



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

August 11, 2003

Community Reinvestment Act Performance Evaluation

**Moody National Bank
Charter Number: 8899**

**2302 Post Office Street
Galveston, TX 77550**

Office of the Comptroller of the Currency

**Houston East Field Office
1301 McKinney Street, Suite 3410
Houston, TX 77010**

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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Description of Institution

Moody National Bank (MNB) is an intrastate financial institution and a wholly owned subsidiary of Moody Bancshares, a one-bank holding company headquartered in Galveston, Texas. The bank operates twenty full service branches and six stand-alone ATMs, with five branches located in the bank's primary trade area of Galveston. The bank has designated Galveston County as its primary assessment area (AA). The AA has also been expanded to include certain tracts in Harris and Brazoria County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. For additional information on MNB's assessment area, see Market Profile – Demographic Information Tables in Appendix B.

As of June 30, 2003, MNB had total assets of \$705 million with \$597 million in total deposits, which includes \$270 million in local public funds. For this same period, the bank's Tier One Capital ratio was 19.86%. As of the second quarter of 2003, the bank had a loan-to-deposit ratio of 32%. The large volume of public funds held by the bank negatively impacts this ratio. The public funds are not considered lendable deposits since the bank has to secure these funds as required by state law. Adjusting for the public funds, the loan-to-deposit ratio increases to 59%, which is comparable to similar banks within MNB's assessment area. MNB's deposit base represents 19% of the total deposit base in Galveston County, the primary assessment area for the bank. This ratio ranks first among twenty-two financial institutions located in Galveston County.

MNB is a full service institution that offers an array of loan and deposit products. The bank's primary focus is on small business lending and financing/refinancing of home mortgages. For additional information on the products and services offered by MNB, please refer to the bank's CRA Public File.

There are no legal, financial, or other constraints that impair the bank's ability to meet the credit needs of the community. MNB's performance was rated "Satisfactory" at its last CRA examination performed January 25, 1999.

Evaluation Period

The evaluation period for the Lending Test, excluding community development (CD) loans, is January 1, 1999 through December 31, 2002. For community development loans, investments, and services, our evaluation period was January 26, 1999, the ending date of the last CRA examination, through August 11, 2003, the starting date of this examination.

Overall CRA Rating

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

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

| Performance Levels | Moody National Bank Performance Tests | | |
|---------------------------|--|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High Satisfactory | | | X |
| Low Satisfactory | X | 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.

Due to MNB’s business focus, we gave the greatest weight to small business lending. The volume of home mortgage lending is adequate and was given less weight because the majority of reportable mortgage lending consisted of housing for middle- to upper-income borrowers. Small business lending is a significant credit need as indicated by the community groups we contacted. Our rating of the bank’s performance takes all of these factors into consideration.

Lending

Refer to Tables 1 through 11 in Appendix C for the facts and data used to evaluate the bank’s lending.

Performance is rated **Low Satisfactory**. The distribution of loans to low- and moderate-income (LMI) borrowers and in LMI areas is adequate. The level of lending to businesses of different sizes is good. MNB has originated an adequate volume of community development loans that address affordable housing needs.

- MNB’s lending activity is adequate. The bank’s deposit market share is 19%. The market share for small business loans of 4% is adequate. The market share for loans reportable under the Home Mortgage Disclosure Act (HMDA) was less favorable at .30%. The volume of loans to farms represented an insignificant percentage of the bank’s reportable loans and therefore was not analyzed.

