



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

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

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San Antonio, TX 78205**

**Office of the Comptroller of the Currency
Midsize Bank Supervision
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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		X	
High Satisfactory	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 activity reflects good responsiveness to the credit needs of the assessment areas (AAs).
- Geographic distribution of loans and the distribution of small loans to businesses was good. The level of Community Development lending was also good. The distribution of loans among borrowers of different income levels was adequate.
- Use of innovative and flexible lending programs in the AAs had a positive impact on the Lending Test rating.
- Excellent level of qualified investments that are responsive to credit and community development needs of the AAs.
- Adequate accessibility of service delivery systems to geographies and individuals of different income levels in the AAs.
- Good level of community development services provided in the full-scope AAs.

Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an

employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

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

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

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

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

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

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

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

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

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

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

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

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

Description of Institution

The Frost National Bank (Frost) is a wholly owned subsidiary and the major asset of Cullen/Frost Bankers, Inc., a financial holding company headquartered in San Antonio, Texas. Frost, an intrastate bank, is the largest national bank based in Texas, and the only bank domiciled in San Antonio with branch locations throughout major portions of the state. Branching and acquisition activity during the evaluation period was limited; however, in 2002, Frost acquired the location and certain deposits of the Harlingen branch of JP Morgan Chase Bank. As of June 30, 2005, the bank reported total assets of \$10 billion, and an average, aggregate loan to deposit ratio of 62 percent since the previous CRA evaluation period.

From its San Antonio offices, Frost has expanded, via bank acquisitions and new branch openings, to include locations in eight of the twenty-six MSA's in Texas. Frost has eighty-seven full-service branches in Texas, including its main office, drive-thru windows, night depositories, and 122 ATM locations in its Austin, Corpus Christi, Dallas, Fort Worth, Harlingen, Houston, McAllen, and San Antonio AAs. Non-proprietary ATM services are also available with no terminal fees at numerous HEB and HEB Pantry Food store locations throughout the bank's AAs. For 2004, Frost's deposit market share is approximately 6 percent in the combined AAs. Approximately 46.85 percent of Frost's total deposits come from the San Antonio market.

There are no financial impediments that limit Frost's ability to help meet the credit needs of its AAs. Frost is adequately capitalized and operates profitably. The bank offers a full range of financial and credit services throughout its AAs. These include commercial (including small business), real estate (including home improvement, refinance, and home equity), and consumer loan products. The loan portfolio is diversified as follows: commercial (45.8 percent), real estate (44.7 percent), and consumer loans (7.3 percent).

Approximately five years ago, Frost and GMAC Mortgage Corporation (GMACM) entered into a co-branding agreement for the origination of residential mortgages. This arrangement essentially took Frost out of the mortgage origination business. GMACM has offices located in or near Frost's locations throughout the state and receives referrals from Frost for bank customers wanting residential mortgage financing. These entities generally associate in a partnership-like arrangement to facilitate mortgage loan originations, including linking of Internet web pages, and joint participation in community lending fairs. This arrangement did not negatively impact credit accessibility within the AAs, as there are numerous companies offering mortgage financing.

Frost has established eight AAs, four of which consist of whole MSAs, and four partial MSAs. This evaluation provides an analysis description of four full scope reviews for the Austin AA, Fort Worth AA, Houston AA, and San Antonio AA. In 2004, one AA (Kendall County) was merged into the San Antonio AA, and two others (Brazoria County and Galveston County) were merged into the Houston AA.

Frost's CRA performance was last evaluated as of February 26, 2001. At that time, the bank's overall level of performance was rated "Satisfactory."

Scope of the Evaluation

Evaluation Period/Products Evaluated

At the prior examination, the review period for the Lending Test covered loans made from January 1, 1998, through December 31, 2000. For this examination, the evaluation period for the Lending Test, with the exception of community development loans, was from January 1, 2003, through December 31, 2004. Lending activity during 2001 and 2002 was not considered, as explained below in the **Data Integrity** section. Based on our knowledge of loan products offered and the bank's credit policy, lending patterns for 2003 and 2004 did not differ greatly from lending patterns in 2001 and 2002. As a result, inclusion of this information in the evaluation period would not have altered the CRA rating.

Lending products reviewed included home improvement loans, home mortgage refinance loans, small loans to businesses, and community development loans. Since the bank has exited the mortgage loan origination business a detailed analysis of that product was not performed. In addition, a detailed analysis of small farm loans was also not included because it is not a primary line of business. Overall, the volume of mortgage origination and small farm loans made during the evaluation period is not significant. The bank's primary business line for CRA performance is small business loans.

The evaluation period for the Investment and Service Tests and community development loans was from February 26, 2001, to December 31, 2004. The Investment Test included a review of investments, grants, and donations made in the bank's assessment areas 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 qualification for community development purposes.

Based on verification work performed, publicly reported lending data is considered accurate, with the exception of small loans to businesses for years 2001 and 2002. In a data integrity review conducted during the fourth quarter 2003, OCC examiners discovered inaccurate information on the small business loan application register. As such, we requested the postponement of the CRA exam scheduled for 2004, allowing bank personnel an opportunity to correct the small business lending information, which is the core lending data now used in evaluating the bank's CRA performance. However, the bank's management information systems were not conducive to providing timely information needed to verify data for years 2001, 2002, and 2003, particularly in past years. Given the extensive volume and nature of the data to be validated, we believed that bank resources could best be utilized in determining the underlying causes of the problems, correcting 2003 loan information, and implementing a satisfactory audit process/verification system to ensure accurate loan data in the future. As a result, bank personnel did not validate small loans to businesses for 2001 and 2002.

Selection of Areas for Full-Scope Review

During this examination, we performed full-scope reviews for four (50 percent) of the bank's AAs. The AAs selected for review were areas in which the bank has a substantial share of its deposit and loan business. A full-scope review was conducted for the Austin, Fort Worth, Houston, and San Antonio AAs. A limited scope review was conducted in the remaining AAs of Corpus Christi, Dallas, Harlingen, and McAllen in 2004; and Brazoria County, Corpus Christi, Dallas, Galveston County, Harlingen, and McAllen in 2003. Please refer to the tables in Appendix A for more information.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews (Austin, Fort Worth, Houston, and San Antonio AAs), as approximately 85 percent of deposits and 77 percent of total reported loans are in these AAs. The San Antonio AA is the bank's primary market and has approximately 47 percent of the bank's total deposits, and as a result, is given the most weight. Based on their respective share of deposits and loans, the Austin, Fort Worth, and Houston AAs are given equal weight.

Other

We contacted five community organizations in the San Antonio AA to determine credit needs and opportunities for financial institutions to meet those needs. We also reviewed summaries of eighteen community contact interviews conducted in the four full-scope review assessment areas during the evaluation period. The contacts included community development corporations, small business development centers, and neighborhood associations. The contacts indicated a high level of community development opportunities in the assessments areas for banks to help meet community credit needs. The primary needs identified by the community contacts are affordable housing, home improvement loans, small business loans, and economic development. The comments received were positive and reflected that financial institutions throughout the full-scope AAs are meeting credit needs.

Fair Lending or Other Illegal Credit Practices Review

An analysis of public comments and consumer complaint information from 2001 through 2004 was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC determined that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. In 2003, the OCC conducted a fair lending review using the procedures outlined in the *Fair Lending Comptroller's Handbook* dated October of 1997. A comparative file analysis was performed of mortgage loan refinance applications originated between January 2001, and December 2001. The purpose of the review was to determine whether Hispanic applicants were treated as equitably in the underwriting process as White applicants.

It was determined that Frost satisfactorily complies with the antidiscrimination laws. No evidence of illegal discrimination being applied on a prohibited basis was detected. 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 Austin AA is excellent, performance in the Houston AA is adequate, and performance in the San Antonio AA is good. In the Fort Worth AA, the bank's performance is adequate. Small business lending is the bank's primary product for evaluating CRA performance and had the most impact on the final rating. Other factors having a positive impact on the rating included the origination of a significant majority of loans in the AAs and the level of community development loans originated. Product innovation and flexibility also had a positive impact on the final rating.

Lending Activity

Refer to Table 1 in Appendix C (Lending Volume) for the facts and data used to evaluate the bank's lending activity.

We selected three loan products for review. For home mortgage loans, we selected home improvement and home mortgage refinance. Home mortgage purchase was not selected as a product for review, since it is no longer a primary product line as of June 30, 2000. Although the bank originates a limited number of home mortgage loans, Frost has a referral arrangement with GMACM to serve the majority of customers seeking purchase money financing. GMACM offices are located throughout the AAs and in some buildings where Frost has branch operations.

In addition to the two home mortgage products, we selected the primary loan product for assessing CRA performance, small loans to businesses for review. Of the loans reviewed in each full scope AA, the majority of loans originated during the examination period were clearly small loans to businesses, and the two home mortgage loan products were the majority of the remaining loans. The percentage of small loans to businesses in the full scope AAs were: Austin 73 percent, Fort Worth 82 percent, Houston 81 percent, and San Antonio 66 percent of originations. Small farm loan originations or purchases are not a primary business line and were insignificant at less than 1 percent of originations. Review of the full scope AAs shows that of the total loan originations reviewed in our sample, the two home mortgage loan products were: Austin 25 percent, Fort Worth 15 percent, Houston 14 percent, and San Antonio 28 percent of originations. Of the two products, home improvement loan originations are clearly the larger of the two products. Home improvement loans are approximately 70 percent of the total of the two products. These factors were also considered when arriving at the rating.

Overall, the bank does not have a significant market share of deposits or loans in its AAs. For home mortgage loan products, the low market shares reflect the intense loan competition in the bank's AAs. Numerous large and aggressive mortgage lenders, including Countrywide Home Loans, Washington Mutual Bank, Bank of America, Wells Fargo Home Mortgage,

JPMorgan Chase, GMACM, World Savings, and Citigroup dominate the market in home mortgage lending, and they capture a significant market share. In addition, Frost has a home mortgage referral arrangement with GMACM. The loan market shares are used to put lending activity into perspective. Due to low market shares, they are limited in meaningfulness for the geographic and borrower income distribution analysis. Market Share data for 2004 lending activities was not available at this writing.

In the Austin MSA, Frost ranks sixth in deposit market share in both 2003 (5.81 percent) and 2004 (5.7 percent). Based on 2003 HMDA aggregate data, Frost had a 4.71 percent overall market share in home improvement loans and less than a 1 percent overall market share in home mortgage refinance loans. Based on 2003 CRA aggregate data, Frost had a 1.52 percent market share of 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 eleventh in deposit market share in 2003 (1.57 percent) and twelfth in 2004 (1.45 percent). Based on 2003 HMDA aggregate data, Frost had a 2.95 percent market share in home improvement loans and less than a 1 percent market share in home mortgage refinance loans. Based on 2003 CRA aggregate data, Frost had a 1.86 percent market share in small loans to businesses in the MSA. Frost's market share of home improvement loans and small loans to businesses is greater than its deposit market share.

In the Houston MSA, Frost ranks eleventh in deposit market share in both 2003 (1.52 percent) and 2004 (1.74 percent). Based on 2003 HMDA data for home improvement loans, Frost had a 1.73 percent overall market share in home improvement loans and less than a 1 percent overall market share in home mortgage refinance loans. Based on 2003 CRA aggregate data, Frost had less than a 1 percent market share in small loans to businesses in the MSA. Frost's market share of home improvement loans is about the same as its deposit market share, but it is less for home mortgage refinance and small loans to businesses.

In the San Antonio MSA, Frost ranks second in deposit market share in both 2003 (15.67 percent) and 2004 (13.59 percent). Based on 2003 HMDA data, Frost had a 5 percent market share in home improvement loans and less than a 1 percent overall market share in home mortgage refinance loans. Based on 2003 CRA aggregate data, Frost had a 2.9 percent market share in small loans to businesses in the MSA. Frost's market share of all three loan products is less 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

Frost's geographic distribution of home mortgage lending in low- and moderate-income CTs was excellent.

2003

The percentage of home improvement loans in low-income CTs was near to the percentage of owner occupied units. The percentage of loans in moderate-income CTs exceeded the percentage of owner occupied units. The bank's market share of loans in both low-income and moderate-income CTs exceeded the overall market share for home improvement loans.

The percentage of home mortgage refinance loans in low-income and moderate-income CTs was somewhat lower than the percentage of owner occupied units. The market share in low-income and moderate-income CTs exceeded the overall market share in home mortgage refinance loans.

2004

The percentage of home improvement loans in low-income CTs was near to the percentage of owner occupied units. The percentage of loans in moderate-income CTs exceeded the percentage of owner occupied units.

