



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

February 26, 2001

# **Community Reinvestment Act Performance Evaluation**

**The Frost National Bank  
Charter Number: 5179**

**100 West Houston Street  
San Antonio, TX 78205**

**Office of the Comptroller of the Currency**

**Mid-size Banks  
500 North Akard Street Suite 1600.  
Dallas, TX 75201**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## Overall CRA Rating

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

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

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

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

The major factors that support this rating include:

- Lending levels reflect a good responsiveness by Frost to the credit needs of the AA.
- An adequate distribution of Frost’s loans among geographies and among borrowers of different income levels throughout its AAs.
- Community development lending reflects a good responsiveness to the affordable housing needs in the assessment areas. It is at a high level in three of the four full scope assessment areas and has an overall positive impact on the Lending Test conclusion.
- Investments that reflect a good responsiveness by Frost to the needs of its AAs.
- Adequate accessibility of Frost’s offices to geographies and individuals of different income levels and adequate responsiveness of Frost’s services to the needs of its AAs.
- Adequate performance in providing Community Development Services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. 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.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. The U.S. Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the U.S. Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable 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.

**Full-Scope Review** - Performance under the lending, investment, and service tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data

as the race, gender, and the income of 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 multifamily (five or more families) dwellings loan, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope 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, branch distribution).

**Low-Income** - Income levels that are less than 50 percent of the median family income.

**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 Statistical Area (MSA)** - Area defined by the director of the U.S. Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80 percent and less than 120 percent of the MFI.

**Moderate-Income** - Income levels that are at least 50 percent and less than 80 percent of the MFI.

**Small Loans to Businesses** - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Loans to Farms** - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 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** - Income levels that are 120 percent or more of the MFI.

## Description of Institution

Frost National Bank (Frost) is the third largest financial institution in San Antonio, Texas. As of December 31, 2000, the bank reported total assets of \$7.7 billion and an average aggregate loan to deposit ratio of 68% since the previous CRA evaluation period. Frost National Bank, an intrastate bank, is the only locally owned bank domiciled in San Antonio with branch operations throughout major portions of the state. The bank is a wholly owned subsidiary of Cullen/Frost Bankers, Inc. This is a one-bank holding company with its headquarters located in San Antonio, Texas. In 1998 and 1999, Frost acquired Commerce Financial Corporation (Bank of Commerce) in Fort Worth, Professional Insurance Agents, Inc., (PIA) in Victoria, Texas, and Keller State Bank, in Tarrant County, Texas. In 1998, Cullen/Frost completed the merger of Overton Bancshares, Inc., in Fort Worth. In the second quarter of 2000, United States National Bank of Galveston, an affiliate bank, merged into Frost.

On May 15, 2000 Frost and GMAC Mortgage Corporation (GMACM) signed a Co-Branding agreement. This agreement essentially takes Frost out of the mortgage origination business. GMACM will be located in Frost's building. They will receive referrals from Frost for Frost customers, and generally associate in a partnership-like arrangement, including linking of Internet web pages and GMACM's solicitous use of certain Frost identity property.

From its original locations in San Antonio, Texas, Frost has expanded, via bank acquisitions and new branch openings, to include locations in ten of the twenty-seven MSA's in Texas. The bank also has a full service branch in Boerne, Texas, located in Kendall County. Frost has 83 full-service branches in Texas including its main office, five drive-thru windows, five night depositories, one Loan Production Office and 127 ATM locations in its San Antonio, Houston, Austin-San Marcos, Fort Worth, Corpus Christi, McAllen, Galveston, and Brazoria MSAs, and Dallas County, Braunfels and Boerne. Non-proprietary ATM services is also available with no terminal fees at HEB and Pantry Food store locations throughout the bank's assessment areas. For 1999, Frost's deposit market share is approximately four percent in the combined assessment areas. Approximately 43.44% of Frost's total deposits come from the San Antonio market.

There are no financial impediments, which limit Frost's ability to help meet the credit needs of its assessment area. Frost is adequately capitalized and operates profitably. Frost offers a full range of financial and credit services throughout its assessment area. These include commercial, real estate (including home improvement), and consumer loan products. The loan portfolio is diversified as follows: commercial (40.7%), real estate (47.7%), and consumer loans (9.8%).

Frost has established ten assessment areas, six of which consist of whole MSAs, three partial MSAs, and one nonmetropolitan area. This evaluation provides an analysis description of four full scope reviews for the San Antonio MSA, Houston MSA, Austin MSA, and Fort Worth MSA.

Frost's CRA performance was last evaluated as of February 9, 1998. At that time the bank's overall level of performance was rated "Satisfactory."

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test, with the exception of community development loans, was from January 1, 1998, through December 31, 2000. At the prior examination, the review period for Lending Test covered loans made from January 1, 1996 through December 31, 1997. Lending products reviewed included home purchase loans, home improvement loans, home mortgage refinanced loans, small business loans, and community development loans. A detailed analysis of small farm loans was not included in this analysis because it is not a primary line of business. The volume of small farm loans made during the evaluation period is not significant.

The evaluation period for the Investment and Service Tests and community development loans was from February 9, 1998 to February 26, 2001. The Investment Test included a review of investments, grants, and donations made in the bank's assessment areas (AAs) that meet the definition of community development investments. The Service Test included a review of retail and community development services provided in the bank's AAs.

### Data Integrity

Prior to this CRA examination, OCC personnel verified the accuracy of lending and CRA performance data supplied by the bank. In addition CD loans, services, and investments were reviewed to ensure they qualified as community development. Based on verification work performed, publicly reported lending data is considered accurate.

### Selection of Areas for Full-Scope Review

During this examination we performed full-scope reviews for four of the bank's AAs. The AAs selected for review were areas in which the bank has a substantial share of its business, 85% of deposits and approximately 77% of total reported loans. A full-scope review was conducted for the Austin, Fort Worth, Houston, and San Antonio MSAs. A limited scope review was conducted in the remaining AAs, Boerne-Kendall County, Brazoria MSA, Corpus Christi MSA, Dallas County, Galveston MSA and McAllen MSA. Please refer to the table in Appendix A for more information.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews, Austin, Fort Worth, Houston, and San Antonio MSAs. This is based on the fact that 85% of deposits and approximately 77% of total reported loans are in these assessment areas. The San Antonio MSA is the bank's primary market and has 43% of



the bank's total deposits as a result it is given the most weight. Based on their share of deposits and loans the Austin, Fort Worth, and Houston MSAs are given equal weight.

## **Other**

Numerous community contacts were made during the assessment period by the OCC and other regulatory agencies to better understand the public's perception of Frost's and other banks' performance. The community contacts were also made to determine credit needs and opportunities in the assessment areas. A total of 16 community contacts were made during the review period in the assessment areas that received a full scope review. The group of contacts included small business development and economic development agencies, and neighborhood associations. Community contacts most commonly cited the continuing need for small business and affordable housing lending, and financial and credit education programs. In aggregate, the comments received were positive concerning the manner in which Frost and other banks provided needed credit, investment, and services.

## Fair Lending Review

We conducted a fair lending review using the procedures outlined in the *Fair Lending Comptroller's Handbook* dated October of 1997. We performed a comparative file analysis of home improvement loans originated between May 1999 and January 2000. The purpose of the review was to determine whether African American applicants were treated as equitably in the underwriting process as White applicants.

Frost satisfactorily complies with the antidiscrimination laws. We found no evidence of illegal discrimination being applied on a prohibited basis. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. A satisfactory fair lending process is in place to ensure ongoing compliance.

## 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 High Satisfactory. Based on full-scope reviews, the bank's performance in the Fort Worth, Houston, and San Antonio MSAs is good and adequate in the Austin MSA. The high level of community development loans in Fort Worth, Houston, and San Antonio has a positive impact on the lending performance in these assessment areas.

#### Lending Activity

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's lending activity.

In each full scope AA, 52% or more of the loans originated during the examination period were small loans to businesses, with home mortgage loans comprising the majority of the remainder. At less than one percent, the volume of Frost's small farm loan originations/purchases is not material. Agricultural lending is not a primary business line of Frost.

Reviews of the full scope AA show that among home mortgage loan originations/purchases, approximately 45% were home purchase, 14% were home mortgage refinance, and 41% were for home improvement. As of June 30, 2000, Frost stopped originating home purchase loans and refinancing mortgage loans. They will refer mortgage requests to GMACM. In their agreement with GMACM, the bank will purchase some of the loans originated by GMACM.

Frost's lending activity is adequate in the Austin MSA, Fort Worth MSA, Houston MSA, and San Antonio MSA.

In the Austin MSA, Frost ranks sixth in terms of deposit market share (4.5%). Based on 1999 HMDA aggregate data, Frost's overall market share for home purchase and refinance loans was less than one percent. In home improvement loans Frost ranked fifth with a five percent overall market share. Based on 1999 CRA aggregate data, Frost ranks seventh (3.6%) in small loans to businesses in the MSA. Frost market share of home mortgage related loans and small loans to businesses are less than its deposit market share.

In the Fort Worth MSA, Frost ranks fifth in deposit market share (6.7%). Based on 1999 HMDA aggregate data, Frost had an overall market share of less than one percent in the origination of home purchase and refinanced loans. In home improvement loans Frost

ranked eighth with an overall market share of 3.7%. The bank's market share of these loans is less than its deposit market share. Based on 1999 CRA aggregate data, Frost ranks third in small loans to businesses (6.9%) in the MSA. The top two lenders, however, are larger credit card banks. Frost's market share of small loans to businesses exceeds deposit market share in the AA.

In the Houston MSA, Frost ranks 11<sup>th</sup> in terms of deposit market share (1.7%). Based on 1999 HMDA data, Frost had an overall market share of less than one percent in the origination of home purchase and refinanced loans. In home improvement loans Frost is ranked tenth with an overall market share of 2.1%. The bank's market share of these loans exceeds its deposit market share. Based on 1999 CRA aggregate data, Frost ranked twelfth in small loans to businesses (2.0%) in the MSA. Frost's market share of small loans to businesses exceeds deposit market share in the MSA.

In the San Antonio MSA, Frost ranks first in terms of deposit market share (13.4%). Based on 1999 HMDA data, Frost had an overall market share of less than one percent in the origination of home purchase and refinanced loans. In home improvement loans Frost is ranked third in home improvement loans with an overall market share of 10.0%. Based on 1999 CRA aggregate data, Frost ranks third in small loans to businesses (7.1%) in the MSA. The two top lenders are large credit card banks. Frost's market share of home mortgage and refinanced loans is substantially lower than deposit market share, and home improvement loans and small loans to businesses is lower than its deposit market share.

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

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

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

### **Austin MSA**

Frost's geographic distribution of home mortgage related lending to individuals in low- and moderate-income census tracts (CTs) is adequate.

