



**LARGE BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 7, 2002

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank  
Charter Number: 14124**

**100 West Cano Street  
Edinburg, TX 78539**

**Office of the Comptroller of the Currency**

**San Antonio South Field Office  
10101 Reunion Place Blvd., Suite 402  
San Antonio, Texas 78216-4165**

**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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>1</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>5</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>6</b>
<b>FAIR LENDING REVIEW .....</b>	<b>8</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>9</b>
LENDING TEST .....	9
INVESTMENT TEST .....	19
SERVICE TEST.....	20
<b>APPENDIX A: SCOPE OF EXAMINATION .....</b>	<b>A-1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>B-1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>C-1</b>

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated “**Outstanding**”.

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

<b>Performance Levels</b>	First National Bank, Edinburg, Texas Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	✘	✘	✘
High Satisfactory			
Low Satisfactory			
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 activity in First National Bank’s (FNB’s) assessment areas (AAs) is good. Lending levels reflect very good responsiveness to assessment area (AA) credit needs, particularly affordable housing and small loans to businesses.
- A high level of FNB’s lending - nearly 95 percent - is within its AAs.
- The overall distribution of loans by income level of geography is excellent.
- The overall distribution of loans by income level of borrower is excellent.
- First National Bank (FNB) has an excellent level of community development (CD) loans, which positively impacted the overall lending performance evaluation.
- FNB uses flexible lending policies and practices to serve the credit needs of its community, particularly to low-and moderate-income individuals.
- The level of community development investments is excellent. The bank has utilized its authority under 12 U.S.C. 24.
- FNB’s branch distribution is excellent. Alternative delivery systems are excellent and service delivery systems are readily accessible to low- and moderate-income geographies and individuals.
- The bank’s level of community development services is good.

## 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.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**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.

**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 household 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 or a block numbering area 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 area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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 primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

FNB is an intrastate bank headquartered in Edinburg, Texas. FNB operates 25 full service branches in the counties of Hidalgo, Cameron, Nueces, and Bexar. The major cities in these counties are McAllen, Edinburg, and Mission in Hidalgo County; Brownsville and Harlingen in Cameron County; Corpus Christi in Nueces County; and, San Antonio in Bexar County.

FNB is a wholly-owned subsidiary of First National Bank Group, Inc., a one-bank holding company based in Edinburg, Texas. The holding company conducts no activity outside the activities of the bank. At the previous CRA evaluation, the holding company also owned Nueces National Bank (NNB) located in Corpus Christi, Texas. As of close of business on November 30, 2001, NNB was merged into FNB. The bank owns First National Group Community Development Corporation (CDC), based in Edinburg, Texas, which was formed July 30, 1999.

As of June 30, 2002, the bank has \$1.2 billion in assets and Tier 1 Capital of \$90 million, which represents 7.3 percent of assets. Net loans of \$606 million represent 49 percent of total assets. Real estate loans are the largest category of loans at 70 percent of gross loans, followed by commercial loans at 19 percent and consumer loans at 8 percent. Agricultural loans represent 3 percent of gross loans. While consumer loans do not represent a significant dollar volume, they represent the largest number of loans made during the evaluation period. FNB offers a full range of lending and deposit products with particular emphasis on loans for commercial purposes, residential development, and consumer purposes.

There are no legal, financial or other factors that impede the bank's ability to help meet the credit needs in its AAs. The OCC assigned FNB a rating of "Outstanding" at the previous CRA evaluation dated June 7, 1999.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Conclusions regarding the Lending Test are based on data collected for calendar years 2000, 2001, and year-to-date through June 30, 2002. This time period accounted for a substantial portion of the bank's lending activity since the previous review. The evaluation of the Investment and Service Tests runs from June 8, 1999 through October 7, 2002, the period since the prior CRA evaluation. The evaluation of the bank's performance under the Lending Test includes HMDA-reportable, small business, small farm, consumer, and community development loans. The Investment Test conclusions are based on an evaluation of qualified community development investments and donations. Retail and commercial deposit products, loan products and services, and community development services are evaluated for purposes of rating FNB's performance under the Service Test.

HMDA activity for 2001 includes data from the former NNB, which was merged into the bank beginning December 1, 2001. The entire year is included because FNB elected to file a consolidated LAR for 2001 and the AA of the former NNB overlaps FNB's AA in Nueces County. NNB was rated "Satisfactory" at their last CRA Evaluation, November 8, 1999.

### Data Integrity

In July 2002, OCC personnel verified the accuracy of data made available to the public in accordance with HMDA and CRA loan data reporting requirements. Public data includes home mortgage lending and small loans to businesses and farms. In addition, the OCC tested consumer loans for reporting accuracy because the bank requested that consumer loans be considered in the evaluation of its performance. During the CRA evaluation, FNB's management submitted non-public data for CD loans, investments, and services. The data was reviewed to ensure they qualify as community development. Based on verification work performed, publicly reported lending data and non-public CD data are considered accurate. All the data reported for the above categories was used in this evaluation.

### Selection of Areas for Full-Scope Review

The Hidalgo County, Cameron County, and Nueces County AAs were selected for full-scope reviews. The Hidalgo County AA was selected because the bank is headquartered in this county and a majority of the bank's branches (56 percent), loans (68 percent), and deposits (64 percent) are in this county. The Cameron County AA was selected because the bank has been in this market throughout the evaluation period and this county is a significant market with 24 percent of the branches, 24 percent of the loans, and 13 percent of the deposits. The Nueces County AA was selected because it is also a significant market with 16 percent of the branches, 7 percent of the loans, and 18 percent of the deposits.

A limited scope review was conducted in the Bexar County AA because FNB only recently entered into the San Antonio, TX market with a single branch in December of 2000. This market make ups a very small percentage of FNB's activity at this time.

*Please refer to Appendix A for more information.*



## **Ratings**

FNB's overall rating is based primarily on the areas that received full-scope reviews, with performance in the Hidalgo County AA receiving the most weight in the overall analysis because a majority of the bank's business is located in this AA. Lending performance in residential home purchase and home improvement lending was weighted most heavily in determining the overall Lending Test rating, followed by small business performance and consumer loan performance as these are also major product lines of the bank. Small farm loans received less weight as they make up a smaller portion of the bank's lending activity. Home refinance lending was not considered in evaluating lending performance due to the bank's relative lack of emphasis on this product line.

## **Other**

We reviewed seven community contact interview summaries recently conducted in Hidalgo and Cameron Counties, and in Corpus Christi. We also contacted three community organizations, one in each of the full-scope assessment areas, to discuss community development and credit needs in these areas. The organizations contacted included community service organizations and economic development corporations. The contacts identified affordable housing, consumer, and small business loans, as predominant credit needs.

## **Fair Lending Review**

An analysis of the most recent public comments, consumer complaint information, HMDA, small business and small farm lending data was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in June of 1999.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the Lending Test is rated "**Outstanding**".

- ? Overall lending performance in the Hidalgo County AA is excellent.
- ? Overall lending performance in the Cameron County AA is excellent.
- ? Overall lending performance in the Nueces County AA is excellent.

These conclusions are based on the bank's performance context and the full-scope review of the specific AAs noted above.