- Forty-three percent of small business loans were made in low-income geographies, which exceeds the percentage of businesses in those areas of 12%. In moderate-income areas, 16% of small business loans were made, which exceeds the 12% of businesses in those areas.
- Home purchase lending is adequate and consistent with the demographics in LMI areas. Seven percent of MNB's home purchase loans were extended in low-income geographies, while 5% of owner-occupied housing units are located in these areas. For moderate-income areas, 17% of the units are owner-occupied. MNB's lending, at 22%, exceeds the percentage of owner-occupied units in those areas.
- Ninety-four percent of MNB's reportable loans were made within the assessment area, which represents a substantial majority.
- MNB's mortgage lending to low- and moderate-income individuals is adequate. Loans to moderate-income borrowers accounted for 13% of MNB's home purchase loans while 17% of the AA's families are designated moderate-income. Loans to low-income borrowers accounted for an additional 8% of MNB's home purchase loans while 23% of the AA's families are designated low-income. However, it is noted that over 14% of the families in the AA are living below poverty level. This factor was considered in analyzing the bank's performance of lending to low-income borrowers.
- MNB's distribution of small loans to businesses is good. Loans to businesses with revenues of less than \$1 million represent 78% of reportable loans. This level of lending is consistent with the 72% of area businesses that had revenues of less than \$1 million.
- Community development lending had a positive effect on the bank's rating under the lending test. MNB originated 17 qualified community development loans totaling \$3.1 million. This community development activity is favorable because the projects provide affordable housing for LMI families as well as assist with community stabilization and revitalization.

Investments

In evaluating the bank's volume of investments, we considered community development opportunities in the assessment area, as well as the capacity of the local infrastructure to create qualified investments. Opportunities for qualified investments are limited in the Galveston assessment area because of the containment on the island. MNB has the expertise and resources to create opportunities. Bank officers have been actively seeking opportunities for investment.

Refer to table 14 in Appendix C for the facts and data used to evaluate the banks level of qualified investments.

Performance is rated **Low Satisfactory**.

- The volume of MNB's investments is adequate due to limited opportunities. A \$1 million investment was made to a non-profit organization that provides living assistance to LMI individuals. MNB's invested \$25 thousand in an education facility that serves economically disadvantaged children. Additionally, MNB has made numerous grants and donations to various community-based organizations that benefit LMI individuals.

Services

In evaluating MNB's services, we considered its size in relation to the size of the MSA. MNB has ten branches in the Galveston County assessment area. This assessment area has 65 census tracts, with 9 being low-income and 15 moderate-income.

Refer to Table 13 in Appendix C for facts and data used to evaluate the distribution of the bank's branch delivery system and branch opening and closings.

Performance is rated **High Satisfactory**.

- The bank's retail delivery systems are accessible to individuals and geographies of different income levels. Four new branch offices were opened and none were closed. MNB operates twenty full service branch offices and twenty-six ATMs, of which six are free standing. While there are no branch offices located in low-income census tracts, the branches are readily accessible to low- and moderate-income populations due to the proximity to these areas. Downtown Galveston, where the main office is located, is designated as moderate-income as a result of the 2000 census. The majority of branch offices are located in middle- to upper-income tracts
- MNB's community development services are adequate. Several organizations that involve bank officers and employees have resulted in tangible services and loans to customers in the bank's assessment area, including low- to moderate-income areas. Several fundraising activities are performed to promote scholarships to needy students.
- One officer serves on the finance and investment committee of a local community organization. He performs presentations for new student orientation and participates in the allocation of funds for low- and moderate-income students. Bank officers are also members of several community-based organizations, which are involved in city revitalization and the recruiting and promoting of small businesses to the area. Bank officers have been involved as technical assistants and these services are ongoing.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

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|-----------------------|---|

Galveston County

| Demographic Information for Full-Scope Area: Galveston County MA | | | | | | |
|---|----------|----------------------|-------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 65 | 14% | 23% | 38% | 18% | 6% |
| Population by Geography | 212,603 | 8% | 19% | 50% | 23% | 0% |
| Owner-Occupied Housing by Geography | 48,705 | 5% | 17% | 51% | 27% | 0% |
| Businesses by Geography | 15,211 | 13% | 12% | 43% | 32% | 0% |
| Farms by Geography | 284 | 6% | 9% | 55% | 31% | 0% |
| Family Distribution by Income Level | 56,849 | 23% | 17% | 20% | 40% | 0% |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 22,789 | 15% | 26% | 49% | 10% | 0% |
| Median Family Income | | Median Housing Value | | | | |
| HUD Adjusted Median Family Income for 2002 | \$35,403 | | | | | \$60,568 |
| Households Below the Poverty Level | \$52,500 | | Unemployment Rate | | | 3% |
| | 14% | | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census, and 2002 HUD updated MFI.