Frost's home purchase loans in low- income and moderate-income CTs are adequate. The percentage of loans in low-income and moderate-income CTs is lower than the percentage of owner-occupied units in those tracts. The 1999 market share data reflects that Frost's home purchase loan market share of loans in low-income CTs exceed its overall market share. Market share of loans in moderate-income CTs is lower than its overall market share.

Refinanced home mortgage loans in low- and moderate-income CTs are adequate. Frost's refinanced home mortgage loans in low-income CTs are good. The percentage of loans in low-income CTs is near to the percentage of owner-occupied units. Refinanced home

mortgage loans in moderate-income CTs are adequate. The percentage of loans in moderate-income CTs is lower than the percentage of owner-occupied units. Frost's market share of refinanced mortgage loans in low-income tracts exceeds its overall market share. Market share of loans in moderate-income tracts is lower than its overall market share.

Home improvement loans in low-income CTs and moderate-income CTs are adequate. The percentage of loans to low-income and moderate-income CTs is lower than the percentage of owner-occupied units. Frost's market share of home improvement loans in low-income CTs exceeds its overall market share. Market share of loans in moderate-income CTs is lower than its overall market share.

### **Fort Worth MSA**

Frost's geographic distribution of home mortgage related lending in low-income and moderate-income CTs is poor.

Frost's home purchase loans in low- and moderate-income CTs are poor. Home purchase loans in low-income CTs are poor. The percentage of loans in low-income CTs is substantially lower than the percentage of owner-occupied units. Home purchase loans in moderate-income CTs are good. The percentage of home purchase loans in moderate-income CTs is near to the percentage of owner-occupied units. The 1999 market share data reflects that Frost's home purchase loan market share of loans in low-income CTs is lower than its overall market. Market share of loans in moderate-income CTs exceeds the bank's overall market share.

Frost's refinanced mortgage loans in low-income and moderate-income CTs are very poor. There were no refinanced mortgage loans in low-income CTs. Refinanced home mortgage loans in moderate-income CTs are substantially lower than the percentage of owner-occupied units. Frost's market share of refinanced mortgage loans in moderate-income CTs is lower than its overall market share.

Frost's home improvement loans in low- and moderate-income CTs are adequate. Home improvement loans in low-income CTs are adequate. The percentage of loans in low-income CTs is lower than the percentage of owner-occupied units. Home improvement loans in moderate-income CTs are poor. The percentage of home improvement loans in moderate-income CTs is substantially lower than the percentage of owner-occupied units. Frost's market share data reflects that home improvement loan in low-income and moderate-income CTs is lower than the bank's overall market share.

### **Houston MSA**

Frost's geographic distribution of home mortgage related lending in low- and moderate-income CTs is adequate.

Frost's home purchase loans in low- and moderate-income CTs are good. Home purchase loans in low- income CTs are excellent. The percentage of home purchase loans made by the bank in low-income CTs exceeds the percentage of owner-occupied units located in the CTs. Home purchase loans to individuals in moderate-income CTs are adequate. Frost's percentage of loans in moderate-income CTs is lower than the percentage of owner-occupied units in those tracts. The 1999 market share data reflects that Frost's home purchase loan market share of loans in low-income CTs exceed its overall market share. Market share of loans in moderate-income CTs is near to the bank's overall market share.

Refinanced home mortgage loans in low-income and moderate-income CTs are poor. The percentage of loans in low-income and moderate-income CTs is substantially lower than the percentage of owner-occupied units. Frost's market share of refinanced mortgage loans in low-income tracts is near to its overall market share. Market share of refinanced loans in moderate-income tracts is substantially lower than its overall market share.

Home improvement loans in low-income and moderate-income CTs are adequate. The percentage of loans to low-income and moderate-income CTs is lower than the percentage of owner-occupied units. Frost's market share of home improvement in low-income and moderate-income CTs is lower than its overall market share.

## **San Antonio**

Frost's geographic distribution of home mortgage related lending in low- and moderate-income CTs is poor.

Frost's home purchase loans in low- and moderate-income CTs are poor. Home purchase loans in low- income CTs are adequate. The percentage of home purchase loans made by the bank in low-income CTs is lower than the percentage of owner-occupied units located in the AA. Home purchase loans to individuals in moderate-income CTs are poor. The percentage of loans in moderate-income CTs is substantially lower than the percentage of owner-occupied units in those tracts. The 1999 market share data reflects that Frost's home purchase loan market share of loans in low-income CTs exceeds the bank's overall market share. Frost's market share of loans to individuals in moderate-income CTs is lower than the bank's overall market share.

Frost's refinanced home mortgage loans in low- and moderate-income CTs are poor. Refinanced home mortgage loans in low-income CTs is very poor and in moderate-income CTs poor. The percentage of loans in low-income and moderate-income CTs is substantially lower than the percentage of owner-occupied units. Frost's market share of refinanced mortgage loans in low-income CTs and in moderate-income CTs is substantially lower than its overall market share.

Home improvement loans in low-income and moderate-income CTs are adequate. The percentage of loans to low-income and moderate-income CTs is lower than the percentage of owner-occupied units. Frost's market share of home improvement loans in low-income and moderate-income CTs is lower than its overall market share.

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

Refer to Table 5 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.

#### **Austin MSA**

Frost's geographic distribution of small loans to businesses located in low- and moderate-income CTs is good.

The percentage of small loans to business in low-income CTs is excellent and exceeds the percentage of businesses located within these designated tracts. The percentage of small loans to businesses in moderate -income CTs is adequate. The percentage of loans originated is lower than the percentage of businesses located within the CTs. The bank's market share in low-income CTs exceeds its overall market share. Frost's market share of loans to small businesses in moderate-income CTs is lower than the bank's overall market share.

#### **Fort Worth MSA**

Frost's geographic distribution of small loans to businesses located in low- and moderate-income CTs is excellent.

The percentage of small loans to business in low-income CTs is excellent and exceeds the percentage of businesses located within these designated tracts. The percentage of small loans to businesses in moderate -income CTs is good and exceeds the percentage of businesses located within the CTs. The bank's market share in low-income and moderate-income CTs exceeds its overall market share.

#### **Houston MSA**

Frost's geographic distribution of small loans to businesses located in low- and moderate-income CTs is excellent.

The percentage of small loans to business in low-income CTs is good and near to the percentage of businesses in the CTs. Small loans to businesses in moderate-income CTs are excellent and exceed the percentage of businesses located within these designated tracts. The bank's market share in low-income and moderate-income CTs exceeds its overall market share.

## **San Antonio MSA**

Frost's geographic distribution of small loans to businesses located in low- and moderate-income CTs, is excellent.

The percentage of small loans to businesses in low-income CTs is excellent and exceeds the percentage of businesses in the CTs. Small loans to business in moderate-income CTs are good and near to the percentage of businesses located within these designated tracts. The bank's market share in low-income and moderate-income CTs exceeds its overall market share.

### ***Small Loans to Farms [Not applicable]***

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 farms.

## **Lending Gap Analysis**

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

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

A substantial majority of the home mortgage loans, small loans to businesses and farms, and community development loans originated/purchased by Frost over the evaluation period were within its AAs. Ninety percent of the bank's home mortgage loans, 97% of the small loans to businesses, 88% of small loans to farms, and 100% of CD loans were within its AAs. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

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

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

Refer to Tables 7, 8, and 9 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

## **Austin MSA**

Frost's distribution of home mortgage-related lending to low- and moderate-income individuals is poor.



Frost's home purchase lending to low- and moderate-income individuals is very poor. Home purchase lending to low-income individuals is very poor. Home purchase loans to moderate-income individuals are poor. The percentage of home purchase loans to low-income and moderate-income individuals is substantially lower than the percentage of low-income families in the MSA. The 1999 market share of data for the Austin MSA shows Frost's market share of home purchase loans to low- and moderate-income individuals is lower than its overall MSA market share.

Frost's refinanced mortgage loans to low- and moderate-income individuals are poor. Refinanced home mortgage loans to low-income individuals are poor. The percentage of loans to low-income individuals is substantially lower than the percentage of low-income families in this MSA. Refinanced loans to moderate-income individuals are adequate. The percentage of refinanced loans to moderate-income individuals is lower than the percentage of moderate-income families. Frost's market share of refinanced loans to low-income individuals exceeds the bank's overall market share.

Frost's home improvement lending to low- and moderate-income individuals is adequate. Home improvement lending to low-income individuals is poor. The percentage of loans made to low-income individuals is substantially lower than the percentage of low-income families in the MSA. Home improvement loans to moderate-income individuals are adequate. The percentage of home improvement loans to moderate-income individuals is lower than the percentage of moderate-income families. Frost's market share of home improvement loans to low-income individuals exceeds its overall MSA market share. Market share of home improvement loans to moderate-income individuals is lower than the bank's overall market share.

### **Fort Worth MSA**

Frost's distribution of home mortgage-related lending to low- and moderate-income individuals is adequate.

Frost home purchase loans to low- and moderate-income is good. Home purchase lending to low-income individuals is adequate. The percentage of home purchase loans to low-income individuals is lower than the percentage of low-income families in the MSA. Home purchase loans to moderate-income individuals are excellent. The percentage of loans to moderate-income individuals exceeds the percentage of moderate-income families. The 1999 market share data for the Fort Worth MSA shows that Frost's market share of home purchase loans to low-income and moderate-income individuals is higher than its overall MSA market share.

Frost's refinanced home mortgage loans to low- and moderate-income individuals are poor. Refinanced home mortgage loans to low-income individuals are very poor. The percentage of loans to low-income individuals is substantially lower than the percentage of low-income families in this MSA. Refinanced loans to moderate-income individuals are adequate. The percentage of refinanced loans to moderate-income individuals is lower than the percentage of moderate-income families. Frost's market share of refinanced

loans to low-income individuals is lower than the bank's overall market share. Market share of refinanced loans to moderate-income individuals exceeds the bank's overall market share.

Home improvement lending to low-income individuals is poor. The percentage of loans made to low-income individuals is substantially lower than the percentage of low-income families in the MSA. Home improvement loans to moderate-income individuals are adequate. The percentage of home improvement loans to moderate-income individuals is lower than the percentage of moderate-income families. Market share of home improvement loans to low-income and moderate-income individuals is lower than the bank's overall market share.

### **Houston MSA**

Frost's distribution of home mortgage-related lending to low- and moderate-income individuals is poor.

Frost's home purchase lending to low- and moderate-income individuals is poor. Home purchase lending to low-income individuals is poor. The percentage of home purchase loans to low-income individuals is substantially lower than the percentage of low-income families in the MSA. Home purchase loans to moderate-income individuals are adequate. The percentage of loans to moderate-income individuals is lower than the percentage of moderate-income families.

