



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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**Public Disclosure**

**September 06, 2004**

**Community Reinvestment Act**  
**Performance Evaluation**

**The Laredo National Bank**  
**Charter Number: 5001**

**700 San Bernardo Avenue**  
**Laredo, TX 78040**

**Office of the Comptroller of the Currency**

**Midsized Banks**  
**440 South LaSalle Street 2700**  
**Chicago, IL 60605**

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 Laredo National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include the following:

- Branch distribution is excellent. In full-scope assessment areas, LNB opened three of five branches in low- or moderate-income areas, making its loan and deposit products readily accessible, particularly to low and moderate-income persons.
- Hours of operations are very convenient, enhancing the availability of products and services to low- and moderate-income persons.
- The level of community development services is good.
- Lending activity is excellent in the Laredo MA and in the San Antonio MA, and good in the Houston MA.
- There is adequate distribution of loans by income level of geography. This is based on adequate distribution of loans in the Laredo MA, and excellent distributions in the San Antonio and Houston MAs.
- Overall, there is good distribution of loans by income level of the borrower in all three full-scope assessment areas.
- Community development lending is good, which had a positive impact on the Lending Test.
- There is an overall good level of community development investments, with excellent performance noted in the Houston MA and in the San Antonio MA.

## Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

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

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

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

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

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

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

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

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

**Multi-family:** Refers to a residential structure that contains five or more units.

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

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

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

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

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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

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

## Description of Institution

The Laredo National Bank (LNB) is an intrastate bank established in 1892 and headquartered in Laredo, Texas. As of December 31, 2003, LNB reported total assets of \$2.6 billion and Tier 1 Capital of \$200 million. LNB is a wholly-owned subsidiary of Laredo National Bancshares, Inc. (LNBI), a multi-bank holding company, based in Laredo. LNB's affiliate, South Texas National Bank (STNB), also based in Laredo, is a community bank with reported assets of \$639 million. LNB has three subsidiaries, Texas Independent Insurance Group, Inc. (TIG), Homeowners Loan Corp (HLC) and Bankers Investment Services, Inc. (BIS). HLC owns a subsidiary – Rate Star, Inc. LNBI's total assets are \$3.3 billion. The activities of the affiliated STNB and LNB's subsidiaries were not considered in this CRA evaluation. The assets and profitability of these subsidiaries do not affect LNB's ability to serve its communities' credit and retail banking needs.

As of June 30, 2004, LNB operates a total of 27 branches and 41 proprietary ATMs in eight assessment areas in the Texas markets of Laredo, San Antonio, Houston, Corpus Christi, McAllen, Brownsville, Austin and Dallas. During the evaluation period, LNB entered the Austin and Dallas markets. The bank has also designated Willacy County, a Texas Non-Metropolitan area, as an assessment area. Willacy County is adjacent to the McAllen and Brownsville Metropolitan Areas (MAs).

A large percentage of LNB's deposits and loans are derived from international customers. LNB's primary strategy is to serve the commercial and private banking needs of the Mexican-American community along the U.S.-Mexico border and in the Texas markets where it operates. LNB offers a full range of loan and deposit products and services, and asset management services. As of December 31, 2003, LNB reported total loans of \$1.5 billion comprising 58.6 percent of total assets. The loan portfolio is diversified as follows: commercial (30 percent), commercial real estate (37 percent), residential real estate (25 percent), and consumer loans (8 percent). Agricultural loans represent less than 1 percent.

LNB participated in the 2004 Bank Enterprise Award program from the U.S. Treasury Department. This award is given to those banks that make loans in low-income, high unemployment neighborhoods. The Treasury designates these neighborhoods as "Distressed Communities". The intent of the award is to serve as an incentive to banks to do business in areas that are underserved by the traditional banking community. LNB was one of forty-nine FDIC insured institutions nationwide to receive this award in 2004.

There are no legal or financial impediments to LNB's ability to help meet the credit, investment, and service needs of its assessment areas. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

LNB's CRA performance was rated "Satisfactory" at its last CRA performance evaluation dated February 5, 2001.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

The evaluation period for the Lending Test includes HMDA and CRA reported loans for the 4<sup>th</sup> quarter 2000, and 2001 through 2003. The evaluation period for Community Development loans, the Investment Test and the Service Test is February 6, 2001, which is the day after the date of the bank's last CRA Examination, through September 7, 2004.

### Data Integrity

We conducted a data integrity review in September 2003. We determined loan data to be substantially accurate based on review of a sample of HMDA and CRA loans reported in 2000 through 2002. We also determined which investments, services, and loans met regulatory community development definitions.

### Selection of Areas for Full-Scope Review

We selected the Laredo MA, the San Antonio MA, and the Houston MA for full-scope reviews. The Laredo, San Antonio and Houston assessment areas were selected because aggregate loans and deposits from these assessment areas represent approximately 70 percent of HMDA reported loans, 67 percent of CRA reported loans and 89 percent of the total bank deposits. In addition, most of LNB's branches (18 out of 27, or 67 percent) are located in these assessment areas.

The Corpus Christi MA, McAllen MA, Dallas MA, Brownsville MA, Austin MA and Willacy Non-MA received limited-scope reviews. Refer to the Table in Appendix A for more information.

### Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews. Performance in the Laredo MA was weighted much more heavily than the other two full-scope areas because it is by far the largest market for LNB. It has the most HMDA loans, the most small business loans, the most ATMs, and the most deposits. The Houston MA and the San Antonio MA were equally weighted as those two markets have similar percentages of LNB's business, and the same number of branches. More weight under the Lending Test was placed on small business loans as compared to mortgage loans. Small business loans make up 65 percent and HMDA loans make up 34 percent of the bank's reported lending activity.

### Other

Three community contacts were performed during this evaluation - two in the Laredo MA and one in the San Antonio MA. Also, four community contacts performed by other regulatory agencies prior to this evaluation in the Houston MA were reviewed.

In the Laredo MA one of the contacts was a nonprofit community-based economic development corporation (EDC) and the other was with a nonprofit Community Housing Development Organization (CHODO). Both indicated that the primary credit needs were small

and micro business lending, and that community development lending and services opportunities were, in general, plentiful. Opportunities for community development investments, however, are considered moderate, and the competition for them remains high. The contacts characterized the local Laredo economy as good and improving, and brisk, respectively. The EDC also expressed that financial literacy for small businesses is another pressing need. The CHODO views small business lending as the primary method to revitalize neighborhoods because this type of lending brings jobs to the inner city.

The community contact done in the San Antonio MA was with a Certified Development Financial Institution (CDFI). The contact stated that increased lending to women- and minority-owned small businesses was needed because these types of businesses are often underserved and in most need of help in the community. The contact also indicated that banks could help by conducting financial literacy sessions and by providing other technical financial assistance to small minority- and women-owned businesses. This contact reported an overall positive economic environment based on growth in existing and new businesses. Community development opportunities are moderate and rising with the designation and expansion of the San Antonio Empowerment Zone. Competition for these opportunities is high as more large financial institutions (Washington Mutual, Wachovia) increase their presence in the city.