#### Lending Activity

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

Lending activity in the bank's AAs is very good in relation to the size and locations of the bank. FNB's responsiveness to credit needs of its AAs during this evaluation period is excellent. Identified credit needs include home mortgage products for affordable housing, loans to small businesses, and consumer loans. In the AAs, approximately 41 percent of HMDA reportable loans were home mortgage loans with loans to small businesses comprising 47 percent of loans. FNB also originated a strong volume of consumer loans during the evaluation period. Community development lending was excellent, particularly those benefiting low- and moderate-income borrowers, and had a positive effect on the Lending Test conclusions. Approximately 68 percent of the bank's HMDA reportable loans evaluated for CRA are in the Hidalgo County AA. Twenty-four percent of the loans are in the Cameron County AA and 7 percent are in the Nueces County AA. Seventy-two percent of consumer loans evaluated for CRA are in the Hidalgo County AA. Twenty-three percent are in the Cameron County AA and 5 percent are in the Nueces County AA. Due to the low volume of home refinance loans, they were not considered for geographic or borrower distribution. Since the last evaluation, loan and deposit growth was high at 167.2 percent and 160.6 percent, respectfully. During this period, the quarterly net loan-to-deposit ratio remained relatively stable, averaging 59.7 percent. This percentage is below the peer bank's average of 74.5 percent. However, FNB has a large volume of public funds, and if excluded, FNB's loan-to-deposit ratio would be 106.7 percent at June 30, 2002.

Overall lending volume in the bank's AAs is good. Market share data and rankings for deposits are from the FDIC's Summary of Deposits, Market Share Report as of June 30, 2001. Market share and rankings for loan information derives from 2001 Peer Mortgage data and 2000 Peer Small Business data.

**Hidalgo County AA:** The bank has 9.1 percent of the deposit market share in the AA and ranks 4<sup>th</sup> in this market. FNB ranked 11<sup>th</sup> for home purchase loans and had a 3.9 percent

market share. FNB's average loan size for home purchases is \$43 thousand, compared to peer average of \$64 thousand. For home improvement loans, FNB ranked 5<sup>th</sup> with an 8 percent market share. FNB's average loan size for home improvement loans is \$9 thousand, compared to peer average of \$12 thousand. The average loan size for both home purchase and home improvement loans indicates the bank is meeting an identified credit need of the AA. The bank ranked 7<sup>th</sup> for small loans to businesses with a 4.7 percent market share.

**Cameron County AA:** The bank has 6.5 percent of the deposit market share in the AA and ranks 6<sup>th</sup> in this market. FNB ranked 33<sup>rd</sup> for home purchase loans and had a 1 percent market share. FNB's average loan size for home purchases is \$45 thousand, compared to peer average of \$75 thousand. For home improvement loans, FNB ranked 14<sup>th</sup> with a 1 percent market share. FNB's average loan size for home improvement loans is \$8 thousand, compared to peer average of \$12 thousand. The average loan size for both home purchase and home improvement loans indicates the bank is meeting an identified credit need of the AA. The bank ranked 11<sup>th</sup> for small loans to businesses with a 2.6 percent market share.

**Nueces County AA:** The bank has 3.9 percent of the deposit market share in the AA and ranks 7<sup>th</sup> in this market. FNB ranked 49<sup>th</sup> for home purchase loans and had a 1 percent market share. FNB's average loan size for home purchases is \$67 thousand, compared to peer average of \$85 thousand. For home improvement loans, FNB ranked 21<sup>st</sup> with a 4 percent market share. FNB's average loan size for home improvement loans is \$4 thousand, compared to peer average of \$19 thousand. The average loan size for both home purchase and home improvement loans indicates the bank is meeting an identified credit need of the AA. FNB's market share for small loans to businesses was minimal and not included in the rankings.

There are a large number of financial institutions and an aggressive level of lending competition in all of the above markets for residential real estate and small business loans.

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

### ***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.*

FNB's overall distribution of loans by income level of the geography is excellent.

FNB's overall distribution of home mortgage loans by income level of geography is excellent in the Hidalgo County AA, good in the Cameron County AA, and excellent in the Nueces County AA.

### **Home Purchase Loans**

The geographic distribution of home purchase loans in the Hidalgo County AA is good. The distribution of loans in moderate-income CTs is near the percentage of owner-occupied housing units. There are no low-income CTs in Hidalgo County. The bank's market share in moderate-income geographies substantially exceeds the overall market share.

The geographic distribution of home purchase loans in the Cameron County AA is adequate. The bank did not originate any loans in the only low-income geography during this evaluation period. This geography is located in the downtown Brownsville area and offers limited residential lending opportunities. Only 0.5 percent, or 236 housing units in this geography, are owner-occupied. The distribution of loans in moderate-income CTs is below the percentage of owner-occupied housing units. The bank has no market share in the low-income geography and the market share in the moderate-income geographies is below the overall market share. Another mitigating factor is the lack of new home construction and a high level of households below the poverty level in these areas.

The geographic distribution of home purchase loans in the Nueces County AA is excellent. The distribution of loans in low-income CTs exceeds the percentage of owner-occupied housing units. The percentage of home purchase loans in moderate-income CTs substantially exceeds the percentage of owner-occupied housing units. The bank does not show a market share in either the low- and moderate-income geography. However, the bank's overall market share in all geographies is minimal.

### **Home Improvement Loans**

The geographic distribution of home improvement loans in the Hidalgo County AA is excellent. The distribution of loans in moderate-income CTs substantially exceeds the percentage of owner-occupied housing units. There are no low-income CTs in Hidalgo County. The bank's market share in moderate-income geographies equals the overall market share.

The geographic distribution of home improvement loans in the Cameron County AA is good. The bank did not originate any loans in the only low-income geography during this evaluation period. See comments under home purchase loans for mitigating factors. The distribution of loans in moderate-income CTs is near the percentage of owner-occupied housing units. The bank does not have a market share in the low-income geography since no loans were originated. The bank's market share in moderate-income geographies is substantially below the overall market share.

The geographic distribution of home improvement loans in the Nueces County AA is excellent. The distribution of loans in both low-income CTs and moderate-income CTs substantially exceeds the percentage of owner-occupied housing units. The bank does not show a market share in any of the geographies. This is primarily due to a relatively small number of loans originated during this evaluation period.

### **Home Mortgage Refinance**

A geographical analysis was not conducted for home mortgage refinance loans. During the evaluation period, 42 loans originated in the Hidalgo County AA, 25 in the Cameron County AA, and 10 in the Nueces County AA. Due to the low volume of loans in comparison to total loans originated, an analysis of the bank's performance for home mortgage refinance loans would not be meaningful.

## **Multifamily**

The geographic distribution of multifamily loans in the Hidalgo County AA is excellent. The distribution of loans in moderate-income CTs substantially exceeds the percentage of multifamily housing units. There are no low-income CTs in Hidalgo County. The bank's market share in moderate-income geographies substantially exceeds the overall market share.

The geographic distribution of multifamily loans in the Cameron County AA is excellent. The bank does not have any loans in the only low-income geography. Only 1.7 percent, or 1 multifamily unit exists in this CT. The percentage of multifamily loans in moderate-income CTs substantially exceeds the percentage of multifamily housing units. There is no market share in the low-income geography due to no lending activity. The bank's market share in moderate-income geographies substantially exceeds the overall market share.

The geographic distribution of multifamily loans in the Nueces County AA is excellent. The distribution of loans in low-income CTs substantially exceeds the percentage of multifamily housing units. The distribution of loans in moderate-income CTs is below the percentage of multifamily housing units. Only 5.6 percent of multifamily units are located in this CT. The bank does not show a market share in any of the geographies. This is primarily due to a relatively small number of loans originated during this 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.*

The geographic distribution of small loans to businesses in the Hidalgo County AA is adequate. The distribution of loans in moderate-income CTs is below the percentage of small businesses located in those areas. There are no low-income CTs in Hidalgo County. The bank's market share in moderate-income geographies exceeds the overall market share.

The geographic distribution of small loans to businesses in the Cameron County AA is adequate. The distribution of loans in low-income CTs is below the percentage of small businesses in those areas. The percentage of loans in moderate-income CTs is below the percentage of small businesses located in moderate-income CTs. The bank does not have a market share in low-income geographies. The bank's market share in moderate-income geographies is near the overall market share.