Frost's refinanced mortgage lending to low- and moderate-income individuals is poor. Home purchase lending to low-income individuals is poor. Refinanced home mortgage loans to low-income individuals are very poor. The percentage of loans to low-income individuals is substantially lower than the percentage of low-income families in this MSA. Refinanced loans to moderate-income individuals are poor. The percentage of refinanced loans to moderate-income individuals is substantially lower than the percentage of moderate-income families.

Frost's home improvement loan lending to low- and moderate-income individuals is poor. Home purchase lending to low-income individuals is poor. Home improvement lending to low-income individuals is poor. The percentage of loans made to low-income individuals is substantially lower than the percentage of low-income families in the MSA. Home improvement loans to moderate-income individuals are adequate. The percentage of home improvement loans to moderate-income individuals is lower than the percentage of moderate-income families.

The 1999 market share data for the Houston MSA shows that Frost's market share of home purchase, refinanced mortgage and home improvement loans to low-income and moderate-income individuals is lower than the bank's overall MSA market share.

**San Antonio MSA**

Frost’s distribution of home mortgage-related lending to low- and moderate-income individuals is adequate.

Frost’s home purchase lending to low- and moderate-income individuals is adequate. Home purchase lending to low-income individuals is poor. Home purchase lending to low-income individuals is very poor. The percentage of home purchase loans to low-income individuals is substantially lower than the percentage of low-income families in the MSA. Home purchase loans to moderate-income individuals are good and near to the percentage of moderate-income families. The 1999 market share data for the San Antonio MSA shows that Frost’s market share of home purchase to low-income and moderate-income individuals exceeds its overall MSA market share.

Frost’s refinanced mortgage lending to low- and moderate-income individuals is poor. Refinanced home mortgage loans to low-income individuals are poor. The percentage of loans to low-income individuals is substantially lower than the percentage of low-income families in this MSA. Refinanced loans to moderate-income individuals are adequate. The percentage of refinanced loans to moderate-income individuals is lower than the percentage of moderate-income families. Frost’s market share of refinanced loans to low-income individuals is lower than the bank’s overall market share. Market share of refinanced loans to moderate-income individuals exceeds the bank’s overall market share.

Frost’s home improvement loans to low- and moderate-income individuals are adequate. Home improvement loans to low-income individuals are poor. The percentage of loans made to low-income individuals is substantially lower than the percentage of low-income families in the MSA. Home improvement loans to moderate-income individuals are adequate. The percentage of home improvement loans to moderate-income individuals is lower than the percentage of moderate-income families. Market share of home improvement loans to low-income and moderate-income individuals is lower than the bank’s overall market share.

***Small Loans to Businesses***

Refer to Table 10 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.

**Austin MSA**

The distribution of small loans to small businesses is adequate in the Austin MSA.

The percentage of Frost small loans to businesses with revenues of \$1 million or less is less than the percentage of businesses with revenues of \$1 million or less. The percentage of loans of \$100,000 or less in the Austin MSA is less than the percentage of businesses with revenues of \$1 million or less. The bank’s market share of small loans to

small businesses exceeds its overall market share for small loans to all businesses in the MSA.

### **Fort Worth MSA**

The distribution of small loans to small businesses is adequate in the Fort Worth MSA.

The percentage of Frost small loans to businesses with revenues of \$1 million or less is less than the percentage of businesses with revenues of \$1 million or less. The percentage of loans of \$100,000 or less in the Fort Worth MSA is less than the percentage of businesses with revenues of \$1 million or less. The bank's market share of small loans to small businesses exceeds its overall market share for small loans to all businesses in the MSA.

### **Houston MSA**

The distribution of small loans to small businesses is adequate in the Houston MSA.

The percentage of Frost small loans to businesses with revenues of \$1 million or less is less than the percentage of businesses with revenues of \$1 million or less. The percentage of loans of \$100,000 or less in the Houston MSA is less than the percentage of businesses with revenues of \$1 million or less. The bank's market share of small loans to small businesses is less than its overall market share for small loans to all businesses in the MSA.

### **San Antonio MSA**

The distribution of small loans to small businesses is adequate in the San Antonio MSA.

The percentage of Frost small loans to businesses with revenues of \$1 million or less is less than the percentage of businesses with revenues of \$1 million or less. The percentage of loans of \$100,000 or less in the San Antonio MSA is less than the percentage of businesses with revenues of \$1 million or less. The bank's market share of small loans to small businesses exceeds its overall market share for small loans to all businesses in the MSA.

### ***Small Loans to Farms [Not applicable]***

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

## Community Development Lending

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's level of community development lending.

CD lending had a positive impact on the Lending Test conclusions in the San Antonio, Houston and Fort Worth AA's, and a neutral impact on the conclusions in the Austin AA. The dollar volume of Frost's community lending during the evaluation period is good.

During the evaluation period, Frost made a total of 152 CD loans totaling \$73.2 million, which represents 11.8% of Tier one capital. These loans help address the most pressing credit needs in the form of affordable housing as identified in the assessment areas.

Frost has a good level of CD loans in the San Antonio AA. Frost originated 109 CD loans totaling more than \$26.7 million in the San Antonio AA. This CD lending focused primarily on addressing affordable housing and the stabilization and revitalization of low- or moderate-income areas, which are primary credit needs in the AA. Although the capacity of the AA to engage in CD lending is high (refer to the Market Profile in Appendix B), the number and dollar amount of CD loans originated by Frost is significant. None of the loans are considered complex or innovative.

The following is a sample of the more significant loans:

- Frost originated 71 loans to one builder totaling more than \$4 million to construct the same number of single family homes with sales prices under \$70,000, which is affordable to moderate-income individuals and families. Downpayment assistance from various sources was available to purchasers that added to the homes' affordability. The bank also made 27 home construction loans totaling \$2 million to other builders, including Neighborhood Housing Services, to construct homes affordable to families with incomes of 80 percent or less of the MSA median.
- Frost made a \$1.68 million loan to the San Antonio Housing Authority (SAHA) to refinance the purchase and provide funds to rehabilitate a low-income apartment complex that the Housing Authority purchased from HUD. SAHA's mission is to provide decent housing for low-income families, and rents at this complex will be publicly subsidized to ensure affordability.
- Frost originated a \$10 million loan to fund the public/private partnership development of the Southern Pacific Railroad Depot in San Antonio into a shopping and dining complex. The depot is located in a Texas Enterprise Zone. The project will not only revitalize a large abandoned area, but will provide more than 2,100 jobs by its fourth year of operation.
- The bank made a loan of \$1.6 million for the construction and permanent financing of a 17,000 square foot medical office building on the city's Eastside. This

building brings needed medical services that have been absent from this low- and moderate-income area targeted by the city for redevelopment.

Frost has made a good level of CD loans in the Houston AA. During the evaluation period, Frost originated 16 CD loans totaling \$21.6 million in the Houston AA. Again, the majority of the loans address affordable housing, a primary credit need in the AA. Houston is also an AA where CD opportunities and capacity are high (refer to the Market Profile in Appendix B), but the dollar amount of the bank's CD loans in the AA is significant. None of the loans are considered innovative or complex.

The following is a brief description of a sample of the more significant loans:

- Frost made three loans totaling \$10.9 million to purchase land and develop and construct a large retail area called Gulfgate. The project is located in a predominantly moderate-income area that has been designated by the City of Houston as a Tax Increment Reinvestment Zone (TIRZ). These zones were created by the City Council to attract new investment to proven stagnant areas of the city. The Gulfgate project participates in the TIRZ and is expected to provide a large number of jobs for low- and moderate-income residents of the area.
- Frost made a \$3.8 million loan to finance the purchase of a 304-unit apartment complex from HUD. The loan also provides funds to rehabilitate the complex. More than half of the units are subject to HUD rental cap restrictions and the 20-year deed requires that rents remain affordable to low- and moderate-income families for the term of the deed.
- Frost also made 6 loans to different borrowers to finance multi-family housing totaling \$4.5 million. All of the units rent for less than the HUD Section 8 rent limits and less than 30% of moderate-income levels for the Houston area, and many are publicly subsidized, which makes them affordable to low- and moderate income individuals and families.

Frost has made a good level of CD loans in Fort Worth. During the evaluation period, Frost originated 8 loans totaling \$20.4 million in the Fort Worth AA. The loans promote affordable housing, a primary credit need in this high CD opportunity AA (refer to the Market Profile in Appendix B). The bulk of the CD lending is centered in one \$20 million line of credit to a builder partnered with the City of Fort Worth. The amount of the line, which represents a large number of single family homes under construction, is significant. The homes are priced so that moderate-income families can afford them, and the city provides closing cost and downpayment assistance to qualified individuals who earn less than 80% of the MSA median income. The loan is not considered innovative or complex.

## **Product Innovation and Flexibility**

Product innovation and flexibility had a positive impact on the Lending Test conclusion for Frost. The bank uses innovative and flexible underwriting guidelines to meet the credit needs of low- and moderate-income individuals. The loan programs are geared to increase the volume of loans originated to low- and moderate-income individuals. Frost often leverages its loan programs with public monies to maximize home ownership opportunities for low- and moderate-income families and individuals. The bank meets the credit needs of low- and moderate-income families and individuals primarily through its Progress Loan Programs.

**Progress Mortgage Loan Program** - This is a loan product created to help low- and moderate-income families and individuals, who do not qualify for traditional financing. This loan program is offered in all of the bank's assessment areas. As of May 2000, this product is offered through a co-branding partnership with GMAC Mortgage. It features a low down payment requirement of 5%, expanded debt/income ratios (33% front end and 41% back end ratios), no lender fees and reduced interest rates. Also, the bank uses flexible criteria to evaluate prior credit history requirements. The bank will accept prior payment history on utilities and rent in lieu of a traditional credit history. The bank originated 439 loans totaling \$21 million from 1998 to December 31, 2000.

**Progress Home Improvement Loan Program** - This program offers reduced interest rates and expanded loan terms to make payments affordable for low- and moderate-income borrowers. The program also has a low minimum loan amount of \$500 and Frost waives all lender fees. Frost originated 220 home improvement loans totaling \$1.6 million from 1998 to December 31, 2000.

**Progress Interim Construction Loan Program** - This program offers special pricing and waives commitment fees for commercial and residential properties located in low- and moderate-income areas or for construction for low- and moderate-income families. Loans booked under this program include community development loans which are discussed under Community Development Lending.

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

Based on limited-scope reviews, the bank's performance under the lending test in the Corpus Christi, Galveston, and McAllen MSAs, and Dallas County AA is not inconsistent with the bank's overall High Satisfactory rating performance under the lending test. In the Brazoria MSA and Kendall County AA the bank's performance is weaker than the bank's overall. The performance in the limited scope assessment areas has a neutral impact on the bank's overall performance. The combined assessment areas represent 23% of the reported loans and 15% of the bank's total deposits.

Refer to Tables 1 through 11 in appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

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

The bank's performance under the Investment Test in Texas is rated "High Satisfactory". Based on full-scope reviews, the bank's investment performance in the Houston, Fort Worth is good. In the San Antonio assessment areas the bank's investment performance is adequate. In the Austin AA, the bank investment performance is excellent.