The percentage of home mortgage refinance loans in low-income and moderate-income CTs exceeded the percentage of owner occupied units.

Fort Worth

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

2003

The bank did not originate any home improvement loans in low-income CTs. The percentage in moderate-income CTs was lower than the percentage of owner-occupied units. The market share of loans in low- and moderate-income CTs was somewhat lower than the overall market share for home improvement loans.

The bank did not originate any home mortgage refinance loans in low-income CTs. The percentage in moderate-income CTs was lower than the percentage of owner occupied units. The market share of loans in moderate-income CTs was equal to the overall market share for mortgage refinance loans.

2004

The percentage of home improvement loans in low-income CTs was lower than the percentage of owner occupied units. The percentage in moderate-income CTs was somewhat lower than the percentage of owner occupied units.

The percentage of home mortgage refinance loans in low-income CTs was near to the percentage of owner occupied units. The percentage in moderate-income CTs was lower than the percentage of owner occupied units.

Houston

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

2003

The percentage of home improvement loans in low-income CTs was somewhat lower than the percentage of owner occupied units. The percentage of loans in moderate-income CTs was near to the percentage of owner occupied units. The market share of loans in both low-income and moderate-income CTs exceeded the overall market share in home improvement loans.

The bank did not originate any home mortgage refinance loans in low-income CTs. The percentage of loans in moderate-income CTs was near to the percentage of owner occupied units. The market share in moderate-income CTs exceeded the overall market share in home mortgage refinance loans.

2004

The percentage of home improvement loans in low-income CTs exceeded the percentage of owner occupied units. The percentage of loans in moderate-income CTs was near to the percentage of owner occupied units.

The bank did not originate any home mortgage refinance loans in low-income CTs. The percentage of loans in moderate-income CTs was near to the percentage of owner occupied units.

San Antonio

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

2003

The percentage of home improvement loans in low-income CTs was lower than the percentage of owner occupied units. The percentage of loans in moderate-income CTs is near to the percentage. The market share of loans in low-income CTs was lower than the overall market share for home improvement loans. The market share of loans in moderate-income CTs was near to the market share for home improvement loans.

The percentage of home mortgage refinance loans in low-income and moderate-income CTs was somewhat lower than the percentage of owner occupied units. The market share of loans in low-income and moderate-income CTs exceeded the overall market share for home mortgage refinance loans.

2004

The percentage of home improvement loans in low-income and moderate-income CTs is somewhat lower than the percentage of owner-occupied units.

The bank did not originate any home mortgage refinance loans in low-income CTs. The percentage of loans in moderate-income CTs was near to the percentage of owner occupied units.

Small Loans to Businesses

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small loans to businesses loan originations and purchases.

Austin

The bank's geographic distribution of small loans to businesses lending in low- and moderate-income CTs was excellent. Lending in moderate-income CTs had a positive impact on the rating.

2003

Frost's record of lending to businesses in low-income CTs was near to the percentage of businesses located in these designated tracts. In moderate-income CTs, lending exceeded the percentage of businesses in these CTs. Frost's market share for loans in low-income and moderate-income CTs exceeded the overall market share for small loans to businesses.

2004

Frost's record of lending to businesses in low-income CTs was somewhat lower than the percentage of businesses located in these designated tracts. In moderate-income CTs, lending exceeded the percentage of businesses in these CTs.

Fort Worth

The bank's overall geographic distribution of small loans to businesses lending in low- and moderate-income CTs was good.

2003

Frost's record of lending to businesses in low-income CTs exceeded the percentage of businesses located in these designated tracts. In moderate-income CTs, lending was near to the percentage of businesses in these CTs. Frost's market share for loans in low-income and moderate-income CTs exceeded the overall market share for small loans to businesses.

2004

Frost's record of lending to businesses in low-income CTs was somewhat lower than the percentage of businesses located in these designated tracts. In moderate-income CTs, lending was near to the percentage of businesses in these CTs.

Houston

The bank's overall geographic distribution of small loans to businesses lending in low- and moderate-income CTs was adequate.

2003

Frost's record of lending to businesses in low-income CTs was somewhat lower than the percentage of businesses located in these designated tracts. In moderate-income CTs, lending was near to the percentage of businesses in these CTs. Frost's market share for loans in low-income and moderate-income CTs was near to the overall market share for small loans to businesses.

2004

Frost's record of lending to businesses in low-income CTs was somewhat lower than the percentage of businesses located in these designated tracts. In moderate-income CTs, lending exceeded the percentage of businesses in these CTs.

San Antonio

The bank's overall geographic distribution of small loans to businesses lending in low- and moderate-income CTs was excellent.

2003

Frost's record of lending to businesses in low-income CTs exceeded the percentage of businesses located in these designated tracts. In moderate-income CTs, lending was near to the percentage of businesses in these CTs. Frost's market share for loans in low-income and moderate-income CTs exceeded the overall market share for small loans to businesses.

2004

Frost's record of lending to businesses in low-income CTs exceeded the percentage of businesses located in these designated tracts. In moderate-income CTs, lending was near to the percentage of businesses in these CTs.

Small Loans to Farms

Refer to Table 7 in Appendix C for the facts and data regarding the geographic distribution of the bank's origination/purchase of small loans to farms. Because this is only a minor product line of the bank, an analysis of small farm loans was not conducted. Table is included for informational purposes only.

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 community development loans originated or purchased by Frost during the evaluation period were within its AAs. In 2003, 95 percent of the number and 94 percent of the dollar amount of the bank's home mortgage loans, 95 percent of the number and 94 percent of the dollar amount of the small loans to businesses, and 100 percent of the number and dollar amount of CD loans were within Frost's AAs. Performance is similar in 2004 with home mortgage loans at 94 percent of the number (dollar amount not available), 95 percent of the number and 93 percent of the dollar amount of small loans to businesses, and 100 percent of the number and dollar amount of CD loans within Frost's 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 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Austin

Frost's distribution of home mortgage loans to low- and moderate-income individuals was adequate.

2003

The percentage of home improvement loans to low-income borrowers was lower than the percentage of low-income families. The percentage of loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families. The bank's market share to low-income borrowers was higher than its overall market share for home improvement loans. The market share to moderate-income borrowers was near to the overall market share for home improvement loans.

The percentage of home refinance loans was somewhat lower than the percentage of low-income families. The bank's percentage of home refinance loans to moderate-income borrowers was near to the percentage of moderate-income families. The market share to low-income borrowers exceeded the overall market share for home refinance loans. The market share to moderate-income borrowers was equal to the overall market share for home refinance loans.

2004

The percentage of the bank's home improvement loans to low-income borrowers was somewhat lower than the percentage of low-income families. The percentage of loans to moderate-income borrowers exceeded the percentage of moderate-income families.

The percentage of home refinance loans to low-income borrowers was slightly lower than the percentage of low-income families. The percentage of bank loans to moderate-income borrowers was near to the percentage of moderate-income families.

Fort Worth

Frost's borrower distribution of home mortgage products to low- and moderate-income borrowers was adequate.

2003

The borrower distribution of home improvement loans to low- and moderate-income borrowers was adequate.

The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of bank loans to moderate-income borrowers was slightly lower than the percentage of moderate-income families. Frost's market share of loans to low-income borrowers exceeded the overall market share for home improvement loans, and was near equal the market share to moderate-income borrowers.

The percentage of home refinance loans to low-income borrowers was near to the percentage of low-income families in the AA. The percentage of bank loans to moderate-income borrowers was lower than the percentage of moderate-income families. The bank's market share to low-income borrowers exceeded its overall market share for home refinance loans. The market share to moderate-income borrowers was somewhat lower than the overall market share.

2004

The borrower distribution of home improvement loans to low- and moderate-income borrowers was adequate. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of home refinance loans to moderate-income borrowers exceeded the percentage of moderate-income families.

The borrower distribution of home refinance loans to low- and moderate-income borrowers was adequate. The bank's percentage of home refinance loans to low-income borrowers was significantly lower than the percentage of low-income families. The percentage of bank loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families.

Houston

Frost's distribution of home mortgage loans to low- and moderate-income borrowers was adequate.

2003

The borrower distribution of home improvement loans to low- and moderate-income borrowers was adequate. The percentage of home improvement loans to low-income borrowers was lower than the percentage of low-income families in the AA. The percentage of bank loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families. In terms of market share, Frost's percentage of loans to low-income borrowers exceeded the overall market share for home improvement loans. The percentage of bank loans to moderate-income borrowers was near to the overall market share for home improvement loans.

The borrower distribution of home refinance loans to low- and moderate-income borrowers was adequate. The percentage of home refinance loans to low-income borrowers was somewhat lower than the percentage of low-income families. The percentage of loans to moderate-income borrowers was near to the percentage of moderate-income families. The market share to low- and moderate-income borrowers exceeded the overall market share for home refinance loans.

2004

The borrower distribution of home improvement loans to low- and moderate-income borrowers was adequate. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of home refinance loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families.

The borrower distribution of home refinance loans to low- and moderate-income borrowers was good. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of bank loans to moderate-income borrowers exceeded the percentage of moderate-income families.

San Antonio

The borrower distribution of home mortgage products by income level of the borrower was adequate.

2003

Frost's distribution of home improvement loans in the San Antonio AA was adequate. The percentage of bank loans to low-income borrowers was somewhat lower than the percentage of low-income families. The percentage of bank loans to moderate-income borrowers was near to the percentage of moderate-income families. The bank's market share to low-income borrowers exceeded the overall market share for home improvement loans. The market share to moderate-income borrowers was near to the overall market share for home improvement loans.

The borrower distribution of home refinance loans to low- and moderate-income borrowers was adequate. The percentage of bank loans to low- and moderate-income borrowers was slightly lower than the percentage of low- and moderate-income families. The bank's market share of home refinance loans to low-income borrowers exceeded the overall market share for this product. The market share of loans to moderate-income borrowers equaled the overall market share.

2004

The borrower distribution of home improvement loans to low- and moderate-income borrowers was adequate. The percentage of bank loans to low- and moderate-income borrowers was slightly lower than the percentage of low- and moderate-income families.

The borrower distribution of home refinance loans to low- and moderate-income borrowers was adequate. The percentage of bank loans to low-income borrowers was slightly lower than the percentage of low-income families. The percentage of bank loans to moderate-income borrowers was near to the percentage of moderate-income families.

Small Loans to Businesses

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

Austin

Frost's overall record of extending credit to businesses in the AA with revenues of \$1 million or less was excellent.

2003

Frost's record of extending credit to businesses in the AA with revenues of \$1 million or less was excellent. The percentage of bank loans to businesses with revenues of \$1 million or less exceeded the percentage of businesses that reported revenues of \$1 million or less in the AA. Approximately 56 percent of the bank's small loans to business were \$100,000 or less. Frost's market share for loans with revenues of \$1 million or less exceeded the overall market share for small loans to businesses.

2004

Frost's record of extending credit to businesses with revenues of \$1 million or less was good. The percentage of bank loans to businesses with revenues of \$1 million or less was near to the percentage of businesses in the AA that reported revenues of \$1 million or less. Approximately 57 percent of the bank's loans to businesses were at \$100,000 or less.

Fort Worth

Frost's overall record of extending credit to businesses in the AA with revenues of \$1 million or less was good.

2003

Frost's record of extending credit to businesses with revenues of \$1 million or less was good. The percentage of loans to businesses with revenues of \$1 million or less was near to the percentage of business in the AA with revenues of \$1 million or less. In terms of loan size, Frost originated 52 percent of its loans at \$100,000 or less. Frost's market share of loans with revenues of \$1 million or less exceeded the overall market share for small loans to businesses.

2004

Frost's record of extending credit to businesses with revenues of \$1 million or less was adequate. The percentage of loans to businesses with revenues of \$1 million or less was somewhat lower than the percentage of businesses that reported revenues of \$1 million or less in the AA. Approximately 47 percent of small loans to businesses originated at \$100,000 or less.

Houston

Frost's overall record of extending credit to businesses in the AA with revenues of \$1 million or less was adequate.

2003

The bank has an adequate record of extending credit to businesses in the AA with revenues of \$1 million or less. The percentage of bank loans to businesses with revenues of \$1 million or less was slightly lower than the percentage of businesses that reported revenues of \$1 million or less in the AA. Approximately 45 percent of the bank's small loans to businesses originated at \$100,000 or less. The bank's market share of loans with revenues of \$1 million or less exceeded the bank's overall market share for small loans to businesses.