The geographic distribution of small loans to businesses in the Nueces County AA is excellent. The distribution of loans in low-income CTs is near the percentage of small businesses located in those areas. The distribution of loans in moderate-income CTs exceeds the percentage of small businesses located in moderate-income CTs. The bank does not have a market share in low-income geographies. 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.*

The geographic distribution of small loans to farms in the Hidalgo County AA is excellent. The distribution of loans in moderate-income CTs substantially exceeds the percentage of small farms located in those areas. There are no low-income CTs in Hidalgo County. The bank's market share in moderate-income geographies exceeds the overall market share.

The geographic distribution of small loans to farms in the Cameron County AA is excellent. The percentage of loans in moderate-income CTs substantially exceeds the percentage of small farms located in moderate-income CTs. There are no small farms located in low-income CTs. The bank's market share in moderate-income geographies substantially exceeds the overall market share.

The geographic distribution of small loans to farms in the Nueces County AA is excellent. The bank does not have any loans in low-income CTs. However, only 2.1 percent or 9 farms are located in these CTs. The distribution of loans in moderate-income CTs substantially exceeds the percentage of small farms located in moderate-income CTs. The bank does not have a measurable market share in small farm lending.

### **Consumer Loans**

*Refer to Table 13 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.*

The geographic distribution of consumer loans in the Hidalgo County AA is excellent. The distribution of consumer loans in moderate-income CTs exceeds the percentage of households located in moderate-income CTs. There are no low-income CTs in Hidalgo County.

The geographic distribution of consumer loans in the Cameron County AA is adequate. The percentage of loans in low-income CTs is below the percentage of low-income households located in those areas. The percentage of loans in moderate-income CTs is below the percentage of households located in moderate-income CTs.

The geographic distribution of consumer loans in the Nueces County AA is excellent. The distribution of loans in low-income CTs exceeds the percentage of households located in those areas. The distribution of consumer loans in moderate-income CTs substantially exceeds the percentage of households located in moderate-income CTs.

### **Lending Gap Analysis**

Maps and reports detailing FNB's lending activity over the evaluation period for home mortgage and CRA reportable loans were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

### **Inside/Outside Ratio**

The bank's distribution of loans inside/outside of their AAs is excellent. A significant majority of the HMDA, small business, and small farm loans originated by FNB during the evaluation period were within its AAs. Ninety-five percent of the total number of loans, and 90.4 percent of the dollar of loans were within the bank's AAs. Over 88 percent of the number of mortgage loans and 77.6 percent of the dollar amount were within the AAs. Small business loans within

the AAs represented 96.4 percent by number and 97.1 percent by dollar amount. Small farm loans within the AAs represented 99.0 percent of the number of loans and 99.9 percent of the dollar amount. Consumer loan data was not included in this analysis due to limitations imposed by the format in which the data was provided for evaluation. These ratios were positively factored into the overall analysis of the geographic distribution of lending.

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

### ***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.*

FNB's overall distribution of loans by income level of the borrower is excellent when considering the high percentage of households that live below the poverty level in the AAs.

FNB's distribution of home mortgage loans by income level of borrowers is excellent in the Hidalgo County AA, good in the Cameron County AA, and excellent in the Nueces County AA. We factored into our analysis of home mortgage loans the difficulty that a low-income person has in purchasing a home in the AAs. And, the limited opportunities for home improvement loans to these borrowers based on the high percentage of households that live below the poverty level in the AAs.

### **Home Purchase Loans**

The distribution of home purchase loans in the Hidalgo County AA by borrower income level is excellent given the high level of households – 36.8 percent – in the AA that are below the poverty level. This percentage indicates a high level of difficulty for low-income households to qualify for home purchase loans. The percentage of loans to low-income borrowers is substantially below the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The bank's market share for low-income borrowers substantially exceeds its overall market share. The bank's market share for moderate-income borrowers exceeds its overall market share.

The distribution of home purchase loans in the Cameron County AA by borrower income level is excellent given the high level of households – 34.4 percent – in the AA that are below the poverty level. This percentage indicates a high level of difficulty for low-income households to qualify for home purchase loans. The percentage of loans to low-income borrowers is substantially below the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The bank's market share for low-income borrowers is below overall market share. FNB's market share for moderate-income borrowers exceeds its overall market share.

The distribution of home purchase loans in the Nueces County AA by borrower income level is good. A relatively high level of households in Nueces County – 19.3 percent – are below the poverty level. This causes difficulty for low-income borrowers to qualify for home purchase loans. The percentage of loans to low-income borrowers is below the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is



substantially below the percentage of moderate-income families in the AA. The bank's market share for both low-and moderate-income borrowers is near its overall market share.

### **Home Improvement Loans**

The distribution of home improvement loans by borrower income level in the Hidalgo County AA is excellent when considering the limited opportunities for these types of loans to low-income borrowers as discussed above. The percentage of loans to low-income borrowers is near the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers substantially exceeds the percentage of moderate-income families in the AA. The bank's market share for both low- and moderate-income borrowers exceeds its overall market share.

The distribution of home improvement loans by borrower income level in the Cameron County AA is good when considering the limited opportunities for these types of loans to low-income borrowers as discussed above. The percentage of loans to low-income borrowers is near the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is below the percentage of moderate-income families in the AA. The bank's market share for both low- and moderate-income borrowers is below its overall market share.

The distribution of home improvement loans by borrower income level in the Nueces County AA is excellent, especially when considering the limited opportunities for these types of loans to low-income borrowers as discussed above. The percentage of loans to both low-income borrowers and moderate-income borrowers substantially exceeds the percentage of low- and moderate-income families in the AA. The bank does not have a measurable market share in this area.

### **Home Mortgage Refinance**

A borrower distribution analysis of home mortgage refinance loans is not included in the evaluation because the bank originated few of these loans in comparison to total loans originated. Any analysis would not be meaningful.

### ***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 good in the Hidalgo County AA, adequate in the Cameron County AA, and excellent in the Nueces County AA.

In the Hidalgo County AA, FNB's percentage of small loans to businesses with annual revenues of \$1 million or less substantially meets the percentage of businesses with annual revenues of \$1 million or less in the AA. The bank's market share to businesses with annual revenues of \$1 million or less substantially exceeds its overall market share.

In the Cameron County AA, FNB's percentage of small loans to businesses with annual revenues of \$1 million or less is below the percentage of businesses with annual revenues of

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

In the Nueces County AA, FNB's percentage of small loans to businesses with annual revenues of \$1 million or less equals the percentage of businesses with annual revenues of \$1 million or less in the AA. 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 farms.*

The distribution of loans to farms with annual revenues of \$1 million or less is excellent in all three of the bank's AAs receiving a full-scope review.

In the Hidalgo County AA, FNB's percentage of small loans to farms with annual revenues of \$1 million or less exceeds the percentage of farms with annual revenues of \$1 million or less in the AA. The bank's market share to farms with annual revenues of \$1 million or less substantially exceeds its overall market share.

In the Cameron County AA, FNB's percentage of small loans to farms with annual revenues of \$1 million or less exceeds the percentage of farms with annual revenues of \$1 million or less in the AA. The bank's market share to farms with annual revenues of \$1 million or less substantially exceeds its overall market share.

In the Nueces County AA, FNB's percentage of small loans to farms with annual revenues of \$1 million or less exceeds the percentage of farms with annual revenues of \$1 million or less in the AA. The bank does not have a measurable market share of small loans to farms with annual revenues of \$1 million or less.