Refer to Table 12 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Frost has provided an excellent level of qualified investments in the Austin AA. The bank had 20 qualified investments/grants totaling \$7.2 million. Investments include the two mortgage-backed securities (MBS) totaling \$7.1 million. In Austin, with annual donations of more than \$30,000, the bank supports ACCION Texas, a Hispanic-oriented organization dedicated to providing alternative financing to small businesses that do not qualify for traditional loan funds. Through its programs, ACCION helps entrepreneurs stabilize their incomes, create additional employment and contribute to the revitalization of their communities.

In addition the bank has a \$50,000 prior period investment. The CDC provides financing for businesses with revenues less than a million. The Austin AA also accounts for 10% of the bank's deposits and 25% of the bank's qualified investments.

Frost has provided a good level of qualified investments in the Fort Worth AA. The bank had 27 qualified investments/grants totaling \$5.5 million. Investments include two mortgage-backed securities (MBS) totaling \$5.3 million. The remainder of the investments, are grants to organizations that target low- and moderate-income people or provide affordable housing. The Fort Worth AA accounts for 14% of the bank's deposits and 19% of the bank's qualified investments.

Frost has provided a good level of qualified investments in the Houston AA. The bank had 37 qualified investments/grants totaling \$6.2 million. Investments include the purchase of two mortgage-backed securities (MBS) totaling \$6.1 million. The remainder of the investments, are grants to organizations that target low- and moderate-income people or provide affordable housing. The Houston AA accounts for 17% of the bank's deposits and 21% of the bank's qualified investments.

Frost has provided a good level of qualified investments in the San Antonio AA. The bank had 69 qualified investments/grants totaling \$4.2 million. Investments include the purchase of two mortgage-backed securities (MBS) totaling \$372.6 thousand.



In Bexar County in the San Antonio AA, the bank purchased \$2.5 million in tax-exempt multi-family revenue bonds issued to refinance existing debt and finance costs associated with the rehabilitation of a 204-unit low-income apartment complex. The complex relies on Section 8 housing vouchers from HUD. The County approached the bank with its proposal. Tax-exempt revenue bonds are common in the major cities of Texas.

Also in San Antonio, the bank has donated \$50,000 annually to the housing initiatives of the Metro Alliance/COPS program. The program is dedicated to rebuilding low-income neighborhoods, providing job training and preparing low- and moderate-income families for homeownership. In San Antonio, with annual donations of more than \$30,000, the bank supports ACCION Texas.

The bank also has prior period investments in three community development corporations in three of its ten assessment areas. These community development corporations provide financing for businesses with revenues less than \$1 million and two are dedicated to affordable housing for low- and moderate-income persons.

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

Based on limited-scope reviews, the bank's performance under the Investment Test in the Dallas County, Galveston MSA, McAllen MSA, and Kendall County assessment areas, is not inconsistent with its overall "High Satisfactory" performance under the Investment Test. However, the bank's performance under the Investment Test in the Corpus Christi MSA and Brazoria MSA assessment area is weaker than the bank's overall Investment Test performance. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

Although performance in the Corpus Christi MSA AA is weaker, it remains adequate and did not negatively impact the overall conclusion for Investments. The weaker performance is centered in the comparatively lower volume of investments, given the percentage of bank deposits associated with this AA.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "Low Satisfactory." Based on full-scope reviews, the bank's performance in the San Antonio, Houston, Fort Worth and Austin MSAs is adequate.

## Retail Banking Services

Refer to Table 13 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.

Frost's delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the full scope AA's. Accessibility is adequate in the San Antonio and Houston MSA's and good in the Fort Worth and Austin MSA's.

The distributions of Frost branches in the San Antonio and Houston MSA's are adequate, and the distributions in the Fort Worth and Austin MSA's are adequate.

In the San Antonio and Houston MSA's, the distribution of Frost branches in low-income areas is much less than the distribution of the population living in such geographies. The one branch in a low-income tract in the Houston MSA is a night depository and not a full-service location. Branch closures in these two AA's have not affected the accessibility of delivery systems in either of these AA's. In the Fort Worth and Austin MSA's, the branch distributions in low-income geographies are excellent compared to the distribution of the population living in low-income geographies. The Fort Worth MSA distribution remains excellent despite the closure of two branches in low-income geographies.

In each of the areas that received full-scope reviews, the distribution of Frost branches in moderate-income geographies is adequate. Branch distributions in moderate-income geographies in each full-scope area are less than each MSA's respective population residing in such geographies. With the addition of a branch, the distribution of Frost branches in moderate-income geographies in the San Antonio MSA increased relative to the distribution of the population living in such geographies. It is not, however, a full-service location, as it primarily provides loan services.

Banking hours and services offered throughout the full-scope AA's are adequate. Lobby and drive-thru facility hours Monday through Friday are generally the same at all branches regardless of the income level of the geography. Banking hours and services are offered on Saturdays in the full scope AA's. Lobbies are not open on Saturdays in either the Houston MSA or the Fort Worth MSA. One of the thirteen locations that are open on Saturdays is in a moderate-income tract in the San Antonio MSA. The decision on which locations to open on Saturdays is based largely on an area's needs which the bank correlates to traffic patterns.

Frost National Bank offers the same products in all AA's. The bank offers three types of consumer accounts that are generally responsive to basic banking needs of low- and moderate-income people. All checking and savings accounts may be opened with a minimum \$50.00 deposit.

Alternative delivery systems include ATM's, telephone banking, and Internet banking services. All services are available in English and Spanish.

The overall ATM distribution is adequate in delivering retail-banking services in low-and moderate-income geographies and to low- and moderate-income individuals. The distribution in low-income geographies is adequate and the distribution in moderate-income geographies is good.

In the San Antonio MSA, the distribution of Frost ATM's in low- income areas is much less than the distribution of the population living in such geographies. And in the Houston MSA, Frost has no ATM's in low-income tracts. In the Fort Worth and Austin MSA's, the ATM distributions in low-income geographies are excellent compared to the distribution of the population living in low-income geographies.

In each of the areas that received full-scope reviews, the distribution of Frost ATM's in moderate-income geographies is good. The ATM distributions in each full-scope area, except in the Houston MSA, approximate or exceed each MSA's respective population living in such geographies. The ATM distribution of Frost ATM's in moderate-income geographies in the Houston MSA is less than the portion of the population living in such geographies.

ReadyBank, Frost's 24-hour a day telephone banking service, is offered in each AA. This service allows customers to make inquiries on their loan and deposit accounts, transfer funds, and make payments on loans. Internet Banking with electronic bill payment features is available to customers for a fee, depending on the type of account the customer has. Since the bank does not have specific information on how low- and moderate-income individuals and geographies are impacted by these services, significant weight was not placed on the alternative delivery system when drawing conclusions for each full-scope AA under the Service Test.

## **Community Development Services**

Frost National Bank has demonstrated good community development service performance in the AA's that received full-scope reviews. The bank provides a high number of services. Activities demonstrate the bank's commitment to its communities primarily through providing technical assistance, low or no cost services, credit/homebuyer counseling, and banking education. The bank's primary activities are provided through affordable housing organizations, community development corporations (CDC's), and community service organizations.

Below are examples of the bank's involvement in community development services in the full-scope AA of the San Antonio MSA:

- **San Antonio Habitat for Humanity** - Frost National Bank provides technical assistance to this affordable housing organization and services an affordable housing loan portfolio at nominal cost to this organization. Over the evaluation period the portfolio has grown from 150 to 211 loans. Bank officers served on its Board of Directors and Fundraising Committee, helped to develop credit evaluation tools and underwriting

standards, offered financial advice for strategic planning, and provided translation from English to Spanish at loan closings.

- **San Antonio Business Development Fund** - A U.S. Treasury Department Community Development Financial Institution (CDFI). A bank officer has served on the Board and Loan Committee since inception. The organization's primary purpose is to provide gap financing for small businesses and to promote economic development.
- **San Antonio Housing Trust Finance Corporation** - Nonprofit corporation created to help make new/existing homes more affordable for low- and moderate-income households. This corporation created a Mortgage Credit Certificate that will be used to increase an eligible family's disposable income by reducing its federal income tax liability. Qualifying applicants will have more income available to qualify for a loan and meet mortgage payment requirements. Bank officers reviewed files for clients to ensure that they qualified for this program. The bank also currently services 17 second-lien loans at no charge to this organization.
- **Operation Blue** - The primary purpose of this organization is to provide free check-cashing and nominal-cost money orders to low-income and homebound senior citizens for paying bills. This service is a partnership between the San Antonio Police Department (SAPD) and the bank. The bank provides a working cash fund and a supply of money orders, and bank employees provide technical assistance in implementing controls for handling money, which is done primarily by SAPD officers.
- **SER/Jobs for Progress, Inc. of San Antonio** - Nonprofit community based organization whose primary purpose is to serve the employment needs of the economically disadvantaged. Examples include families on cash welfare or food stamp programs, homeless or disabled, and TANF (Temporary Assistance for Needy Families) recipients. The bank has set up and serviced IDA's (Individual Development Accounts) for this organization's clients at no cost to the participants.
- **ACCION Texas at San Antonio** - The primary purpose of this organization is micro business lending for loans as high as \$25,000. A bank officer serves on the "Special Loan Committee" which reviews all loans over \$15,000.

Below are examples of the bank's involvement in community development services in the full-scope AA of the Houston MSA:

- **The Corporation for Economic Development of Harris County - Micro Loan Program** - This program's primary purpose is to provide business loans to small businesses and start-up companies that have been formerly served by traditional sources of financing. An officer serves on a committee which makes approval and denial decisions for loans in amounts of \$50,000 or less to small businesses.

- **Houston One Stop Capital Shop** - This entity was organized by the Houston SBDC, the U.S. SBA, and the City of Houston to provide a central location for a full array of business services, including financial technical advice, financial packaging, and low-interest loans. This Capital Shop's primary purpose is to be a vital resource for implementing Houston's Enhanced Enterprise Community plans to revitalize the neighborhood. A bank officer serves 4 hours per week as the lender representative to offer lending expertise and to answer questions from small business owners.
- **Third Ward CDC** - Nonprofit CDC, whose primary purpose is to provide affordable housing and enable economic opportunity in its area, which consists of primarily low- and moderate-income geographies. Bank officers have provided several services. As a board member, an officer helps in the bi-monthly review of CDC's financial status. An officer helped to develop a financial technical resource and construction center in the Enhanced Enterprise Community for this CDC. Officers also have helped to develop underwriting standards and have conducted homebuyer education and credit counseling classes to clients.
- **Holmes CDC Homebuyers Fair** - Holmes CDC is a nonprofit CDC, whose primary purpose is to build affordable homes in low- and moderate-income tracts. A bank officer made a mortgage loan presentation tailored to participants, targeted as low- or moderate-income people from the area in which this CDC builds its homes.
- **Housing Opportunities of Houston** - This private, nonprofit organization's primary purpose is to help low-income individuals and families achieve home ownership. Two officers taught classes to clients covering "Credit Preparation for a Mortgage Loan" and "Steps to Home Ownership".
- **Fort Bend County Habitat for Humanity** - The bank helped this affordable housing organization develop loan underwriting processes and guidelines, and provided homebuyer counseling to its clients.