2004

The bank's record of extending credit to businesses in the AA with revenues of \$1 million or less was adequate. The percentage of bank loans to businesses with revenues of \$1 million or less was slightly lower than the percentage of businesses in the AA that reported revenues of \$1 million or less. Approximately 45 percent of bank loans originated at \$100,000 or less.

San Antonio

Frost's overall record of extending credit to businesses in the AA with revenues of \$1 million or less was adequate.

2003

Frost's record of extending credit to businesses with revenues of \$1 million or less was adequate. The percentage of bank loans to businesses with revenues of \$1 million or less was slightly lower than the percentage of businesses in the AA that reported revenues of \$1 million or less. Approximately 56 percent of the bank's loans were at \$100,000 or less. The bank's market share of loans to businesses with revenues of \$1 million or less exceeded the overall market share for small loans to businesses.

2004

The bank's record of extending credit to businesses with revenues of \$1 million or less was adequate. The percentage of bank loans to businesses with revenues of \$1 million or less was slightly lower than the percentage of businesses in the AA that reported revenues of \$1 million or less. Approximately 56 percent of bank loans originated at \$100,000 or less.

Small Loans to Farms

Refer to Table 12 in Appendix C for the facts and data regarding the borrower distribution of the bank's origination/purchase of small loans to farms. Because this is only a minor product line of the bank, an analysis of small farm loans was not conducted. Table included for informational purposes only.

Community Development Lending

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

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

During the evaluation period, Frost made a total of 233 community development loans totaling \$82.6 million. This amount represented approximately 10.7 percent of Tier One Capital at June 30, 2005. These loans help address the most pressing credit needs in the form of affordable housing and economic development as identified in the assessment areas.

Austin

Frost originated an adequate level of CD loans in the Austin AA. During the evaluation period, the bank made thirteen loans totaling \$1.9 million. Following is a sample of the most significant loans originated:

- Frost made two loans totaling \$653,000 to a non-profit development company to purchase and rehabilitate Housing and Urban Development (HUD) foreclosures to be sold to low and

moderate-income families using down payment assistance from the Affordable Housing Finance Corporation.

- During the evaluation period, the bank originated four loans to a non-profit loan fund whose mission is to provide loans to small business owners lacking access to commercial credit. The loan fund makes business loans that help micro entrepreneurs strengthen their businesses, stabilize their incomes, create additional employment, and contribute to the economic revitalization of their communities.

Fort Worth

In the Fort Worth AA, Frost originated a good level of CD loans. During the evaluation period, the bank originated twelve loans totaling \$27 million. The most significant of these loans were as follows:

- Frost originated a \$14.5 million loan to a non-profit organization to fund the equity in the construction and rehabilitation of three affordable housing projects and fund relocation expenses for residents who will reside in the new housing. The organization is a non-profit public facility corporation created by the Fort Worth Housing Authority. Over the next five years, the organization will provide 678 new units and 229 rehabilitated units. Each project will be mixed income; 30 percent public housing units, 40 percent specific income limits, and 30 percent market rates.
- Frost made an \$8.2 million loan to a non-profit organization. The organization provides education, training, and career services for people with disadvantages, such as welfare dependency, homelessness, lack of education or work experience, as well as those with physical, mental, and emotional disabilities. The funds were used to acquire and/or construct retail facilities and refinanced three existing retail facilities.
- The bank originated a \$1.2 million loan to an organization that provides child-care services targeted to low- and moderate income families. The loan proceeds were used to purchase the building the organization is currently occupying. Over 90 percent of those who receive assistance are single, working mothers of limited income with at least two preschool children. The organization also provides Head Start and Early Start Programs.
- During the evaluation period, Frost made two loans totaling \$2.5 million to a developer of low-income housing for seniors. The developer will construct 180 units for low-income seniors, 100 percent private pay. The project is being built under the Texas Department of Housing/HUD's Private Activity Bond Program.

Houston

Frost originated an adequate level of CD loans in the Houston AA. During the evaluation period, the bank originated eleven CD loans totaling \$2.9 million. The most significant of these loans was a \$2.1 million loan to a program within the Houston Independent School District. The program serves as an academically rigorous, college prep school for at-risk students. About 90 percent of the students are eligible for federal free breakfast and lunch programs.

San Antonio

Frost had a good level of community development loans in the San Antonio AA. The bank originated eighty-two CD loans totaling \$28 million. The majority of the loans were centered in affordable housing and the stabilization and revitalization of low- and moderate-income areas, which are primary credit needs in the AA.

The following is a sample of the more significant CD loans:

- Frost extended an interim construction loan in the amount of \$1.7 million to a developer to create thirty 1-4 family affordable homes. The homes are located in an upper-income census tract, but the homes have historically been sold to low- and moderate-income families. All of the buyers were at or below 80 percent of the median family income.
- During the evaluation period, Frost made a total of three loans totaling \$6.5 million to a developer. The purpose of the loans was to provide leasehold improvements to a warehouse. The project is located the KellyUSA Redevelopment, an area which is designed to attract new businesses, create new jobs, and stimulate the economy.
- Frost participated with six other local financial institutions on an equal share basis in a \$16 million loan to the Economic Development Foundation to facilitate the location of a Toyota plant in a moderate-income CT. Tundra pick-up trucks will be manufactured at the facility. Once the plant is completed, approximately 2,500 new jobs will be created. Other companies related to automobile manufacturing are expected to locate near the Toyota plant.
- The bank originated a \$3 million loan to a non-profit organization to finance a sports complex located in a low-income CT. The sports complex will provide social services to children of low- and moderate-income families as well as a safe place for young people to go after school for sports development and educational assistance.
- Frost originated a \$5 million loan to a non-profit medical clinic to finance a new clinic located on the east side of San Antonio in a moderate-income CT. The clinic will provide services to the community where only limited health care is provided.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test conclusion for Frost. The bank continues to use innovative and flexible underwriting guidelines to meet the credit needs of low- and moderate-income individuals. The loan programs are designed to increase the volume of loans originated to low- and moderate-income individuals and increase home ownership. Frost offers two programs to meet this goal, The Progress Home Improvement Program and the Progress Interim Construction Loan Program.

Progress Home Improvement Program

This is a loan program for individuals that are 80 percent or below the HUD Family Median Income. It features the use of alternative credit sources such as utility bills and insurance bills if no other credit information is available. Other features include lower minimum loan amounts and lower monthly payments. Interest rates charged include 0.25 percent less than the current rate and an even greater 0.50 percent discount on the rate if the customer has a Frost account and uses auto debit. In addition to the home improvement products, Frost offered a financial literacy outreach program in all of the bank's markets.

Progress Interim Program

This program is offered to builders participating in local Affordable Parades of Homes or building in sub-divisions that are affordable and targeted to persons with incomes 80 percent or below the HUD Median Family Income. This includes those individuals that can qualify for down payment and closing cost assistance programs. The product offers a current prime rate and no closing fees for the loan.

Small Business Programs

In 2002, Frost developed a Small Business Outreach Program that includes a literacy program, new products, and materials to promote small business lending. The literacy program provides insight into the expectations a commercial bank has of a small business including the reasons for providing financial information, loan request guidance, and business plans. As part of the outreach program, Frost developed the "Borrowers Guide for Small Business and Entrepreneurs" to further promote small business lending. Products were developed with the focus on financial information of the individual or guarantor instead of financial information for the business since small businesses may not have financial information in the early stages. The small business products offered include:

- Revolving lines of credit up to \$35,000 unsecured or secured with soft asset collateral for businesses two years old or older. This product requires only limited financial information usually of the individual or guarantor. Business financials are only used when needed.
- Secured term loans for five years up to \$50,000 with the same limited financial information required as the revolving lines of credit product. The collateral required for this loan requires hard asset collateral.
- Home equity loans with the proceeds being used for a small business purpose.

In July of 2003, Frost offered a Frost Bank Business Productivity VISA Credit Card through GE Capital to small business customers. Frost promotes the card, and the card has the bank's name. However, GE Capital makes the credit decisions. Financial information will not be required unless needed to obtain credit. The card has risk based pricing and low rates on balances carried forward. Three types of cards are offered and include:

- A business card with revolving balances.
- A corporate card with detailed reporting on cardholders.
- A purchasing card with controls to restrict use.

Small Business Partnerships

Frost is a partner in all markets with ACCION Texas. ACCION is a Hispanic-oriented organization dedicated to providing alternative financing to small businesses that do not qualify for traditional financing from conventional sources. Through its programs, ACCION helps entrepreneurs stabilize their incomes, create additional employment and contribute to the revitalization of their communities. Frost provides a revolving line of credit statewide, annual operating funds, serves on the loan committee in some markets, and refers loan requests to ACCION.

In San Antonio, Frost is a partner and level one shareholder with the Community Development Loan Corporation. Also, Frost works with RiverCity Capital Corporation. It is a venture capital entity providing lines of credit to small businesses. Frost also refers businesses to the South Texas Business Fund that was established by the city to offer guidance and originate loans to small businesses to create and sustain jobs.

In Fort Worth, Frost is a partner with the William Mann Community Development Corporation. Its mission is to assist economic development initiatives by providing debt and equity financing in partnership with an investor bank or non-traditional lending source to small, minority, and women-owned businesses. Also, the program emphasizes lending in the low- and moderate-income areas of Tarrant County.

In Houston, Frost is a partner with the Houston Small Business Development Corporation (HSBDC). The HSBDC is a non-profit organization established by the city to eliminate community deterioration and expand the development of small businesses in Houston. Also, Frost has invested in the Third Coast Community Development Corporation that has the purpose of economic development by lending to small businesses. Frost is also a partner with the Business Consortium Fund. This is a non-profit financial services program offered by the Houston Minority Business Council. It provides working capital loans and access to other financing and services to certified minority business enterprises that have difficulty obtaining financing from conventional sources on reasonable terms.

In 2002, Frost was presented with the “Outstanding Community Lender” Award at an SBA Conference in Albuquerque, New Mexico.

Conclusions for Areas Receiving Limited-Scope Reviews

Refer to Tables 1 through 12 in Appendix C for the facts and data that support these conclusions.

2003

Based on limited-scope reviews, the bank’s lending performance was stronger than the bank’s overall “High Satisfactory” performance under the Lending Test in the Corpus Christi AA. Based on limited-scope reviews, the performance was consistent with the bank’s overall “High Satisfactory” performance under the Lending Test in the Brazoria, Galveston, and Harlingen AAs. Based on limited-scope reviews, the performance was weaker than the bank’s overall

“High Satisfactory” performance under the Lending Test in the Dallas, Kendall, and McAllen AA’s.

2004

Based on limited-scope reviews, the bank’s lending performance was stronger than the overall “High Satisfactory” performance under the Lending Test in the Corpus Christi AA. Based on limited scope reviews, the performance was consistent with the overall “High Satisfactory” under the Lending Test in Dallas, Harlingen and McAllen AAs.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

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

The bank’s performance under the Investment Test is rated “Outstanding”. Based on full-scope reviews, the bank’s investment performance in the Austin, Houston and San Antonio AAs is excellent. Frost’s has a good level of investments in the Fort Worth AA.

Frost continues to provide investments in all of the markets it serves. With investments in Mortgage Backed-Securities (MBS) and Community Development Corporation’s (CDC’s), Frost has increased its flexibility and innovativeness by also investing in Small Business Investment Company’s (SBIC) and continues to provide community service investments across the state. During the rating period Frost had a total of 351 qualifying investments in its AAs totaling \$37.1 million. Additionally, the bank has \$4.6 million in outstanding commitments.

Austin

Frost has provided an excellent level of qualified investments in the Austin AA. The bank had fifty-seven qualified investments/grants/donations totaling \$8.2 million. Investments include MBS totaling \$7.1 million, and \$942,000 in a SBIC. In Austin, with donations of various amounts, the bank supports ACCION. Other samples of qualified investments include:

- Habitat for Humanity, a volunteer organization that constructs affordable housing for low-income families.
- The National Institute for Community Empowerment (NICE): NICE functions include revitalization activities in central east Austin, an area containing LMI geographies.
- Austin CDC: This CDC works with small businesses in low-income areas to create jobs, rehabilitate buildings, and provide needed services such as health care, childcare, and affordable housing.

- Caritas of Austin: This organization provides crisis assistance to people in Travis County that are at or below 150 percent of the federal poverty level. Services include assistance with rent, utilities, food, clothing, prescriptions, and other essentials.

In addition, Frost has \$1.1 million in prior period investments and \$3.6 million in unfunded commitments in the Austin AA. The Austin AA accounts for 9.7 percent of the bank's deposits and 22.4 percent of the bank's qualified investments.