Four community contact reports prepared by other regulatory agencies were reviewed. Reports provided information concerning community contacts made in Harris County or in the Houston area in 2003 and in 2004. Organizations contacted included a community development corporation (two contacts with the same agency), a municipal housing agency, and a chamber of commerce. Contacts indicated that there is a continued need for flexible terms for affordable housing mortgages and for small business loans. One contact indicated numerous individuals have been unable to enter the housing market due to escalating housing costs in the area. One of the contacts, located in Northwest Harris County, indicated that industry, especially manufacturing, was needed in that area. The contact indicated that these companies pay higher salaries and could provide higher multipliers for economic growth. Community development opportunities are plentiful especially in the Houston Empowerment Zone/Enterprise Community.

## Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices at The Laredo National Bank, nor did we find evidence of illegal discrimination at subsidiaries of LNB. On November 3, 2005, The Comptroller of the Currency entered into a Formal Agreement with LNB and subsidiary HLC. The Formal Agreement requires, among other things, that additional policies, procedures and controls be developed and implemented at HLC to ensure compliance with consumer protection laws, and includes provisions that customers impacted by certain lending practices at HLC receive reimbursement.

As allowed by regulation, LNB elected to exclude HLC lending data for consideration in the assessment of their CRA performance. As a result, lending practices at HLC did not impact LNB's CRA rating.

## 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 is good in the Laredo MA and in the Houston MA, and excellent in the San Antonio MA.

#### Lending Activity

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

LNB's lending volume in the Laredo MA, San Antonio MA, and Houston MA is excellent.

#### Laredo MA

The bank's loan volume in this assessment area is excellent. LNB ranks number one among financial institutions in Webb County with a deposit market share of 40.5 percent. The bank is also a dominant lender in Webb County as it ranks in the top ten in market share for each reportable loan product in 2002. Rank among financial institutions and market share percentages for each CRA reportable loan product is broken down as follows: small business loans – third (16.5 percent), small loans to farms - second (34.7 percent), home purchase loans - eighth (4.2 percent), home improvement loans - first (40.9 percent), and home refinance loans - sixth (4.2 percent). Small business loans represent the bulk of loans in this assessment area at approximately 68 percent; therefore, the evaluation of this product is weighted the heaviest. Although only one of these products has a market share percentage higher than the bank's overall deposit market share, it should be noted that there are only ten financial institutions that take in deposits in Webb County. This number is very small compared to the number of lenders in the assessment area competing for CRA reportable loans. For example, the number of CRA reportable lenders in 2002 by CRA product is as follows: small business – 44, home purchase – 106, home improvement – 22, and refinance loans – 107. The large number of non-deposit taking institutions such as mortgage companies, mobile home lenders, finance companies, and various other lenders dilutes the lending market share numbers. The deposit market share numbers are not diluted to the same extent since a vast majority of the CRA lenders did not have a share of the deposits in Webb County.

#### San Antonio MA

Overall, lending activity in this assessment area is excellent. LNB does not have a large deposit presence within this assessment area. Although LNB ranks number ten in terms of the number of branches within the assessment area, its deposit market share of 0.43 percent ranks 22<sup>nd</sup>. Rank among financial institutions and market share percentages for each CRA reportable loan product is broken down as follows: loans to small businesses – 17<sup>th</sup> (1.15 percent), loans to small farms - seventh (4.44 percent), home purchase loans – 73<sup>rd</sup> (0.18 percent), home improvement loans – fourteenth (2.17 percent), and home refinance loans –

90<sup>th</sup>. Small business loans represent the bulk of loans in this assessment area at approximately 70 percent; therefore, the evaluation of this product should be weighted the heaviest. Also, there is a large number of mortgage and finance companies and other financial institutions that do not take in deposits that make home mortgage and small business loans in Bexar County. This fact needs to be taken into consideration when comparing the bank's deposit market share rank to its loan market share rank. For example, the number of CRA reportable lenders making loans in Bexar County in 2002 by CRA product is as follows: small business – 117, home purchase – 300, home improvement – 57, and refinance loans – 288. There were only 50 financial institutions that took in deposits from Bexar County. The deposit market share numbers are not diluted to the same extent since the majority of the CRA lenders did not have a share of the deposits in Bexar County.

### **Houston MA**

Lending volume within this assessment area is good. The bank has a small presence within the Houston MA. The bank's market share in deposits is 0.24 percent and ranks number 24 among financial institutions. Rank among financial institutions and market share percentages for each CRA reportable loan product is broken down as follows: small business loans – 34<sup>th</sup> (0.17 percent), small farm loans – NA (no loans made), home purchase loans – 92<sup>nd</sup> (0.14 percent), home improvement loans – 10<sup>th</sup> (1.99 percent), and refinance loans – 135<sup>th</sup> (0.04 percent). There is a very large number of home mortgage and finance companies and other financial institutions that do not take in deposits that make home mortgage products and small business loans in Harris County. This fact needs to be taken into consideration when comparing the bank's deposit market share rank to its loan market share rank. For example, the number of active lenders originating loans in the Houston MA in 2002 by CRA product is as follows: small business – 176, home purchase – 431, home improvement – 139, and refinance loans – 421. There were 198 financial institutions that took in deposits from Harris County. The deposit market share numbers are not diluted to the same extent as home purchase and refinance market share numbers since many of these lenders did not have a share of the deposits in Harris County.

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

LNB's overall distribution of loans by income level of geographies is adequate. This is based on the bank's adequate distribution of loans by income level of geographies in the Laredo MA and excellent distribution of loans by income level of geographies in the San Antonio MA and in the Houston MA. The geographic distribution analysis of the Laredo MA emphasizes performance in moderate-income census tracts since there were no census tracts designated as low-income under the 1990 census data. There was only one census tract designated as low-income under the 2000 census data.

The following geographic distribution analysis details the bank's lending performance for two time periods: October 1, 2000 through December 31, 2002 (tables labeled Texas 1990) and January 1, 2003 through December 31, 2003 (tables labeled Texas 2000). The bank's geographic lending performance during the first time period is based on 1990 census data and the bank's performance during the second time period is based on 2000 census data. Market share data was not available for the period January 1, 2003 through December 31, 2003.

## 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. The bank's geographic distribution of home mortgage loans is good in the Laredo MA and excellent in the San Antonio MA and in the Houston MA.

## Home Purchase Loans

### Laredo MA

#### **October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home purchase loans is adequate in the Laredo MA. The distribution of home purchase loans is less than the percentage of owner-occupied housing units in moderate-income census tracts. Also, the bank's market share in moderate-income census tracts is below the bank's overall market share for home purchase loans. There are performance context issues in Webb County that affect the demographic comparable percentages. The high cost of housing and the low median income in Webb County has to be taken into consideration when evaluating the bank's geographic lending performance. Only a few landowners control the bulk of available land for development in Laredo. This has made the cost of land very expensive. Therefore, affordable housing is one of the most pressing needs in the Laredo MA. Also, approximately 48 percent of the households that live in moderate-income census tracts have incomes below the poverty level per 1990 census data. It is very difficult for people with very low incomes to qualify for home purchase mortgages.