Below are examples of the bank's involvement in community development services in the full-scope AA of the Fort Worth MSA:

- **William Mann, Jr. CDC** - Fort Worth-based CDC whose mission statement is to assist economic development initiatives by providing debt/equity financing, in conjunction with investor banks, for small, minority, women-owned businesses, with an emphasis on businesses in southeast Fort Worth and Community Development Block Grant eligible areas. The bank services 50 loans at no cost. A bank officer serves on the Board and on the Loan Committee.
- **Tarrant County Housing Partnership** - Nonprofit corporation, whose primary purpose is to provide affordable housing opportunities for low-income families in the county. Through the combination of private and public monies, TCHP operates eight programs, which provide homebuyer assistance, affordable lease-purchase units, single and multi

family units and rehabilitation of substandard housing. A bank officer serves on the Board and on the Finance Committee.

- **Catholic Charities, Diocese of Fort Worth** - Organization whose primary purpose is to provide services to those in need. This organization provides multi-family HUD Section 8 housing in the cities of Fort Worth and Arlington, and is the largest provider of social services to low-income individuals and families in Fort Worth. Social services include a children's shelter, daycare facilities, emergency financial assistance, pharmaceutical assistance program (targeted to low-income elderly), and an insurance program for uninsured children. A bank officer serves on the Board and on the Finance Committee.
- **Fort Worth Housing Consortium** - Group formed by local affordable housing organizations, lenders, developers, and builders to address rising needs in affordable housing. Its primary purpose is to identify how to increase the supply of affordable housing, expand affordable assisted living (elderly/special needs) housing opportunities, improve access to community lending, and standardize underwriting. An officer served on the loan committee of this group.

Below are examples of the bank's involvement in community development services in the full-scope AA of the Austin MSA:

- **Austin Community Development Corporation (ACDC)** - CDC whose primary purpose is to promote economic vitality and opportunity in low-income communities in the Austin, Texas area. An officer serves on the Investment Committee.
- **ACCION Texas, Austin** - Primary purpose is micro business lending for loans as high as \$25,000. Bank officer serves on Micro Credit Council, and on the Marketing Committee, a new service for the micro-entrepreneur.
- **City of Austin Neighborhood Commercial Management Program** - Primary purpose of this organization is to create and retain jobs for low- and moderate-income persons. The program provides financial assistance to address the problems of blighted and/or depressed commercial districts. A bank officer served on the loan committee that reviewed potential loans that would result in job creation and retention.
- **Austin Housing Finance Corporation** - Municipal entity formed to address the city's affordable housing needs, especially in blighted areas, including the needs of homeowners and landlords. A bank officer helped this organization develop a home improvement loan product.

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the service test in the Brazoria County, Galveston MSA, McAllen MSA, Dallas County, Corpus Christi MSA, and

Kendall County AA's is not inconsistent with the bank's overall "Low Satisfactory" service performance. The level of retail services in the limited-scope areas is adequate. In the Galveston MSA the branch distribution in low-income geographies compares very favorably to the comparable demographic. Refer to Table 13 section of appendix D for the facts and data that support these conclusions.

## 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): 01/01/98 to 12/31/00 Investment and Service Tests and CD Loans: 02/09/98 to 02/26/01	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Frost National Bank (Frost) San Antonio, Texas	Home purchase loans, home improvement loans, home mortgage loans, small business loans, and community development loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NONE		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Austin MSA #0640	Full Scope	
Fort Worth MSA #2800	Full Scope	
Houston MSA) #3360	Full Scope	
San Antonio MSA #7240	Full Scope	
Brazoria MSA #1145	Limited Scope	
Corpus Christi MSA #1880	Limited Scope	
Galveston MSA #2920	Limited Scope	
McAllen MSA #4880	Limited Scope	
Dallas County #113	Limited Scope	
Kendall County XXXX	Limited Scope	



# Appendix B: Market Profiles for Full-Scope Areas

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## San Antonio MSA

Demographic Information for Full-Scope Area: San Antonio MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	256	8.59	29.30	34.38	26.56	1.17
Population by Geography	1,324,749	7.34	28.69	36.15	34.10	0
Owner-Occupied Housing by Geography	273,136	4.97	25.34	35.59	34.10	0
Businesses by Geography	50,514	4.99	22.17	38.42	34.39	0.02
Farms by Geography	1,319	1.52	18.12	43.97	36.39	0
Family Distribution by Income Level	338,630	22.54	17.15	20.15	40.17	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	134,374	12.44	40.12	34.65	12.79	0
Median Family Income	= \$29,898	Median Housing Value		= \$56,353		
HUD Adjusted Median Family Income for 2000	= \$43,100	Unemployment Rate		= 5.15%		
Households Below the Poverty Level	= 17.21%					

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

Source: 1990 U.S. Census and 2000 HUD updated MFI.

Frost has defined the entire San Antonio MSA as its assessment area, which does not arbitrarily exclude any low- or moderate-income areas. Frost operates twenty-one branches, of which nineteen are full-service, forty-one ATMs, and numerous non-proprietary ATMs in the MSA. The bank's presence in low- and moderate-income geographies of the San Antonio MSA is low. The bank has no branches located in Guadalupe or Wilson counties, which represent two of the four counties in the MSA.

Deposits originating from the San Antonio MSA represent approximately 43.44% of Frost's total deposits. In terms of market share, Frost ranks first in the assessment area and holds approximately 13.42% of the deposit market share. Local banking competition includes affiliates of large national banking companies, mid-size community banks, and numerous small community banks. Credit unions are also major players in the San Antonio MSA.

The San Antonio MSA is composed of the counties of Bexar, Comal, Guadalupe and Wilson, and includes 256 census tracts. Three of the census tracts, representing 1.17% of the total number of tracts, are not classified by income level and are not included in the above table. The table provides basic demographic information based on the income level of the census tracts and families within the San Antonio MSA.

The San Antonio economy is considered to be stable and improving. The unemployment rate as of December 2000 of 2.7% is below the state average of 3.4%. The income

designations of the CTs are based on a MFI \$29,898 according to 1990 Census Bureau Data. The HUD adjusted MFI for 2000 is \$43,100.

The total population of the San Antonio assessment area from the 1990 Census is 1,324,749. This population is comprised of 338,630 families, of which 22.54%, 17.15%, 20.15%, and 40.17% have low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 12.44%, 40.12%, 34.65%, and 12.79% are located in low-, moderate-, middle-, and upper-income geographies, respectively. The percentage of households living below the poverty level is 17.21%.

Government, tourism, retail trade, medical and research interests, and apparel manufacturing support the region's economy. In addition, telemarketing has become a growing industry in the area. Companies with a recent telemarketing presence include the Home Shopping Network and Citibank. Principal private employers include HEB Groceries, USAA, and SBC Communications. Principal public sector employers include Randolph, Lackland, Brooks, and Kelly Air Force Bases, the City of San Antonio and the San Antonio Independent School District. Although Kelly Air Force Base has been slated for closure in 2001, the military presence is still strong. Randolph AFB is the back up to the Pentagon and performs the payroll service for the US Air Force. Brook AFB performs extensive research and medical testing, and Brooke Army Medical Hospital is one of the leading burn victim units in the world. Fort Sam Houston provides medical training for domestic armed forces staff and to foreign nationals. San Antonio is currently experiencing strong retail growth northward along the Interstate 35 corridor toward the city of New Braunfels.

A review of community contacts conducted within the assessment area indicates a number of opportunities to participate in community development lending, investments, and service activities within the San Antonio MSA. There are numerous public agencies and community and neighborhood-based organizations that focus on economic development. The contacts identified some very specific areas as affordable housing, multi-family housing projects, and small business in general, as primary credit needs. A not-for-profit organization source indicated that although general banking needs were being satisfactorily met by product and service availability, these needs were not being met by accessibility. A need exists for more banking locations or more ways to make the bank products and services more accessible to the elderly, disabled, and low- and moderate-income persons.

## Houston MSA - Harris/Fort Bend County

Demographic Information for Full-Scope Area: Houston MSA - Harris/Fort Bend County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	631	11.73	29.00	30.11	26.94	2.22
Population by Geography	3,043,620	8.49	27.01	32.95	31.55	0
Owner-Occupied Housing by Geography	587,006	5.31	20.90	32.83	40.97	0
Businesses by Geography	145,627	6.48	25.56	31.05	36.63	0.29
Farms by Geography	2,306	2.69	17.04	38.55	41.63	0.09
Family Distribution by Income Level	768,266	22.36	16.52	20.25	40.87	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	298,714	15.26	39.51	31.25	13.98	0
Median Family Income	= \$36,886	Median Housing Value		= \$63,376		
HUD Adjusted Median Family Income for 2000	= \$56,700	Unemployment Rate		= 4.76%		
Households Below the Poverty Level	= 13.40%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 U.S. Census and 2000 HUD updated MFI.

Frost has defined a portion of the Houston MSA as its assessment area for offices located in the Houston MSA. The AA consists of both Harris and Fort Bend counties, which does not arbitrarily exclude any low- or moderate-income areas. Frost operates twenty-two branches of which seventeen are full-service, and twenty-two ATM's within the Houston MSA. The bank's branches are primarily located in the central and southwest portions Harris County, and the northeast portion of Fort Bend County. Frost has no branches located in the southern and western portions of Fort Bend County. The Houston AA is very large and includes substantial low- and moderate-income geographies.

Deposits originating from the Houston Metropolitan Area represent approximately 17.37% of Frost's total deposits. In terms of market share, Frost holds approximately 1.7% of total bank deposits in the assessment area. Local banking competition is aggressive and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions and non-bank financial service providers.

The assessment area includes 631 census tracts. Fourteen of the tracts, representing about 2% of the total number of tracts, are not classified by income category and are excluded from the above table. The table provides basic demographic information based on the income level of the census tracts and families within the Houston MSA.

The unemployment rate as of December 2000 of 3.0% is below the state average of 3.4%. The income designations of the CTs are based on a MFI of \$36,886 per year according to 1990 Census Bureau data. The HUD updated MFI for 2000 is \$56,700.

The total population of the Houston MSA - Harris/Fort Bend County assessment area from the 1990 Census is 3,043,620. This population is comprised of 768,266 families, of which 22.36%, 16.52%, 20.25%, and 40.87% have of low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 15.26%, 39.51%, 31.25%, and 13.98% are located in low-, moderate-, middle-, and upper-income geographies, respectively.