Fort Worth

Frost has provided a good level of qualified investments in the Fort Worth AA. The bank had eighteen qualified investments/grants totaling \$5.5 million. Investments include MBS totaling \$5.4 million. The remainder of the investments is to organizations that target low- and moderate-income people or provide affordable housing. A sample of investments includes grants/donations to ACCION in Fort Worth, Habitat for Humanity, the Tarrant County Housing Partnership, and Fort Worth ACORD. In addition, the bank has \$791,000 in prior period investments, including a CDC that provides financing for businesses with revenues less than \$1 million.

The Fort Worth AA accounts for 13.2 percent of the bank's deposits and 14.2 percent of the bank's qualified investments.

Houston

Frost has provided an excellent level of qualified investments in the Houston AA. The bank had 112 qualified investments/grants totaling \$5.8 million. Investments include the purchase of MBS totaling \$5.2 million. The remainder of the investments are to organizations that target low- and moderate-income people, provide affordable housing, or promote economic development by financing small businesses. A sample of Frost investments in the Houston AA include:

- ACCION in Houston.
- Third Coast Community Development Corporation (CDC): This CDC provides loans to small businesses that may not qualify for conventional bank financing.
- Third Ward CDC, a non-profit CDC that provides affordable housing for very low and low- to moderate-income individuals and families to revitalize neighborhoods.
- Avenue CDC: This CDC's purpose is to revitalize low- and moderate-income inner-city neighborhoods by developing affordable housing and economic opportunities. In 2004, they helped over 130 low-income families purchase their own homes.
- Foundation for Economic and Educational Development (FFED): The bank has donated funds to help this Small Business Incubator.
- Fort Bend Habitat for Humanity.

In addition, the bank had one prior period investment of \$1.1 million. The Houston AA accounts for 17.9 percent of the bank's deposits and 16.8 percent of the bank's qualified investments.

San Antonio

Frost has provided an excellent level of qualified investments in the San Antonio AA. The bank had ninety-eight qualified investments/grants totaling \$6.5 million. Investments include the purchase of MBS totaling \$1.1 million. Other qualified investments include \$4.0 million to First Capital, a SBIC, and organizations that target low- and moderate-income people or provide affordable housing. Also in San Antonio, the bank has donated money 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. Other examples of Frost donations/grants include:

- ACCION in San Antonio.
- The Neighborhood Housing Services (NHS): NHS works in conjunction with other organizations to provide affordable housing. One of their loan products provide second mortgage gap financing to low-income borrowers, and another for low- and moderate-income borrowers who purchase homes in low-income census tracts or mixed income developments in the inner city.
- Antioch Community Transformation Network: Frost has donated funds to this organization and worked closely with them to obtain a Community Development Block Grant for the construction of a family life education and community center campus. Not only will this promote economic development, but the campus is also located in a low-income tract and will primarily benefit low- and moderate-income families.
- San Antonio Alternative Housing Corporation: The mission of this organization is to provide decent and affordable rental and ownership housing to low- and moderate-income people. They also provide housing education and ownership counseling through community home ownership associations; and promote business development, job training, health, and social services.
- Avenida Guadalupe Association: Funds raised by the organization go into the Avenida Guadalupe Neighborhood (a low- and moderate-income area) in the form of physical, economic, and cultural revitalization.

Frost also has four prior period investments totaling \$2.4 million. One prior period investment accounting for \$2 million is with the Bexar County Housing Authority. Frost 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 San Antonio AA accounts for 46.8 percent of the bank's deposits and 21.8 percent of the bank's qualified investments.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Dallas AA is not inconsistent with its overall "Outstanding" performance under the Investment Test. The bank's performance in the Corpus Christi, Harlingen, and McAllen AAs is weaker than the bank's overall Investment Test performance. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

Although performance in the above three assessment areas 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 these AAs.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

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

Retail Banking Services

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

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

The distribution of Frost branches among moderate-income geographies in the Austin AA is excellent while the distribution in the Fort Worth, Houston, and San Antonio AAs is adequate.

In the Austin, Fort Worth, Houston, and San Antonio AAs, the distribution of Frost branches in low-income areas is less than the distribution of the population living in such geographies. However, each of these MSAs reports less than 10 percent of the population living in a low-income geography. In addition, our analysis of branches located in moderate-income tracts indicates that a majority of these are adjacent to low-income tracts and are readily accessible to residents of those tracts. Branch closures in these AAs have not affected the accessibility of delivery systems in any of these AAs.

The distribution of Frost branches in moderate-income geographies in the Austin AA is excellent, while the distribution of Frost branches in the Fort Worth, Houston, and San Antonio AAs is adequate. The distributions in Austin exceeds the population residing in the moderate-income geography while the distribution in Fort Worth, Houston, and San Antonio are less than each MSAs respective population residing in such geographies.

Banking hours and services offered throughout the full-scope AAs are adequate. The decision on which locations to open on Saturdays is based largely on an area's needs, which the bank correlates to traffic patterns. With the exception of the North Austin Motor Bank, lobby and motor bank hours on Monday through Saturday are the same at all branches located in the Austin, Houston and San Antonio AAs regardless of the income level of the geography. Lobby locations in Fort Worth share the same hours as the other AAs reviewed, however the motor banks in the Fort Worth AA open a half-hour later than those in other AAs. Banking hours and services are offered on Saturdays in all of the full-scope AAs reviewed. Six lobbies and eleven drive-ins in the Austin AA, twelve lobbies and eleven drive-ins in the Fort Worth AA, sixteen lobbies and sixteen drive-ins in the Houston AA, and fifteen lobbies and nineteen drive-ins in the San Antonio AA are open on Saturdays. With the exception of the Fort Worth AA, each of the full-scope AAs has branches located in moderate-income tracts that offer Saturday hours.

Frost offers the same products in all AAs. The bank offers several types of consumer accounts that are generally responsive to basic banking needs of low- and moderate-income people. The Frost Savings Account requires a minimum balance of \$500 and carries a monthly service fee of \$3.50. Low-cost checking accounts include the:

- Preferred Checking Account, which has no minimum balance requirement but a monthly service fee of \$10.00;
- the Value Checking Account, which has no minimum balance requirement and carries a monthly service fee of \$5.00, and;
- the Free Checking Account, which has no minimum balance requirement and no monthly service fee.

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. In addition to proprietary ATM locations, Frost has non-proprietary ATMs in HEB grocery stores throughout the state of Texas. Considering the entire ATM network, the distribution in low-income geographies is adequate and the distribution in moderate-income geographies is good.

In the Austin, Fort Worth, Houston, and San Antonio AAs, the distribution of Frost ATM's in low- income areas is less than the distribution of the population living in such geographies. However, approximately 3.4 percent of the ATMs in HEB stores are located in low-income geographies.

In the Austin and San Antonio AAs, the distribution of Frost ATM's in moderate-income geographies is good, while the distributions in Fort Worth and Houston AAs is adequate. The ATM distributions in Austin exceed the population living in such geographies. The distribution of Frost ATM's in moderate-income geographies in the Fort Worth and Houston AAs is slightly less than the portion of the population living in such geographies. And, the distributions in San Antonio approximate the population living in moderate-income tracts. However, approximately 26.1 percent of the ATMs located in HEB stores are located in moderate-income geographies.

Frost offers a myriad of other delivery systems, which are reasonably accessible to geographies and individuals of different income levels throughout the full scope AAs. Frost offers a 24-hour telephone banking service in each AA. This service allows customers to make inquiries on their loan and deposit accounts, transfer funds, and make payments on loans. Frost also offers "My Frost" Internet service with bill pay to all customers (except Free Checking Accounts) free of charge. Customers with "Free Checking" accounts are charged \$0.50 per bill paid. "My Frost" provides online access to Frost accounts and allows customers to view transactions, pay bills, transfer funds, receive online statements, see check images, order checks, and download transactions. Frost is placing computer terminals in all new locations and will add computer terminals to other branches to make online banking available to all customers.

In 2004, Frost introduced the "Bank at Work" Program, which sends Frost Bankers on-site at large employers to open accounts and offer direct deposit for payroll services. As of October 2005, approximately 200 employers participate in the program throughout the state of Texas. Additionally, Frost developed a product to aid commercial customers with "unbanked" employees. The "payroll card" allows companies to provide employees with a prepaid debit card equal to the employee's salary. The card may be used at any Frost ATM, free of charge to access the employee's salary.

Community Development Services

Frost has demonstrated good community development service performance in the AA's that received full-scope reviews. Activities demonstrate the bank's continued commitment to its communities. Numerous bank officers have been involved in providing financial technical assistance to a wide range of qualified organizations, many in leadership positions. Activities have focused on small business development and helping LMI families find affordable housing. The most prominent qualifying services provide financial literacy education, loan approval, small business/homeownership counseling, and financial analysis and leadership skills.

In addition to the qualifying services, Frost developed several innovative outreach programs that addressed needs in its AAs. The Financial Literacy Seminar Program was developed in 2002, to provide a format for educating homeowners and small business owners on credit, loans, and products. Seminars were held in all of the bank's markets and will continue in 2005. The bank coordinated with community service organizations to ensure seminars were publicized in low- and moderate-income areas.

Also in 2002, the bank initiated The Home Improvement Loan Campaign for low- and moderate-income individuals and families to develop its niche in providing opportunities for existing homeowners to revitalize existing housing. Bank officers provide information on loans, various products offered, and selecting contractors. Seminars have been held in the bank's various markets, specifically targeting low- and moderate-income geographies.

To increase efforts in the small business market, Frost developed specific products tied to the Small Business Outreach Program. Small business lending teams were created in each market. The bank produced a booklet titled "A Borrower's Guide for Small Businesses and Entrepreneurs" that was distributed to local small business support groups to use as a resource. Each major market has held seminars during the evaluation period.

The following are examples of the bank's involvement in community development services in the full-scope AAs:

Austin

- Austin Community Development Corporation (ACDC): The primary purpose of this CDC is to promote long-term economic vitality of East and South Austin by providing community loans to businesses that will provide jobs to low- and moderate-income individuals, generate capital, and rehabilitate the neighborhoods. A bank officer serves on the Loan Committee that makes credit decisions for all loan applications to the ACDC.
- City of Austin Neighborhood Commercial Management Program (NCMP): The primary purpose of this organization is to create and retain jobs for low- and moderate-income individuals. The program provides financial assistance to address the problems of blighted and depressed commercial districts. A bank officer served on the Loan Committee that reviews all applications and recommends projects for approval.

Fort Worth

- Fort Worth Economic Development Committee (FWEDC): This organization provides management and technical assistance, training, and financial assistance to the small business community in Fort Worth. FWEDC manages SBA 504 Loan Programs, the City of Fort Worth EDA/CDBG Revolving Loan Program, and the City of Fort Worth Micro-Loan Program. A bank officer served on the Board of Directors and on the Loan Committee.
- William Mann Community Development Corporation: 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 located in southeast Fort Worth and Community Development Block Grant eligible areas. A bank officer serves on the Board and on the Loan Committee.
- Tarrant County Housing Partnership (TCHP): The primary purpose of this non-profit corporation 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: The primary purpose of this organization is to provide services to those in need. It provides multi-family HUD Section 8 housing in the cities of Fort Worth and Arlington. It also is the largest provider of social services to low-income individuals and families in Fort Worth. These 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.

Houston

- Small Business Administration's (SBA) Houston One Stop Capital Shop (OSCS): 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. The OSCS's primary purpose is to provide a vital resource for implementing Houston's Enhanced Enterprise Community plans to revitalize the neighborhood. A bank officer served as a "Lender on Loan" to provide lending expertise and to answer questions from small business owners.
- Third Coast Community Development Corporation (TCCDC): This nonprofit CDC's primary purpose is to stimulate economic development by providing loans to small emerging businesses that are creating or sustaining jobs in the Third Ward, a low-income geography. Bank officers served on the Board, which establishes lending policies and reviews financial information, and provided educational financial seminars that were targeted to the very low- and low-income individuals residing in this geography.
- Housing Opportunities of Houston (HOH): This nonprofit organization's primary purpose is to provide homebuyer education counseling to low- and moderate-income individuals and families so they can achieve home ownership. HOH is a HUD-sponsored counseling agency and a Certified Texas Community Development Organization. Bank officers taught classes to clients covering "Credit Preparation for a Mortgage Loan" and "Steps to Home Ownership." Upon completion of these classes, participants become eligible for down payment and/or closing cost assistance funds.
- Fort Bend Habitat for Humanity: The organization's primary purpose is to create partnerships between low-income families, volunteers, and organizations with financial and material resources to build houses that will be sold to very low-income families. The bank assisted in the credit underwriting process of applications for home ownership. Bank officer assesses financial situation and provides guidelines for understanding and improving financial situation.

