- PeopleFund. PeopleFund promotes economic development by providing existing and start-up businesses with access to flexible lending products. A Bank Officer served on the Loan Committee.

### Houston TX AA

- Gulf Coast Small Business Finance Corporation (GCSBFC). GCSBFC is a Certified Development Corporation (CDC) whose mission is to that promotes economic development and job creation throughout the upper 13-county Gulf Coast region. This is accomplished through the SBA 504 Loan Program. The GCSBFC also administers a \$15 million portfolio of loans to small businesses in the region. A Bank Officer served on the Loan Committee.
- Project Mend. Project Mend’s mission is to provide people with disabilities and who are low-income, access to durable medical equipment, supplies, and social service referrals so that they can attain independence and self-sufficiency. A Bank Officer served on the Advisory Committee.
- Target Hunger, a United Way agency that was established to alleviate hunger in inner-city neighborhoods. Target Hunger not only provides food, but empowers families to become self-sufficient by offering training courses in nutrition, self-esteem, English as a second language, literacy, and job search workshops. A Bank officer served on the Board of Directors.
- Texas Federation of Housing Counselors, Inc. This group establishes professional standards, disseminates information, provides technical assistance and offers training to

its members who then provide counseling to LMI families across the state. A Bank Officer served on the Board of Directors and chaired the Western Region Conference Committee.

- Third Coast Community Development Corporation (TCCDC). TCCDC is a multi-bank CDC that seeks to encourage and assist minority-owned and small businesses in Harris and surrounding counties by providing loans, investments, and other business transactions to small emerging businesses that may not qualify for conventional bank financing. A Bank Officer served on the Board of Directors and the Loan Committee.

### San Antonio TX AA

- Community Development Loan Fund. The organization's primary purpose is to provide gap financing for small businesses and to promote economic development. Frost Bank Officer served on the Board of Directors and chaired the Policy Committee.
- Enterprise Community Partners (ECP). ECP is a national, non-profit housing and community development organization. A Bank Officer chaired the local Advisory Board and worked on an initiative to provide over \$500,000 in operating funds to local non-profit affordable housing builders.
- Federal Home Loan Bank Grant Assistance (FHLB). Frost assisted in preparing the City of San Antonio (CoSA) Emergency Repair Program application to the FHLB/AHP Grant Program. CoSA was awarded a \$350,000 grant to provide local non-profits with funds for home repair programs. The program was targeted to low-income senior citizens and persons with disabilities.
- Frost Bank Home Improvement Program. Frost coordinated and hosted seminars focused on home improvement loans and how to deal with and how to select a reputable contractor. The seminars were offered in all AAs and were targeted to LMI individuals and the elderly.
- Frost Bank Small Business Program. Frost coordinated and hosted seminars targeted to small business loans and products. These seminars were targeted to businesses with gross annual revenues of \$1 million or less and individuals planning to start a new business.
- Individual Development Accounts (IDA). In partnership with CoSA – Community Initiatives Department, Casey Family Programs, AT&T, and Communities in Schools; Frost provides IDAs to qualified applicants. Frost offers these free savings accounts, specialized servicing, and matched funds to LMI individuals that participate in the IDA programs. Program participants must also attend 6 hours of financial education that is also provided by Frost.

Frost also provides the following financial services to CD partners in the AA:

- Habitat for Humanity. Frost services Habitat's mortgage loan portfolio, free of charge.
- Volunteer Income Tax Assistance Program (VITA). Frost offers free IRS check cashing services to VITA clients which are primarily low- and moderate-income individuals.

### Tarrant County TX AA

- Arlington Life Shelter. The mission of Arlington Life Shelter is to shepherd homeless men, women, and children towards a lifestyle of self-sufficiency. Basic needs are met

by providing shelter and educational services, employment placement and coaching, and access to mental health and social services. A Bank Officer served on the Board of Directors and the Finance Committee.

- Tarrant County Housing Partnership (TCHP). TCHP is a certified 501(c)(3) non-profit organization that operates programs that provide homebuyer assistance for affordable lease-purchase units, single family and multi-family housing. TCHP also provides qualified home buyers with down payment and closing cost assistance. A Bank Officer served on the Board of Directors and the Finance Committee.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Brownsville-Harlingen TX MSA and Willacy County TX AAs is better than the bank's overall "Low Satisfactory" performance and considered good. Performance in the Dallas County TX AA and the McAllen-Edinburg-Mission TX MSA is weaker than the bank's overall "Low Satisfactory" performance and considered poor. However, the weaker performance in these two limited-scope AAs did not materially impact the bank's overall "Low Satisfactory" rating for the Service Test.

*Refer to Table 15 in Appendix C for the facts and data that support these conclusions.*

## Appendix A: Scope of Examination

|   |   |   |
|---|---|---|
| <b>Time Period Reviewed</b>   | - Lending Test (excludes CD Loans): (01/01/05 to 12/31/07)<br>- Investment and Service Tests and Community Development (CD) Loans: (01/01/05 to 08/10/08) |   |
| <b>Financial Institution</b>  | <b>Products Reviewed</b>  |   |
| Frost Bank<br>San Antonio, TX   | Home Mortgage Loans, Loans to Small Businesses, Community Development Loans, Investments and Services   |   |
| <b>Affiliate(s)</b>   | <b>Affiliate Relationship</b>   | <b>Products Reviewed</b>  |
| None  |   |   |
| <b>List of Assessment Areas and Type of Examination</b>   |   |   |
| <b>Assessment Area</b>  | <b>Type of Exam</b>   | <b>Other Information</b>  |
| Austin-Round Rock TX MSA<br>Houston TX AA   | Full-Scope<br>Full-Scope  | MSA #12420<br>Counties: Brazoria, Fort Bend, Galveston, Harris                                      |
| San Antonio TX AA   | Full-Scope  | Counties: Bexar, Comal, Guadalupe, Kendall, Wilson  |
| Tarrant County TX AA  | Full-Scope  | Counties: Tarrant   |
| Brownsville-Harlingen TX MSA<br>McAllen-Edinburg-Mission TX MSA<br>Corpus Christi TX AA<br>Dallas County TX AA<br>Willacy County AA | Limited-Scope<br>Limited-Scope<br>Limited-Scope<br>Limited-Scope<br>Limited-Scope   | MSA #15180<br>MSA #32580<br>Counties: Nueces, San Patricio<br>Counties: Dallas<br>Counties: Willacy |



## Appendix B: Market Profiles for Full-Scope Areas

### Austin-Round Rock TX MSA

| Demographic Information for Full Scope Area: Austin-Round Rock TX MSA                                |           |                         |  |               |                 |            |
|--|-----------|-------------------------|--|---------------|-----------------|------------|
| Demographic Characteristics  | #         | Low % of #              | Moderate % of #  | Middle % of # | Upper % of #    | NA* % of # |
| Geographies (Census Tracts)  | 256       | 8.20                    | 27.34  | 38.28         | 25.39           | 0.78       |
| Population by Geography  | 1,249,763 | 8.31                    | 25.66  | 39.38         | 26.46           | 0.20       |
| Owner-Occupied Housing by Geography  | 274,869   | 2.79                    | 18.90  | 42.63         | 35.68           | 0.00       |
| Business by Geography  | 112,142   | 4.60                    | 18.71  | 39.13         | 37.46           | 0.11       |
| Farms by Geography   | 2,574     | 2.45                    | 17.68  | 49.03         | 30.85           | 0.00       |
| Family Distribution by Income Level  | 298,622   | 19.76                   | 18.30  | 22.76         | 39.17           | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 113,666   | 11.05                   | 37.77  | 38.29         | 12.89           | 0.00       |
| Median Family Income<br>HUD Adjusted Median Family Income for 2007<br>Households Below Poverty Level |           | 59,438<br>69,300<br>10% | Median Housing Value<br>Unemployment Rate<br>(12/2007) |               | 131,505<br>3.6% |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2007 HUD updated MFI

The Austin-Round Rock TX MSA includes Bastrop, Caldwell, Hays, Travis and Williamson Counties. The largest cities in this region include Austin, Georgetown, Round Rock, and San Marcos. Frost has 10 full service branches located in the Austin-Round Rock TX MSA. Frost also operates 15 full service ATM's and 4 cash dispensing ATM's in the AA.

Based on 2000 U.S. Census data, total population of the AA is 1.2 million. The 2007 HUD median family income for the MSA is \$69,300. In 2007, non-farm businesses represent 98 percent (112,142) of total businesses in the AA. The majority of these businesses (68 percent) are considered small with revenues of less than \$1 million.