#### **January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home purchase loans is adequate in the Laredo MA. The bank made no loans in low-income geographies during this time period. However, there is only one census tract designated as low-income in the 2000 census data. It was determined that the bank has very little opportunity to make home purchase loans in this tract. For example, this census tract only contains 0.12 percent (259 units) of owner-occupied units, and only 0.50 percent of the population. Fifty-four percent of the households located in this tract have incomes below the poverty level. By contrast, there are 12 moderate-income census tracts that contain 19,894 homes, or 34 percent of housing units and 38 percent of the population of the Laredo MA. Therefore, much more weight was given to the bank's performance in moderate-income census tracts. The distribution of home purchase loans is less than the percentage of owner-occupied units in moderate-income census tracts. However, as noted above, there are performance context issues in Webb County that affect the demographic comparable percentages. Approximately 41 percent of the households that live in moderate-income census tracts have incomes below the poverty level per the 2000 census data.

### San Antonio MA

#### **October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home purchase loans is adequate in the San Antonio MA. The distribution of home purchase loans is less than the percentage of owner-occupied

housing units in low-income census tracts; however, the percentage of home purchase loans made in moderate-income census tracts is somewhat below the percentage of owner-occupied housing units. Also, the bank's market share in low-income and moderate-income census tracts exceeds its overall market share. More weight was placed on the market share data due to the large percentage, 49 percent, of families living below the poverty level in low-income census tracts - and the relatively high poverty rate of 29 percent in the moderate-income census tracts.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home purchase loans is excellent in the San Antonio MA. The distribution of home purchase loans is near to the percentage of owner-occupied units in low-income census tracts and exceeds the percentage of owner-occupied units in moderate-income census tracts. The bank's performance is strong after considering 40 percent of all households in low-income census tracts have incomes below the poverty level.

Houston MA

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home purchase loans is excellent in the Houston MA. The distribution of home purchase loans exceeds the percentage of owner-occupied housing units in low-income and moderate-income census tracts. Also, the bank's home purchase loan market share in low-income and moderate-income census tracts exceeds its overall home purchase loan market share.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home purchase loans is excellent in the Houston MA. The distribution of home purchase loans exceeds the percentage of owner-occupied housing units in low-income and moderate-income census tracts.

**Home Improvement Loans**

Laredo MA:

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home improvement loans is good in the Laredo MA. The percentage of home improvement loans made in moderate-income census tracts is near to the percentage of owner-occupied units in moderate-income census tracts. The bank is a leader in making home improvement loans in moderate-income census tracts as evidenced by its market share of almost 41 percent. This substantially meets its overall home improvement loan market share. The bank's performance is good after considering 48 percent of all households have incomes below the poverty level in moderate-income census tracts.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home improvement loans is excellent in the Laredo MA. The bank made no loans in low-income geographies during this time period. However, there is only one census tract designated as low-income in the 2000 census data. It was determined

that the bank has very little opportunity to make home improvement loans in this tract. For example, this census tract only contains 0.12 percent, or 259 units owner-occupied units, and only 0.50 percent of the population. Fifty-four percent of the households that live in this tract have incomes below the poverty level. By contrast, there are 12 moderate-income census tracts that contain 19,894 homes, or 34 percent of housing units and 38 percent of the population of the Laredo MA. Therefore, much more weight was given to the bank's performance in moderate-income census tracts. The distribution of home improvement loans exceeds the percentage of owner-occupied units in moderate-income census tracts, even though 41 percent of households have incomes below the poverty level in these tracts.

San Antonio MA

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home improvement loans is excellent in the San Antonio MA. The distribution of home improvement loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively. Also, the bank's home improvement loan market share in low-income and moderate-income census tracts exceeds its overall home improvement loan market share.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home improvement loans is excellent in the San Antonio MA. The distribution of home improvement loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively.

Houston MA

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home improvement loans is excellent in the Houston MA. The distribution of home improvement loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively. Also, the bank's home improvement loan market share in low-income and moderate-income census tracts exceeds its overall home improvement loan market share.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home improvement loans is excellent in the Houston MA. The distribution of home improvement loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively.

**Refinance Loans**

Laredo MA

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home mortgage refinance loans is good in the Laredo MA. The distribution of refinance loans in moderate-income census tracts is less than the percentage of owner-occupied housing units in these census tracts. However, the bank's market share for home mortgage refinance loans in moderate-income census tracts exceeds

the bank's overall market share for home mortgage refinance loans. More weight was given to the market share analysis due to the performance context issues discussed under the home purchase loan section.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home mortgage refinance loans is good in the Laredo MA. The bank made no loans in low-income geographies during this time period. However, there is only one census tract designated as low-income in the 2000 census data. It was determined that the bank has very little opportunity to make refinance loans in this tract. For example, this census tract only contains 0.12 percent or 259 owner-occupied units, and only 0.50 percent of the population. Fifty-four percent of the households that live in this tract have incomes below the poverty level. By contrast, there are 12 moderate-income census tracts that contain 19,894 homes, or 34 percent of housing units and 38 percent of the population of the Laredo MA. Therefore, much more weight was given to the bank's performance in moderate-income census tracts. The distribution of refinance loans is less than the percentage of owner-occupied units in moderate-income census tracts. However, as noted above, there are performance context issues in Webb County that affect the demographic comparable percentages. Approximately 41 percent of the households that live in moderate-income census tracts have incomes below the poverty level per 2000 census data.

San Antonio MA

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home mortgage refinance loans is excellent in the San Antonio MA. The distribution of home mortgage refinance loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively. Also, the bank's home mortgage refinance market share in low-income and moderate-income census tracts exceeds its overall home mortgage refinance market share. The bank's performance is particularly strong considering the large percentage – 49 percent - of families living below the poverty level in low-income census tracts and relatively high poverty rate – 29 percent - in the moderate-income census tracts.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of refinance loans is excellent in the San Antonio MA. The distribution of refinance loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively.

Houston MA

**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of home mortgage refinance loans is excellent in the Houston MA. The distribution of refinance loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively. Also, the bank's home mortgage refinance market share in low-income and moderate-income census tracts exceeds its overall home mortgage refinance market share.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of home mortgage refinance loans is excellent in the Houston MA. The distribution of home mortgage refinance loans made in low-income and moderate-income census tracts exceeds the percentage of owner-occupied units in these tracts, respectively.

**Multi-family Loans**

Refer to Table 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination of multi-family loans. Multi-family loans are not a primary product for LNB. During both reporting periods, the number of multi-family loans represented less than one percent of the number of CRA reportable loans in the Laredo MA, the San Antonio MA, and the Houston MA. Because multi-family loans comprise a very small portion of CRA reportable loans, we did not give any weight to the bank's performance for this loan product. However, if the primary purpose of the multi-family loan was community development, the loan received positive consideration under the Community Development lending test.