Appendix C: Tables of Performance Data

Content of Standardized Tables

For purposes of reviewing the lending test tables, the following are applicable: 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 Metropolitan Area (MA)/assessment area. Tables without data are not included in this Performance Evaluation.

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.
- 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 is 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 is 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/assessment area. 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.
- 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/assessment area. The table also presents data on branch openings and closings in each MA/assessment area.

Table 1. Lending Volume

| LENDING VOLUME | | Geography: GALVESTON | | | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | |
|----------------------------|-------------------------------------|----------------------|------------|---------------------------|------------|----------------------|------------|---|------------|----------------------|------------|--------------------------------------|
| MA/Assessment Area (2002): | % 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) | |
| Full Review: | | | | | | | | | | | | |
| Galveston County | 87.66 | 348 | 21,614 | 715 | 63,670 | 1 | 80 | 17 | 3,091 | 1,081 | 66,841 | 15.92 |
| Limited Review: | | | | | | | | | | | | |
| Brazoria County | 4.79 | 19 | 1,072 | 120 | 8,704 | 0 | 0 | 0 | 0 | 139 | 9,776 | 1.42 |
| Harris County | 7.56 | 30 | 1,361 | 71 | 10,429 | 0 | 0 | 0 | 0 | 101 | 11,790 | .04 |

* Loan Data as of July 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From January 01, 1999 to July 31, 2003.

*** Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

| Geographic Distribution: HOME PURCHASE | | Geography: GALVESTON | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | Market Share (%) by Geography * | | | | |
|--|---------------------------|----------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|--------------|---------|---------------------------------|------|------|------|--|
| MA/Assessment Area: | Total Home Purchase Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall | 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 | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | |
| Galveston County | 166 | 88.77 | 4.96 | 6.63 | 16.82 | 22.29 | 51.30 | 42.77 | 26.92 | 28.31 | 0.30 | 0.68 | 1.52 | 0.30 | 0.14 | |
| Limited Review: | | | | | | | | | | | | | | | | |
| Brazoria County | 7 | 3.74 | 0.00 | 0.00 | 17.47 | 28.57 | 73.67 | 57.14 | 8.86 | 14.29 | 0.03 | 0.00 | 0.21 | 0.02 | 0.00 | |
| Harris County | 14 | 7.49 | 4.96 | 0.00 | 25.02 | 0.00 | 38.90 | 42.86 | 31.12 | 57.14 | 0.01 | 0.00 | 0.00 | 0.00 | 0.02 | |

* Based on 2001 Peer Mortgage Data: Southwest Region.

** 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.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 3. Geographic Distribution of Home Improvement Loans

| Geographic Distribution: HOME IMPROVEMENT | | Geography: GALVESTON | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | Market Share (%) by Geography* | | | | |
|---|------------------------------|----------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|--------------|---------|--------------------------------|------|------|------|--|
| MA/Assessment Area: | Total Home Improvement Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall | 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 | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | |
| Galveston County | 146 | 85.38 | 4.96 | 3.42 | 16.82 | 14.38 | 51.30 | 42.47 | 26.92 | 39.73 | 2.99 | 0.00 | 5.10 | 2.36 | 3.42 | |
| Limited Review: | | | | | | | | | | | | | | | | |
| Brazoria County | 12 | 7.02 | 0.00 | 0.00 | 17.47 | 8.33 | 73.67 | 83.33 | 8.86 | 8.33 | 0.73 | 0.00 | 0.00 | 0.94 | 0.00 | |
| Harris County | 13 | 7.60 | 4.96 | 0.00 | 25.02 | 0.00 | 38.90 | 30.77 | 31.12 | 69.23 | 0.25 | 0.00 | 0.00 | 0.25 | 0.40 | |

* Based on 2001 Peer Mortgage Data: Southwest Region.