This AA accounts for a relatively small percentage of the deposits and loans for Frost. The AA maintains approximately 10 percent of Frost's total deposits and 11 percent of total CRA reported loans. In terms of deposit market share, Frost ranks fifth with approximately 5.5 percent of FDIC-insured bank deposits in the AA as of June 30, 2007.

Job growth continues to outpace national averages but has slowed markedly. However, every sector but manufacturing has contributed to gains. While the economy for the MSA is expected to continue to decelerate in the short term, the long term prospects for growth are favorable. Economic strengths include a highly skilled labor force, strong concentration of innovative high-tech companies and research entities, and positive demographic trends. As of December 31, 2007, unemployment was 3.6 percent in the MSA. The government, professional & business service, retail trade, and leisure & hospitality service sectors account for the majority of employment in the AA. The top private employers are Dell Computer Corp., Motorola, Inc., HEB Stores, Seton Healthcare, and IBM Corporation. The top public employers

are The University of Texas at Austin, the City of Austin, the Austin Independent School District, and the Internal Revenue Service.

Mortgage lending competition continues to be fierce, with competitors including community and regional banks, mortgage companies, and anti-poverty organizations. Also affecting lending opportunities is the level of households below the poverty level totaling 10 percent. The limitation of disposable income for families living below the poverty level negatively affects their ability to qualify for home ownership.

We reviewed 1 community contacts during the examination that was conducted in the MSA. The contact was involved in economic development. They cited the continuing need for development and retention of small businesses and affordable housing as the principal credit needs.

## Houston TX AA

| Demographic Information for Full Scope Area: Houston TX AA                 |           |            |                             |               |              |            |
|--|-----------|------------|-----------------------------|---------------|--------------|------------|
| Demographic Characteristics  | #         | Low % of # | Moderate % of #             | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts)  | 813       | 8.49       | 31.98                       | 29.64         | 29.03        | 0.86       |
| Population by Geography  | 4,246,955 | 6.96       | 30.88                       | 30.55         | 31.56        | 0.05       |
| Owner-Occupied Housing by Geography  | 880,229   | 3.21       | 23.14                       | 31.97         | 41.68        | 0.00       |
| Business by Geography  | 349,080   | 5.28       | 25.52                       | 27.81         | 41.14        | 0.25       |
| Farms by Geography   | 5,740     | 3.31       | 18.12                       | 36.90         | 41.62        | 0.05       |
| Family Distribution by Income Level  | 1,064,445 | 22.87      | 17.37                       | 18.79         | 40.98        | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 428,263   | 12.30      | 44.49                       | 29.16         | 14.05        | 0.00       |
| Median Family Income   |           | 51,431     | Median Housing Value        |               | 99,687       |            |
| HUD Adjusted Median Family Income for 2007                                 |           | 57,300     | Unemployment Rate (12/2007) |               | 4.3%         |            |
| Households Below Poverty Level   |           | 12%        |                             |               |              |            |

(\* ) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2007 HUD updated MFI

The Houston TX AA includes Brazoria, Fort Bend, Galveston, and Harris Counties. The largest cities in this region include Houston, Baytown, Galveston, Sugar Land, and Pasadena. Frost has 25 full service branches located in the Houston TX AA. Frost also operates 24 full service ATM's and 4 cash dispensing ATM's in the AA.

Based on 2000 U.S. Census data, total population of the AA is 4.2 million. The 2007 HUD median family income for the MSA is \$57,300. In 2007, non-farm businesses represent 98 percent (349,080) of total businesses in the AA. The majority of these businesses (70 percent) are considered small with revenues of less than \$1 million.

This AA accounts for a relatively large percentage of the deposits and loans for Frost. The AA maintains approximately 18 percent of Frost's total deposits and 27 percent of total CRA reported loans. In terms of deposit market share, Frost ranks tenth with approximately 1.9 percent of FDIC-insured bank deposits in the AA as of June 30, 2007.

The Houston area economy has expanded on the strength of the energy boom. The area will also continue to benefit from growing space-flight development, health research, distribution, and population growth. The area should continue to show above average growth long term. As of December 31, 2007, unemployment was 4.3 percent in the MSA. Professional & business service, the government, and education & health service sectors account for the majority of employment in the AA. The top private employers are Wal-mart Stores, Administaff, Memorial Hermann Healthcare System, Continental Airlines, Exxon Mobil Corporation, Kroger Company, and Shell Oil. The top public employers are the University of Texas, Houston Independent School District, and the City of Houston.

Mortgage lending competition continues to be fierce, with competitors including community and regional banks, mortgage companies, and anti-poverty organizations. Also affecting lending opportunities is the level of households below the poverty level totaling 12 percent. The

limitation of disposable income for families living below the poverty level negatively affects their ability to qualify for home ownership.

A review of community contacts conducted within the Houston area (8) indicates a large number of opportunities to participate in CD lending, investments, and service activities. There is substantial opportunity for banks to participate in making home improvement, home purchase, and small business loans. The contacts identified the primary credit needs of the AA as loans for affordable housing, affordable home improvement loans, revitalization of low-income areas, and small business loans.

### San Antonio TX AA

| Demographic Information for Full Scope Area: San Antonio TX AA                                       |           |                         |  |                |              |            |
|--|-----------|-------------------------|--|----------------|--------------|------------|
| Demographic Characteristics  | #         | Low % of #              | Moderate % of #  | Middle % of #  | Upper % of # | NA* % of # |
| Geographies (Census Tracts)  | 321       | 3.74                    | 37.07  | 33.96          | 24.30        | 0.93       |
| Population by Geography  | 1,616,126 | 2.59                    | 36.91  | 32.52          | 27.97        | 0.01       |
| Owner-Occupied Housing by Geography  | 361,646   | 1.60                    | 29.94  | 33.17          | 35.29        | 0.01       |
| Business by Geography  | 101,327   | 1.87                    | 27.55  | 34.56          | 35.77        | 0.24       |
| Farms by Geography   | 2,416     | 0.87                    | 17.59  | 40.44          | 40.89        | 0.21       |
| Family Distribution by Income Level  | 409,542   | 20.99                   | 17.89  | 20.41          | 40.72        | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 159,206   | 4.26                    | 52.59  | 30.72          | 12.43        | 0.00       |
| Median Family Income<br>HUD Adjusted Median Family Income for 2007<br>Households Below Poverty Level |           | 44,591<br>53,700<br>14% | Median Housing Value<br>Unemployment Rate<br>(12/2007) | 84,656<br>4.1% |              |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2007 HUD updated MFI

The San Antonio TX AA includes Bexar, Comal, Guadalupe, Kendall, and Wilson Counties. The largest cities in this region include San Antonio, New Braunfels, and Seguin. Frost has 22 full service branches located in the San Antonio TX AA, including the main bank. Frost also operates 28 full service ATM's and 20 cash dispensing ATMs in the AA.

Based on 2000 U.S. Census data, total population of the AA is 1.6 million. The 2007 HUD median family income for the MSA is \$53,700. In 2007, non-farm businesses represent 98 percent (101,327) of total businesses in the AA. The majority of these businesses (69 percent) are considered small with revenues of less than \$1 million.

This AA accounts for a relatively large percentage of the deposits and loans for Frost. The AA maintains approximately 35 percent of Frost's total deposits and 23 percent of total CRA reported loans. In terms of deposit market share, Frost ranks second with approximately 8.5 percent of FDIC-insured bank deposits in the AA as of June 30, 2007

Consistent with national trends, the San Antonio expansion has paused recently and the short term outlook forecasts that the economy will continue to decline. Declining truck demand (Toyota plant) and the loss of AT&T corporate headquarters are having negative impacts. However, steady population growth and international trade should keep the area as an above average performer for the longer term. As of December 31, 2007, unemployment was 4.1 percent in the MSA. The government, education & health service, professional & business service, and retail trade sectors account for the majority of employment in the AA. The top private employers are USAA Insurance, The Methodist Hospital System, AT&T Corporation, and Baptist Health System. The top public employers are the Fort Sam Houston Army Base, Lackland Air Force Base, Randolph Air Force Base, and the University of Texas at San Antonio.

Mortgage lending competition continues to be fierce, with competitors including community and regional banks, mortgage companies, and anti-poverty organizations. Also affecting lending opportunities is the level of households below the poverty level totaling 14 percent. The limitation of disposable income for families living below the poverty level negatively affects their ability to qualify for home ownership.