Houston, the largest city in the state and the fourth largest in the nation historically relied on energy-related industries. After the downturn in crude oil prices and resulting recession of the 1980s, the Houston marketplace was forced to diversify, and now the economy is considered healthy and growing. The area's primary natural resources are oil, gas, salt, lime, sand, gravel, clay, stone, and timber. The area is also well served by an extensive transportation network that links to regional, national, and global markets and economies. The Port of Houston is one of the largest ports in the United States and one of the ten busiest ports in the world. Predominant industries include aerospace engineering, oil exploration and refining, and electronics. NAFTA and the rising trade with South America will provide a long-term boost to the economy. Houston continues to be a world leader in the energy sector as employment has shifted away from basic extraction to refining, petrochemicals, and engineering and management services. In addition, it has an internationally recognized medical center and is headquarters to NASA. Major employers include NASA, the Houston medical center, energy and chemical companies, Compaq Computer, and Brown and Root.

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

## Austin MSA

Demographic Information for Full-Scope Area: Austin MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	239	7.53	23.43	34.31	23.43	11.30
Population by Geography	846,227	7.41	26.02	39.41	27.03	0.14
Owner-Occupied Housing by Geography	167,084	4.15	18.53	43.20	34.12	0
Businesses by Geography	49,621	5.98	19.41	39.58	34.91	0.14
Farms by Geography	1,347	3.04	17.52	52.71	26.73	0
Family Distribution by Income Level	205,125	20.93	17.41	22.47	39.19	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	78,640	12.66	34.74	39.87	12.73	0
Median Family Income	= \$35,481	Median Housing Value		= \$74,309		
HUD Adjusted Median Family Income for 2000	= \$58,900	Unemployment Rate		= 4.18%		
Households Below the Poverty Level	= 15.45%					

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

Source: 1990 U.S. Census and 2000 HUD updated MFI.

The Austin assessment area is composed of the entire Austin MSA and does not arbitrarily exclude low- moderate-income areas. The AA includes Williamson, Bastrop, Caldwell, Hays, and Travis Counties. Frost operates twelve branches, of which eleven are full-service, one night depository, and seventeen ATMs in the MSA.

Deposits originating from the Austin MSA represent approximately 10.1% of Frost’s total deposits. In terms of market share, Frost holds approximately 4.46% of bank deposits in the assessment area. Local banking competition includes affiliates of large national banking companies, mid-size community banks, and numerous small community banks.

The Austin MSA includes 239 census tracts. Twenty-seven of the census tracts, representing 11.30% of the total number of tracts, are not classified by income level and are not included in the above table. The table provides basic demographic information based on the income level of the census tracts and families within the Austin MSA.

Austin, the state capital of Texas, reflects a robust economy that attracts more people to the region for jobs. In 1999, the Austin economy surpassed all expectations by creating 32,000 new jobs, (6,000 more jobs than in 1998) which represents a 5.3% growth rate for the year and the highest of any major metro area in Texas. Between 1998 and 1999, the U.S. Census ranked Austin as the second fastest-growing metropolitan area in the nation and the sixth between 1990 and 1999. Williamson County, ranked in the top 10 fastest growing counties in the nation, has grown 72.6% since 1990 which is largely due to this being Dell Computer Corporation’s home. Population growth fuels job growth. There were 200 new technology startups in 1999 and more than \$740 million in venture capital raised.

As a metropolitan area, the Austin MSA ranks 39<sup>th</sup> (2000 U.S. Census). As of 1999 data, Austin ranks 19<sup>th</sup> in the top fifty cities in the U.S. estimated by population and rank representing an 18.9% population change between 1990 and 1999. The growth rate for the next few years will be closer to 2.0%. Historical data shows that Austin's population doubles about every 20 years. The total population of the Austin MSA assessment area from the 1990 Census is 846,227. This population is comprised of 205,125 families, of which 20.93%, 17.41%, 22.47%, and 39.19% have low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 12.66%, 34.74%, 39.87%, and 12.73% are located in low-, moderate-, middle-, and upper-income geographies, respectively. There are eighteen low-income census tracts in the assessment area and 15.45% households live below the poverty level.

Growth in employment indicates the strength of the state's economic growth and the Austin MSA's unemployment rate as of December 2000 of 1.6% is below the state average of 3.4%. Overall, compared to the state, which has grown 29%, employment in the Austin region has grown 62% since the 1990 census. The income designations of the CTs are based on a MFI of \$35,481 per year according to the 1990 Census Bureau data. The HUD updated MFI for 2000 is \$58,900.

The top private employers are Dell Computer Corp., Motorola, Inc., HEB Stores, Seton Medical Center, and IBM Corp. The top public employers are the State of Texas, The University of Texas at Austin Employment Center, City of Austin, Austin Independent School District, and the Internal Revenue Service. Austin leads the state in projected growth in both the services sector and the durable manufacturing sector, which includes electrical equipment and computer hardware.

Credit needs identified through community contacts include small business and affordable housing loans. The rapid growth in the area has led to increasing housing costs and a lack of low-cost housing which has put home ownership out of reach for many. According to information gathered from the 1990 census, the median housing value was \$74,309. According to Austin Multiple Listing Service statistics, the median sales price for a single-family property in Austin closing in August 2000 was \$143,500 representing a 14.0% price jump above the median price in April 1999.

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

## Fort Worth MSA - Tarrant County

Demographic Information for Full-Scope Area: (Fort Worth MSA - Tarrant County)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	269	10.41	24.54	34.20	30.86	0
Population by Geography	1,170,103	5.73	25.51	36.72	32.03	0
Owner-Occupied Housing by Geography	254,897	3.75	20.59	37.21	38.45	0
Businesses by Geography	56,513	10.11	22.82	35.13	31.95	0
Farms by Geography	1,094	5.03	14.44	42.41	38.12	0
Family Distribution by Income Level	309,444	19.09	17.56	22.95	40.40	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	113,430	10.01	38.90	35.79	15.30	0
Median Family Income = \$37,571		Median Housing Value = \$71,390				
HUD Adjusted Median Family Income for 2000 = \$57,400		Unemployment Rate = 4.15%				
Households Below the Poverty Level = 10.39%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 U.S. Census and 2000 HUD updated MFI.

Frost has defined all of Tarrant County, which is located in the Fort Worth MSA, as its assessment area. The assessment area does not arbitrarily exclude low- and moderate-income areas. Frost operates twenty branches, of which sixteen are full-service branches. Frost also serves the AA with seventeen ATMs.

Deposits originating from the Fort Worth MSA represent approximately 13.77% of Frost’s total deposits. In terms of market share, Frost holds approximately 6.65% of bank deposits in the assessment area. Local banking competition includes affiliates of large national banking companies, mid-size community banks, and numerous small community banks. Credit unions are also major players in the Fort Worth AA.

The Fort Worth AA is composed of 269 census tracts. The table provides basic demographic information based on the income level of the census tracts and families within the Fort Worth AA.

The unemployment level for the Fort Worth MSA averaged 2.6% December 2000, compared to the State unemployment rate of 3.4%. Major employers include the nation’s largest airline, American Airlines, Lockheed Martin Tactical Aircraft, Fort Worth Independent School District, Bell Helicopter Textron, and Arlington Independent School District. Cattle and agriculture, as well as aerospace companies and defense contractors, play a major role in Tarrant County’s economic stability. Tarrant County is the heart of the nation’s interstate highway system, Interstate - 35, which begins in Laredo, and has been designated as part of the NAFTA highway system. Today Tarrant County’s



businesses span the globe and the airports are among the country's leading international gateways.

The income designations of the CTs are based on a MFI of \$37,571 per year according to 1990 Census Bureau data. HUD updated MFI for 2000 is \$57,400.

The total population of the Fort Worth MSA, Tarrant County from the 1990 Census is 1,170,103. This population is comprised of 309,444 families, of which 19.09%, 17.56%, 22.95%, and 40.40% have low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 10.01%, 38.90%, 35.79%, and 15.30% are located in low-, moderate-, middle-, and upper-income geographies, respectively. Based on 1990 census information there are 28 low-income census tracts and a total of 10.39% households living below the poverty rate.

Community contacts interviewed in the assessment area identified a need for affordable housing and small business lending. The 1990 census reported the median housing value at \$71,390. According to statistics posted on Tarrant County's website obtained from the National Association of Realtors, the median sales price for a single-family property is \$103,600 as of September 2000.

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

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: 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 MSA/assessment area.

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 MSA/assessment area.
- 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 Refinance Loans** - See Table 2.
- Table 5. 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.
- Table 6. 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.
- Table 7. 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 MSA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.

- Table 10. 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 11. 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 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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.
- Table 13. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		State: Texas				Evaluation Period: January 1, 1998 TO December 31, 2000						
MSA/Assessment Area:	% of Rated Area Loans (#) in MSA/AA *	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MSA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
Austin MSA	13.30	1,432	112,071	1,552	169,014	9	327	0	0	2,993	281,412	10.10
Fort Worth MSA	21.24	1,832	182,186	2,936	312,853	3	247	8	20,384	4,779	515,670	13.77
Houston MSA	18.30	1,182	90,663	2,936	367,913	1	120	16	21,631	4,135	480,327	17.37
San Antonio MSA	24.30	2,221	137,130	3,136	378,232	3	87	109	26,759	5,469	542,208	43.44
Limited-Scope:												
Kendall County	0.96	125	8,836	91	5,461	0	0	0	0	216	14,297	1.10
Brazoria MSA	0.98	102	4,030	119	6,767	0	0	0	0	221	10,797	1.48
Corpus Christi MSA	10.06	833	42,242	1,425	114,889	5	515	10	2,636	2,263	160,282	7.47
Dallas County	4.50	424	59,292	587	120,590	1	12	1	500	1,013	180,394	2.23
Galveston MSA	3.07	336	19,274	350	32,240	0	0	4	560	690	52,074	1.85
McAllen MSA	3.21	246	9,694	473	43,278	0	0	4	990	723	53,962	1.19

(\*) Rated area refers to either the state or multistate MSA rating area.

(\*\*) The evaluation period for Community Development Loans is February 9, 1998 to February 26, 2001.

(\*\*\*) Deposit data as of December 31, 2000. Rated area refers to either the state or multistate MSA rating area.