** 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.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

| Geographic Distribution: HOME MORTGAGE REFINANCE | | | | | | | | | | | | | | | Geography: GALVESTON | | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMEBR 31, 2002 | | | | |
|--|-------------------------------------|--------------|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|---------------------------------|------|------|------|----------------------|--|--|--|--|---|--|--|--|--|
| 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 | Overall | Low | Mod | Mid | Upp | | | | | | | | | |
| Full Review: | | | | | | | | | | | | | | | | | | | | | | | | |
| Galveston County | 24 | 88.89 | 4.96 | 8.33 | 16.82 | 16.67 | 51.30 | 37.50 | 26.92 | 37.50 | 0.05 | 0.00 | 0.00 | 0.07 | 0.05 | | | | | | | | | |
| Limited Review: | | | | | | | | | | | | | | | | | | | | | | | | |
| Brazoria County | 0 | 0.00 | 0.00 | 0.00 | 17.47 | 0.00 | 73.67 | 0.00 | 8.86 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | |
| Harris County | 3 | 11.11 | 4.96 | 0.00 | 25.02 | 0.00 | 38.90 | 33.33 | 31.12 | 66.67 | 0.01 | 0.00 | 0.00 | 0.04 | 0.00 | | | | | | | | | |

* Based on 2001 Peer Mortgage Data: Southwest Region.

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

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5. Geographic Distribution of Multifamily Loans

| Geographic Distribution: MULTIFAMILY | | Geography: GALVESTON | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | | | | |
|--------------------------------------|-------------------------|----------------------|------------------------|--------------|-----------------------------|---|---------------------------|--------------|--------------------------|--------------|---------------------------------|-------|-------|------|------|
| MA/Assessment Area: | Total Multifamily Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Market Share (%) by Geography * | | | | |
| | # | % of Total** | % of MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | % MF Units*** | % BANK Loans | Overall | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | | | |
| Galveston County | 12 | 100.00 | 14.19 | 33.33 | 17.54 | 50.00 | 56.71 | 16.67 | 11.55 | 0.00 | 8.8 | 25.00 | 14.29 | 0.00 | 0.00 |
| Limited Review: | | | | | | | | | | | | | | | |
| Harris County | 0 | 0.00 | 6.37 | 0.00 | 37.16 | 0.00 | 36.57 | 0.00 | 19.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Brazoria County | 0 | 0.00 | 0.00 | 0.00 | 13.03 | 0.00 | 72.32 | 0.00 | 14.65 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

* Based on 2001 Peer Mortgage Data: Southwest Region.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

| Geographic Distribution: SMALL LOANS TO BUSINESSES Geography: GALVESTON Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | | | | | | | | | | |
|---|----------------------------|--------------------------|--------------------------------|--------------|--------------------------------|--------------|--------------------------------|--------------|--------------------------------|--------------|--|-------|-------|------|------|
| MA/Assessment Area: | Total Small Business Loans | | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Market Share (%) by Geography [*] | | | | |
| | # | % of Total ^{**} | % of Businesses ^{***} | % BANK Loans | % of Businesses ^{***} | % BANK Loans | % of Businesses ^{***} | % BANK Loans | % of Businesses ^{***} | % BANK Loans | Overall | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | | | |
| Galveston County | 715 | 78.92 | 12.40 | 43.19 | 12.42 | 16.34 | 42.77 | 46.89 | 32.40 | 32.49 | 4.13 | 23.26 | 13.99 | 8.62 | .42 |
| Limited Review: | | | | | | | | | | | | | | | |
| Brazoria County | 120 | 13.25 | 0.00 | 0.00 | 18.51 | 3.33 | 71.09 | 80.83 | 10.41 | 15.83 | 1.00 | 0.00 | .93 | 3.35 | 3.05 |
| Harris County | 71 | 7.84 | 3.11 | 0.00 | 26.79 | 20.29 | 37.98 | 34.78 | 30.92 | 44.93 | .07 | .07 | .19 | .12 | .08 |

^{*} Based on 2002 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.