San Antonio

- San Antonio Habitat for Humanity: Frost provides technical assistance to this affordable housing organization and services an affordable housing loan portfolio at no cost. During the evaluation period, the portfolio grew from 211 loans to 245 loans.
- Community Development Loan Fund/Annie E. Casey Foundation: The primary purpose of this foundation is to provide business resources for small businesses located on the Westside of San Antonio. The target neighborhoods include twenty-six census tracts defined as low- or moderate-income geographies. A bank officer served on the planning committee and the bank provided funding.
- Operation Blue: This organization provides free check cashing and nominal-cost money orders to low-income and homebound senior citizens for paying bills. The service is a

partnership between the bank and the San Antonio Police Department (SAPD). The bank provides the cash fund and a supply of money orders to SAPD officers, who visit nursing homes and senior citizen centers. Bank employees provide technical assistance related to controls for handling money, reconciling cash, and making appropriate deposits.

- City of San Antonio IDA Program: The bank has partnered with the city to offer students and other individuals meeting income guidelines an opportunity to save funds and receive a matching grant if the program is followed. The bank opens accounts, waives all service fees and minimum account balances, and provides monthly versus quarterly statements. The city and the bank will match savings of \$750 with \$2,250 for a total of \$3,000 to be used for education, small business, or buying a home. At December 31, 2004, the bank had 173 accounts in this program.
- 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.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test for retail banking and community development services is not inconsistent with the bank's overall "Low Satisfactory" service performance. The level of retail services in the limited-scope areas is adequate. Refer to Table 15 in Appendix C 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”).

Time Period Reviewed	Lending Test (excludes CD Loans): (01/01/2003 to 12/31/2004) Investment and Service Tests and CD Loans: (02/26/2001 to 12/31/2004)	
Financial Institution	Products Reviewed	
The Frost National Bank (Frost) San Antonio, Texas	Home improvement loans, home mortgage refinance loans, small loans to businesses and community development loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
NONE	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Austin #0640	Full Scope	<p>* In 2004, Brazoria and Galveston County were separate assessment areas. However, both counties became part of the Houston MSA in 2004. The bank now includes Brazoria and Galveston County in their Houston AA.</p> <p>** Prior to 2004, Kendall County was a separate assessment area. However, Kendall County is now part of the San Antonio MSA. The bank now includes Kendall County as part of their San Antonio AA.</p>
Fort Worth #2800	Full Scope	
Houston #3360	Full Scope	
San Antonio #7240	Full Scope	
* Brazoria #1145	Limited Scope	
Corpus Christi #1880	Limited Scope	
Dallas #1920	Limited Scope	
* Galveston #2920	Limited Scope	
Harlingen #1240	Limited Scope	
** Kendall NA	Limited Scope	
McAllen #4880	Limited Scope	

Appendix B: Market Profiles for Full-Scope Areas

San Antonio AA

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	321	3.74	37.07	33.96	24.30	0.93
Population by Geography	1,616,126	2.59	36.91	32.52	27.97	0.01
Owner-Occupied Housing by Geography	361,646	1.60	29.94	33.17	35.29	0.01
Businesses by Geography	89,024	2.04	28.87	34.74	34.11	0.23
Farms by Geography	2,279	0.83	18.47	40.32	40.15	0.22
Family Distribution by Income Level	409,542	20.99	17.89	20.41	40.72	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	159,206	4.26	52.59	30.72	12.43	0.00
Median Family Income = \$44,591 HUD Adjusted Median Family Income for 2004 = \$51,500 Households Below the Poverty Level = 13.73%			Median Housing Value = \$83,454 Unemployment Rate = 4.9%			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, and 2004 HUD updated MFI.

Frost has defined the San Antonio AA as Bexar, Comal, Guadalupe, Kendall, and Wilson County, which includes five of the six counties located in the San Antonio MSA. This AA does not arbitrarily exclude any low- or moderate-income areas. Frost operates twenty-one branches, forty-four ATMs, and numerous non-proprietary ATMs in the AA. The bank's presence in low- and moderate-income geographies of the San Antonio AA is low. The bank has no branches located in Guadalupe or Wilson counties.

Deposits originating from the San Antonio AA represent approximately 46.9 percent of Frost's total deposits. In terms of market share, Frost ranks second in the assessment area and holds approximately 13.6 percent of the deposit market share. Local banking competition includes affiliates of large national banking companies, mid-size community banks, two large thrifts, and numerous small community banks. Credit unions are also major players in the San Antonio MSA.

The San Antonio AA includes 321 census tracts. Three of the census tracts, representing 0.93 percent 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 AA. Prior to 2004, Kendall County was not included in the San Antonio MSA.

The San Antonio economy is considered stable. The unemployment rate of 4.9 percent as of July 2005, is slightly below the state average of 5.1 percent. The income designations of the CTs are based on a MFI of \$44,591 according to 2000 Census Bureau Data. The HUD adjusted MFI for 2004 is \$51,500.

The total population of the San Antonio AA from the 2000 Census is 1,616,126. This population is comprised of 409,542 families, of which 20.99 percent, 17.89 percent, 20.41 percent, and 40.72 percent have low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 4.26 percent, 52.59 percent, 30.72 percent, and 12.43 percent are located in low-, moderate-, middle-, and upper-income geographies, respectively. The percentage of households living below the poverty level is 13.73 percent.

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 material 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, Brooks-City and Lackland Air Force Bases (AFB), Fort Sam Houston Army Base, the City of San Antonio and the San Antonio Independent School District. Although Brooks-City AFB has been slated for closure, the military presence is still strong. Because of the recent BRAC realignment, San Antonio will actually see a net gain in military related jobs. Randolph AFB is the back up to the Pentagon and performs the payroll service for the US Air Force. Brooke Army Medical Center 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. Toyota Motor Company is building a truck plant in south San Antonio and is expected to start producing vehicles for the model year 2007. Toyota and related industries are expected to create 4,000 jobs. San Antonio is also experiencing strong retail growth northward along the Interstate 35 corridor toward the city of New Braunfels.

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

Appendix B: Market Profiles for Full-Scope Areas

Austin AA

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	256	8.20	27.34	38.28	25.39	0.78
Population by Geography	1,249,763	8.31	25.66	39.38	26.46	0.20
Owner-Occupied Housing by Geography	274,869	2.79	18.90	42.63	35.68	0.00
Businesses by Geography	95,858	4.89	20.08	37.79	37.15	0.09
Farms by Geography	2,308	2.12	18.76	48.01	31.11	0.00
Family Distribution by Income Level	298,622	19.76	18.30	22.76	39.17	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	113,666	11.05	37.77	38.29	12.89	0.00
Median Family Income = \$59,438 HUD Adjusted Median Family Income for 2000 = \$68,600 Households Below the Poverty Level = 10.33%			Median Housing Value = \$131,505 Unemployment Rate = 4.3%			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, and 2004 HUD updated MFI.

The Austin AA is composed of the entire Austin MSA and does not arbitrarily exclude low- or moderate-income areas. The AA includes Bastrop, Caldwell, Hays, Travis, and Williamson Counties. Frost operates twelve branches and fifteen ATMs in the AA.

Deposits originating from the Austin AA represent approximately 9.7 percent of Frost’s total deposits. In terms of market share, Frost holds approximately 5.7 percent of bank deposits in the AA. Local banking competition includes affiliates of large national banking companies, mid-size community banks, and numerous small community banks.

The Austin AA includes 256 census tracts. Two of the census tracts, representing 0.78 percent 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 AA.

In the late 1990’s Austin, the state capital of Texas, was one of the fastest growing areas in the nation. In the early 2000’s the collapse of technology related industries and jobs associated with “dotcom” companies caused the Austin MSA to suffer significant economic declines. However, the economy now appears to have stabilized. The total population of the Austin AA from the 2000 Census is 1,249,763. This population is comprised of 298,622 families, of which 19.76 percent, 18.30 percent, 22.76 percent, and 39.17 percent have low-, moderate-, middle-,

and upper-income levels, respectively. Of those same families, 11.05 percent, 37.77 percent, 38.29 percent, and 12.89 percent are located in low-, moderate-, middle-, and upper-income geographies, respectively. The income designations of the CTs are based on a MFI of \$59,438 per year according to the 2000 Census Bureau data. The HUD updated MFI for 2004 is \$68,600. There are twenty-one low-income census tracts in the assessment area and 10.33 percent of households live below the poverty level. The unemployment rate as of June 2005 of 4.3 percent is below the state average of 5.1 percent

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, the City of Austin, the Austin Independent School District, and the Internal Revenue Service.

Credit needs identified through community contacts includes small business and affordable housing loans.

Appendix B: Market Profiles for Full-Scope Areas

Fort Worth AA

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	310	7.74	27.42	34.84	30.00	0.00
Population by Geography	1,446,219	6.03	26.43	35.58	31.96	0.00
Owner-Occupied Housing by Geography	324,754	3.85	19.76	36.48	39.91	0.00
Businesses by Geography	104,723	3.89	27.36	36.14	32.61	0.00
Farms by Geography	2,051	2.24	19.26	40.86	37.64	0.00
Family Distribution by Income Level	371,565	19.49	18.35	21.37	40.80	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	140,577	10.55	39.27	35.23	14.95	0.00
Median Family Income = \$53,268 HUD Adjusted Median Family Income for 2000 = \$61,500 Households Below the Poverty Level = 9.55%			Median Housing Value = \$98,851 Unemployment Rate = 5.0%			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, and 2004 HUD updated MFI.

Frost has defined all of Tarrant County, which is located in the Fort Worth MSA, as its AA. The AA does not arbitrarily exclude low- and moderate-income areas. Frost operates sixteen branches and fourteen ATMs in the AA.

Deposits originating from the Fort Worth AA represent approximately 13.2 percent of Frost's total deposits. In terms of market share, Frost holds approximately 1.5 percent of bank deposits in the AA. 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 310 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 5.0 percent at June 2005, compared to the State unemployment rate of 5.1 percent. 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 (North American Free Trade Agreement). Today Tarrant County's businesses span the globe and the airports are among the countries leading international gateways.

The income designations of the CTs are based on a MFI of \$53,268 per year according to 2000 Census Bureau data. HUD updated MFI for 2004 is \$61,500.

The total population of the Fort Worth AA from the 2000 Census is 1,446,219. This population is comprised of 371,565 families, of which 19.49 percent, 18.35 percent, 21.37 percent, and 40.80 percent have low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 10.55 percent, 39.27 percent, 35.23 percent, and 14.95 percent are located in low-, moderate-, middle-, and upper-income geographies, respectively. Based on 2000 census information there are twenty-four low-income census tracts and a total of 9.55 percent households living below the poverty rate.

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. The contacts identified the primary credit needs of the AA as loans for affordable housing, affordable home improvement loans, revitalization of low-income areas, and small business loans.

Appendix B: Market Profiles for Full-Scope Areas

Houston AA

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	813	8.49	31.98	29.64	29.03	0.86
Population by Geography	4,246,955	6.96	30.88	30.55	31.56	0.05
Owner-Occupied Housing by Geography	880,229	3.21	23.14	31.97	41.68	0.00
Businesses by Geography	307,550	5.23	26.23	27.24	41.05	0.25
Farms by Geography	5,361	2.74	18.88	37.59	40.74	0.06
Family Distribution by Income Level	1,064,445	22.87	17.37	18.79	40.98	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	428,263	12.30	44.49	29.16	14.05	0.00
Median Family Income	= \$51,431					
HUD Adjusted Median Family Income for 2000	= \$59,400					
Households Below the Poverty Level	=12.27%					
					Median Housing Value = \$98,599	
					Unemployment Rate = 5.3%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census, and 2004 HUD updated MFI.

Frost has defined a portion of the Houston MSA as its assessment area for offices located in the Houston AA. The AA consists of Brazoria, Fort Bend, Galveston, and Harris counties, which does not arbitrarily exclude any low- or moderate-income areas. Frost operates twenty-two branches and twenty-three ATM's within the Houston AA. The bank's branches are primarily located in the central and southwest portions Harris County, the northeast portion of Fort Bend County, and one branch each in Brazoria and Galveston 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. Brazoria and Galveston County became part of the Houston MSA in 2004

Deposits originating from the Houston AA represent approximately 17.9 percent of Frost's total deposits. In terms of market share, Frost holds approximately 1.7 percent of total bank deposits in the AA. 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 AA includes 813 census tracts. Seven of the tracts, representing 0.86 percent 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 AA.