### **Consumer Loans**

*Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination of consumer loans.*

The distribution of consumer loans to borrowers of different income levels is good in all three of FNB's AAs receiving a full-scope review.

In the Hidalgo County AA, FNB's percentage of consumer loans to low-income borrowers is below the percentage of low-income households in the Hidalgo County AA. The bank's percentage of consumer loans to moderate-income borrowers substantially exceeds the percentage of moderate-income households.

In the Cameron County AA, FNB's percentage of consumer loans to low-income borrowers is below the percentage of low-income households in the Cameron County AA. The bank's percentage of consumer loans to moderate-income borrowers substantially exceeds the percentage of moderate-income households.

In the Nueces County AA, FNB's percentage of consumer loans to low-income borrowers is slightly below the percentage of low-income households in the Nueces County AA. The bank's percentage of consumer loans to moderate-income borrowers substantially exceeds the percentage of moderate-income households.

### **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 multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.*

FNB has an excellent level of community development (CD) loans in the Hidalgo County and Cameron County AAs. This had a positive impact on the overall Lending Test conclusions. The bank did not have any CD loans in the Nueces County AA. During the evaluation period, FNB originated 79 CD loans totaling \$42.2 million. Sixty-four loans totaling \$32.3 million were originated in the Hidalgo County AA and 14 loans totaling \$9.0 million were originated in the Cameron County AA. These loans provided affordable housing for low- and moderate-income residents and financing for small businesses, both identified credit needs. None of the CD loans are considered complex or innovative.

### **Affordable Housing**

- FNB originated 43 loans totaling \$27.1 million to developers that constructed affordable housing units targeted toward low- and moderate-income individuals. Thirty-nine loans totaling \$21.8 million were in the Hidalgo County AA and 4 loans totaling \$5.3 million were in the Cameron County AA.
- FNB originated 17 loans totaling \$5.1 million to finance multi-family housing projects that are targeted toward low- and moderate-income families, including provisions for Section 8 housing. Ten of these projects totaling \$2.0 million are in the Hidalgo County AA. Six projects totaling \$2.3 million are in the Cameron County AA.
- During the evaluation period, FNB originated 6 loans totaling \$7.3 million to subdivision developers who target projects toward low- and moderate-income families. All of these loans were in the Hidalgo County AA.

### **Loans to Small Businesses (Not Reportable Pursuant to Data Collection Requirements)**

- FNB originated 6 loans totaling \$1.6 million to small businesses located within the Rio Grande Valley Empowerment Zone established for economic development. Two of these loans totaling \$270 thousand were in the Hidalgo County AA, while 4, or \$1.4 million, were in the Cameron County AA.
- FNB originated 4 loans totaling \$286.9 thousand to small businesses located in downtown Mercedes, a moderate-income area in the Hidalgo County AA. The loans were made under a revitalization plan.

## **Other Examples of CD Lending**

- FNB made a \$200 thousand loan to an economic development corporation that provides housing assistance to low- and moderate-income individuals. Loan proceeds were used to construct 10 homes in the Hidalgo County AA and to provide down payment and closing cost assistance for low- and moderate-income families.
- The bank made a \$500 thousand loan to a public entity that deals with low-income housing in the Hidalgo County AA. The purpose of the loan was to help finance the cost of construction and general administration expenses prior to reimbursement from the Texas Department of Housing and Community Affairs and/or the U. S. Department of Housing and Urban Development (HUD).
- A \$25 thousand loan was granted to a local government entity. The purpose of the loan was to revitalize a moderate-income area by constructing a community facility in the Hidalgo County AA that will primarily benefit low-and moderate-income individuals.

## **Product Innovation and Flexibility**

FNB makes use of flexible lending policies and practices to serve the credit needs of its AAs. The bank's loan policy allows flexibility so loan officers have the authority to tailor loans with regard to specific needs of the customer. One example is alternative credit references. These references are given the same weight as credit bureau reported items in establishing and evaluating credit history and repayment capacity. All sources of income are considered, including seasonal and cash income. Although information was not available to determine specific usage, these practices and programs are targeted toward low- and moderate-income individuals.

The migrant loan program is another example of flexible lending. The program is designed for migrant farm workers who travel north to work on farms and ranches. This program allows payment deferrals for up to six months until the customer returns from the work assignment. The primary source of income for most of these borrowers is from the seasonal work. The bank also offers this program to shrimp boat operators.

Other lending programs that primarily benefit low- and moderate-income individuals and small businesses include no minimum loan amount, financing of older vehicles, and waiver of CPA prepared financial statements on small businesses. These programs allow more flexibility and ease for low- and moderate-income individuals and small businesses to obtain needed credit.

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

*Refer to Tables 1 through 15 in Appendix C for the facts and data that support these conclusions.*

Based on a limited-scope review, the bank's performance in the Bexar County AA is weaker than the bank's overall performance. This is based on distribution of loans by borrower income level. The Bexar County AA does not have any low- or moderate-income CTs, and an analysis of geographic distribution would not be meaningful. The bank's lack of performance in the Bexar County AA is mitigated by the fact that this AA was added in late 2000 with the opening

of a single branch and did not have an impact on the Lending Test rating. One CD loan was originated in this AA.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

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

The bank's performance under the Investment Test is rated “**Outstanding**”. Based on full-scope reviews, the bank's performance in the Hidalgo County, Cameron County, and Nueces County AAs is excellent.

During the evaluation period, FNB made a significant number and dollar volume of qualified investments, and took a leadership role in developing innovative and complex investments that meet the needs of their AAs. Refer to the Market Profiles in Appendix B for comments concerning investment opportunities in each AA. FNB's qualified community development investments include a CRA Qualified Investment Fund (CRA Fund) and an investment in the First National Group Community Development Corporation (CDC). In addition, several qualifying donations were identified.

The objective of the CRA Fund is to purchase investments that meet the definition of a community development investment. FNB directed its investment be placed according to the distribution of its deposits. The entire investment was used for affordable housing purposes in each of FNB's 4 AAs, and distributed based on FNB's deposits. Hidalgo County received 67 percent of the total investment, Cameron County 17 percent, and Nueces County 13 percent. Bexar County received 3 percent.

These investments address an identified need in each AA. The Nueces and Bexar County funds were used for multifamily affordable housing projects. One of the Nueces County projects is exclusively for HUD Section 8 Program housing assistance and the other project requires at least 75 percent of its residents to have less than 80 percent of the area MFI. The Bexar County allocation was for a 100 percent low-income multifamily housing project. The Hidalgo County and Cameron County funds provide construction and permanent financing, down payment assistance, rehabilitation, and improvement of single-family and multi-family homes in the rural and border regions of Texas. The targeted beneficiaries are all low- and moderate-income families, with all down payment assistance monies for first-time very low-income homebuyers.

The other investment resulted from a series of equity injections by FNB into the CDC. The CDC used these injections to fund loans with community development purposes, primarily in the Rio Grande Valley Empowerment Zone, which the bank was instrumental in getting designated. The CDC, thus far, has provided for three affordable housing loans, two for community services, two to finance small businesses, and one for revitalization. These investments address the primary credit needs of affordable housing and small businesses in the Hidalgo County AA.

The CDC was established during the evaluation period under the leadership of the bank, which owns 100 percent of the CDC. It was formed to provide financing for projects that benefit low- and moderate-income persons, families, and geographies, and areas targeted for redevelopment by government authorities. This investment is considered innovative and complex, as it created investment opportunities, primarily in the Hidalgo County AA.

FNB made several qualifying donations to community service groups, including the Boys and Girls Clubs in several Hidalgo County AA cities, Head Start programs, Dress for Success, Nuestra Clinica de Valle, and San Isidro Food Pantry. These programs are targeted toward and primarily benefit low- and moderate-income families. The bank also made a qualifying grant to the South Texas Economic Development Corporation to assist low-income families with down payment assistance and closing costs.