Community contacts in the San Antonio area (6) indicated a high level of CD opportunities for banks to help meet community credit needs. The primary needs identified were affordable housing, small business loans, and economic development. The comments received were positive and reflected financial institutions in the San Antonio AA are meeting credit needs.

### Tarrant County TX AA

| Demographic Information for Full Scope Area: Tarrant County TX AA                                    |           |                         |  |               |                 |            |
|--|-----------|-------------------------|--|---------------|-----------------|------------|
| Demographic Characteristics  | #         | Low % of #              | Moderate % of #  | Middle % of # | Upper % of #    | NA* % of # |
| Geographies (Census Tracts)  | 310       | 7.74                    | 27.42  | 34.84         | 30.00           | 0.00       |
| Population by Geography  | 1,446,219 | 6.03                    | 26.43  | 35.58         | 31.96           | 0.00       |
| Owner-Occupied Housing by Geography  | 324,754   | 3.85                    | 19.76  | 36.48         | 39.91           | 0.00       |
| Business by Geography  | 122,987   | 4.00                    | 25.44  | 35.72         | 34.84           | 0.00       |
| Farms by Geography   | 2,237     | 2.37                    | 18.24  | 40.28         | 39.11           | 0.00       |
| Family Distribution by Income Level  | 371,565   | 19.49                   | 18.35  | 21.37         | 40.80           | 0.00       |
| Distribution of Low and Moderate Income Families throughout AA Geographies                           | 140,577   | 10.55                   | 39.27  | 35.23         | 14.95           | 0.00       |
| Median Family Income<br>HUD Adjusted Median Family Income for 2007<br>Households Below Poverty Level |           | 53,268<br>60,500<br>10% | Median Housing Value<br>Unemployment Rate<br>(12/2007) |               | 101,614<br>4.7% |            |

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2007 HUD updated MFI

The largest cities in this AA include Ft. Worth and Arlington. Frost has 22 full service branches located in the Tarrant County TX AA. Frost also operates 25 full service ATM's and 4 cash dispensing ATM's in the AA.

Based on 2000 U.S. Census data, total population of the AA is 1.4 million. The 2007 HUD median family income for the MSA is \$60,500. In 2007, non-farm businesses represent 98 percent (122,987) of total businesses in the AA. The majority of these businesses (67 percent) are considered small with revenues of less than \$1 million.

This AA accounts for a relatively large percentage of the deposits and loans for Frost. The AA maintains approximately 23 percent of Frost's total deposits and 19 percent of total CRA reported loans. In terms of deposit market share, Frost ranks fifth with approximately 2.9 percent of FDIC-insured bank deposits in the AA as of June 30, 2007.

This AA is recording strong, above average growth, with the economy adding jobs at twice the national pace. A well-developed infrastructure and a favorable living and business cost differential with neighboring Dallas will propel growth in the Ft. Worth area for the next few years. Economic strengths include modern air, rail, and highway infrastructure; highly affordable housing; and growing financial services and corporate presence. As of December 31, 2007, unemployment was 4.7 percent in the MSA. The government, retail trade, manufacturing, and professional & business service sectors account for the majority of employment in the AA. The top private employers are American Airlines, Lockheed Martin Aeronautics, Bell Helicopter, and GameStop. The top public employers are the Ft. Worth Independent School District, City of Ft. Worth, and Tarrant County Government.

Mortgage lending competition continues to be fierce, with competitors including community and regional banks, mortgage companies, and anti-poverty organizations. Also affecting lending opportunities is the level of households below the poverty level totaling 10 percent. The

limitation of disposable income for families living below the poverty level negatively affects their ability to qualify for home ownership.

A review of community contacts conducted within Tarrant County (1) indicates opportunities to participate in CD lending, investments, and service activities. The contact identified the primary credit needs of the AA as loans for small business and real estate development, including development of affordable housing.



## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_\_ .12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

| LENDING VOLUME              |                                    | Geography: TEXAS |            |                           |            | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |            |                               |            |                      |            |                                      |
|-----------------------------|------------------------------------|------------------|------------|---------------------------|------------|---|------------|-------------------------------|------------|----------------------|------------|--------------------------------------|
| MA/Assessment Area (2007):  | % of Rated Area Loans (#) in MA/AA | Home Mortgage    |            | Small Loans to Businesses |            | Small Loans to Farms                                    |            | Community Development Loans** |            | Total Reported Loans |            | % of Rated Area Deposits in MA/AA*** |
|                             |                                    | #                | \$ (000's) | #                         | \$ (000's) | #   | \$ (000's) | #                             | \$ (000's) | #                    | \$ (000's) |                                      |
| <b>Full Review:</b>         |                                    |                  |            |                           |            |   |            |                               |            |                      |            |                                      |
| Austin-Round Rock TX MS     | 10.91                              | 507              | 55,029     | 1,735                     | 345,246    | 10  | 2,222      | 3                             | 90         | 2,255                | 402,587    | 10.06                                |
| Houston TX AA               | 26.85                              | 1,060            | 74,145     | 4,474                     | 939,626    | 3   | 715        | 14                            | 24,419     | 5,551                | 1,038,905  | 17.92                                |
| San Antonio TX AA           | 23.23                              | 1,585            | 99,680     | 3,190                     | 610,711    | 10  | 1,565      | 17                            | 82,152     | 4,802                | 794,108    | 35.15                                |
| Tarrant County TX AA        | 18.82                              | 966              | 85,217     | 2,907                     | 637,272    | 2   | 150        | 16                            | 42,462     | 3,891                | 765,101    | 22.94                                |
| <b>Limited Review:</b>      |                                    |                  |            |                           |            |   |            |                               |            |                      |            |                                      |
| Brownsville-Harlingen TX N  | 1.48                               | 95               | 4,593      | 208                       | 30,466     | 2   | 114        | 0                             | 0          | 305                  | 35,173     | 0.61                                 |
| Corpus Christi TX AA        | 7.60                               | 468              | 27,325     | 1,071                     | 193,819    | 0   | 0          | 33                            | 5,875      | 1,572                | 227,019    | 6.24                                 |
| Dallas County TX AA         | 5.89                               | 328              | 31,916     | 887                       | 234,447    | 0   | 0          | 3                             | 63         | 1,218                | 266,426    | 3.97                                 |
| McAllen-Edinburg-Mission TX | 4.91                               | 199              | 9,219      | 793                       | 125,607    | 16  | 2,507      | 7                             | 4,799      | 1,015                | 142,132    | 2.93                                 |
| Willacy County TX AA        | 0.30                               | 17               | 467        | 42                        | 3,839      | 4   | 182        | 0                             | 0          | 63                   | 4,488      | 0.19                                 |

\* Loan Data as of December 31, 2007. Rated area refers to the state rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2005 to December 31, 2007.

\*\*\* Deposit Data as of June 30, 2007. Rated Area refers to the state.