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

Geographic Distribution: HOME PURCHASE			State: Texas				Evaluation Period: January 1, 1998, TO December 31, 2000									
MSA/Assessment Area:	Total Home Purchase 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 Co Units**	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full-Scope:																
Austin MSA	628	17.28	4.15	2.87	18.53	10.03	43.42	31.37	34.12	55.73	0.48	0.93	0.30	0.32	0.70	
Fort Worth MSA	1,146	31.53	3.75	1.31	20.59	17.10	37.21	29.41	38.45	52.18	1.01	0.75	1.49	0.81	1.05	
Houston MSA	435	11.97	5.31	5.98	20.90	13.79	32.83	25.29	40.97	54.94	0.19	0.72	0.18	0.15	0.20	
San Antonio MSA	765	21.05	4.97	2.48	25.34	9.93	35.59	28.10	34.10	59.48	0.61	0.65	0.46	0.72	0.58	
Limited-Scope:																
Kendall County	26	0.72	0.00	0.00	0.00	0.00	46.95	53.85	53.05	46.15	1.28	0.00	0.00	2.06	0.85	
Brazoria MSA	20	0.55	0.00	0.00	16.55	0.00	69.80	90.00	13.64	10.00	0.61	0.00	0.00	0.19	0.10	
Corpus Christi MSA	155	4.26	5.91	0.00	23.70	7.74	37.94	31.61	32.45	60.65	0.84	0.00	0.69	0.63	1.05	
Dallas County	221	6.08	5.12	2.26	21.28	8.60	40.11	28.05	33.49	60.63	0.15	0.15	0.08	0.13	0.20	
Galveston MSA	164	4.51	4.78	8.54	18.37	34.15	49.51	35.37	27.33	21.95	0.38	0.00	0.98	0.46	0.20	
McAllen MSA	75	2.06	0.00	0.00	24.42	8.00	48.72	22.67	26.85	69.33	0.18	0.00	0.00	0.12	0.29	

(\*) Home purchase loans originated and purchased in the MSA/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.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

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

Geographic Distribution: HOME IMPROVEMENT				State: Texas				Evaluation Period: January 1, 1998 TO December 31, 2000							
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***				
	#	% of Total*	% Owner Co Units**	% BANK Loans	% Owner Co Units**	% BANK Loans	% Owner Co Units**	% BANK Loans	% Owner Co Units**	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full-Scope:															
Austin MSA	588	15.45	4.15	3.06	18.53	11.73	43.20	40.82	34.12	44.39	5.09	5.88	5.37	4.64	5.42
Fort Worth MSA	419	11.01	3.75	2.15	20.59	7.64	37.21	29.36	38.45	60.86	3.73	1.33	1.59	3.15	4.67
Houston MSA	568	14.92	5.31	2.64	20.90	14.26	32.83	18.84	40.97	64.26	2.06	1.64	1.06	1.22	2.89
San Antonio MSA	1,153	30.29	4.97	2.78	25.34	14.92	35.59	28.27	34.10	54.03	10.01	7.64	5.90	8.74	13.29
Limited-Scope:															
Kendall County	76	2.00	0.00	0.00	0.00	0.00	46.95	36.84	53.05	63.16	33.70	0.00	0.00	28.95	37.04
Brazoria MSA	69	1.81	0.00	0.00	16.55	11.59	69.80	73.91	13.64	14.49	2.62	0.00	2.52	2.23	4.95
Corpus Christi MSA	570	14.97	5.91	3.16	23.70	13.86	37.94	32.81	32.45	50.18	21.04	13.33	13.67	19.93	25.38
Dallas County	93	2.44	5.12	3.16	23.70	13.86	40.11	20.43	33.49	77.42	0.69	0.42	0.10	0.61	0.98
Galveston MSA	139	3.47	4.78	5.76	18.37	23.74	49.51	41.01	27.33	29.50	0.99	2.27	1.16	0.51	1.23
McAllen MSA	132	3.47	0.00	0.00	24.42	6.06	48.72	21.21	26.85	72.73	1.88	0.00	0.00	0.71	6.91

(\*) Home improvement loans originated and purchased in the MSA/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 units in a particular geography divided by the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

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

Geographic Distribution: HOME MORTGAGE REFINANCE												State: Texas		Evaluation Period: January 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***							
	#	% of Total*	% Owner Co Units**	% BANK Loans	% Owner Co Units*	% BANK Loans	% Owner Co Units*	% BANK Loans	% Owner Co Units*	% BANK Loans	Overall	Low	Mod	Mid	Upp			
Full-Scope:																		
Austin MSA	213	16.90	4.15	3.76	18.53	9.39	43.20	31.92	34.12	54.93	0.36	0.91	0.20	0.35	0.39			
Fort Worth MSA	264	20.95	3.75	0.00	20.59	3.79	37.21	35.61	38.45	60.61	0.47	0.00	0.27	0.49	0.51			
Houston MSA	165	13.10	5.31	1.21	20.90	10.30	32.83	17.58	40.97	70.91	0.13	0.11	0.02	0.11	0.16			
San Antonio MSA	302	23.97	4.97	0.33	25.34	10.93	35.59	29.80	34.10	58.94	0.60	0.00	0.49	0.54	0.68			
Limited-Scope:																		
Kendall County	23	1.83	0.00	0.00	0.00	0.00	46.95	26.09	53.05	73.91	1.94	0.00	0.00	1.69	2.03			
Brazoria MSA	12	0.95	0.00	0.00	16.55	0.00	69.80	83.33	13.64	16.67	0.14	0.00	0.00	0.13	0.26			
Corpus Christi MSA	106	8.41	5.91	1.89	23.70	7.55	37.94	33.02	32.45	57.55	1.05	1.43	0.97	1.08	1.04			
Dallas County	110	8.73	5.12	2.73	23.70	2.73	40.11	12.73	33.49	81.82	0.13	0.00	0.00	0.05	0.24			
Galveston MSA	30	2.38	4.78	3.33	18.37	6.67	49.51	46.67	27.33	43.33	0.50	1.09	0.00	0.66	0.43			
McAllen MSA	35	2.78	0.00	0.00	24.42	5.71	48.72	37.14	26.85	57.14	0.31	0.00	0.26	0.21	0.42			

(\*) Home mortgage refinance loans originated and purchased in the MSA/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 the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 5. Geographic Distribution of Small Loans to Business**

Geographic Distribution: SMALL LOANS TO BUSINESSES												State: Texas		Evaluation Period: January 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Small Loans To Businesses		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography ***							
	#	% of Total*	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	% of Businesses **	% BANK Loans	Overall	Low	Mod	Mid	Upp			
Full-Scope:																		
Austin MSA	1,552	11.42	5.98	7.93	19.41	12.82	39.58	35.70	34.91	43.43	3.59	5.43	2.97	3.60	3.85			
Fort Worth MSA	2,936	21.60	10.11	15.19	22.82	22.85	35.13	26.46	31.95	35.49	6.86	12.46	8.02	5.68	6.29			
Houston MSA	2,936	21.60	6.48	6.16	25.56	31.16	31.05	26.53	36.63	35.56	2.06	2.54	3.43	1.55	1.67			
San Antonio MSA	3,136	23.07	4.99	5.80	22.17	19.07	38.42	38.20	34.39	36.93	7.13	11.07	8.20	7.87	5.97			
Limited-Scope:																		
Kendall County	91	0.67	0.00	0.00	0.00	0.00	64.94	45.05	37.06	54.95	6.32	0.00	0.00	4.22	8.41			
Brazoria MSA	119	0.88	0.00	0.00	21.33	10.08	67.39	71.43	11.28	18.49	1.79	0.00	1.69	1.85	1.88			
Corpus Christi MSA	1,415	10.41	9.19	9.19	29.88	31.94	35.09	29.75	25.84	29.12	11.00	12.15	13.92	10.18	10.32			
Dallas County	587	4.32	6.19	3.92	27.60	28.62	34.17	24.19	29.37	39.01	0.74	0.65	1.10	0.51	0.75			
Galveston MSA	350	2.57	14.12	46.86	16.42	15.71	41.22	22.86	28.24	14.57	0.00	0.00	0.00	0.00	0.00			
McAllen MSA	473	3.48	0.00	0.00	21.11	6.13	381.8	22.41	40.72	71.46	3.44	0.00	0.78	2.37	5.17			

(\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.  
 (\*\*) Source of Data-Dunn and Bradstreet.  
 (\*\*\*) Based on 1999 Aggregate Small Business Data only.



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

Geographic Distribution: SMALL LOANS TO FARMS												State: Texas		Evaluation Period: January 1, Y, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Small Loans To Farms		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			
Full-Scope:																		
Austin MSA	9	40.91	3.04	0.00	17.52	22.22	52.71	55.56	26.73	22.22	4.72	0.00	4.55	3.77	7.69			
Fort Worth MSA	3	13.64	5.03	0.00	14.44	0.00	42.41	0.00	38.12	100.00	2.08	0.00	0.00	0.00	4.55			
Houston MSA	1	4.55	2.69	0.00	17.04	0.00	38.55	0.00	41.63	100.00	0.28	0.00	0.00	0.00	0.86			
San Antonio MSA	3	13.64	1.52	0.00	18.12	33.33	43.97	66.67	36.39	0.00	1.01	0.00	1.96	1.43	0.00			
Limited-Scope:																		
Kendall County	0	0.00	0.00	***.**	0.00	***.**	62.07	***.**	37.93	***.**	0.00	0.00	0.00	0.00	0.00			
Brazoria MSA	0	0.00	0.00	***.**	15.59	***.**	76.61	***.**	7.80	***.**	0.00	0.00	0.00	0.00	0.00			
Corpus Christi MSA	5	22.73	6.64	0.00	20.65	100.00	44.70	0.00	28.01	0.00	1.92	0.00	4.41	0.00	0.00			
Dallas County	1	4.55	4.36	0.00	20.49	0.00	41.93	100.00	32.49	0.00	0.00	0.00	0.00	0.00	0.00			
Galveston MSA	0	0.00	3.52	***.**	12.06	***.**	56.28	***.**	28.14	***.**	0.00	0.00	0.00	0.00	0.00			
McAllen MSA	0	0.00	0.00	***.**	16.71	***.**	41.53	***.**	41.77	***.**	0.00	0.00	0.00	0.00	0.00			

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

(\*\*) Source of Data-Dunn and Bradstreet.