The unemployment rate as of June 2005 of 5.3 percent is just above the state average of 5.1 percent. The income designations of the CTs are based on a MFI of \$51,431 per year according to 2000 Census Bureau data. The HUD updated MFI for 2004 is \$59,400.

The total population of the Houston AA from the 2000 Census is 4,246,955. This population is comprised of 1,064,445 families, of which 22.87 percent, 17.37 percent, 18.79 percent, and 40.98 percent have of low-, moderate-, middle-, and upper-income levels, respectively. Of those same families, 12.30 percent, 44.49 percent, 29.16 percent, and 14.05 percent are located in low-, moderate-, middle-, and upper-income geographies, respectively.

Harris County is the third largest county in the United States with a population of over 3.6 million residents, and it covers 1,788 square miles. Houston is the largest city in the county, the county seat, and the fourth largest city in the United States. Houston has the largest medical center in the world, the Texas Medical Center. The Center's economic impact is more than \$10 billion annually, and it has approximately 52 thousand employees. Approximately 4.8 million patients are treated at the Texas Medical Center annually. Also, eighteen Fortune 500 companies and more than 5 thousand energy related companies are located in the city considered by many to be the "Energy Capital" of the world.

Fort Bend County is adjacent to southwest Harris County, and it is one of the most affluent and fastest growing areas in the Houston MSA. The county had approximately 413 thousand residents in 2003 with projections for 2020 doubling that amount. The county encompasses 879 square miles. Sugar Land is the largest city, and it is so close to Houston that it could be considered a suburb. Agriculture, petrochemicals, technology industries, and sugar refining are the major industries in Fort Bend County. Of the total 58 census tracts, one is designated as low-income and four are designated as moderate-income.

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 AA as loans for affordable housing, affordable home improvement loans, revitalization of low-income areas, and small business loans.

Appendix C: Tables of Performance Data

Content of Standardized Tables

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

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories. *(This table is not included in this evaluation, as the bank did not opt to have an analysis on this type lending)*
- 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. *(Distribution of home purchase loans included for informational purposes only, numbers were not used in the analysis of this evaluation)*
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.

- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. *(Included for informational purposes only, numbers were not used in the analysis of this evaluation)*
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area. *(Included for informational purposes only, numbers were not used in the analysis of this evaluation)*
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available. *(Distribution of home purchase loans included for informational purposes only, numbers were not used in the analysis of this evaluation)*
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the

number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 12. Borrower Distribution of Small Loans to Farms - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available. *(Included for informational purposes only, numbers were not used in the analysis of this evaluation)*

Table 13. Geographic and Borrower Distribution of Consumer Loans (NOT INCLUDED)
A review of consumer loans was not part of the scope of this examination.

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

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank’s assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Qualified Investments” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of the Assessment Area” is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

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

Table 1. Lending Volume

LENDING VOLUME	Geography: TEXAS 2004	Evaluation Period: January 1, 2004 to
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LENDING VOLUME

Geography: TEXAS 2004

Evaluation Period: January 1, 2004 to

MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total R Lo
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#
Full Review:										
Austin AA	13.63	240	17,638	609	103,613	5	1,035	1	50	855
Fort Worth AA	14.80	190	15,332	736	159,377	1	225	2	8,265	929
Houston AA	23.79	340	21,240	1,148	253,058	3	270	2	125	1,493
San Antonio AA	29.53	702	36,925	1,135	209,823	1	17	15	12,371	1,853
Limited Review:										
Corpus Christi AA	9.27	202	11,151	375	55,893	1	450	4	264	582
Dallas AA	5.04	74	6,059	240	69,063	0	0	2	1,835	316
Harlingen AA	0.64	12	701	28	5,186	0	0	0	0	40
McAllen AA	3.34	53	3,653	151	25,171	1	390	2	433	207

* Loan Data as of December 31, 2004. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is February 26, 2001 to December 31, 2004.

*** Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1. Lending Volume

LENDING VOLUME		Geography: TEXAS 2003						Evaluation Period: January 1, 2003 to		
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total R Lo
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#
Full Review:										
Austin AA	14.87	214	15,448	647	107,015	10	1,780	7	1,860	878
Fort Worth AA	15.73	139	6,458	778	146,690	3	361	9	18,668	929
Houston AA	19.73	167	13,116	990	208,556	2	506	6	2,835	1,165
San Antonio AA	26.19	421	21,383	1,094	184,331	9	1,393	23	15,856	1,547
Limited Review:										
Brazoria AA	0.85	17	1,988	33	3,837	0	0	0	0	50
Corpus Christi AA	9.70	139	6,839	417	52,015	3	980	14	7,648	573
Dallas AA	5.13	19	3,555	276	72,214	1	400	7	9,526	303
Galveston AA	2.54	56	3,198	88	13,762	1	91	5	1,034	150
Harlingen AA	0.39	8	279	15	3,686	0	0	0	0	23
Kendall AA	0.91	20	926	33	5,529	1	35	0	0	54
McAllen AA	3.96	46	2,530	182	24,130	0	0	6	1,671	234

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* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is February 26, 2001 to December 31, 2004.

*** Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans – Informational Only

Geographic Distribution: HOME PURCHASE			Geography: TEXAS 2004				Evaluation Period: January 1, 2004 to				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		M
	#	% of Total**	% Owner Occ***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over a
Full Review:											
Austin AA	17	13.28	2.79	0.00	18.90	5.88	42.63	35.29	35.68	58.82	
Fort Worth AA	22	17.19	3.85	0.00	19.76	4.55	36.48	40.91	39.91	54.55	
Houston AA	12	9.38	3.21	0.00	23.14	25.00	31.97	33.33	41.68	41.67	
San Antonio AA	40	31.25	1.60	0.00	29.94	10.00	33.17	15.00	35.29	75.00	
Limited Review:											
Corpus Christi AA	20	15.63	3.82	0.00	24.93	5.00	40.45	25.00	30.80	70.00	
Dallas AA	8	6.25	4.24	0.00	29.53	0.00	35.01	37.50	31.22	62.50	
Harlingen AA	1	0.78	0.87	0.00	21.06	0.00	43.90	0.00	34.18	100.00	
McAllen AA	8	6.25	0.00	0.00	27.56	0.00	48.45	25.00	23.99	75.00	

* Based on 2004 Peer Mortgage Data: Western Region.

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

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

Table 2. Geographic Distribution of Home Purchase Loans – Informational Only

Geographic Distribution: HOME PURCHASE			Geography: TEXAS 2003				Evaluation Period: January 1, 2003 to				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		M
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over a
Full Review:											
Austin AA	7	21.21	2.50	14.29	19.19	57.14	42.63	14.29	35.68	14.29	0
Fort Worth AA	5	15.15	3.85	0.00	19.76	0.00	36.11	40.00	40.28	60.00	0
Houston AA	7	21.21	3.47	0.00	23.28	0.00	30.41	14.29	42.84	85.71	0
San Antonio AA	5	15.15	1.63	0.00	30.52	0.00	33.07	20.00	34.77	80.00	0
Limited Review:											
Brazoria AA	0	0.00	1.50	0.00	15.19	0.00	53.78	0.00	29.53	0.00	0
Corpus Christi AA	5	15.15	3.82	0.00	24.93	0.00	40.93	40.00	30.32	60.00	0
Dallas AA	2	6.06	4.24	0.00	28.90	0.00	35.29	0.00	31.57	100.00	0
Galveston AA	2	6.06	2.42	0.00	31.87	0.00	30.80	0.00	34.91	100.00	0
Harlingen AA	0	0.00	0.87	0.00	21.06	0.00	43.90	0.00	34.18	0.00	0
Kendall AA	0	0.00	0.00	0.00	0.00	0.00	38.07	0.00	61.93	0.00	0
McAllen AA	0	0.00	0.00	0.00	27.56	0.00	48.45	0.00	23.99	0.00	0

* Based on 2003 Peer Mortgage Data: Western Region.

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

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

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT				Geography: TEXAS 2004				Evaluation Period: January 1, 2004			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Mar
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all
Full Review:											
Austin AA	134	12.19	2.79	2.24	18.90	21.64	42.63	41.79	35.68	34.33	NA
Fort Worth AA	111	10.10	3.85	1.80	19.76	9.91	36.48	28.83	39.91	59.46	NA
Houston AA	210	19.11	3.21	3.81	23.14	21.90	31.97	23.81	41.68	50.48	NA
San Antonio AA	446	40.58	1.60	0.90	29.94	17.71	33.17	27.80	35.29	53.59	NA
Limited Review:											
Corpus Christi AA	114	10.37	3.82	0.88	24.93	7.89	40.45	45.61	30.80	45.61	NA
Dallas AA	56	5.10	4.24	0.00	29.53	8.93	35.01	23.21	31.22	67.86	NA
Harlingen AA	4	0.36	0.87	0.00	21.06	0.00	43.90	25.00	34.18	75.00	NA
McAllen AA	24	2.18	0.00	0.00	27.56	4.17	48.45	12.50	23.99	83.33	NA

* Based on 2004 Peer Mortgage Data: Western Region.

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

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

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: TEXAS 2003				Evaluation Period: January 1, 2003				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Mar
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all
Full Review:											
Austin AA	144	15.50	2.50	2.08	19.19	25.69	42.63	38.89	35.68	33.33	4.71
Fort Worth AA	109	11.73	3.85	0.00	19.76	6.42	36.11	32.11	40.28	61.47	2.95
Houston AA	127	13.67	3.47	2.36	23.28	18.90	30.41	25.98	42.84	52.76	1.73
San Antonio AA	323	34.77	1.63	0.62	30.52	24.77	33.07	27.24	34.77	47.37	11.19
Limited Review:											
Brazoria AA	11	1.18	1.50	0.00	15.19	9.09	53.78	9.09	29.53	81.82	1.89
Corpus Christi AA	100	10.76	3.82	3.00	24.93	15.00	40.93	36.00	30.32	46.00	13.26
Dallas AA	16	1.72	4.24	6.25	28.90	0.00	35.29	18.75	31.57	75.00	0.44
Galveston AA	40	4.31	2.42	2.50	31.87	42.50	30.80	12.50	34.91	42.50	5.43
Harlingen AA	6	0.65	0.87	0.00	21.06	16.67	43.90	33.33	34.18	50.00	1.16
Kendall AA	18	1.94	0.00	0.00	0.00	0.00	38.07	33.33	61.93	66.67	21.95
McAllen AA	35	3.77	0.00	0.00	27.56	8.57	48.45	11.43	23.99	80.00	4.16

* Based on 2003 Peer Mortgage Data: Western Region.

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

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

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE					Geography: TEXAS 2004				Evaluation Period: January 1, 2004		
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		MA/Assessment Area
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall
Full Review:											
Austin AA	89	15.19	2.79	5.62	18.90	21.35	42.63	39.33	35.68	33.71	NA
Fort Worth AA	57	9.73	3.85	3.51	19.76	7.02	36.48	33.33	39.91	56.14	NA
Houston AA	118	20.14	3.21	0.00	23.14	19.49	31.97	26.27	41.68	54.24	NA
San Antonio AA	216	36.86	1.60	0.00	29.94	27.78	33.17	25.00	35.29	47.22	NA
Limited Review:											
Corpus Christi AA	68	11.60	3.82	2.94	24.93	14.71	40.45	32.35	30.80	50.00	NA
Dallas AA	10	1.71	4.24	0.00	29.53	10.00	35.01	10.00	31.22	80.00	NA
Harlingen AA	7	1.19	0.87	0.00	21.06	0.00	43.90	71.43	34.18	28.57	NA
McAllen AA	21	3.58	0.00	0.00	27.56	0.00	48.45	33.33	23.99	66.67	NA

* Based on 2004 Peer Mortgage Data: Western Region.