**Table 2. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE |                           | Geography: TEXAS |                        |                  |                             |              | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |              |                          |              |          | Market Share (%) by Geography |      |      |      |  |
|--|---------------------------|------------------|------------------------|------------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|----------|-------------------------------|------|------|------|--|
| MA/Assessment Area:                    | Total Home Purchase Loans |                  | Low-Income Geographies |                  | Moderate-Income Geographies |              | Middle-Income Geographies                               |              | Upper-Income Geographies |              | Overa ll | Low                           | Mod  | Mid  | Upp  |  |
|  | #                         | % of Total**     | % Owner Occ Units***   | % BANK Loans**** | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***                                    | % BANK Loans | % Owner Occ Units***     | % BANK Loans |          |                               |      |      |      |  |
| <b>Full Review:</b>                    |                           |                  |                        |                  |                             |              |   |              |                          |              |          |                               |      |      |      |  |
| Austin-Round Rock TX MSA               | 44                        | 5.07             | 2.79                   | 0.00             | 18.90                       | 9.09         | 42.63   | 40.91        | 35.68                    | 50.00        | 0.01     | 0.00                          | 0.01 | 0.01 | 0.01 |  |
| Houston TX AA                          | 143                       | 16.47            | 3.21                   | 9.09             | 23.14                       | 34.97        | 31.97   | 20.28        | 41.68                    | 35.66        | 0.01     | 0.02                          | 0.01 | 0.00 | 0.01 |  |
| San Antonio TX AA                      | 121                       | 13.94            | 1.60                   | 0.00             | 29.94                       | 11.57        | 33.17   | 20.66        | 35.29                    | 67.77        | 0.02     | 0.00                          | 0.04 | 0.01 | 0.03 |  |
| Tarrant County TX AA                   | 343                       | 39.52            | 3.85                   | 4.37             | 19.76                       | 34.40        | 36.48   | 33.53        | 39.91                    | 27.70        | 0.02     | 0.00                          | 0.04 | 0.01 | 0.02 |  |
| <b>Limited Review:</b>                 |                           |                  |                        |                  |                             |              |   |              |                          |              |          |                               |      |      |      |  |
| Brownsville-Harlingen TX MSA           | 23                        | 2.65             | 0.87                   | 0.00             | 21.06                       | 26.09        | 43.90   | 26.09        | 34.18                    | 47.83        | 0.07     | 0.00                          | 0.00 | 0.04 | 0.10 |  |
| Corpus Christi TX AA                   | 50                        | 5.76             | 3.82                   | 0.00             | 24.93                       | 8.00         | 40.45   | 20.00        | 30.80                    | 72.00        | 0.09     | 0.00                          | 0.00 | 0.09 | 0.10 |  |
| Dallas County TX AA                    | 108                       | 12.44            | 4.24                   | 3.70             | 29.53                       | 26.85        | 35.01   | 22.22        | 31.22                    | 47.22        | 0.01     | 0.00                          | 0.00 | 0.00 | 0.02 |  |
| McAllen-Edinburg-Mission TX MSA        | 34                        | 3.92             | 0.00                   | 0.00             | 27.56                       | 26.47        | 48.45   | 29.41        | 23.99                    | 44.12        | 0.02     | 0.00                          | 0.00 | 0.00 | 0.04 |  |
| Willacy County TX AA                   | 2                         | 0.23             | 0.00                   | 0.00             | 100.00                      | 100.00       | 0.00  | 0.00         | 0.00                     | 0.00         | 0.00     | 0.00                          | 0.00 | 0.00 | 0.00 |  |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area. Tables exclude census tracts with no income data (i.e. "NA").

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 3. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT |                              |              | Geography: TEXAS       |                  |                             |              | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |              |                          |              |          | Market Share (%) by Geography |      |      |      |  |
|---|------------------------------|--------------|------------------------|------------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|----------|-------------------------------|------|------|------|--|
| MA/Assessment Area:                       | Total Home Improvement Loans |              | Low-Income Geographies |                  | Moderate-Income Geographies |              | Middle-Income Geographies                               |              | Upper-Income Geographies |              | Over all | Low                           | Mod  | Mid  | Upp  |  |
|   | #                            | % of Total** | % Owner Occ... Units   | % BANK Loans**** | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***                                    | % BANK Loans | % Owner Occ Units***     | % BANK Loans |          |                               |      |      |      |  |
| <b>Full Review:</b>                       |                              |              |                        |                  |                             |              |   |              |                          |              |          |                               |      |      |      |  |
| Austin-Round Rock TX MSA                  | 324                          | 10.21        | 2.79                   | 3.09             | 18.90                       | 14.81        | 42.63   | 33.33        | 35.68                    | 48.77        | 2.10     | 1.52                          | 1.64 | 1.80 | 2.61 |  |
| Houston TX AA                             | 693                          | 21.85        | 3.21                   | 1.59             | 23.14                       | 20.06        | 31.97   | 21.50        | 41.68                    | 56.85        | 2.06     | 1.16                          | 2.20 | 1.67 | 2.29 |  |
| San Antonio TX AA                         | 1,070                        | 33.73        | 1.60                   | 1.40             | 29.94                       | 18.69        | 33.17   | 23.27        | 35.29                    | 56.64        | 5.53     | 9.46                          | 4.54 | 4.08 | 7.02 |  |
| Tarrant County TX AA                      | 436                          | 13.75        | 3.85                   | 1.15             | 19.76                       | 10.78        | 36.48   | 32.11        | 39.91                    | 55.96        | 1.94     | 1.89                          | 1.28 | 1.67 | 2.33 |  |
| <b>Limited Review:</b>                    |                              |              |                        |                  |                             |              |   |              |                          |              |          |                               |      |      |      |  |
| Brownsville-Harlingen TX MSA              | 44                           | 1.39         | 0.87                   | 2.27             | 21.06                       | 20.45        | 43.90   | 27.27        | 34.18                    | 50.00        | 1.65     | 0.00                          | 1.73 | 0.78 | 2.87 |  |
| Corpus Christi TX AA                      | 308                          | 9.71         | 3.82                   | 2.60             | 24.93                       | 12.99        | 40.45   | 42.21        | 30.80                    | 42.21        | 8.60     | 6.67                          | 5.70 | 9.95 | 9.29 |  |
| Dallas County TX AA                       | 183                          | 5.77         | 4.24                   | 2.73             | 29.53                       | 9.84         | 35.01   | 22.40        | 31.22                    | 65.03        | 1.18     | 1.49                          | 0.46 | 0.83 | 1.98 |  |
| McAllen-Edinburg-Mission TX MSA           | 101                          | 3.18         | 0.00                   | 0.00             | 27.56                       | 19.80        | 48.45   | 33.66        | 23.99                    | 46.53        | 2.36     | 0.00                          | 3.24 | 1.63 | 2.93 |  |
| Willacy County TX AA                      | 13                           | 0.41         | 0.00                   | 0.00             | 100.00                      | 100.00       | 0.00  | 0.00         | 0.00                     | 0.00         | 7.55     | 0.00                          | 7.55 | 0.00 | 0.00 |  |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area. Tables exclude census tracts with no income data (i.e. "NA").

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE<br>2007 |                                     |              | Geography: TEXAS       |                  |                             |              |                           |              | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, |              |                               |      |      |      |      |
|--|-------------------------------------|--------------|------------------------|------------------|-----------------------------|--------------|---------------------------|--------------|--|--------------|-------------------------------|------|------|------|------|
| MA/Assessment Area:                                      | Total Home Mortgage Refinance Loans |              | Low-Income Geographies |                  | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies                           |              | Market Share (%) by Geography |      |      |      |      |
|  | #                                   | % of Total** | % Owner Occ Units***   | % BANK Loans**** | % Owner Occ Units***        | % BANK Loans | % Owner Occ Units***      | % BANK Loans | % Owner Occ Units***                               | % BANK Loans | Overa ll                      | Low  | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                                      |                                     |              |                        |                  |                             |              |                           |              |  |              |                               |      |      |      |      |
| Austin-Round Rock TX MSA                                 | 136                                 | 11.63        | 2.79                   | 3.68             | 18.90                       | 21.32        | 42.63                     | 35.29        | 35.68  | 39.71        | 0.15                          | 0.00 | 0.24 | 0.14 | 0.13 |
| Houston TX AA  | 221                                 | 18.91        | 3.21                   | 0.90             | 23.14                       | 24.43        | 31.97                     | 27.15        | 41.68  | 47.51        | 0.10                          | 0.00 | 0.13 | 0.10 | 0.09 |
| San Antonio TX AA  | 394                                 | 33.70        | 1.60                   | 1.27             | 29.94                       | 23.60        | 33.17                     | 27.41        | 35.29  | 47.72        | 0.36                          | 0.52 | 0.46 | 0.38 | 0.30 |
| Tarrant County TX AA                                     | 182                                 | 15.57        | 3.85                   | 0.55             | 19.76                       | 10.99        | 36.48                     | 35.16        | 39.91  | 53.30        | 0.17                          | 0.00 | 0.07 | 0.27 | 0.15 |
| <b>Limited Review:</b>                                   |                                     |              |                        |                  |                             |              |                           |              |  |              |                               |      |      |      |      |
| Brownsville-Harlingen TX MSA                             | 27                                  | 2.31         | 0.87                   | 0.00             | 21.06                       | 25.93        | 43.90                     | 22.22        | 34.18  | 51.85        | 0.17                          | 0.00 | 0.00 | 0.17 | 0.22 |
| Corpus Christi TX AA                                     | 108                                 | 9.24         | 3.82                   | 0.93             | 24.93                       | 7.41         | 40.45                     | 37.96        | 30.80  | 53.70        | 0.94                          | 0.00 | 0.19 | 0.94 | 1.27 |
| Dallas County TX AA                                      | 36                                  | 3.08         | 4.24                   | 2.78             | 29.53                       | 5.56         | 35.01                     | 22.22        | 31.22  | 69.44        | 0.01                          | 0.00 | 0.00 | 0.01 | 0.01 |
| McAllen-Edinburg-Mission TX MSA                          | 63                                  | 5.39         | 0.00                   | 0.00             | 27.56                       | 11.11        | 48.45                     | 38.10        | 23.99  | 50.79        | 0.35                          | 0.00 | 0.24 | 0.09 | 0.74 |
| Willacy County TX AA                                     | 2                                   | 0.17         | 0.00                   | 0.00             | 100.00                      | 100.00       | 0.00                      | 0.00         | 0.00   | 0.00         | 0.00                          | 0.00 | 0.00 | 0.00 | 0.00 |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area. Tables exclude census tracts with no income data (i.e. "NA").