(\*\*\*) Based on 1999 Aggregate Small Farm Data only.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE			State: Texas				Evaluation Period: January 1, 1998 TO December 31, 2000									
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****					
	#	% of Total*	% of Families**	% BANK Loans ***	% of Families*	% BANK Loans ***	% of Families**	% BANK Loans ***	% of Families*	% BANK Loans ***	Overall	Low	Mod	Mid	Upp	
Full-Scope:																
Austin MSA	621	17.51	20.93	3.38	17.41	8.05	22.47	18.84	39.19	69.73	0.48	0.21	0.17	0.44	1.05	
Fort Worth MSA	1,132	31.91	19.09	11.13	17.56	20.49	22.95	26.59	40.40	41.78	1.01	1.41	1.13	1.15	1.41	
Houston MSA	392	11.00	22.36	5.10	16.52	11.48	20.25	11.99	40.87	71.43	0.19	0.06	0.05	0.09	0.36	
San Antonio MSA	743	20.94	22.54	9.15	17.15	15.21	20.15	13.86	40.17	62.58	0.61	1.01	0.67	0.38	0.98	
Limited-Scope:																
Kendall County	24	0.67	14.75	0.00	12.81	0.00	16.32	0.00	56.12	100.00	1.28	0.00	0.00	0.00	1.47	
Brazoria MSA	20	0.56	19.19	0.00	18.98	21.05	24.59	26.32	37.25	52.63	0.16	0.00	0.00	0.28	0.21	
Corpus Christi MSA	155	4.36	24.29	2.04	16.05	13.61	18.88	8.84	40.78	75.51	0.84	0.00	0.45	0.32	1.72	
Dallas County	221	6.23	22.22	2.75	18.57	11.01	21.94	21.56	37.27	64.68	0.15	0.04	0.13	0.18	0.33	
Galveston MSA	164	4.62	23.46	20.89	16.77	31.01	19.77	18.99	39.99	29.11	0.38	0.00	0.48	0.82	0.32	
McAllen MSA	75	1.11	24.60	6.52	16.48	13.04	16.59	34.78	42.33	45.65	0.18	0.63	0.15	0.47	0.11	

(\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.  
 (\*\*) Percentage of Families is based on 1990 Census information.  
 (\*\*\*) As a percentage of loans with borrower income information available. No information was available for 3.71% of loans originated and purchased by the bank.  
 (\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

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

Borrower Distribution: HOME IMPROVEMENT															State: Texas		Evaluation Period: January 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****										
	#	% of Total*	% of Families**	% BANK Loans** *	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families*	% BANK Loans***	Overall	Low	Mod	Mid	Upp						
Full-Scope:																					
Austin MSA	576	15.45	20.93	6.77	17.41	13.19	22.47	18.23	39.19	61.81	5.09	5.35	4.33	3.35	6.15						
Fort Worth MSA	419	11.01	19.09	4.65	17.56	11.00	22.95	17.85	40.40	66.50	3.73	2.73	3.16	3.15	4.76						
Houston MSA	568	14.92	22.36	7.47	16.52	10.32	20.25	14.23	40.87	67.97	2.06	1.25	0.93	1.63	2.76						
San Antonio MSA	1,153	30.29	22.54	10.15	17.15	13.15	20.15	18.01	40.17	58.69	10.10	9.32	7.11	8.41	12.46						
Limited-Scope:																					
Kendall County	76	2.00	14.75	2.63	12.81	11.84	16.32	14.47	56.12	71.05	33.70	66.67	60.00	20.00	31.34						
Brazoria MSA	69	1.81	19.19	7.25	18.98	10.14	24.59	31.88	37.25	50.72	2.62	0.89	1.37	2.92	3.77						
Corpus Christi MSA	570	14.97	24.29	9.15	16.05	14.96	18.88	15.49	40.78	60.39	21.04	16.50	20.47	18.35	25.11						
Dallas County	93	2.44	22.22	2.20	18.57	7.69	21.94	13.19	37.27	76.92	0.69	0.15	0.55	0.43	1.07						
Galveston MSA	139	3.65	23.46	9.56	16.77	15.44	19.77	12.50	39.99	62.50	0.99	0.00	1.16	0.47	1.46						
McAllen MSA	132	3.47	24.60	3.85	16.48	3.85	16.59	10.00	42.33	82.31	1.88	0.56	0.00	0.31	5.25						

(\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.  
 (\*\*) Percentage of Families is based on 1990 Census information.  
 (\*\*\*) As a percentage of loans with borrower income information available. No information was available for 1.50% of loans originated and purchased by the bank.  
 (\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE												State: Texas		Evaluation Period: January 1, 1998 TO December 31, 2000				
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****							
	#	% of Total*	% of Families **	% BANK Loans ***	% of Families **	% BANK Loans ***	% of Families **	% BANK Loans ***	% of Families **	% BANK Loans ***	Overall	Low	Mod	Mid	Upp			
Full-Scope:																		
Austin MSA	210	16.90	20.93	4.76	17.41	9.52	22.47	18.57	39.19	67.14	0.36	0.67	0.41	0.37	0.61			
Fort Worth MSA	264	20.95	19.09	2.53	17.56	13.08	22.95	16.03	40.40	68.35	0.47	0.21	0.59	0.49	0.84			
Houston MSA	165	13.10	22.36	2.58	16.52	6.45	20.25	16.13	40.87	74.84	0.13	0.00	0.02	0.14	0.23			
San Antonio MSA	302	23.97	22.54	5.42	17.15	10.83	20.15	17.69	40.17	66.06	0.60	0.52	0.76	0.61	1.03			
Limited-Scope:																		
Kendall County	23	1.83	14.75	0.00	12.81	0.00	16.32	4.55	56.12	95.45	1.94	0.00	0.00	3.03	2.87			
Brazoria MSA	12	0.95	19.19	18.18	18.98	0.00	24.59	9.09	37.25	72.73	0.14	1.08	0.00	0.00	0.25			
Corpus Christi MSA	106	8.41	24.29	1.02	16.05	6.12	18.88	18.37	40.78	74.49	1.05	0.00	0.35	1.85	1.75			
Dallas County	110	8.73	22.22	1.94	18.57	6.80	21.94	14.56	37.27	76.70	0.13	0.00	0.10	0.06	0.33			
Galveston MSA	30	2.38	23.46	3.33	16.77	10.00	19.77	6.67	39.99	80.00	0.50	0.00	0.73	0.22	0.99			
McAllen MSA	35	2.78	24.60	2.94	16.48	11.76	16.59	5.88	42.33	79.41	0.31	0.00	0.47	0.26	0.43			

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

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 6.59% of originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		State: Texas		Evaluation Period: January 1, 1998 TO December 31, 2000					
	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-Scope:</b>									
Austin MSA	1,552	11.42	88.01	66.76	73.32	15.21	11.47	3.59	4.16
Fort Worth MSA	2,936	21.60	86.92	62.42	76.12	13.28	10.59	6.86	8.05
Houston M SA	2,936	21.60	85.45	53.36	70.16	16.08	13.76	2.06	1.77
San Antonio MSA	3,136	23.07	88.60	55.68	73.31	14.13	12.56	7.13	7.20
<b>Limited-Scope</b>									
Kendall County	91	0.67	89.35	75.28	86.81	10.99	2.20	6.32	5.90
Brazoria MSA	119	0.88	89.89	69.75	91.60	5.04	3.36	1.79	2.51
Corpus Christi MSA	1,415	10.41	89.98	69.60	81.13	11.02	7.84	11.00	12.00
Dallas County	587	4.32	84.71	44.04	54.68	21.29	24.02	0.74	0.59
Galveston MSA	350	2.57	89.61	70.86	77.14	15.43	7.43	0.00	0.00
McAllen MSA	473	3.48	87.54	79.38	75.48	16.07	8.46	3.44	4.47

(\*) Small loans to businesses originated and purchased in the MSA/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.

(\*\*\*) 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 3.90% of small loans to businesses originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate Small Business Data only.

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

Borrower Distribution: SMALL LOANS TO FARMS		State: Texas		Evaluation Period: January 1, 1998 TO December 31, 2000					
	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 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-Scope:</b>									
Austin MSA	9	40.91	95.84	88.89	100.0	0.00	0.00	4.72	4.30
Fort Worth MSA	3	13.64	94.52	100.00	66.67	33.33	0.00	2.08	2.44
Houston MSA	1	4.55	93.97	100.00	0.00	100.00	0.00		
San Antonio MSA	3	13.64	96.06	33.33	100.00	0.00	0.00		
<b>Limited-Scope:</b>									
Kendall County	0	0.00	95.40	***.**	0.00	0.00	0.00		
Brazoria MSA	0	0.00	97.29	***.**	0.00	0.00	0.00		
Corpus Christi MSA	5	22.73	96.23	100.00	60.00	40.00	0.00		
Dallas County	1	4.55	93.90	0.00	100.00	0.00	0.00		
Galveston MSA	0	0.00	96.98	***.**	0.00	0.00	0.00		
McAllen MSA	0	0.00	88.78	***.**	0.00	0.00	0.00		

(\*) Small loans to farms originated and purchased in the MSA/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 businesses.

(\*\*\*) 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 [Percent] of small loans to businesses originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate Small Farm Data only.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: Texas Evaluation Period: February 9, 1998 TO February 26, 2001									
MA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
<b>Full-Review:</b>									
Austin MSA	1	50	19	7,196	20	7,246	24.65	0	0
Fort Worth MSA	0	0	27	5,506	27	5,506	18.73	0	0
Houston MSA	0	0	37	6,182	37	6,182	21.03	0	0
San Antonio MSA	2	380	67	3,485	69	4,225	14.37	0	0
<b>Limited-Review:</b>									
Kendall County	0	0	1	57	1	57	0.19	0	0
Brazoria MSA	0	0	3	0	3	500	0.00	0	0
Corpus Christi MSA	1	125	7	109	8	234	0.80	0	0
Dallas County	0	0	7	5,386	7	5,386	18.32	0	0
Galveston MSA	0	0	18	445	18	445	1.51	0	0
McAllen MSA	0	0	6	117	6	117	0.40	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 bank's financial reporting system.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	State: Texas		Evaluation Period: February 9, 1998 TO February 26, 2001			
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population								
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography								
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp					
<b>Full-Scope:</b>																						
Austin MSA	10.10	12	12.77	17%	8%	25%	50%	0	0	0	0	0	0	7.41	26.02	39.41	27.03					
Fort Worth MSA	13.77	20	21.28	15%	10%	30%	45%	2	0	-2	0	0	0	5.73	25.51	36.72	32.03					
Houston MSA	17.37	22	23.40	5%	9%	36%	50%	1	4	0	0	2	1	8.49	27.01	32.95	31.55					
San Antonio MSA	43.44	21	22.34	0	14%	38%	48%	1	3	0	1	0	1	7.30	28.49	36.15	27.83					
<b>Limited-Scope:</b>																						
Kendall County	1.10	1	1.06	0	0	1	0	1	3	0	1	1	0	0.00	0.00	50.26	49.74					
Brazoria MSA	1.48	1	1.06	0	0	1	0	0	0	0	0	0	0	0.00	19.51	67.60	12.89					
Corpus Christi MSA	7.47	10	10.64	1	2	4	3	1	0	0	1	0	0	8.99	24.22	36.77	30.0					
Dallas County	2.23	3	3.19	1	0	0	2	0	1	-1	0	0	0	10.00	27.16	38.53	24.28					
Galveston MSA	1.85	2	2.13	1	0	1	0	0	2	1	0	1	0	8.34	19.52	48.62	23.45					
McAllen MSA	1.19	2	2.13	0	0	0	2	0	0	0	0	0	0	0.00	27.92	47.03	25.06					