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

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

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE				Geography: TEXAS 2003				Evaluation Period: January 1, 2003			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	
Full Review:											
Austin AA	63	22.50	2.50	1.59	19.19	14.29	42.63	49.21	35.68	34.92	0.07
Fort Worth AA	24	8.57	3.85	0.00	19.76	8.33	36.11	25.00	40.28	66.67	0.03
Houston AA	33	11.79	3.47	0.00	23.28	21.21	30.41	18.18	42.84	60.61	0.02
San Antonio AA	92	32.86	1.63	1.09	30.52	20.65	33.07	31.52	34.77	46.74	0.14
Limited Review:											
Brazoria AA	5	1.79	1.50	0.00	15.19	0.00	53.78	60.00	29.53	40.00	0.05
Corpus Christi AA	33	11.79	3.82	0.00	24.93	6.06	40.93	42.42	30.32	51.52	0.32
Dallas AA	1	0.36	4.24	0.00	28.90	0.00	35.29	0.00	31.57	100.00	0.00
Galveston AA	14	5.00	2.42	0.00	31.87	42.86	30.80	14.29	34.91	42.86	0.12
Harlingen AA	2	0.71	0.87	0.00	21.06	0.00	43.90	100.00	34.18	0.00	0.04
Kendall AA	2	0.71	0.00	0.00	0.00	0.00	38.07	0.00	61.93	100.00	0.12
McAllen AA	11	3.93	0.00	0.00	27.56	0.00	48.45	45.45	23.99	54.55	0.14

* Based on 2003 Peer Mortgage Data: Western Region.

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

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

Table 5. Geographic Distribution of Multifamily Loans – Informational Only

Geographic Distribution: MULTIFAMILY			Geography: TEXAS 2004				Evaluation Period: January 1, 200				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Ma
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all
Full Review:											
Austin AA	0	0.00	18.86	0.00	30.99	0.00	35.24	0.00	14.91	0.00	NA
Fort Worth AA	0	0.00	7.17	0.00	28.46	0.00	45.23	0.00	19.13	0.00	NA
Houston AA	0	0.00	9.92	0.00	36.51	0.00	30.20	0.00	23.37	0.00	NA
San Antonio AA	0	0.00	1.82	0.00	35.47	0.00	40.59	0.00	22.13	0.00	NA
Limited Review:											
Corpus Christi AA	0	0.00	7.54	0.00	13.95	0.00	46.84	0.00	31.67	0.00	NA
Dallas AA	0	0.00	18.13	0.00	36.96	0.00	30.79	0.00	14.12	0.00	NA
Harlingen AA	0	0.00	2.93	0.00	15.31	0.00	19.84	0.00	61.92	0.00	NA
McAllen AA	0	0.00	0.00	0.00	11.56	0.00	31.77	0.00	56.67	0.00	NA

* Based on 2004 Peer Mortgage Data: Western Region.

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

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

Table 5. Geographic Distribution of Multifamily Loans – Informational Only

Geographic Distribution: MULTIFAMILY			Geography: TEXAS 2003				Evaluation Period: January 1, 200				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		M
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all
Full Review:											
Austin AA	0	0.00	16.88	0.00	32.97	0.00	35.24	0.00	14.91	0.00	0.00
Fort Worth AA	1	25.00	7.17	0.00	28.46	0.00	44.48	100.00	19.88	0.00	1.43
Houston AA	0	0.00	10.04	0.00	35.94	0.00	30.89	0.00	23.13	0.00	0.00
San Antonio AA	1	25.00	1.82	0.00	35.57	100.00	40.49	0.00	22.11	0.00	1.56
Limited Review:											
Brazoria AA	1	25.00	3.30	0.00	27.26	0.00	36.55	0.00	32.89	100.00	5.88
Corpus Christi AA	1	25.00	7.54	100.00	13.95	0.00	46.86	0.00	31.65	0.00	3.03
Dallas AA	0	0.00	18.13	0.00	36.75	0.00	30.24	0.00	14.88	0.00	0.00
Galveston AA	0	0.00	5.99	0.00	63.48	0.00	9.88	0.00	20.65	0.00	0.00
Harlingen AA	0	0.00	2.93	0.00	15.31	0.00	19.84	0.00	61.92	0.00	0.00
Kendall AA	0	0.00	0.00	0.00	0.00	0.00	73.03	0.00	26.97	0.00	0.00
McAllen AA	0	0.00	0.00	0.00	11.56	0.00	31.77	0.00	56.67	0.00	0.00

* Based on 2003 Peer Mortgage Data: Western Region.

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

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: TEXAS 2004				Evaluation Period: January 1, 2004			
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall
Full Review:											
Austin AA	608	13.86	4.89	3.62	20.08	25.16	37.79	28.62	37.15	42.60	NA
Fort Worth AA	736	16.77	3.89	2.72	27.36	26.63	36.14	33.83	32.61	36.82	NA
Houston AA	1,143	26.05	5.23	3.32	26.23	26.68	27.24	23.10	41.05	46.89	NA
San Antonio AA	1,128	25.71	2.04	3.81	28.87	27.30	34.74	35.64	34.11	33.24	NA
Limited Review:											
Corpus Christi AA	375	8.55	12.44	14.93	25.46	28.00	37.15	37.87	24.95	19.20	NA
Dallas AA	219	4.99	6.02	5.02	31.19	28.31	33.27	30.59	27.92	36.07	NA
Harlingen AA	28	0.64	2.44	0.00	28.21	32.14	33.32	21.43	36.03	46.43	NA
McAllen AA	151	3.44	0.00	0.00	18.22	3.31	41.33	20.53	40.46	76.16	NA

* Based on 2004 Peer Small Business Data: US.

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

*** Source Data - Dun and Bradstreet not available for 2004.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: TEXAS 2003				Evaluation Period: January 1, 2003			
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall
Full Review:											
Austin AA	647	14.30	4.58	4.02	20.68	23.49	37.02	29.98	37.63	42.50	1.52
Fort Worth AA	778	17.19	3.97	4.37	27.46	26.86	35.80	32.78	32.77	35.99	1.86
Houston AA	983	21.72	5.50	3.97	25.98	22.48	26.06	18.72	42.19	54.83	0.87
San Antonio AA	1,089	24.07	2.13	3.31	30.09	28.47	34.25	34.44	33.29	33.79	2.90
Limited Review:											
Brazoria AA	33	0.73	3.27	0.00	22.35	15.15	45.65	42.42	28.73	42.42	0.59
Corpus Christi AA	417	9.22	12.64	15.83	25.51	29.74	39.14	35.97	22.71	18.47	4.42
Dallas AA	260	5.75	5.94	2.69	31.06	35.00	32.26	21.54	29.01	40.77	0.42
Galveston AA	88	1.94	3.89	13.64	34.77	26.14	27.91	37.50	33.43	22.73	1.47
Harlingen AA	15	0.33	2.42	0.00	28.36	6.67	32.82	40.00	36.40	53.33	0.21
Kendall AA	33	0.73	0.00	0.00	0.00	0.00	58.44	30.30	41.36	69.70	2.69
McAllen AA	182	4.02	0.00	0.00	18.20	7.14	38.98	15.93	42.81	76.92	1.40

* Based on 2003 Peer Small Business Data: US.

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

*** Source Data - Dun and Bradstreet 2003.

Table 7. Geographic Distribution of Small Loans to Farms – Informational Only

Geographic Distribution: SMALL LOANS TO FARMS				Geography: TEXAS 2004				Evaluation Period: January 1, 2004			
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Mark Overall
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	
Full Review:											
Austin AA	5	41.67	2.12	20.00	18.76	60.00	48.01	0.00	31.11	20.00	NA
Fort Worth AA	1	8.33	2.24	0.00	19.26	0.00	40.86	100.00	37.64	0.00	NA
Houston AA	3	25.00	2.74	0.00	18.88	0.00	37.59	66.67	40.74	33.33	NA
San Antonio AA	1	8.33	0.83	0.00	18.47	100.00	40.32	0.00	40.15	0.00	NA
Limited Review:											
Corpus Christi AA	1	8.33	4.19	0.00	20.84	0.00	47.31	100.00	27.65	0.00	NA
Dallas AA	0	0.00	5.18	0.00	28.72	0.00	35.68	0.00	29.59	0.00	NA
Harlingen AA	0	0.00	0.23	0.00	12.79	0.00	53.20	0.00	33.79	0.00	NA
McAllen AA	1	8.33	0.00	0.00	11.88	0.00	56.03	100.00	32.09	0.00	NA

* Based on 2004 Peer Small Business Data: US.

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

*** Source Data - Dun and Bradstreet not available for 2004.

Table 7. Geographic Distribution of Small Loans to Farms – Informational Only

Geographic Distribution: SMALL LOANS TO FARMS				Geography: TEXAS 2003				Evaluation Period: January 1, 2003			
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	
Full Review:											
Austin AA	10	33.33	1.83	0.00	20.36	60.00	48.01	30.00	29.80	10.00	4.05
Fort Worth AA	3	10.00	2.07	0.00	19.62	33.33	41.25	33.33	37.07	33.33	1.47
Houston AA	2	6.67	2.77	0.00	19.14	0.00	34.70	50.00	43.37	50.00	0.29
San Antonio AA	9	30.00	0.86	0.00	20.61	22.22	40.20	44.44	38.09	33.33	2.69
Limited Review:											
Brazoria AA	0	0.00	1.08	0.00	10.75	0.00	65.81	0.00	22.37	0.00	0.00
Corpus Christi AA	3	10.00	4.68	0.00	21.79	0.00	52.41	33.33	21.12	66.67	1.72
Dallas AA	1	3.33	4.70	0.00	28.36	0.00	35.94	0.00	30.27	100.00	0.35
Galveston AA	1	3.33	2.97	0.00	29.67	0.00	35.61	0.00	31.75	100.00	2.78
Harlingen AA	0	0.00	0.23	0.00	11.03	0.00	56.57	0.00	32.16	0.00	0.00
Kendall AA	1	3.33	0.00	0.00	0.00	0.00	53.68	0.00	46.32	100.00	2.27
McAllen AA	0	0.00	0.00	0.00	12.22	0.00	47.85	0.00	39.93	0.00	0.00

* Based on 2003 Peer Small Business Data: US.

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

*** Source Data - Dun and Bradstreet 2003.

Table 8. Borrower Distribution of Home Purchase Loans – Informational Only

Borrower Distribution: HOME PURCHASE			Geography: TEXAS 2004				Evaluation Period: January 1, 2004				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	
Full Review:											
Austin AA	17	13.28	19.76	8.33	18.30	0.00	22.76	33.33	39.17	58.33	NA
Fort Worth AA	22	17.19	19.49	0.00	18.35	6.25	21.37	6.25	40.80	87.50	NA
Houston AA	12	9.38	22.87	9.09	17.37	9.09	18.79	18.18	40.98	63.64	NA
San Antonio AA	40	31.25	20.99	2.78	17.89	8.33	20.41	8.33	40.42	80.56	NA
Limited Review:											
Corpus Christi AA	20	15.63	22.63	5.26	16.77	10.53	19.82	15.79	40.78	68.42	NA
Dallas AA	8	6.25	26.10	0.00	20.12	14.29	20.22	14.29	33.56	71.43	NA
Harlingen AA	1	0.78	23.75	0.00	16.04	0.00	17.82	0.00	42.40	100.00	NA
McAllen AA	8	6.25	23.48	0.00	16.86	25.00	17.67	0.00	41.98	75.00	NA

* Based on 2004 Peer Mortgage Data: Western Region.

** As a percentage of loans with borrower income information available. No information was available for 14.1% of loans originated and purchased by Bank.

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

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

Table 8. Borrower Distribution of Home Purchase Loans - Informational Only

Borrower Distribution: HOME PURCHASE			Geography: TEXAS 2003				Evaluation Period: January 1, 2003				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	
Full Review:											
Austin AA	7	21.21	19.71	0.00	18.27	0.00	22.73	50.00	39.28	50.00	0.01
Fort Worth AA	5	15.15	19.23	0.00	18.17	0.00	21.30	0.00	41.30	100.00	0.00
Houston AA	7	21.21	22.88	0.00	17.31	0.00	18.61	0.00	41.20	100.00	0.00
San Antonio AA	5	15.15	21.15	0.00	17.98	0.00	20.48	50.00	40.40	50.00	0.00
Limited Review:											
Brazoria AA	0	0.00	20.58	0.00	17.71	0.00	22.01	0.00	39.70	0.00	0.00
Corpus Christi AA	5	15.15	22.80	0.00	16.85	0.00	19.90	20.00	40.46	80.00	0.07
Dallas AA	2	6.06	25.54	0.00	19.94	0.00	20.14	0.00	34.38	0.00	0.00
Galveston AA	2	6.06	22.60	0.00	17.33	0.00	18.81	0.00	41.27	100.00	0.01
Harlingen AA	0	0.00	23.75	0.00	16.04	0.00	17.82	0.00	42.40	0.00	0.00
Kendall AA	0	0.00	11.20	0.00	11.11	0.00	14.68	0.00	63.00	0.00	0.00
McAllen AA	0	0.00	23.48	0.00	16.86	0.00	17.67	0.00	41.98	0.00	0.00

* Based on 2003 Peer Mortgage Data: Western Region.