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 5. Geographic Distribution of Multifamily Loans**

| Geographic Distribution: MULTIFAMILY |                         | Geography: TEXAS |                        |                  |                             |              | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |              |                          |              |         | Market Share (%) by Geography |      |      |      |  |
|--------------------------------------|-------------------------|------------------|------------------------|------------------|-----------------------------|--------------|---|--------------|--------------------------|--------------|---------|-------------------------------|------|------|------|--|
| MA/Assessment Area:                  | Total Multifamily Loans |                  | Low-Income Geographies |                  | Moderate-Income Geographies |              | Middle-Income Geographies                               |              | Upper-Income Geographies |              | Overall | Low                           | Mod  | Mid  | Upp  |  |
|                                      | #                       | % of Total**     | % of MF Units***       | % BANK Loans**** | % MF Units***               | % BANK Loans | % MF Units***   | % BANK Loans | % MF Units***            | % BANK Loans |         |                               |      |      |      |  |
| <b>Full Review:</b>                  |                         |                  |                        |                  |                             |              |   |              |                          |              |         |                               |      |      |      |  |
| Austin-Round Rock TX MSA             | 3                       | 18.75            | 18.86                  | 0.00             | 30.99                       | 33.33        | 35.24   | 33.33        | 14.91                    | 33.33        | 0.00    | 0.00                          | 0.00 | 0.00 | 0.00 |  |
| Houston TX AA                        | 3                       | 18.75            | 9.92                   | 33.33            | 36.51                       | 0.00         | 30.20   | 33.33        | 23.37                    | 33.33        | 0.61    | 0.00                          | 0.00 | 0.89 | 2.33 |  |
| San Antonio TX AA                    | 0                       | 0.00             | 1.82                   | 0.00             | 35.47                       | 0.00         | 40.59   | 0.00         | 22.13                    | 0.00         | 0.00    | 0.00                          | 0.00 | 0.00 | 0.00 |  |
| Tarrant County TX AA                 | 5                       | 31.25            | 7.17                   | 0.00             | 28.46                       | 40.00        | 45.23   | 40.00        | 19.13                    | 20.00        | 0.67    | 0.00                          | 2.27 | 0.00 | 0.00 |  |
| <b>Limited Review:</b>               |                         |                  |                        |                  |                             |              |   |              |                          |              |         |                               |      |      |      |  |
| Brownsville-Harlingen TX MSA         | 1                       | 6.25             | 2.93                   | 0.00             | 15.31                       | 100.00       | 19.84   | 0.00         | 61.92                    | 0.00         | 0.00    | 0.00                          | 0.00 | 0.00 | 0.00 |  |
| Corpus Christi TX AA                 | 2                       | 12.50            | 7.54                   | 50.00            | 13.95                       | 50.00        | 46.84   | 0.00         | 31.67                    | 0.00         | 0.00    | 0.00                          | 0.00 | 0.00 | 0.00 |  |
| Dallas County TX AA                  | 1                       | 6.25             | 18.13                  | 0.00             | 36.96                       | 0.00         | 30.79   | 0.00         | 14.12                    | 100.00       | 0.48    | 0.00                          | 0.00 | 0.00 | 3.45 |  |
| McAllen-Edinburg-Mission TX MSA      | 1                       | 6.25             | 0.00                   | 0.00             | 11.56                       | 0.00         | 31.77   | 100.00       | 56.67                    | 0.00         | 0.00    | 0.00                          | 0.00 | 0.00 | 0.00 |  |
| Willacy County TX AA                 | 0                       | 0.00             | 0.00                   | 0.00             | 100.00                      | 0.00         | 0.00  | 0.00         | 0.00                     | 0.00         | 0.00    | 0.00                          | 0.00 | 0.00 | 0.00 |  |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area. Tables exclude census tracts with no income data (i.e. "NA").

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.



**Table 6. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES<br>2007 |                            |              | Geography: TEXAS       |              |                             |              | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, |              |                          |              |         | Market Share (%) by Geography |      |      |      |  |
|--|----------------------------|--------------|------------------------|--------------|-----------------------------|--------------|--|--------------|--------------------------|--------------|---------|-------------------------------|------|------|------|--|
| MA/Assessment Area:  | Total Small Business Loans |              | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies                          |              | Upper-Income Geographies |              | Overall | Low                           | Mod  | Mid  | Upp  |  |
|  | #                          | % of Total** | % of Businesses***     | % BANK Loans | % of Businesses***          | % BANK Loans | % of Businesses***                                 | % BANK Loans | % of Businesses***       | % BANK Loans |         |                               |      |      |      |  |
| <b>Full Review:</b>  |                            |              |                        |              |                             |              |  |              |                          |              |         |                               |      |      |      |  |
| Austin-Round Rock TX MSA                                   | 1,735                      | 11.39        | 4.60                   | 4.27         | 18.71                       | 25.99        | 39.13  | 32.16        | 37.46                    | 37.58        | 0.74    | 0.80                          | 1.29 | 0.67 | 0.65 |  |
| Houston TX AA  | 4,433                      | 29.10        | 5.28                   | 4.90         | 25.52                       | 28.81        | 27.81  | 22.49        | 41.14                    | 43.81        | 0.57    | 0.73                          | 0.75 | 0.44 | 0.57 |  |
| San Antonio TX AA  | 3,186                      | 20.91        | 1.87                   | 2.32         | 27.55                       | 28.66        | 34.56  | 31.54        | 35.77                    | 37.48        | 1.57    | 2.15                          | 2.18 | 1.48 | 1.38 |  |
| Tarrant County TX AA                                       | 2,907                      | 19.08        | 4.00                   | 3.75         | 25.44                       | 30.13        | 35.72  | 30.00        | 34.84                    | 36.12        | 1.04    | 1.12                          | 1.42 | 0.92 | 1.01 |  |
| <b>Limited Review:</b>                                     |                            |              |                        |              |                             |              |  |              |                          |              |         |                               |      |      |      |  |
| Brownsville-Harlingen TX MSA                               | 208                        | 1.37         | 2.48                   | 0.48         | 28.59                       | 24.04        | 33.37  | 33.17        | 35.56                    | 42.31        | 0.84    | 0.00                          | 0.81 | 1.14 | 0.77 |  |
| Corpus Christi TX AA                                       | 1,071                      | 7.03         | 11.52                  | 14.85        | 24.65                       | 28.38        | 38.61  | 34.73        | 25.22                    | 22.04        | 2.71    | 3.50                          | 3.86 | 2.70 | 2.08 |  |
| Dallas County TX AA  | 861                        | 5.65         | 6.38                   | 5.46         | 31.11                       | 34.84        | 32.84  | 22.88        | 28.23                    | 36.82        | 0.29    | 0.32                          | 0.35 | 0.21 | 0.32 |  |
| McAllen-Edinburg-Mission TX MSA                            | 793                        | 5.20         | 0.00                   | 0.00         | 19.29                       | 11.35        | 42.30  | 41.24        | 38.41                    | 47.41        | 1.48    | 0.00                          | 1.20 | 1.79 | 1.45 |  |
| Willacy County TX AA                                       | 42                         | 0.28         | 0.00                   | 0.00         | 100.00                      | 100.00       | 0.00   | 0.00         | 0.00                     | 0.00         | 6.55    | 0.00                          | 7.37 | 0.00 | 0.00 |  |

\* Based on 2006 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area. Tables exclude census tracts with no income data (i.e. "NA").

\*\*\* Source Data - Dun and Bradstreet (2007).