**Loans to Small Businesses**

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small business loans. The bank's geographic distribution of small business loans is good in the Laredo MA, and excellent in the San Antonio MA and the Houston MA.

Laredo MA**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of small business loans is adequate in the Laredo MA. Overall, the percentage of small business loans made in moderate-income census tracts is below the percentage of small business loans in moderate-income census tracts. However, the bank's market share of small business loans in moderate-income census tracts substantially meets its overall small business loan market share.

**January 1, 2003 through December 31, 2003:**

The bank's geographic distribution of small business loans is adequate in the Laredo MA. The percentage of loans to small businesses made in low-income geographies is below the percentage of small businesses in low-income census tracts. However, the percentage of small business loans made in moderate-income geographies is somewhat below the percentage of small businesses in moderate-income census tracts. There is only one census tract designated as low-income in the 2000 census data containing 7.40 percent of the small businesses in the AA, compared to 12 designated as moderate-income containing 22.92 percent of small businesses in the AA. Since there are over three times more small businesses in moderate-income census tracts than in low-income census tracts, more weight was placed on the bank's performance in moderate-income geographies.

San Antonio MA**October 1, 2000 through December 31, 2002:**

The bank's geographic distribution of small business loans is excellent in the San Antonio MA. The percentage of loans to small businesses made in low-income and moderate-income census tracts exceeds the percentage of businesses located in these tracts, respectively. The bank's small business loan market share in low-income and moderate-income census tracts exceeds its overall small business loan market share.

**January 1, 2003 through December 31, 2003:**

The geographic distribution of small business loans is excellent in the San Antonio MA. The percentage of small business loans made in low-income and moderate-income census tracts exceeds the percentage of businesses located in these tracts, respectively.

Houston MA**October 1, 2000 through December 31, 2002 and January 1, 2003 through December 31, 2003:**

The geographic distribution of small business loans is excellent in the Houston MA for both assessment periods. For both census periods, the percentage of loans to small businesses made in low-income and moderate-income census tracts exceeds the percentage of businesses located in low-income and moderate-income census tracts. The bank's small business loan market share in low-income and moderate-income census tracts exceeds its overall small business loan market share.

**Loans to Small Farms**

Refer to Table 7 in the appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small farm loans. Small farm loans are not a primary product for LNB. During both reporting periods, the number of small farm loans represented less than two percent of the number of CRA reportable loans in the Laredo MA, less than one percent of the number of reportable loans in the San Antonio MA, and less than one percent of the number of reportable loans in the Houston MA. Because small farm loans comprise a very small portion of CRA reportable loans, we did not give any weight to the bank's performance for this loan product.

**Lending Gap Analysis**

Analysis of home mortgage and small business lending activity in the Laredo MA, San Antonio MA , and Houston MA revealed no unexplained conspicuous gaps in lending.

## Inside/Outside Ratio

On a bank level, LNB has an excellent record of lending inside of its assessment areas (AA's). The following table breaks down the number and percentage of loans originated within LNB's assessment areas from October 1, 2000 through December 31, 2003.

	# Originated	# Originated in AA's	Percent Inside AA's
Home Purchase	1,648	1,526	93%
Home Improvement	1,337	1,275	95%
Refinance	640	593	93%
Multi-family	63	57	90%
Small Business	7,080	6,665	94%
Small Farm	259	127	49%
Total	11,027	10,243	93%

## Distribution of Loans by Income Level of the Borrower

LNB's distribution of loans by income level of borrowers is good. This is based on overall good performance in all three full-scope assessment areas. The following analysis by borrower income level details lending performance for two time periods: October 1, 2000 through December 31, 2002 (tables labeled Texas 1990) and January 1, 2003 through December 31, 2003 (tables labeled Texas 2000). We based the bank's borrower distribution performance during the first time period on 1990 census data, and we based the bank's performance during the second time period on 2000 census data. Market share data was not available for the period January 1, 2003 through December 31, 2003.

### 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 origination and purchases. The bank's distribution of home mortgage loans by borrower income is good in the Laredo MA and excellent in the San Antonio MA and in the Houston MA.

### Home Purchase Loans:

#### Laredo MA

#### **October 1, 2000 through December 31, 2002:**

The bank's distribution of home purchase loans by income level of borrowers is adequate. The distribution of home purchase loans to low-income borrowers is below the percentage of low-income families. This performance, however, was not considered negatively. The poverty rate in the Laredo MA is 35 percent, which is twice the state average. The updated median income is approximately 63 percent of the state average. The very low-income level of the residents makes it virtually impossible for the bank to meet the demographic comparable. Because of the low median income compared to the median housing cost, it is also difficult for borrowers at moderate-income levels to qualify for a home purchase loan. Therefore, more weight will be placed on the market share analysis than the demographic comparable analysis due to the

performance context factors explained above. The bank's home purchase loan market share for low-income borrowers is below its overall home purchase loan market share.

The bank's distribution of home purchase loans to moderate-income borrowers is near to the percentage of moderate-income families in the Laredo MA. The bank's home purchase loan market share of home purchase loans to moderate-income borrowers exceeds its overall home purchase loan market share.

**January 1, 2003 through December 31, 2003:**

The distribution of home purchase loans by income level of the borrower is adequate. The bank's distribution of home purchase loans to low-income borrowers is below the percentage of low-income families. However, as noted earlier, this performance was not considered negatively given performance context issues. The distribution of home purchase loans to moderate-income borrowers is below the percentage of moderate-income families in the Laredo MA. The bank's home purchase loan market share for moderate-income borrowers is below its overall home purchase loan market share.

San Antonio MA

**October 1, 2000 through December 31, 2002:**

The bank's distribution of home purchase loans by income level of the borrower is good in the San Antonio MA. The distribution of home purchase loans to low-income borrowers is below the percentage of low-income families. This performance is mitigated by a poverty level of over 17 percent and a relatively high median housing value, which makes it difficult for low-income and some moderate-income borrowers to qualify for home purchase loans at the median housing value. Therefore, more weight will be placed on the market share analysis than the demographic comparable analysis due to these performance context factors. The bank's home purchase loan market share for low-income borrowers is more than two times its overall market share. The distribution of home purchase loans to moderate-income borrowers is somewhat below the percentage of moderate-income families. The bank's home purchase loan market share to moderate-income borrowers substantially meets its overall home purchase loan market share.

**January 1, 2003 through December 31, 2003:**

The bank's distribution of home purchase loans by income level of the borrower is adequate in the San Antonio MA. The distribution of home purchase loans to low-income borrowers is somewhat below the percentage of low-income families. The distribution of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income borrowers.