^{***} Source Data - Dun and Bradstreet (2002).

Table 8. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | Geography: GALVESTON | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | | | | |
|--------------------------------------|---------------------------|--------------------------|---------------------------|------------------------------|---------------------------|---|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------|------|------|------|
| MA/Assessment Area: | Total Home Purchase Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Market Share [*] | | | | |
| | # | % of Total ^{**} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | Overall | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | | | |
| Galveston County | 166 | 88.77 | 23.37 | 8.20 | 16.71 | 13.11 | 19.78 | 18.85 | 40.14 | 59.84 | 0.33 | 0.77 | 0.24 | 0.39 | 0.29 |
| Limited Review: | | | | | | | | | | | | | | | |
| Brazoria County | 7 | 3.74 | 19.78 | 0.00 | 19.44 | 0.00 | 24.88 | 33.33 | 35.89 | 66.67 | 0.03 | 0.00 | 0.00 | 0.06 | 0.03 |
| Harris County | 14 | 7.49 | 21.89 | 25.00 | 17.52 | 25.00 | 22.25 | 12.50 | 38.34 | 37.50 | 0.01 | 0.00 | 0.00 | 0.04 | 0.00 |

^{*} Based on 2001 Peer Mortgage Data: Southwest Region.

^{**} As a percentage of loans with borrower income information available. No information was available for 27.27% of loans originated and purchased by the Bank.

^{***} Percentage of Families is based on the 1990 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.

Table 9. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT | | Geography: :GALVESTON | | | | Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | Market Share [*] | | | | |
|---|------------------------------|--------------------------|---------------------------|------------------------------|---------------------------|---|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------|------|------|------|
| MA/Assessment Area: | Total Home Improvement Loans | | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall | Low | Mod | Mid | Upp |
| | # | % of Total ^{**} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | | | | | |
| Full Review: | | | | | | | | | | | | | | | |
| Galveston County | 146 | 85.38 | 23.37 | 5.07 | 16.71 | 5.80 | 19.78 | 29.71 | 40.14 | 59.42 | 3.13 | 0.00 | 1.32 | 2.89 | 4.15 |
| Limited Review: | | | | | | | | | | | | | | | |
| Brazoria County | 12 | 7.02 | 19.78 | 8.33 | 19.44 | 8.33 | 24.88 | 8.33 | 35.89 | 75.00 | 0.81 | 0.00 | 0.00 | 0.00 | 1.73 |
| Harris County | 13 | 7.60 | 21.89 | 15.38 | 17.52 | 15.38 | 22.25 | 15.38 | 38.34 | 53.85 | 0.25 | 0.53 | 0.00 | 0.00 | 0.42 |

^{*} Based on 2001 Peer Mortgage Data: Southwest Region.

^{**} As a percentage of loans with borrower income information available. No information was available for 4.68% of loans originated and purchased by the Bank.