**Table 7. Geographic Distribution of Small Loans to Farms**

| Geographic Distribution: SMALL LOANS TO FARMS<br>DECEMBER 31, 2007 |                        | Geography: TEXAS |                        |              |                             |              |                           |              |                          | Evaluation Period: JANUARY 1, 2005 TO |                               |      |      |      |      |
|--|------------------------|------------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|---------------------------------------|-------------------------------|------|------|------|------|
| MA/Assessment Area:  | Total Small Farm Loans |                  | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |                                       | Market Share (%) by Geography |      |      |      |      |
|  | #                      | % of Total**     | % of Farms*            | % BANK Loans | % of Farms*                 | % BANK Loans | % of Farms*               | % BANK Loans | % of Farms*              | % BANK Loans                          | Overall                       | Low  | Mod  | Mid  | Upp  |
| <b>Full Review:</b>  |                        |                  |                        |              |                             |              |                           |              |                          |                                       |                               |      |      |      |      |
| Austin-Round Rock TX MSA   | 10                     | 21.28            | 2.45                   | 20.00        | 17.68                       | 50.00        | 49.03                     | 30.00        | 30.85                    | 0.00                                  | 0.22                          | 0.00 | 1.39 | 0.00 | 0.00 |
| Houston TX AA  | 3                      | 6.38             | 3.31                   | 0.00         | 18.12                       | 33.33        | 36.90                     | 0.00         | 41.62                    | 66.67                                 | 0.00                          | 0.00 | 0.00 | 0.00 | 0.00 |
| San Antonio TX AA  | 10                     | 21.28            | 0.87                   | 0.00         | 17.59                       | 0.00         | 40.44                     | 90.00        | 40.89                    | 10.00                                 | 1.53                          | 0.00 | 0.00 | 3.13 | 0.00 |
| Tarrant County TX AA   | 2                      | 4.26             | 2.37                   | 0.00         | 18.24                       | 50.00        | 40.28                     | 50.00        | 39.11                    | 0.00                                  | 0.60                          | 0.00 | 3.70 | 0.00 | 0.00 |
| <b>Limited Review:</b>   |                        |                  |                        |              |                             |              |                           |              |                          |                                       |                               |      |      |      |      |
| Brownsville-Harlingen TX MSA                                       | 2                      | 4.26             | 0.23                   | 0.00         | 12.79                       | 0.00         | 53.49                     | 0.00         | 33.49                    | 100.00                                | 0.49                          | 0.00 | 0.00 | 0.00 | 1.72 |
| Corpus Christi TX AA   | 0                      | 0.00             | 4.64                   | 0.00         | 17.40                       | 0.00         | 50.13                     | 0.00         | 27.84                    | 0.00                                  | 0.00                          | 0.00 | 0.00 | 0.00 | 0.00 |
| Dallas County TX AA  | 0                      | 0.00             | 4.94                   | 0.00         | 30.11                       | 0.00         | 34.87                     | 0.00         | 29.45                    | 0.00                                  | 0.00                          | 0.00 | 0.00 | 0.00 | 0.00 |
| McAllen-Edinburg-Mission TX MSA                                    | 16                     | 34.04            | 0.00                   | 0.00         | 13.98                       | 25.00        | 55.26                     | 62.50        | 30.76                    | 12.50                                 | 1.32                          | 0.00 | 1.67 | 1.39 | 1.15 |
| Willacy County TX AA   | 4                      | 8.51             | 0.00                   | 0.00         | 100.00                      | 100.00       | 0.00                      | 0.00         | 0.00                     | 0.00                                  | 3.64                          | 0.00 | 3.85 | 0.00 | 0.00 |

\* Based on 2006 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area. Tables exclude census tracts with no income data (i.e. "NA").

\*\*\* Source Data - Dun and Bradstreet (2007).