** As a percentage of loans with borrower income information available. No information was available for 51.5% of loans originated and purchased by Bank.

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

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

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: TEXAS 2004				Evaluation Period: January 1				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	
Full Review:											
Austin AA	134	12.19	19.76	9.92	18.30	23.14	22.76	15.70	39.17	51.24	NA
Fort Worth AA	111	10.10	19.49	3.81	18.35	20.00	21.37	16.19	40.80	60.00	NA
Houston AA	210	19.11	22.87	7.61	17.37	13.59	18.79	18.48	40.98	60.33	NA
San Antonio AA	446	40.58	20.99	11.14	17.89	12.35	20.41	17.43	40.72	59.08	NA
Limited Review:											
Corpus Christi AA	114	10.37	22.63	8.91	16.77	13.86	19.82	19.80	40.78	57.43	NA
Dallas AA	56	5.10	26.10	0.00	20.12	7.55	20.22	13.21	33.56	79.25	NA
Harlingen AA	4	0.36	23.75	50.00	16.04	0.00	17.82	0.00	42.40	50.00	NA
McAllen AA	24	2.18	23.48	4.55	16.86	9.09	17.67	4.55	41.98	81.82	NA

* Based on 2004 Peer Mortgage Data: Western Region.

** As a percentage of loans with borrower income information available. No information was available for 8.7% of loans originated and purchased by Bank.

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

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

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: TEXAS 2003				Evaluation Period: January 1				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	
Full Review:											
Austin AA	144	15.50	19.71	9.70	18.27	14.18	22.73	27.61	39.28	48.51	4.95
Fort Worth AA	109	11.73	19.23	6.73	18.17	13.46	21.30	17.31	41.30	62.50	3.00
Houston AA	127	13.67	22.88	11.30	17.31	13.04	18.61	12.17	41.20	63.48	1.67
San Antonio AA	323	34.77	21.15	15.86	17.98	15.17	20.48	20.34	40.40	48.62	10.85
Limited Review:											
Brazoria AA	11	1.18	20.58	18.18	17.71	18.18	22.01	18.18	39.70	45.45	1.99
Corpus Christi AA	100	10.76	22.80	13.04	16.85	14.13	19.90	21.74	40.46	51.09	12.69
Dallas AA	16	1.72	25.54	7.14	19.94	0.00	20.14	21.43	34.38	71.43	0.42
Galveston AA	40	4.31	22.60	10.81	17.33	10.81	18.81	8.11	41.27	70.27	5.29
Harlingen AA	6	0.65	23.75	0.00	16.04	16.67	17.82	16.67	42.40	66.67	1.21
Kendall AA	18	1.94	11.20	0.00	11.11	5.56	14.68	11.11	63.00	83.33	23.68
McAllen AA	35	3.77	23.48	5.71	16.86	8.57	17.67	5.71	41.98	80.00	4.41

* Based on 2003 Peer Mortgage Data: Western Region.

** As a percentage of loans with borrower income information available. No information was available for 7.9% of loans originated and purchased by Bank.

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

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

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: TEXAS 2004				Evaluation Period: January 1, 20			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	
Full Review:											
Austin AA	89	15.19	19.76	11.49	18.30	16.09	22.76	32.18	39.17	40.23	NA
Fort Worth AA	57	9.73	19.49	0.00	18.35	26.32	21.37	19.30	40.80	54.39	NA
Houston AA	118	20.14	22.87	9.01	17.37	18.92	18.79	27.93	40.98	44.14	NA
San Antonio AA	216	36.86	20.99	13.79	17.89	16.75	20.41	25.62	40.72	43.84	NA
Limited Review:											
Corpus Christi AA	68	11.60	22.63	7.81	16.77	10.94	19.82	21.88	40.78	59.38	NA
Dallas AA	10	1.71	26.10	0.00	20.12	0.00	20.22	22.22	33.56	77.78	NA
Harlingen AA	7	1.19	23.75	0.00	16.04	20.00	17.82	60.00	42.40	20.00	NA
McAllen AA	21	3.58	23.48	0.00	16.86	4.76	17.67	14.29	41.98	80.95	NA

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: TEXAS 2003				Evaluation Period: January 1, 20			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Over all
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	
Full Review:											
Austin AA	63	22.50	19.71	13.11	18.27	16.39	22.73	19.67	39.28	50.82	0.09
Fort Worth AA	24	8.57	19.23	17.39	18.17	8.70	21.30	30.43	41.30	43.48	0.04
Houston AA	33	11.79	22.88	9.38	17.31	15.63	18.61	21.88	41.20	53.13	0.02
San Antonio AA	92	32.86	21.15	16.05	17.98	12.35	20.48	25.93	40.40	45.68	0.19

* Based on 2004 Peer Mortgage Data: Western Region.

** As a percentage of loans with borrower income information available. No information was available for 4.9% of loans originated and purchased by Bank.

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

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

* Based on 2003 Peer Mortgage Data: Western Region.

** As a percentage of loans with borrower income information available. No information was available for 5.4% of loans originated and purchased by Bank.

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

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

Limited Review:											
Brazoria AA	5	1.79	20.58	0.00	17.71	40.00	22.01	40.00	39.70	20.00	0.06
Corpus Christi AA	33	11.79	22.80	6.06	16.85	12.12	19.90	30.30	40.46	51.52	0.45
Dallas AA	1	0.36	25.54	0.00	19.94	0.00	20.14	0.00	34.38	100.0	0.00
Galveston AA	14	5.00	22.60	7.14	17.33	28.57	18.81	21.43	41.27	42.86	0.14
Harlingen AA	2	0.71	23.75	0.00	16.04	0.00	17.82	0.00	42.40	100.00	0.05
Kendall AA	2	0.71	11.20	0.00	11.11	0.00	14.68	0.00	63.00	100.00	0.14
McAllen AA	11	3.93	23.48	9.09	16.86	0.00	17.67	9.09	41.98	81.82	0.17

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: TEXAS 2004		Evaluation Period: January 1, 2004	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000
Full Review:							
Austin AA	609	13.77	64.55	60.76	56.98	23.32	19.70
Fort Worth AA	736	16.64	63.51	49.86	47.42	26.36	26.22
Houston AA	1,148	25.96	63.13	50.17	45.47	27.26	27.26
San Antonio AA	1,135	25.67	64.65	50.31	56.04	21.32	22.64
Limited Review:							
Corpus Christi AA	375	8.48	64.67	65.60	61.07	25.07	13.87
Dallas AA	240	5.43	61.28	39.58	37.08	20.00	42.92
Harlingen AA	28	0.63	61.61	46.43	42.86	35.71	21.43
McAllen AA	151	3.41	64.73	57.62	55.63	28.48	15.89

* Based on 2004 Peer Small Business Data: US.

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

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2004).

**** 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 0.41% of small loans to businesses originated and purchased by the Bank.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: TEXAS 2003		Evaluation Period: January 1, 2003	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000
Full Review:							
Austin AA	647	14.21	63.01	66.46	56.41	22.57	21.02
Fort Worth AA	778	17.09	63.07	53.21	52.06	24.29	23.65
Houston AA	990	21.74	62.18	48.08	44.55	27.47	27.98
San Antonio AA	1,094	24.03	62.68	48.08	56.03	24.22	19.74
Limited Review:							
Brazoria AA	33	0.72	65.45	78.79	78.79	9.09	12.12
Corpus Christi AA	417	9.16	63.54	60.67	67.15	21.58	11.27
Dallas AA	276	6.06	60.22	41.67	36.96	25.36	37.68
Galveston AA	88	1.93	66.07	50.00	59.09	26.14	14.77
Harlingen AA	15	0.33	60.79	80.00	60.00	6.67	33.33
Kendall AA	33	0.72	69.90	39.39	57.58	18.18	24.24
McAllen AA	182	4.00	63.84	70.88	64.84	21.43	13.74

* Based on 2003 Peer Small Business Data: US.

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

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

**** 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 0.00% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms – Informational Only

Borrower Distribution: SMALL LOANS TO FARMS				Geography: TEXAS 2004		Evaluation Period: January 1, 2004	
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size		
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000
Full Review:							
Austin AA	5	41.67	86.66	60.00	60.00	0.00	40.00
Fort Worth AA	1	8.33	82.35	100.00	0.00	100.00	0.00
Houston AA	3	25.00	84.63	66.67	66.67	33.33	0.00
San Antonio AA	1	8.33	88.20	100.00	100.00	0.00	0.00
Limited Review:							
Corpus Christi AA	1	8.33	88.34	100.00	0.00	0.00	100.00
Dallas AA	0	0.00	83.31	0.00	0.00	0.00	0.00
Harlingen AA	0	0.00	90.18	0.00	0.00	0.00	0.00
McAllen AA	1	8.33	79.46	100.00	0.00	0.00	100.00

* Based on 2004 Peer Small Business Data: US.

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

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2004).

**** 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 0.00% of small loans to farms originated and purchased by Bank.

Table 12. Borrower Distribution of Small Loans to Farms – Informational Only

Borrower Distribution: SMALL LOANS TO FARMS				Geography: TEXAS 2003		Evaluation Period: January 1, 2003		
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	
Full Review:								
Austin AA	10	33.33	89.55	80.00	70.00	0.00	30.00	
Fort Worth AA	3	10.00	86.84	66.67	33.33	66.67	0.00	
Houston AA	2	6.67	87.12	100.00	0.00	50.00	50.00	
San Antonio AA	9	30.00	89.34	55.56	44.44	44.44	11.11	
Limited Review:								
Brazoria AA	0	0.00	92.04	0.00	0.00	0.00	0.00	
Corpus Christi AA	3	10.00	90.11	33.33	33.33	0.00	66.67	
Dallas AA	1	3.33	86.43	0.00	0.00	0.00	100.00	
Galveston AA	1	3.33	88.43	100.00	100.00	0.00	0.00	
Harlingen AA	0	0.00	90.14	0.00	0.00	0.00	0.00	
Kendall AA	1	3.33	91.91	100.00	100.00	0.00	0.00	
McAllen AA	0	0.00	79.86	0.00	0.00	0.00	0.00	

* Based on 2003 Peer Small Business Data: US.

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

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2003).

**** 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 0.00% of small loans to farms originated and purchased by Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: TEXAS				Evaluation Period: February		
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	
Full Review:								
Austin AA	1	1,066	57	8,196	58	9,262	22	
Fort Worth AA	2	791	18	5,494	20	6,285	15	
Houston AA	2	1,122	112	5,831	114	6,953	16	
San Antonio AA	4	2,460	98	6,530	102	8,990	21	
Limited Review:								
Corpus Christi AA	1	31	31	318	32	349		
Dallas AA	2	731	8	4,327	10	5,058	12	
Harlingen AA	0	0	0	0	0	0		
McAllen AA	0	0	15	225	15	225		

Note: In 2004, Brazoria and Galveston became part of the Houston MSA. For reporting purposes, investments in the Brazoria and Galveston AA's are included in the Houston AA numbers on this Table. The bank did not have any investments in Kendall County, which is now part of the San Antonio MSA.

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

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

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings – 2001 - 2003

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: TEXAS Evaluation Period: February 26

MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp
Full Review:													
Austin AA	9.24	12	13.19	0.00	41.67	16.66	41.67	1	0	0	0	+1	0
Fort Worth AA	12.63	17	18.68	0.00	17.64	41.18	41.18	1	1	0	0	+1	-1
Houston AA	13.60	20	21.98	0.00	15.00	15.00	70.00	0	1	0	0	-1	0
San Antonio AA	48.98	23	24.17	0.00	21.74	26.09	52.17	2	2	0	-1	+1	0
Limited Review:													
Brazoria AA	1.33	1	1.10	0.00	0.00	0.00	100.00	0	0	0	0	0	0
Corpus Christi AA	6.92	8	8.79	25.00	12.50	25.00	37.50	0	0	0	0	0	0
Dallas AA	3.24	5	5.49	0.00	0.00	20.00	80.00	0	0	0	0	0	0
Galveston AA	1.64	2	2.20	0.00	50.00	50.00	0.00	0	0	0	0	0	0
Harlingen AA	.25	1	1.10	100.00	0.00	0.00	0.00	0	0	0	0	0	0
Kendall AA	1.04	1	1.10	0.00	0.00	100.00	0.00	0	0	0	0	0	0
McAllen AA	1.14	2	2.20	0.00	0.00	0.00	100.00	0	0	0	0	0	0