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

*Refer to Table 14 in Appendix C for the facts and data that support these conclusions.*

Based on a limited scope review, the bank's performance under the Investment Test in the Bexar County AA is not inconsistent with the bank's overall outstanding performance under the Investment Test.

## **SERVICE TEST**

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

*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 bank's performance under the service test is rated "**Outstanding**". Based on full-scope reviews, FNB's performance in all three of FNB's AAs is excellent.

### **Retail Banking Services**

#### **Deliver Systems**

The bank's delivery system in the Hidalgo County AA is excellent. Service delivery systems are readily accessible to geographies and individuals of different income levels in the AA. FNB operates 14 offices (1 main office and 13 branches) in the Hidalgo AA. Thirty-six percent of the branches are located in moderate-income census tracts compared to 28 percent of the population that reside in these CTs. There are no low-income CTs tracts in Hidalgo County.

The delivery system in the Cameron County AA is excellent. The bank meets the needs of moderate-income individuals with 33 percent of the branches located in moderate-income CTs compared to 29 percent of the population that reside in these CTs. There are no branches in the only low-income CT located in the AA. Only 1 percent of the population resides in this tract. A branch located in Brownsville is adjacent to the low- income CT, which makes services readily accessible to the population that does reside in that tract.

The delivery system in the Nueces County AA is excellent with service delivery systems readily accessible to all geographies and individuals of different income levels in the AA. There are no branches in low-income CTs in the Nueces County AA; however, individuals who reside in these CTs have reasonable access to two branches. One branch is located in a moderate-income CT that is adjacent to four low-income CTs. Another branch, located in an upper-income CT, is adjacent to a low-income CT. One ATM, located in a moderate-income CT, is surrounded by 3 low-income CTs. Only 9 percent of the AA's population resides in low-income CTs. Twenty-five percent of the branches are located in moderate-income CTs, compared to 23 percent of the population that reside in these tracts.

Services are tailored to the convenience and needs of the AAs, particularly to low- and moderate-income geographies and to low- and moderate-income individuals. Bank hours are the same for all locations except the McAllen South 10<sup>th</sup> branch located in the Hidalgo County AA. It has extended hours on Saturday and Sunday to accommodate high traffic generated by the mall located across the street. The extended hours benefit all residents of the AA due to the central location and accessibility of the branch.

### **Alternative Delivery Systems**

The distribution of ATMs in the Hidalgo County AA is excellent. FNB has 19 stand-alone ATMs in various CTs that supplement the 14 ATMs located at the bank's branches. The distribution of ATMs in Hidalgo County exceeds the low- and moderate-income population levels with 37 percent of the ATMs in moderate-income CTs compared to 28 percent of the population residing in these areas. There are no low-income CTs in Hidalgo County.

The distribution of ATMs in the Cameron County AA is good. FNB does not have an ATM located in the only low-income CT, but only 1 percent of the population resides in that area. An ATM located in Brownsville is adjacent to the low-income CT, which makes it accessible to the population that does reside in that tract. Twenty-one percent of the ATMs are located in moderate-income CTs compared to 29 percent of the population in these areas. Four ATMs are located in middle- and upper-income CTs that are easily accessible to residents of adjacent moderate-income CTs.

The distribution of ATMs in the Nueces County AA is excellent. Forty percent of the ATMs are located in moderate-income CTs, which is substantially greater than the 23 percent of the population that resides in the tracts. There are no ATMs in low-income CTs where only 9 percent of the population resides. However, there are 3 ATMs located in CTs that are adjacent to low-income CTs, making them readily accessible to low-income families.

FNB's other alternative delivery systems include 24-hour access to accounts via the Bank by Phone program. Customers can access information regarding their checking, savings, and loan balances, interest rates, recent transactions, check verification (for merchants), and pending transactions. Customers can also transfer funds between accounts and make loan payments. These services are available in English and Spanish. Bank by Mail and Internet banking are also available. No data was available to determine the effect this has on low- and moderate-income individuals therefore significant weight was not placed on these services when drawing the overall CRA Service Test performance conclusions.

## Opening and Closing Branches

The record of opening branches in the Hidalgo County AA has improved the accessibility of the bank's services in moderate-income CTs. One (33 percent) of the new branches opened is located in a moderate-income CT.

The record of opening branches in the Cameron County AA has helped to improve accessibility of the bank's services in moderate-income CTs. None of the new branches are located in low- or moderate-income CTs, but three are adjacent to moderate-income CTs, making the branches reasonably accessible to people who reside in these CTs. There are no physical barriers that hinder accessibility to these branches.

The record of opening branches in the Nueces County AA has improved the accessibility of the bank's services in moderate-income CTs. One (25 percent) of the new branches opened is located in a moderate-income CT. None of the new branches are located in low-income CTs; however, one branch is adjacent to 4 low-income CTs. There are no physical barriers that hinder accessibility to this branch.

FNB has not closed any branches during the evaluation period.

## Other Retail Banking Services

A variety of deposit and loan products and business services are available at all FNB branch locations. Several products are targeted to low- and moderate-income individuals and provide basic low-cost banking products throughout the AAs. A example of these products include:

Check It Out/Free Checking - The account requires \$100 to open and does not assess a monthly service fee. No minimum balance is required and the account allows unlimited check writing.

You've Earned It/Senior Checking - The account is available to individuals 55 and older. It requires \$100 to open and does not assess a monthly service fee. Unlimited check writing is allowed.

Piggy Bank Savings - This account was developed to encourage savings by children. Its focus was on primarily low- and moderate-income family members. The bank offers various incentives to encourage savings.

Free Business Checking - Aimed at small businesses, the account requires \$100 to open and does not have a monthly service fee. No minimum balance is required, checks are imaged, no per item fees apply, and accounts are allowed 200 items per month.

During the evaluation period the bank also lowered the savings account balance required to waive fees from \$400 to \$250. This makes the savings product more accessible to low- and moderate-income individuals.



## Community Development Services

The bank's performance in the Hidalgo County AA is good, and adequate in the Cameron and Nueces County AA. Activities demonstrate the bank's commitment to its community primarily through providing technical assistance on financial and banking related matters. The bank's primary activities support affordable housing and community service organizations. An example of FNB's community development services in the Hidalgo County AA is listed below.

Hidalgo County Housing Authority - The organization finds government funding for housing low- and moderate-income families. It guarantees loans for the South Texas Development Council that develops low-and moderate-income housing for rent or sale to qualified applicants. A bank officer reviews appraisals on properties being sold and purchased as well as reviewing the real estate closing documents. They also assist in the budgeting process for the organization.

La Joya Economic Development Corp. - A FNB officer is on the loan committee of this organization. Its purpose is to spur growth of the city via an Initiative Housing Program and Commercial Loan Revolving Program. The housing program has helped 26 low-income families with closing cost assistance. The corporation also lends funds to small businesses that are unable to qualify for conventional financing.

Utilizing Urban County Program - A FNB officer helps first time low- and moderate-income families qualify for down payment assistance by helping them prepare the application package taken to the county.

Azteca Community Loan Fund - This not-for-profit organization helps low- and moderate-income individuals achieve economic independence. They help participants raise money toward the down payment on a house or rehabilitation of their current home. A Bank Officer provides financial counseling to participants.

Dress for Success - The bank allows the organization to use meeting rooms at two branches on a regular basis throughout the year. Bank personnel provide talks related to dressing on a budget, customer service, and managing finances. The primary purpose of this organization is to provide job-related training to low- and moderate-income individuals.