Houston MA

**October 1, 2000 through December 31, 2002:**

The bank's distribution of home purchase loans by borrower income level is excellent in the Houston MA. The percentage of LNB's home purchase loans to low-income borrowers is near to the percentage of low-income families. LNB's distribution to moderate-income borrowers is more than double the percentage of moderate-income families. The bank's home purchase

loan market share to low-income and moderate-income borrowers exceeds its overall home purchase loan market share, respectively.

**January 1, 2003 through December 31, 2003:**

The bank's distribution of home purchase loans by income level of the borrower is excellent in the Houston MA. The percentage of LNB's home purchase loans to low-income and moderate-income borrowers exceeds the percentage low-income and moderate-income families, respectively.

**Home Improvement Loans**

Laredo MA

**October 1, 2000 through December 31, 2002:**

The bank's distribution of home improvement loans by income level of borrowers is excellent. The bank's distribution of home improvement loans to low-income borrowers is below the percentage of low-income families. However, the distribution to moderate-income borrowers exceeds the percentage of moderate-income families. The bank's home improvement market share for low-income borrowers and its market share to moderate-income borrowers exceeds its overall home improvement loan market share, respectively. The bank's performance is strong after considering the performance context issues previously discussed for the Laredo MA.

**January 1, 2003 through December 31, 2003:**

The bank's distribution of home improvement loans by income level of borrowers is excellent. The bank's distribution of home improvement loans to low-income borrowers is somewhat below the percentage of low-income families. However, the distribution to moderate-income borrowers exceeds the percentage of moderate-income families. The bank's performance is strong after considering the performance context issues previously discussed for the Laredo MA.

San Antonio MA

**October 1, 2000 through December 31, 2002:**

The bank's distribution of home improvement loans by income level of borrowers is excellent. The bank's distribution of home improvement loans to low-income and moderate-income borrowers exceeds the percentage of low-income and moderate-income families, respectively. Also, the bank's home improvement loan market share for low-income and moderate-income borrowers exceeds its overall home improvement loan market share.

**January 1, 2003 through December 31, 2003:**

The distribution of home improvement loans by income level of borrowers is excellent. The bank's distribution of home improvement loans to low-income and moderate-income borrowers exceeds the percentage of low-income and moderate-income families, respectively.

Houston MA**October 1, 2000 through December 31, 2002:**

The bank's distribution of home improvement loans by income level of borrowers is excellent. The distribution of home improvement loans to low-income and moderate-income borrowers exceeds the percentage of low-income and moderate-income families, respectively. Also, the bank's home improvement loan market share to low-income and moderate-income borrowers exceeds its overall home improvement loan market share.

**January 1, 2003 through December 31, 2003:**

The bank's distribution of home improvement loans by income level of borrowers is excellent. The distribution of home improvement loans to low-income borrowers is near to the percentage of low-income families. Also, the distribution of home improvement loans to moderate-income borrowers is more than double the percentage of moderate-income families, respectively.

**Refinance Loans**Laredo MA**October 1, 2000 through December 31, 2002:**

The bank's distribution of home mortgage refinance loans by income level of borrowers is adequate. The distribution of home mortgage refinance loans to low-income and to moderate-income borrowers are each well below the percentage of low-income and moderate-income families, respectively. The bank's home mortgage refinance market share to low-income borrowers is more than double its overall home mortgage refinance market share and its market share to moderate-income borrowers substantially meets its overall market share. The bank's performance is adequate after considering the performance context issues for low- and moderate-income borrowers previously discussed for home purchase loans in the Laredo MA.

**January 1, 2003 through December 31, 2003:**

The distribution of home mortgage refinance loans by income level of borrowers is good. The distribution of home mortgage refinance loans to low-income borrowers is well below the percentage of low-income families. However, the distribution of home mortgage refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families. The bank's performance is good after considering the performance context issues previously discussed for the Laredo MA.

San Antonio MA**October 1, 2000 through December 31, 2002:**

The distribution of home mortgage refinance loans by income level of the borrower is good, considering the performance context issues previously discussed for the San Antonio MA. The distribution of home mortgage refinance loans to low-income borrowers is below the percentage of low-income families. However, the bank's home mortgage refinance market share to low-income borrowers is more than three times its overall home mortgage refinance market share. This analysis is meaningful despite the nominal market share percentages because it shows that the bank places emphasis on increased lending to low-income

borrowers in the highly competitive San Antonio MA. The distribution of loans to moderate-income borrowers exceeds the percentage of moderate-income families. The bank's market share to moderate-income borrowers exceeds its overall market share.

**January 1, 2003 through December 31, 2003:**

The distribution of home mortgage refinance loans by income level of the borrower is adequate. The distribution of home mortgage refinance loans to low-income and moderate-income borrowers is below the percentage of low-income and moderate-income families.

Houston MA

**October 1, 2000 through December 31, 2002:**

The bank's distribution of home mortgage refinance loans by income level of the borrowers is excellent. The distribution of home mortgage refinance loans to low-income borrowers is somewhat below the percentage of low-income families. This performance is mitigated by a poverty level of almost 14 percent and a relatively high median housing value, which makes it difficult for low-income borrowers to qualify for home purchase loans at the median housing value. Therefore, more weight will be placed on the market share analysis than the demographic comparable analysis due to these performance context factors. The bank's home mortgage refinance market share to low-income borrowers is more than five times greater than its overall home mortgage refinance market share. The distribution of home mortgage refinance loans to moderate-income borrowers significantly exceeds the percentage of moderate-income families. The bank's home mortgage refinance loan market share for moderate-income families exceeds its overall home mortgage refinance loan market share.

**January 1, 2003 through December 31, 2003:**

The distribution of home mortgage refinance loans by income level of the borrowers is excellent. The distribution of home mortgage refinance loans to low-income borrowers is somewhat below the percentage of low-income families while the distribution of home mortgage refinance loans to moderate-income borrowers exceeds the percentage of moderate-income families. The bank's performance is excellent after considering the performance context issues previously discussed for the Houston MA.

**Small Business Loans**

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 business loans. The bank's underwriting practices allowed for the waiver of financial information for small business loans below \$50 thousand. This practice was used extensively in the Laredo MA throughout this evaluation period and partially in the San Antonio MA and in the Houston MA during the second segment (January 1, 2003 to December 31, 2003) of the evaluation period. Due to the lack of revenue information on a large number of loans, it was not possible to make a meaningful determination of the distribution of small business loans by income level of the borrower in the Laredo AA.

Laredo MA**October 1, 2000 through December 31, 2002:**

LNB did not request or consider current revenue information in making its credit decision for approximately 41 percent (754 loans) of loans to small businesses. Therefore, a reliable conclusion regarding the bank's performance could not be reached. This does not positively or negatively affect the bank's Lending Test rating since this manner of reporting is allowed under the CRA regulation.

**January 1, 2003 through December 31, 2003:**

LNB did not request or consider current revenue information in making its credit decision for approximately 57 percent (538 loans) of loans to small businesses. Therefore, a reliable conclusion regarding the bank's performance could not be reached. This does not positively or negatively affect the bank's Lending Test rating since this manner of reporting is allowed under the CRA regulation.