**Table 8. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                           |              | Geography: TEXAS     |                  |                           |                | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |                |                        |                |         | Market Share |      |      |      |  |
|--------------------------------------|---------------------------|--------------|----------------------|------------------|---------------------------|----------------|---|----------------|------------------------|----------------|---------|--------------|------|------|------|--|
| MA/Assessment Area:                  | Total Home Purchase Loans |              | Low-Income Borrowers |                  | Moderate-Income Borrowers |                | Middle-Income Borrowers                                 |                | Upper-Income Borrowers |                | Overall | Low          | Mod  | Mid  | Upp  |  |
|                                      | #                         | % of Total** | % Families***        | % BANK Loans**** | % Families <sup>1</sup>   | % BANK Loans** | % Families*   | % BANK Loans** | % Families*            | % BANK Loans** |         |              |      |      |      |  |
| <b>Full Review:</b>                  |                           |              |                      |                  |                           |                |   |                |                        |                |         |              |      |      |      |  |
| Austin-Round Rock TX MSA             | 36                        | 6.23         | 19.76                | 5.13             | 18.30                     | 12.82          | 22.76   | 7.69           | 39.17                  | 74.36          | 0.01    | 0.00         | 0.01 | 0.00 | 0.01 |  |
| Houston TX AA                        | 134                       | 23.18        | 22.87                | 24.26            | 17.37                     | 21.32          | 18.79   | 13.24          | 40.98                  | 41.18          | 0.01    | 0.03         | 0.01 | 0.00 | 0.02 |  |
| San Antonio TX AA                    | 107                       | 18.51        | 20.99                | 0.93             | 17.89                     | 5.61           | 20.41   | 17.76          | 40.72                  | 75.70          | 0.03    | 0.00         | 0.00 | 0.02 | 0.03 |  |
| Tarrant County TX AA                 | 144                       | 24.91        | 19.49                | 2.74             | 18.35                     | 10.96          | 21.37   | 13.70          | 40.80                  | 72.60          | 0.02    | 0.00         | 0.01 | 0.00 | 0.03 |  |
| <b>Limited Review:</b>               |                           |              |                      |                  |                           |                |   |                |                        |                |         |              |      |      |      |  |
| Brownsville-Harlingen TX MSA         | 9                         | 1.56         | 23.75                | 11.11            | 16.04                     | 11.11          | 17.82   | 11.11          | 42.40                  | 66.67          | 0.02    | 0.00         | 0.00 | 0.00 | 0.02 |  |
| Corpus Christi TX AA                 | 37                        | 6.40         | 22.63                | 0.00             | 16.77                     | 5.13           | 19.82   | 15.38          | 40.78                  | 79.49          | 0.06    | 0.00         | 0.09 | 0.09 | 0.05 |  |
| Dallas County TX AA                  | 80                        | 13.84        | 26.10                | 0.00             | 20.12                     | 6.17           | 20.22   | 8.64           | 33.56                  | 85.19          | 0.01    | 0.00         | 0.00 | 0.00 | 0.02 |  |
| McAllen-Edinburg-Mission TX MSA      | 29                        | 5.02         | 23.48                | 3.33             | 16.86                     | 6.67           | 17.67   | 30.00          | 41.98                  | 60.00          | 0.02    | 0.00         | 0.00 | 0.00 | 0.02 |  |
| Willacy County TX AA                 | 2                         | 0.35         | 35.73                | 0.00             | 21.25                     | 50.00          | 20.25   | 0.00           | 22.77                  | 50.00          | 0.00    | 0.00         | 0.00 | 0.00 | 0.00 |  |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* As a percentage of loans with borrower income information available. No information was available for 33.4% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 9. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT<br>2007 |                              | Geography: TEXAS |                      |                |                           |                  |                         | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, |                        |                  |              |      |      |      |      |
|---|------------------------------|------------------|----------------------|----------------|---------------------------|------------------|-------------------------|--|------------------------|------------------|--------------|------|------|------|------|
| MA/Assessment Area:                             | Total Home Improvement Loans |                  | Low-Income Borrowers |                | Moderate-Income Borrowers |                  | Middle-Income Borrowers |  | Upper-Income Borrowers |                  | Market Share |      |      |      |      |
|   | #                            | % of Total**     | % Families***        | % BANK Loans** | % Families <sup>2</sup>   | % BANK Loans**** | % Families* **          | % BANK Loans****                                   | % Families* **         | % BANK Loans**** | Overall      | Low  | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                             |                              |                  |                      |                |                           |                  |                         |  |                        |                  |              |      |      |      |      |
| Austin-Round Rock TX MSA                        | 306                          | 10.53            | 19.76                | 3.92           | 18.30                     | 10.13            | 22.76                   | 13.73  | 39.17                  | 72.22            | 2.07         | 0.42 | 1.52 | 0.70 | 3.15 |
| Houston TX AA                                   | 623                          | 21.43            | 22.87                | 6.25           | 17.37                     | 8.81             | 18.79                   | 19.07  | 40.98                  | 65.87            | 1.95         | 1.70 | 1.28 | 1.85 | 2.22 |
| San Antonio TX AA                               | 964                          | 33.16            | 20.99                | 10.68          | 17.89                     | 9.65             | 20.41                   | 13.49  | 40.72                  | 66.18            | 5.00         | 5.21 | 3.14 | 2.81 | 6.41 |
| Tarrant County TX AA                            | 413                          | 14.21            | 19.49                | 3.86           | 18.35                     | 10.39            | 21.37                   | 14.98  | 40.80                  | 70.77            | 1.92         | 1.55 | 1.21 | 1.55 | 2.34 |
| <b>Limited Review:</b>                          |                              |                  |                      |                |                           |                  |                         |  |                        |                  |              |      |      |      |      |
| Brownsville-Harlingen TX MSA                    | 39                           | 1.34             | 23.75                | 7.69           | 16.04                     | 12.82            | 17.82                   | 17.95  | 42.40                  | 61.54            | 1.45         | 1.19 | 1.35 | 1.20 | 1.63 |
| Corpus Christi TX AA                            | 287                          | 9.87             | 22.63                | 10.10          | 16.77                     | 15.33            | 19.82                   | 18.47  | 40.78                  | 56.10            | 8.30         | 5.83 | 5.88 | 9.02 | 9.27 |
| Dallas County TX AA                             | 176                          | 6.05             | 26.10                | 3.41           | 20.12                     | 4.55             | 20.22                   | 9.66   | 33.56                  | 82.39            | 1.23         | 0.37 | 0.37 | 0.57 | 2.26 |
| McAllen-Edinburg-Mission TX MSA                 | 92                           | 3.16             | 23.48                | 6.52           | 16.86                     | 11.96            | 17.67                   | 15.22  | 41.98                  | 66.30            | 2.14         | 1.85 | 2.31 | 1.95 | 2.20 |
| Willacy County TX AA                            | 7                            | 0.24             | 35.73                | 28.57          | 21.25                     | 28.57            | 20.25                   | 14.29  | 22.77                  | 28.57            | 3.92         | 7.69 | 7.69 | 0.00 | 0.00 |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* As a percentage of loans with borrower income information available. No information was available for 8.3% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE<br>2007 |                                     | Geography: TEXAS |                      |                  |                           |                  |                         | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, |                        |                |              |      |      |      |      |
|--|-------------------------------------|------------------|----------------------|------------------|---------------------------|------------------|-------------------------|--|------------------------|----------------|--------------|------|------|------|------|
| MA/Assessment Area:                                    | Total Home Mortgage Refinance Loans |                  | Low-Income Borrowers |                  | Moderate-Income Borrowers |                  | Middle-Income Borrowers |  | Upper-Income Borrowers |                | Market Share |      |      |      |      |
|  | #                                   | % of Total**     | % Families***        | % BANK Loans**** | % Families <sup>3</sup>   | % BANK Loans**** | % Families*<br>**       | % BANK Loans****                                   | % Families*<br>**      | % BANK Loans** | Overall      | Low  | Mod  | Mid  | Upp  |
| <b>Full Review:</b>                                    |                                     |                  |                      |                  |                           |                  |                         |  |                        |                |              |      |      |      |      |
| Austin-Round Rock TX MSA                               | 130                                 | 11.95            | 19.76                | 8.46             | 18.30                     | 11.54            | 22.76                   | 18.46  | 39.17                  | 61.54          | 0.18         | 0.11 | 0.19 | 0.18 | 0.20 |
| Houston TX AA  | 211                                 | 19.39            | 22.87                | 9.00             | 17.37                     | 17.06            | 18.79                   | 18.01  | 40.98                  | 55.92          | 0.11         | 0.14 | 0.09 | 0.13 | 0.11 |
| San Antonio TX AA                                      | 364                                 | 33.46            | 20.99                | 12.36            | 17.89                     | 14.29            | 20.41                   | 15.93  | 40.72                  | 57.42          | 0.41         | 1.13 | 0.35 | 0.28 | 0.38 |
| Tarrant County TX AA                                   | 166                                 | 15.26            | 19.49                | 4.17             | 18.35                     | 14.29            | 21.37                   | 18.45  | 40.80                  | 63.10          | 0.21         | 0.18 | 0.14 | 0.22 | 0.25 |
| <b>Limited Review:</b>                                 |                                     |                  |                      |                  |                           |                  |                         |  |                        |                |              |      |      |      |      |
| Brownsville-Harlingen TX MSA                           | 17                                  | 1.56             | 23.75                | 5.56             | 16.04                     | 5.56             | 17.82                   | 16.67  | 42.40                  | 72.22          | 0.20         | 0.00 | 0.00 | 0.43 | 0.18 |
| Corpus Christi TX AA                                   | 105                                 | 9.65             | 22.63                | 6.67             | 16.77                     | 2.86             | 19.82                   | 23.81  | 40.78                  | 66.67          | 1.06         | 2.72 | 0.25 | 1.27 | 1.03 |
| Dallas County TX AA                                    | 34                                  | 3.13             | 26.10                | 2.94             | 20.12                     | 5.88             | 20.22                   | 11.76  | 33.56                  | 79.41          | 0.01         | 0.00 | 0.00 | 0.02 | 0.01 |
| McAllen-Edinburg-Mission TX MSA                        | 59                                  | 5.42             | 23.48                | 5.08             | 16.86                     | 6.78             | 17.67                   | 10.17  | 41.98                  | 77.97          | 0.38         | 1.37 | 0.59 | 0.00 | 0.41 |
| Willacy County TX AA                                   | 2                                   | 0.18             | 35.73                | 0.00             | 21.25                     | 50.00            | 20.25                   | 0.00   | 22.77                  | 50.00          | 0.00         | 0.00 | 0.00 | 0.00 | 0.00 |

\* Based on 2006 Peer Mortgage Data (Western)

\*\* As a percentage of loans with borrower income information available. No information was available for 6.9% of loans originated and purchased by bank.

\*\*\* Percentage of Families is based on the 2000 Census information.

\*\*\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

**Table 11. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES<br>2007 |                                 |              |   |            | Geography: TEXAS                                     |                         |                           | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, |                         |  |
|--|---------------------------------|--------------|---|------------|--|-------------------------|---------------------------|--|-------------------------|--|
| MA/Assessment Area:                                      | Total Small Loans to Businesses |              | Businesses With Revenues of \$1 million or less |            | Loans by Original Amount Regardless of Business Size |                         |                           | Market Share                                       |                         |  |
|  | #                               | % of Total** | % of Businesses***                              | % BANK**** | \$100,000 or less                                    | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All  | Rev\$ 1 Million or Less |  |
| <b>Full Review:</b>                                      |                                 |              |   |            |  |                         |                           |  |                         |  |
| Austin-Round Rock TX MSA                                 | 1,643                           | 11.33        | 68.43   | 49.68      | 53.43  | 22.07                   | 24.50                     | 0.74   | 0.89                    |  |
| Houston TX AA  | 4,246                           | 29.28        | 69.87   | 47.41      | 51.54  | 22.02                   | 26.44                     | 0.57   | 0.69                    |  |
| San Antonio TX AA  | 3,066                           | 21.14        | 68.73   | 46.90      | 54.36  | 20.94                   | 24.70                     | 1.57   | 2.01                    |  |
| Tarrant County TX AA                                     | 2,756                           | 19.01        | 66.77   | 46.41      | 49.09  | 22.57                   | 28.35                     | 1.04   | 1.17                    |  |
| <b>Limited Review:</b>                                   |                                 |              |   |            |  |                         |                           |  |                         |  |
| Brownsville-Harlingen TX MSA                             | 202                             | 1.39         | 61.30   | 61.06      | 61.54  | 23.08                   | 15.38                     | 0.84   | 1.26                    |  |
| Corpus Christi TX AA                                     | 1,040                           | 7.17         | 67.59   | 55.65      | 54.53  | 23.72                   | 21.76                     | 2.71   | 3.98                    |  |
| Dallas County TX AA                                      | 811                             | 5.59         | 68.42   | 38.22      | 42.73  | 21.20                   | 36.08                     | 0.29   | 0.28                    |  |
| McAllen-Edinburg-Mission TX MSA                          | 699                             | 4.82         | 64.10   | 54.10      | 57.25  | 24.59                   | 18.16                     | 1.48   | 1.77                    |  |
| Willacy County TX AA                                     | 38                              | 0.26         | 42.41   | 69.05      | 73.81  | 21.43                   | 4.76                      | 6.55   | 8.33                    |  |