Colonia IDA Program – This program was established to help low- and moderate-income participants save for a down payment. The bank waives all service charges for the account.

In the Cameron County AA, a loan officer works with the Brownsville Housing Finance Corporation. They counsel first time low- and moderate-income homebuyers on how to qualify for a loan.

In the Nueces County AA, a loan officer works with a local church organization that provides financial management and planning assistance to low- and moderate-income families. The officer also helps individuals apply for low-income housing available through the city.

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

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

Based on limited-scope reviews, the bank's performance under the Service Test in the Bexar County AA is weaker than the bank's overall performance. The only San Antonio branch is located in a middle-income CT and there were no qualifying community development services. The weaker performance in this AA did not have an impact on the overall Service Test rating.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/00 to 06/30/02) Investment and Service Tests and CD Loans: (06/08/99 to 10/07/02)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank (FNB) Edinburg, Texas	HMDA, CRA, and Community Development Loans, Community Development Investments and Services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None.	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Hidalgo County Cameron County Nueces County Bexar County	Full-Scope Full-Scope Full-Scope Limited-Scope	Includes all of MSA #4880 Includes all of MSA #1240 Does not include all of MSA #1880 Does not include all of MSA #7240

# Appendix B: Market Profiles for Full-Scope Areas

---

## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

Hidalgo County AA .....	B-2
Cameron County AA .....	B-4
Nueces County AA .....	B-6

**Hidalgo County AA**

Demographic Information for Full-Scope Area: Hidalgo County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	63	0.00	30	43	27	0.00
Population by Geography	383,545	NA	28	47	25	0.00
Owner-Occupied Housing by Geography	72,715	NA	24	49	27	0.00
Businesses by Geography	14,351	NA	21	42	37	0.00
Farms by Geography	458	NA	13	53	34	0.00
Family Distribution by Income Level	88,615	25	16	17	42	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	36,406	NA	36	49	15	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$17,619 = \$29,200 = 38,132	Median Housing Value Unemployment Rate		= \$38,999 = 5.33%		

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

The bank identified all of Hidalgo County as an AA, which equals the McAllen-Edinburg-Mission MSA. This MSA is named for its three largest cities, which are essentially adjacent to each other. The defined AA complies with the requirements of the CRA. The bank’s activities in the Hidalgo County AA received a full-scope review.

As of June 30, 2002, FNB’s main competitors in the AA, in terms of total assets, are locally based Texas State Bank (\$3.5 billion), Inter National Bank of McAllen (\$576 million), Lone Star National Bank (\$538 million), Alamo Bank (\$203 million), and several smaller community banks. Several regional and multi-state banks have branches in Hidalgo County, primarily in McAllen. FNB’s main competitors also include Chase Manhattan Bank, International Bank of Commerce (\$5.3 billion), and Frost National Bank (\$8.0 billion). Hidalgo County deposits account for 64 percent of FNB’s total deposits. Of the total HMDA and CRA loans reported during the evaluation period, 68 percent were made in this AA. The bank operates 14 full service branches and 33 ATMs in Hidalgo County. As of June 30, 2001 FNB is ranked fourth in deposits with a 9.14 percent market share. FNB offers a full-range of products and services, with particular emphasis on financing for commercial and real estate purposes – acquisition, construction, and land development.

The MSA continues to experience a population surge largely associated with the many cross-border trade opportunities. The MSA’s economy more than doubled in size in the 1990s making it the fourth fastest growing MSA in the nation. Major employment sectors include services, trade, and government. The city of McAllen is regarded as the retail center of South Texas. Agricultural production continues to decline as the area becomes more urbanized.

Hidalgo County has posted consistent employment growth in recent years. While the unemployment rate for Hidalgo County is significantly higher (12.6 percent) than the state (6.2 percent) and national (5.7 percent) averages, the rate continues to decline. Hidalgo County's 2001 annual unemployment rate was 13.1 percent.

There continues to be a high demand for purchase money mortgage loans in the bank's trade area, which is attributable to the high growth of the McAllen-Edinburg-Mission MSA. This growth is being led by the city of McAllen, where the average cost of a new home is \$104 thousand. In the entire county, the average cost of a new home is \$72 thousand. Demand for low- and moderate-income housing remains high, given the high poverty level and the high unemployment rate. Because of this need, community development lending opportunities for development of affordable housing exist mainly outside of McAllen.

There is a good level of community development opportunities in Hidalgo County. Needs identified through community contacts include affordable housing, home improvement loans, and small business financing. Government and non-profit organizations in the county, such as the McAllen Housing Authority, Mercedes Housing Authority, South Texas Economic Development Corporation, and City of McAllen, are the primary vehicles for providing home ownership counseling, construction, and financing of affordable homes. Portions of Hidalgo County are identified as 1 of 10 Federally-designated Empowerment Zones in the nation, primarily for affordable housing. Bank management continues to be very active on the board of the Rio Grande Valley Texas Empowerment Zone. During the evaluation period, the bank created community development investment opportunities by forming the First National Group Community Development Corporation in Edinburg to serve Hidalgo County. Refer to the discussion of the Investment Test for additional information.

**Cameron County AA**

Demographic Information for Full-Scope Area: Cameron County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	64	2	28	39	28	3
Population by Geography	260,120	1	29	48	22	0.00
Owner-Occupied Housing by Geography	47,172	1	22	50	27	0.00
Businesses by Geography	9,271	1	26	40	33	0.00
Farms by Geography	350	0	5	64	31	0.00
Family Distribution by Income Level	60,903	1	26	48	25	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	24,969	25	16	17	42	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$18,731 = \$29,200 = 25,262	Median Housing Value Unemployment Rate		= \$45,518 = 5.10%		

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

FNB designated Cameron County as an AA, and it equals the Brownsville-Harlingen-San Benito MSA. The defined AA area meets the requirements of the CRA, and does not arbitrarily exclude any low- or moderate-income tracts. Major cities are Brownsville, Harlingen, and San Benito. The bank’s activities in The Cameron County AA received a full-scope review.

FNB faces strong competition in the Brownsville market from multinational and regional banking companies, i.e.: Wells Fargo, Chase Bank of Texas, Bank of America, and Texas State Bank (\$3.5 billion). International Bank of Commerce-Brownsville, part of a \$6 billion holding company, with \$619 million in assets also has a significant presence. Several other Rio Grande Valley community banks also have branches in the AA. As of June 30, 2002, Cameron County deposits account for 13 percent of total deposits. Of the total HMDA and CRA loans reported during the evaluation period, 24 percent were made in this AA. FNB ranks sixth in deposits with a 6.45 percent market share in Cameron County. The bank operates 6 full service branches and 14 ATMs in the Cameron County AA. FNB offers a full-range of banking products and services in this AA, with particular emphasis on financing for commercial and consumer purposes.

Demographics and economic conditions in Cameron County are very similar to Hidalgo County. The major employment sectors include services, trade, government, and manufacturing, with emphasis on assembly production. The agriculture sector continues to decline, primarily due to market price fluctuations and the continued urbanization. The unemployment rate for Cameron County is 10.4 percent as of September 2002, which is higher when compared to the 2001 annual unemployment rate of 9.2 percent, and higher also than state and national averages of 6.3 percent and 5.7 percent, respectively.

Market data on HMDA lending indicates there is a lower than average demand for purchase money mortgage loans in the bank's trade area. The high level of families below the poverty level, coupled with the high unemployment rate, means many cannot qualify for home mortgage loans. This AA does not have the high growth levels that the Hidalgo County AA has to help mitigate these factors.