San Antonio MA**October 1, 2000 through December 31, 2002:**

The bank's distribution of loans to small businesses is good. The percentage of bank loans to businesses with revenues of \$1 million or less is near to the percentage of businesses with revenues of \$1 million or less. The bank's market share of loans to businesses with revenues of \$1 million or less is more than double its overall market share.

**January 1, 2003 through December 31, 2003:**

The bank's distribution of loans to small businesses is good. The percentage of bank loans to businesses with revenues of \$1 million or less is near to the percentage of businesses with revenues of \$1 million or less. This conclusion is based on the fact that LNB was able to obtain and consider current revenue data for a significant majority (71percent) of the loans made in this period in this assessment area.

Houston MA**October 1, 2000 through December 31, 2002:**

The bank's loan distribution to small businesses is excellent. The percentage of bank loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses with revenues of \$1 million or less. Similarly, the bank's market share of loans to businesses with revenues of \$1 million or less exceeds its overall market share.

**January 1, 2003 through December 31, 2003:**

The bank's loan distribution to small businesses is adequate. The percentage of bank loans to businesses with revenues of \$1 million or less is below the percentage of businesses with revenues of \$1 million or less. This conclusion is based on the fact that LNB was able to obtain and consider current revenue data for a significant majority (70percent) of the loans made in this period in this assessment area.

## Loans to Small Farms

Refer to Table 12 in the appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms. Small farm loans are not a primary product for LNB. During both reporting periods, the number of small farm loans represented less than two percent of the number of CRA reportable loans in the Laredo MA, less than one percent of the number of reportable loans in the San Antonio MA, and less than 1 percent of the number of reportable loans in the Houston MA. Because small farm loans comprise a very small portion of CRA reportable loans, we did not give any weight to the bank's performance for this loan product.

## Product Innovation and Flexibility

LNB's flexible loan programs had positive impact on Lending Test conclusions. LNB participates in affordable housing loan programs that include flexible underwriting criteria that help LNB to meet the needs of low- and moderate-income borrowers. Examples of these programs include the following:

City Affordable Housing Loan Program – The City Affordable Housing Loan Program is a coordinated effort among the City of Laredo, which provides housing units and lots, the Laredo-Webb Neighborhood Housing Services, Inc., which provides down payment assistance and homeowner counseling, as well as LNB and other lenders who provide permanent financing for the properties. Underwriting requirements for loans included in this program allow for reduced bank fees. The bank also grants funds to meet down payment requirements. The bank made 14 permanent flexible mortgage loans under this program during the evaluation period totaling \$680 thousand. The bank was a leader in working with the City to develop this program. Originally, they were the only lender to provide permanent financing under the program. Other local lenders have followed their lead and are participating in the program.

Webb Neighborhood Housing Service Programs – Laredo-Webb NHS, Inc. was founded in 1991 to strengthen and revitalize Laredo area neighborhoods and communities through a partnership with local residents, business leaders, lending institutions, construction companies, realtors, mortgage companies, title companies, the City of Laredo, and Webb County. Its mission is to combat community deterioration and to secure decent, safe and sanitary housing, conducive to the progress and general welfare of Laredo and Webb County neighborhoods.

They offer affordable housing programs tailored to help low- and moderate-income people purchase homes. LNB has participated in these programs by making permanent mortgages to Webb NHS clients. During the evaluation period, LNB has originated 9 loans totaling \$204 thousand to low- and moderate-income people in these programs.

LNB Flexible Mortgage Product - LNB's mortgage loan products offer flexible underwriting guidelines for low- and moderate-income applicants as well as applicants with no credit history who would otherwise be unable to purchase a home. LNB offers loans that consider rental payment history, utility payment history, and length of employment for applicants with no traditional credit history. Also, LNB accepts higher debt-to-income ratios than industry standards for low- and moderate-income applicants. In order to make mortgage payments more affordable to applicants, LNB does not require private mortgage insurance (PMI) on loans with less than a 90percent loan-to-value ratio. The lower down payment requirement

and the higher debt-to-income ratios particularly benefit low- and moderate-income individuals in the South Texas markets serviced by LNB where median family incomes are lower than state levels. LNB has originated 42 flexible mortgage loans totaling \$2.2 million in the Laredo MA, 42 loans totaling \$2 million in the San Antonio MA, and 76 loans totaling \$4 million in the Houston MA to low- and moderate-income people during the evaluation period.

Manufactured Home Financing - LNB is a leader in Laredo offering financing for manufactured homes that will be permanently attached to real property in accordance with FHA guidelines. Borrowers generally receive reduced interest rates, which makes the housing more affordable to low- and moderate-income families. Instead of separate payments for their home, the land, taxes, and insurance, the borrower need make only one payment per month, which is much more convenient for the customer. In addition, when the manufactured home is installed on a permanent foundation, the home is considered real property, instead of personal property. Once the home becomes real property, it is eligible to qualify for the local Down Payment Assistance programs (The City of Laredo Community Development Down Payment Assistance and the Laredo-Webb Neighborhood Housing Services).

## **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 (CD) lending. This table includes all CD loans, including multi-family loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

CD lending has a positive impact on the Lending Test conclusions. LNB's level of CD lending is adequate in the Laredo MA, excellent in the San Antonio MA, and good in the Houston MA. During the evaluation period, LNB made a total of 12 CD loans totaling \$6.7 million in the bank's full-scope MAs. Bank management and community contacts identified affordable housing, small business loans and technical assistance as community development needs in the Laredo MA. In the Houston and San Antonio MAs, affordable housing, financial education and small business loans are identified needs. LNB demonstrated responsiveness to these needs with 6 CD loans extended to investors to construct or rehabilitate affordable housing, with the other CD loans extended to assist a variety of community service organizations.

The following CD loans highlight the bank's performance in full-scope areas:

- The bank made a \$2.9 million loan to refinance a loan from another bank that was originally for the acquisition and renovation of a downtown Laredo hotel into a 165-unit apartment building for the low-income elderly. This is considered a complex transaction as repayment sources include partially subsidized rental income from the City of Laredo. The Laredo Housing Finance Corporation (LHBC) holds an option to purchase the property for use in the city's affordable housing program. LHBC was also granted housing tax credits to facilitate the renovation of the building. In addition, financing was based on rates under the Federal Home Loan Bank's Community Investment Program.
- In San Antonio, LNB originated two loans totaling \$2.1 million to a nonprofit legal aid organization that provides legal services to indigent residents of South and West Texas along the Mexican border, including the Laredo MA.

CD lending in limited-scope areas is excellent. The bank made nine CD loans for a total of \$10.9 million in four of the six assessment areas that received limited-scope reviews. CD Lending in the Austin MA and in the Corpus Christi MA is excellent. The bank made one CD loan for \$8 million in the Austin MA and three CD loans totaling \$2.2 million in the Corpus Christi MA. CD Lending in the Dallas MA is good. The bank made four CD loans in the Dallas MA totaling \$606 thousand.