\* Based on 2006 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2007).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 5.27% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

| Borrower Distribution: SMALL LOANS TO FARMS |                            |              |  | Geography: TEXAS |  | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |                           |              |                         |
|---|----------------------------|--------------|--|------------------|--|---|---------------------------|--------------|-------------------------|
| MA/Assessment Area:                         | Total Small Loans to Farms |              | Farms With Revenues of \$1 million or less |                  | Loans by Original Amount Regardless of Farm Size |   |                           | Market Share |                         |
|   | #                          | % of Total** | % of Farms***                              | % BANK Loans**** | \$100,000 or less                                | >\$100,000 to \$250,000                                 | >\$250,000 to \$1,000,000 | All          | Rev\$ 1 Million or Less |
| <b>Full Review:</b>                         |                            |              |  |                  |  |   |                           |              |                         |
| Austin-Round Rock TX MSA                    | 9                          | 20.93        | 96.81                                      | 30.00            | 10.00  | 70.00   | 20.00                     | 0.22         | 0.00                    |
| Houston TX AA                               | 3                          | 6.98         | 95.28                                      | 100.00           | 33.33  | 33.33   | 33.33                     | 0.00         | 0.00                    |
| San Antonio TX AA                           | 10                         | 23.26        | 96.77                                      | 10.00            | 60.00  | 20.00   | 20.00                     | 1.53         | 0.33                    |
| Tarrant County TX AA                        | 1                          | 2.33         | 96.47                                      | 50.00            | 100.00   | 0.00  | 0.00                      | 0.60         | 0.00                    |
| <b>Limited Review:</b>                      |                            |              |  |                  |  |   |                           |              |                         |
| Brownsville-Harlingen TX MSA                | 2                          | 4.65         | 96.28                                      | 100.00           | 100.00   | 0.00  | 0.00                      | 0.49         | 0.59                    |
| Corpus Christi TX AA                        | 0                          | 0.00         | 96.65                                      | 0.00             | 0.00   | 0.00  | 0.00                      | 0.00         | 0.00                    |
| Dallas County TX AA                         | 0                          | 0.00         | 95.13                                      | 0.00             | 0.00   | 0.00  | 0.00                      | 0.00         | 0.00                    |
| McAllen-Edinburg-Mission TX MSA             | 15                         | 34.88        | 90.79                                      | 62.50            | 50.00  | 37.50   | 12.50                     | 1.32         | 1.23                    |
| Willacy County TX AA                        | 3                          | 6.98         | 89.36                                      | 75.00            | 100.00   | 0.00  | 0.00                      | 3.64         | 2.86                    |

\* Based on 2006 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2007).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 8.51% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

| QUALIFIED INVESTMENTS           |                          | Geography: TEXAS |                            |           |                   | Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |            |                        |           |
|---------------------------------|--------------------------|------------------|----------------------------|-----------|-------------------|---|------------|------------------------|-----------|
| MA/Assessment Area:             | Prior Period Investments |                  | Current Period Investments |           | Total Investments |   |            | Unfunded Commitments** |           |
|                                 | #                        | \$(000's)        | #                          | \$(000's) | #                 | \$(000's)   | % of Total | #                      | \$(000's) |
| <b>Full Review:</b>             |                          |                  |                            |           |                   |   |            |                        |           |
| Austin-Round Rock TX MSA        | 3                        | 3,384            | 100                        | 6,016     | 103               | 9,400   | 19.13      | 0                      | 0         |
| Houston TX AA                   | 3                        | 2,661            | 78                         | 6,146     | 81                | 8,807   | 17.92      | 0                      | 0         |
| San Antonio TX AA               | 3                        | 560              | 144                        | 15,186    | 147               | 15,745  | 32.04      | 0                      | 0         |
| Tarrant County TX AA            | 3                        | 3,313            | 59                         | 6,166     | 62                | 9,479   | 19.29      | 0                      | 0         |
| <b>Limited Review:</b>          |                          |                  |                            |           |                   |   |            |                        |           |
| Brownsville-Harlingen TX MSA    | 0                        | 0                | 0                          | 0         | 0                 | 0   | 0.00       | 0                      | 0         |
| Corpus Christi TX AA            | 2                        | 79               | 40                         | 1,014     | 42                | 1,093   | 2.22       | 0                      | 0         |
| Dallas County TX AA             | 3                        | 2,026            | 20                         | 2,524     | 23                | 4,550   | 9.26       | 0                      | 0         |
| McAllen-Edinburg-Mission TX MSA | 1                        | 15               | 16                         | 50        | 17                | 65  | 0.13       | 0                      | 0         |
| Willacy County TX AA            | 0                        | 0                | 0                          | 0         | 0                 | 0   | 0.00       | 0                      | 0         |

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.



**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: TEXAS Evaluation Period: JANUARY 1, 2005 TO DECEMBER 31, 2007 |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |        |       |       |
|--|--------------------------------|--------------------|--------------------------------|---|--------|-------|-------|--------------------------|----------------------|---|-----|-----|-----|---------------------------------------|--------|-------|-------|
| MA/Assessment Area:  | Deposits                       | Branches           |                                |   |        |       |       | Branch Openings/Closings |                      |   |     |     |     | Population                            |        |       |       |
|  | % of Rated Area Deposits in AA | # of BANK Branches | % of Rated Area Branches in AA | Location of Branches by Income of Geographies (%) |        |       |       | # of Branch Openings     | # of Branch Closings | Net change in Location of Branches (+ or -) |     |     |     | % of Population within Each Geography |        |       |       |
|  |                                |                    |                                | Low   | Mod    | Mid   | Upp   |                          |                      | Low   | Mod | Mid | Upp | Low                                   | Mod    | Mid   | Upp   |
| <b>Full Review:</b>  |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |        |       |       |
| Austin-Round Rock TX MSA AA  | 10.06                          | 10                 | 10.91                          | 0.00  | 30.00  | 40.00 | 30.00 | 2                        | 0                    | 0   | 0   | +2  | 0   | 8.31                                  | 25.66  | 39.38 | 26.46 |
| Houston TX AA  | 17.92                          | 25                 | 22.73                          | 0.00  | 24.00  | 12.00 | 64.00 | 1                        | 3                    | -1  | 0   | 0   | -1  | 6.96                                  | 30.88  | 30.55 | 31.56 |
| San Antonio TX AA  | 35.15                          | 22                 | 20.91                          | 0.00  | 13.64  | 31.82 | 54.55 | 2                        | 0                    | 0   | 0   | 0   | +2  | 2.59                                  | 36.91  | 32.52 | 27.97 |
| Tarrant County TX AA   | 22.94                          | 22                 | 21.82                          | 0.00  | 13.64  | 45.45 | 40.91 | 0                        | 2                    | 0   | -1  | -1  | 0   | 6.03                                  | 26.43  | 35.58 | 31.96 |
| <b>Limited Review:</b>   |                                |                    |                                |   |        |       |       |                          |                      |   |     |     |     |                                       |        |       |       |
| Brownsville-Harlingen TX MSA AA  | 0.61                           | 4                  | 3.64                           | 0.00  | 25.00  | 25.00 | 50.00 | 1                        | 0                    | 0   | 0   | 0   | +1  | 2.26                                  | 25.87  | 42.69 | 29.18 |
| Corpus Christi TX AA   | 6.24                           | 8                  | 7.27                           | 25.00   | 12.50  | 25.00 | 37.50 | 0                        | 0                    | 0   | 0   | 0   | 0   | 6.30                                  | 27.52  | 39.54 | 26.65 |
| Dallas County TX AA  | 3.97                           | 5                  | 4.55                           | 0.00  | 0.00   | 20.00 | 80.00 | 0                        | 0                    | 0   | 0   | 0   | 0   | 11.31                                 | 37.04  | 30.75 | 20.90 |
| McAllen-Edinburg-Mission TX MSA AA   | 2.93                           | 8                  | 7.27                           | 0.00  | 0.00   | 50.00 | 50.00 | 0                        | 0                    | 0   | 0   | 0   | 0   | 0.00                                  | 29.73  | 48.29 | 21.98 |
| Willacy County TX AA   | 0.19                           | 1                  | 0.91                           | 0.00  | 100.00 | 0.00  | 0.00  | 0                        | 0                    | 0   | 0   | 0   | 0   | 0.00                                  | 100.00 | 0.00  | 0.00  |