There are a number of CD opportunities in the Cameron County AA, and competition among financial institutions for participation is strong. CD opportunities are mainly in affordable housing. Community contacts identified the continued need for more affordable housing and small business financing. They also mentioned the financial needs of new small businesses and the lack of smaller homes for the growing number of people retiring to South Texas.



**Nueces County AA**

Demographic Information for Full-Scope Area: Nueces County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	64	11	20	31	35	3
Population by Geography	291,145	9	22	36	33	0.00
Owner-Occupied Housing by Geography	99,740	5	22	37	36	0.00
Businesses by Geography	13,265	8	28	35	29	0.00
Farms by Geography	427	2	19	46	33	0.00
Family Distribution by Income Level	74,413	8	21	36	35	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	29,318	24	16	19	41	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$28,499 = \$42,300 = 3,230	Median Housing Value Unemployment Rate		= \$79,979 = 3.07%		

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

FNB designated Nueces County as an AA. Nueces County is the larger of two counties that comprise the Corpus Christi MSA, and includes the cities of Corpus Christi and Port Aransas, Texas. This AA designation meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income CT's. This AA received a full-scope review.

Competition for loan and deposit customers is strong in the AA. The larger competitors are branch facilities of mid-sized and large/multinational banks headquartered outside of the MSA. As of June 30, 2002, the major competitors for both loans and deposits are Bank of America, Wells Fargo Bank, Frost National Bank (\$8.0 billion), FirstCapital Bank (\$466 million), and American Bank, N. A. (\$381 million). All have larger market presences and, with the exception of American, are headquartered outside the AA. In addition, over 20 different credit unions serve the area. Nueces County deposits account for 18 percent of total deposits. Of the total HMDA and CRA loans reported during the evaluation period, 7 percent were made in this AA. Based on data from the FDIC's Summary of Deposits, Market Share Report for Nueces County as of June 30, 2001 FNB, through its control of the now merged Nueces National Bank had the seventh largest deposit market share with 3.85 percent of the AA's deposits. The bank operates 4 full service branches and 5 ATMs in the Nueces County AA. FNB offers a full-range of banking products and services in the AA.

Based on estimates by the U.S. Census Bureau, Nueces County had a population of 314 thousand for 2000, the bulk of which resided in Corpus Christi with a population of 290 thousand. The U.S. Census 1990 median family income for the AA is \$28,499. The updated 2002 HUD MFI used to determine individual income classifications is \$42,300.

The local economy is stable. It has diversified from one that was largely oil-based to one where shipping, oil, tourism, and healthcare are major contributors to the economy. The sectors with the largest numbers of employees include education, oil/petrochemical, healthcare, and the U.S. and local government. The unemployment rate for Nueces County is 6.2 percent as of September 2002, which has increased compared to the 2001 annual unemployment rate of 5.7 percent. The Nueces County unemployment rate is similar to the statewide rate of 6.3 percent, yet higher than the national rate of 5.7 percent.

Community development opportunities are moderate and largely in affordable housing as indicated by community contacts and current community development programs. The City of Corpus Christi has a program in place to rehabilitate the inner-city area, which includes low- and moderate-income tracts. The focus of the Corpus Christi Community Development Corporation has mainly been in construction, improvement and rehabilitation of affordable housing, including providing down payment assistance for low- and moderate -income families.

## Appendix C: Tables of Performance Data

---

### 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: 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. Tables without data are not included in this Public Disclosure.

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. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans.
- 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 Home Mortgage 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.

**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, 2000 to June 30, 2002						
MA/Assessment Area:	% 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>												
Hidalgo County	68.04	1,008	41,882	1,028	75,695	111	7,514	64	32,325	2,211	157,416	64.01
Cameron County	24.23	211	14,208	380	25,538	180	13,920	14	9,025	785	62,691	13.37
Nueces County	7.39	111	7,641	123	8,715	1	5	0	0	235	16,361	18.27
<b>Limited Review:</b>												
Bexar County	0.35	0	0	11	321	0	0	1	850	12	1,171	4.35

\* Loan Data as of June 30, 2001. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is June 08, 1999 to October 07, 2002.

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

**Table 1. Other Products**

LENDING VOLUME		Geography: Texas						Evaluation Period: January 1, 2000 to June 30, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
Hidalgo County	71.82	4,332	79,143	2	14	16	1,111	1,572	21,762	0	0	2,742	56,256	64.01
Cameron County	23.09	1,393	18,705	0	0	4	314	612	4,505	0	0	777	13,886	13.37
Nueces County	5.01	302	3,051	0	0	1	15	152	2,011	0	0	149	1,025	18.27
<b>Limited Review:</b>														
Bexar County	0.08	5	95	0	0	0	0	2	36	0	0	3	59	4.35

\* Loan Data as of June 30, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is From January 01, 2000 to June 30, 2002.

\*\*\* 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: Texas					Evaluation Period: January 1, 2000 to June 30, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase 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>																
Hidalgo County	684	77.46	0.00	0.00	24.42	20.47	48.72	55.41	26.86	24.12	3.48	0.00	5.61	4.57	1.97	
Cameron County	144	16.31	0.54	0.00	22.34	11.81	50.18	60.42	26.94	27.77	1.44	0.00	0.62	2.13	1.03	
Nueces County	55	6.23	5.17	5.45	22.17	34.55	36.84	25.45	35.82	34.55	0.04	0.00	0.00	0.00	0.06	
<b>Limited Review:</b>																
Bexar County	0	0.00	0.00	0.00	0.00	0.00	32.21	0.00	67.79	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2000 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: Texas															
Evaluation Period: January 1, 2000 to June 30, 2002															
MA/Assessment Area:	Total Home Improvement 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	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Hidalgo County	266	77.10	0.00	0.00	24.42	33.08	48.72	42.11	26.86	24.81	9.12	0.00	9.07	9.48	8.57
Cameron County	37	10.72	0.54	0.00	22.34	21.62	50.18	51.35	26.94	27.03	2.92	0.00	1.25	2.57	4.76
Nueces County	42	12.17	5.17	23.81	22.17	40.48	36.84	16.67	35.82	19.04	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Bexar County	0	0.00	0.00	0.00	0.00	0.00	32.21	0.00	67.79	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 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: Texas					Evaluation Period: January 1, 2000 to June 30, 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	Over all	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Hidalgo County	42	54.55	0.00	0.00	24.42	14.29	48.72	50.00	26.86	35.71	0.31	0.00	0.30	0.12	0.51						
Cameron County	25	32.47	0.54	0.00	22.34	0.00	50.18	64.00	26.94	36.00	0.47	0.00	0.00	0.80	0.20						
Nueces County	10	12.99	5.17	20.00	22.17	10.00	36.84	20.00	35.82	50.00	0.00	0.00	0.00	0.00	0.00						
<b>Limited Review:</b>																					
Bexar County	0	0.00	0.00	0.00	0.00	0.00	32.21	0.00	67.79	0.00	0.00	0.00	0.00	0.00	0.00						

\* Based on 2000 Peer Mortgage Data: Southwes t 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: Texas					Evaluation Period: January 1, 2000 to June 30, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies							
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Hidalgo County	16	61.54	0.00	0.00	11.80	31.25	31.30	6.25	56.90	62.50	10.34	0.00	33.33	5.56	6.45	
Cameron County	5	19.23	1.72	0.00	15.83	40.00	26.78	60.00	55.67	0.00	3.57	0.00	20.00	0.00	0.00	
Nueces County	4	15.38	9.86	25.00	5.57	0.00	35.28	25.00	49.29	50.00	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
Bexar County	1	3.85	0.00	0.00	0.00	0.00	70.75	0.00	29.25	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2000 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: Texas		Evaluation Period: January 1, 2000 to June 30, 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						
<b>Full Review:</b>																					
Hidalgo County	1,028	66.67	0.00	0.00	20.86	17.22	41.66	40.56	37.48	42.22	4.71	0.00	5.62	5.13	4.48						
Cameron County	380	24.64	0.83	0.53	25.97	16.84	40.47	49.21	32.73	33.42	2.63	0.00	2.17	3.18	2.68						
Nueces County	123	7.98	7.78	7.32	28.52	31.71	34.74	23.58	28.96	37.39	0.05	0.00	0.07	0.00	0.11						
<b>Limited Review:</b>																					
Bexar County	11	0.71	0.00	0.00	0.00	0.00	55.73	81.82	44.27	18.18	0.01	0.00	0.03	0.00	0.02						

\* Based on 2000 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.