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

Based on limited-scope reviews, the bank's performance under the Lending Test in the Austin MA, Corpus Christi MA, and Dallas MA is not inconsistent with the bank's overall "High Satisfactory" performance under the lending test. The bank's performance under the Lending Test in the McAllen MA and Brownsville MAs is weaker than the bank's overall High Satisfactory performance under the Lending Test. This is due to an overall weaker level of lending performance for the Brownsville MA from January 1, 2003 through December 31, 2003 and weaker level of lending performance for the McAllen MA for home loans for both lending periods (October 1, 2000 through December 31, 2002 and January 1, 2003 through December 31, 2003). The bank's performance under the Lending Test in the Willacy non-metropolitan area is weaker than the bank's overall High Satisfactory performance under the Lending Test because the bank's overall lending volume for both home loans and small business loans is low in this County. This weaker performance does not change the overall conclusion for the Lending Test. Refer to Tables 1 through 11 in appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

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

The bank's performance under the Investment Test is rated "High Satisfactory." Based on full-scope reviews, performance in the Laredo MA is adequate, and performance in the San Antonio MA and in the Houston MA is excellent. As stated previously, the Houston MA is considered a high community development opportunity area.

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

Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation. During the current assessment period, 49 investments totaling \$1.9 million were made in the AA's receiving full-scope reviews. Grants, donations, or in-kind contributions that qualified for community development purposes comprise 5 percent of the dollar total of qualified investments made during the current evaluation period. It is noted that two of LNB's current qualifying investments, one in the San Antonio MA and another in the Houston MA are complex, as well as a prior one in the Houston MA. The bank holds six investments from prior periods totaling \$3.5 million. The investment in the Tejano Center for Community Concerns with a current balance of \$1.3 million, continues to provide a substantial community

development impact. This organization is one of Houston's most accomplished Community Development Corporations, providing financial literacy classes, shelter for neglected/abused children, a free health clinic, and a charter school for low- and moderate-income children and families. Funds from this investment were used for renovations, equipment and refinancing the primary location where these services are provided.

In 2004, LNB invested \$2.5 million in the CRA Qualified Investment Fund, a mutual fund holding qualified investments in the bank's AA's. The vast majority (83 percent) of the bank's investment is allocated to Federal National Mortgage Association mortgages that are secured by multi-family apartment projects for low- and moderate-income families. The remainder of the mortgages are secured by single-family residences of low- or moderate-income families in the bank's AA's. All of this investment, except for \$195,050 has been allocated by the CRA Fund to specific projects or homes located in the bank's AA's and are therefore so allocated where a specific AA is identified. The portion of the \$2.5 million that was not designated for a specific AA was allocated to a Texas Department of Housing and Community Affairs Bond for Single Family Housing. This bond is targeted to benefit only low- and moderate-income families in the rural Texas southern border areas. It is included as a Statewide/Regional investment on Table 14 in appendix C.

Laredo MA

LNB's level of community development investments in the Laredo MA is adequate in view of the competitive local market for the moderate level of investment opportunities in the AA. Current period investments have been targeted to the identified local need of affordable housing. The bank made seven donations for \$45 thousand to Laredo-Webb Neighborhood Housing Services, Inc., Habitat for Humanity, and Azteca Economic Development and Preservation.

San Antonio MA

LNB's level of community development investments in the San Antonio MA is excellent. Community development opportunities in the MA are moderate and competition for these opportunities is high. The following are examples of qualifying investments:

Danbury Higher Education Authority, Inc./George Gervin Youth Center, Inc. Project (GGYC) Revenue Bond

LNB's investment of \$500 thousand represents 10.37 percent of the total revenue bond of \$4.8 million. GGYC is a nonprofit charter high school, whose primary purpose is to provide vocational training, remedial education, mentoring, tutoring, job placement, and other supportive community services to at-risk and disadvantaged youth and their families. It is located in both moderate- and middle-income tracts. Its students are from area schools. Over 70 percent of the families of the students who attend this school are low- or moderate-income. Participation in this private placement requires more effort on the bank's part than purchase of a traded security because of the coordination of effort that is required between various private and public funding sources. LNB has also shown a willingness to be flexible in its selection of this long-term investment that matures in 2021. This is not considered a routine type of qualifying investment.

Danbury Higher Education Authority, Inc./Southwest Preparatory School Project (SWP) Revenue Bond

LNB's investment of \$250 thousand represents 12.82 percent of the total revenue bond of \$1.95 million. SWP is a nonprofit charter high school, whose primary purpose is to provide academic and vocational instruction to at-risk and disadvantaged youth and their families. Academic instruction is focused on strengthening verbal and computer technology skills. Vocational instruction is primarily job placement in a local small business for practical work experience. The curriculum also includes instruction on moral values and pre-employment skills. Two sites are located in middle-income tracts and its students are from area schools. Over 50 percent of the families of the students who attend this school are low- or moderate-income. Participation in this private placement requires more effort on the bank's part than purchase of a traded security because of the coordination of effort that is required between various private and public funding sources. LNB has also shown a willingness to be flexible in its selection of this long-term investment that matures in 2021. This is not considered a routine type of qualifying investment.

Houston MA

LNB's level of community development investments in the Houston MA is excellent. Note the following example:

Danbury Higher Education Authority, Inc./SER-Ninos Charter School Project (SER) Revenue Bond

LNB's investment of \$250 thousand represents 8.35 percent of the total revenue bond of \$2.995 million. SER is a nonprofit charter high school, whose primary purpose is to provide quality education to urban students from low-income families whose primary language is not English. SER also provides free computer access for the families of the students. On the date of investment, it was located in a moderate-income tract. This tract has since been designated as a low-income tract in the 2000 U.S. Census. Its students are primarily from the CT surrounding this school. Over 86 percent of the families of the students who attend this school are low-income and another three percent are moderate-income. Participation in this private placement requires more effort on the bank's part than the purchase of a traded security because of the coordination of effort that is required between various private and public funding sources. LNB has also shown a willingness to be flexible in its selection of this long-term investment that matures in 2021. This is not considered a routine type of qualifying investment.

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

Based on limited-scope reviews, the bank's performance under the Investment Test In the Dallas and Brownsville AA's is not inconsistent with the bank's overall "High Satisfactory" performance under the Investment Test. Performance in the Austin MA, Corpus Christi MA, and McAllen MA is weaker than the bank's overall High Satisfactory rating because of only adequate investment levels. The bank has made no investments in the Willacy County Non-Metropolitan Area, an assessment area with negligible deposits and lending activity. This weaker performance does not change the overall conclusion for the investment test. The bank maintains no prior period investments in any AA receiving a limited-scope review. Refer to Table 14 in Appendix D for the facts and data that support these conclusions.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Outstanding". Based on full-scope reviews, the bank's performance in the Laredo MA is good and performance in the San Antonio and Houston MAs is excellent. Performance in the Laredo MA is weighted slightly more than the other two areas because a much larger percentage of the bank's deposit base is derived from this assessment area. The San Antonio and Houston MAs were weighted equally.