^{***} Percentage of Families is based on the 1990 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.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE Geography: GALVESTON Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | | | | | | | | | | |
|---|-------------------------------------|--------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------|------|------|------|
| 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 ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | % Families ^{***} | % BANK Loans ^{****} | Overall | Low | Mod | Mid | Upp |
| Full Review: | | | | | | | | | | | | | | | |
| Galveston County | 24 | 88.89 | 23.37 | 4.35 | 16.71 | 0.00 | 19.78 | 30.43 | 40.14 | 65.22 | 0.07 | 0.00 | 0.00 | 0.00 | 0.10 |
| Limited Review: | | | | | | | | | | | | | | | |
| Brazoria County | 0 | 0.00 | 19.78 | 0.00 | 19.44 | 0.00 | 24.88 | 0.00 | 35.89 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Harris County | 3 | 11.11 | 21.89 | 33.33 | 17.52 | 0.00 | 22.25 | 33.33 | 38.34 | 33.33 | 0.02 | 0.19 | 0.00 | 0.00 | 0.00 |

^{*} Based on 2001 Peer Mortgage Data: Southwest Region.

^{**} As a percentage of loans with borrower income information available. No information was available for 3.70% of loans originated and purchased by the Bank.

^{***} Percentage of Families is based on the 1990 Census information.

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

Table 11. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | | | | | | | | |
|---|---------------------------------|--------------------------|---|------------------------------|--|--------------------------|----------------------------|---------------------------|-------------------------|
| Geography: GALVESTON | | | | | | | | | |
| Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002 | | | | | | | | | |
| 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 Loans ^{****} | \$100,000 or less | > \$100,000 to \$250,000 | > \$250,000 to \$1,000,000 | All | Rev \$1 Million or Less |
| Full Review: | | | | | | | | | |
| Galveston County | 715 | 78.92 | 72.42 | 78.18 | 80.28 | 10.63 | 9.09 | 4.13 | 9.37 |
| Limited Review: | | | | | | | | | |
| Brazoria County | 120 | 13.25 | 72.11 | 14.29 | 87.50 | 7.50 | 5.00 | 1.00 | 2.81 |
| Harris County | 71 | 7.84 | 71.66 | 7.54 | 70.42 | 9.86 | 19.72 | .07 | .11 |

^{*} Based on 2002 Peer Small Business Data: US.

^{**} 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 - 2002).

^{****} Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

Table 14. Qualified Investments

| QUALIFIED INVESTMENTS | | | | | | | | | |
|--|---------------------------|-----------|----------------------------|-----------|-------------------|-----------|------------|------------------------|-----------|
| Geography: GALVESTON | | | | | | | | | |
| Evaluation Period: JANUARY 25, 1999 TO AUGUST 11, 2003 | | | | | | | | | |
| MA/Assessment Area: | Prior Period Investments* | | Current Period Investments | | Total Investments | | | Unfunded Commitments** | |
| | # | \$(000's) | # | \$(000's) | # | \$(000's) | % of Total | # | \$(000's) |
| Full Review: | | | | | | | | | |
| Galveston County | 0 | 0 | 2 | 1,025 | 2 | 1,025 | 100% | 0 | 0 |
| Limited Review: | | | | | | | | | |
| Harris County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Brazoria County | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

* 'Prior Period Investments' means investments made in a previous evaluation 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: GALVESTON | | | | Evaluation Period: JAN., 25, 1999 TO AUG. 31,2003 | | | | | | | | | |
|---|--------------------------------|--------------------|--------------------------------|---|-----|-----|-----|---|----------------------|---|-----|------------|-----|---------------------------------------|-------|-------|-------|
| 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 |
| Full Review: | | | | | | | | | | | | | | | | | |
| Galveston County | 100% | 10 | 100% | 0.00 | 40% | 10% | 50% | 4 | 0 | 0 | 0 | +1 | +3 | 8.53 | 18.64 | 49.72 | 23.04 |
| Limited Review: | | | | | | | | | | | | | | | | | |
| Harris County | 100% | 5 | 100% | 0% | 0% | 60% | 40% | 2 | 0 | 0 | 0 | +1 | +1 | 6.21% | 30.79 | 38.07 | 24.92 |
| Brazoria County | 100% | 5 | 100% | 0% | 20% | 40% | 40% | 2 | 0 | 0 | 0 | +1 | +1 | 0% | 20.00 | 69.30 | 10.69 |