\*\*\* Source Data - Dun and Bradstreet (2001).

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

Geographic Distribution: SMALL LOANS TO FARMS															Geography: Texas		Evaluation Period: January 1, 2000 to June 30, 2002									
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>																										
Hidalgo County	111	38.01	0.00	0.00	13.10	15.32	52.62	43.24	34.28	41.44	14.90	0.00	16.67	15.05	14.71											
Cameron County	180	61.64	0.00	0.00	5.43	26.67	63.71	60.56	30.86	12.77	24.49	0.00	48.48	20.00	18.52											
Nueces County	1	0.34	2.11	0.00	18.97	100.00	45.90	0.00	33.02	0.00	0.00	0.00	0.00	0.00	0.00											
<b>Limited Review:</b>																										
Bexar County	0	0.00	0.00	0.00	0.00	0.00	35.48	0.00	64.52	0.00	0.00	0.00	0.00	0.00	0.00											

\* Based on 2000 Peer Small Business Data: US.

\*\* 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.

\*\*\* Source Data - Dun and Bradstreet (2001).

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

Borrower Distribution: HOME PURCHASE		Geography: Texas						Evaluation Period: January 1, 2000 to June 30, 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
<b>Full Review:</b>															
Hidalgo County	684	77.46	24.60	8.75	16.48	18.69	16.59	25.52	42.33	47.04	4.05	14.41	5.83	4.81	3.00
Cameron County	144	16.31	24.63	4.17	16.37	19.44	16.98	21.53	42.02	54.86	1.69	0.67	2.01	1.67	1.69
Nueces County	55	6.23	23.70	13.21	15.70	3.77	18.99	5.66	41.61	77.36	0.02	0.00	0.00	0.00	0.04
<b>Limited Review:</b>															
Bexar County	0	0.00	11.18	0.00	12.81	0.00	12.68	0.00	63.33	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 1.36% of loans originated and purchased by 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: Texas				Evaluation Period: January 1, 2000 to June 30, 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****					
<b>Full Review:</b>															
Hidalgo County	266	77.10	24.60	23.36	16.48	30.33	16.59	15.16	42.33	31.15	8.81	10.09	12.16	8.23	6.13
Cameron County	37	10.72	24.63	22.86	16.37	11.43	16.98	17.14	42.02	48.57	2.76	1.79	1.00	5.32	2.71
Nueces County	42	12.17	23.70	39.02	15.70	36.59	18.99	4.88	41.61	19.51	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Bexar County	0	0.00	11.18	0.00	12.81	0.00	12.68	0.00	63.33	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 7.25% of loans originated and purchased by 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: Texas					Evaluation Period: January 1, 2000 to June 30, 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									
<b>Full Review:</b>																								
Hidalgo County	42	54.55	24.60	12.50	16.48	12.50	16.59	22.50	42.33	52.50	0.36	0.00	0.50	0.29	0.36									
Cameron County	25	32.47	24.63	0.00	16.37	12.00	16.98	20.00	42.02	68.00	0.54	0.00	0.00	0.48	0.66									
Nueces County	10	12.99	23.70	0.00	15.70	10.00	18.99	40.00	41.61	50.00	0.00	0.00	0.00	0.00	0.00									
<b>Limited Review:</b>																								
Bexar County																								

\* Based on 2000 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 2.60% of loans originated and purchased by 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: Texas		Evaluation Period: January 1, 2000 to June 30, 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	
<b>Full Review:</b>										
Hidalgo County	1,028	66.67	87.08	83.27	84.14	9.63	6.23	4.71	10.06	
Cameron County	380	24.64	87.83	77.63	87.63	7.89	4.48	2.63	5.77	
Nueces County	123	7.98	89.22	87.80	84.55	7.32	8.13	0.05	0.14	
<b>Limited Review:</b>										
Bexar County	11	0.71	87.74	81.82	100.00	0.00	0.00	0.01	0.03	

\* Based on 2000 Peer Small Business Data: US&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 - 2001).

\*\*\*\* 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 9.66% of small loans to businesses originated and purchased by the Bank.

**Table12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: Texas		Evaluation Period: January 1, 2000 to June 30, 2002					
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 \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Hidalgo County	111	38.01	81.00	81.08	79.28	17.12	3.60	14.90	25.00
Cameron County	180	61.64	88.57	92.22	73.89	21.67	4.44	24.49	34.59
Nueces County	1	0.34	91.10	100.00	100.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>									
Bexar County	0	0.00	88.71	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2000 Peer Small Business Data: US&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 - 2001).

\*\*\*\* 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 4.79% of small loans to farms originated and purchased by Bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

Geographic and Borrower Distribution: CONSUMER LOANS																		
Geography : Texas Evaluation Period : January 1, 2000 to June 30, 2002																		
MA/Assessment Area:	Geographic Distribution										Borrower Distribution							
	Total Consumer Loans		Low -Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low -Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Hhlds**	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds*	% of BANK Loans	% of Hhlds*	% of BANK Loans
<b>Full Review:</b>																		
Hidalgo County	4,332	71.82	0.00	0.00	24.61	28.83	46.24	42.76	29.15	28.41	25.79	22.63	15.82	29.84	15.82	20.22	42.57	27.31
Cameron County	1,393	23.09	1.14	0.63	24.76	17.48	47.51	58.15	26.59	23.74	25.93	18.21	15.40	26.67	15.87	22.08	42.80	33.04
Nueces County	302	5.01	8.27	8.88	19.23	28.62	36.94	29.61	35.56	32.89	25.82	24.10	14.59	28.06	16.88	24.10	42.71	23.74
<b>Limited Review:</b>																		
Bexar County	5	0.08	0.00	0.00	0.00	0.00	44.81	80.00	55.19	20.00	17.78	0.00	12.60	20.00	16.56	60.00	53.06	20.00

\* Consumer loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

\*\* Percentage of Households is based on the 1990 Census Information.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: Texas				Evaluation Period: June 8, 1999 to October 7, 2002			
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>									
Hidalgo County	0	0	42	5,717	42	5,717	72.43	0	0
Cameron County	0	0	4	1,216	4	1,216	15.41	0	0
Nueces County	0	0	2	780	2	780	9.88	0	0
<b>Limited Review:</b>									
Bexar County	0	0	1	180	1	180	2.28	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: Texas				Evaluation Period: June 8, 1999 to October 7, 2002					
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>																	
Hidalgo County	64.01	14	56	0.00	35.71	28.58	35.71	3	0	0	1	0	2	NA	27.92	47.03	25.05
Cameron County	13.37	6	24	0.00	33.34	33.33	33.33	4	0	0	0	2	2	1.24	28.79	47.93	22.04
Nueces County	18.27	4	16	0.00	25.00	0.00	75.00	4	0	0	1	0	3	8.70	22.58	35.73	32.99
<b>Limited Review:</b>																	
Bexar County	4.35	1	4	0.00	0.00	100.00	0.00	1	0	0	0	1	0	0.00	0.00	43.87	56.13