The rating is based primarily on the opening of three of five branches in low- or moderate-income CT's in the full-scope areas since the last CRA evaluation. Retail services include checking account products that are affordable for low- and moderate-income people including products with no monthly service fee regardless of balances maintained and low account opening balance requirements. LNB has also been a leader and has displayed exceptional commitment to community development services in the Laredo and Houston MAs.

### Retail Banking Services

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

The primary distribution system for banking products is physical branches. In the full-scope assessment areas, branch distribution in moderate-income geographies is strong. Since the last CRA evaluation, two branches were opened in moderate-income tracts and one in a low-income tract out of a total of five branches that were opened.

Banking hours provide excellent accessibility throughout the bank's MAs. The bank offers extended full-service banking hours in all markets, including full-service banking on Saturdays and Sundays in at least three locations in all full-scope areas.

Laredo National Bank offers the same products throughout its AA's. The bank offers several products that are tailored to the banking needs of low- and moderate-income persons. The Free Checking product includes overdraft privileges, requires no minimum monthly balance and requires only \$100 to open. Another product that meets needs of mainly low- or moderate-income persons is the Graduate Account. This account offers no monthly service charges for four years after graduation from high school. The third account is the Basic-Low-Cost Account, and requires only \$100 to open, and requires no minimum balance with a low monthly fee of \$4.

#### Laredo MA

In the Laredo MA, LNB's service delivery systems are accessible to essentially all CTs and individuals of different income levels. The percentage of branches in low-income CTs significantly exceeds the percentage of the population residing in low-income CTs. While the bank has no branches in moderate-income CTs, the main office is located in the single low-income tract and three branches in middle-income CTs are easily accessible by people who live in adjacent moderate-income CTs because they are located along major streets and highways in Laredo. Moreover, one of these middle-income area branches is located in a CT

that was previously designated as moderate-income in the 1990 Census. These nearby branches help to mitigate the low distribution of branches in moderate-income CTs.

Hours of operation are very convenient. Four of the six branches have extended hours on Friday, and are also open Saturdays and Sundays. Services do not vary in a way that inconveniences individuals throughout the MA.

Branch openings and closings in the Laredo MA have not adversely affected the accessibility of the bank's delivery systems, particularly in low- and moderate-income CTs. LNB opened one branch in a middle-income CT during the evaluation period.

Alternate delivery systems are readily accessible from all CTs and by persons of different income levels, and in particular, those in low- and moderate-income CTs. The percentage of ATMs in low-income CTs significantly exceeds the percentage of the population that resides in these CTs. Although the percentage of ATMs in moderate-income CTs of 19.05 percent is lower than the percentage of the population residing in those CTs, there are easily accessible ATMs in adjacent middle- or upper-income CTs that readily accommodate individuals residing in these tracts.

#### San Antonio MA

In the San Antonio MA, LNB's branches are readily accessible to all CTs and individuals of different income levels, and in particular, those in low- and moderate-income areas. The bank has no branches in low-income CTs. The percentage of branches in moderate-income geographies is significantly higher than the percentage of the population residing in those CTs, and mitigates the absence of branches in low-income CTs. These moderate-income branches are easily accessible by people who live in adjacent low-income CTs.

Branch openings and closings in the San Antonio MA have improved the accessibility of the bank's delivery systems, particularly in moderate-income geographies. LNB opened two branches in moderate-income areas and one in a middle-income geography during the evaluation period, and closed one branch in a moderate-income geography and one in a middle-income geography.

Hours of operation are excellent. Three of five branches in moderate-income geographies have extended hours on Friday, and are also open on Saturday and Sundays, making the bank easily accessible by the persons residing in these geographies. Services do not vary in a way that inconveniences individuals throughout the MA.

Alternate delivery systems are readily accessible by geographies and persons of different income levels, and in particular, those in low- and moderate-income areas. While the bank has no ATMs in low-income areas, the percentage of the population that resides in these areas is small. The percentage of ATMs in moderate-income geographies significantly exceeds the percentage of moderate-income individuals residing in those geographies.

#### Houston MA

In the Houston MA, LNB's branches are readily accessible to persons residing in all CTs and and persons of different income levels. The percentage of branches in low-income CTs significantly exceeds the percentage of the population residing in those CTs. The percentage

of branches in moderate-income geographies is equal to the percentage of individuals residing in those CTs.

Branch openings and closings in the Houston MA have improved the accessibility of the bank's delivery systems, particularly in low-income CTs. LNB opened one branch in a low-income CT during the evaluation and closed one branch in a moderate-income CT during the evaluation period. The closure was due to safety issues.

Hours of operation are excellent. Both bank branches in low-income CTs and a branch in one of the two moderate-income CTs have extended hours on Fridays. They are also open on Saturdays and Sundays, making the bank easily accessible by the persons residing in these CTs. Services do not vary in a way that inconveniences individuals throughout the MA.

Alternate delivery systems are readily accessible by persons residing in all CTs and persons of different income levels, and in particular, those in low- and moderate-income CTs. The distribution of ATMs in low-income CTs significantly exceeds the percentage of the population that resides in these CTs and the percentage of ATMs in moderate-income CTs exceeds the percentage of the population residing in these CTs.

## **Community Development Services**

Community development service performance is good in all full-scope assessment areas. LNB has shown a continuing commitment to serve affordable housing and small business needs by helping nonprofit organizations secure grants, providing technical financial assistance and hosting seminars targeted to small businesses. The bank does not have a large market presence in the Houston MA or in the San Antonio MA, but continues to increase its presence in these markets. Although community development services are not as extensive in these areas, there is good responsiveness to credit needs.

### Laredo MA

CD service performance is good in the Laredo MA. LNB provides CD Services with an emphasis on affordable housing and small business, two identified credit needs. The bank has helped two different nonprofit organizations secure grants from the Federal Home Loan Bank. One grant was for \$65,000 and it was awarded to La Gloria Development Corporation, a CDFI that serves only affordable housing needs in the Laredo MA. The grant provided for down payment assistance for 13 affordable homes for very low-income families. A down payment/closing costs assistance grant for \$138,454 was awarded to Habitat for Humanity for 10 homes for very low-income families in the Laredo MA. The bank helped these organizations complete the applications for these grants, and served as the administrative agent for the funding of grants to low-income families. Several officers provide technical financial assistance through their leadership positions on boards of several nonprofit or economic development organizations. Examples include the Laredo/Webb County Food Bank, Laredo-Webb Neighborhood Housing Services, Inc., The Habitat for Humanity, and the Laredo Development Fund. The bank has provided extensive financial literacy training that was targeted to small businesses or low- and moderate-income families and individuals. Examples of organizations receiving financial literacy training include the Small Business Development Center, Laredo Independent School District, and Laredo Community College. A bank officer is on the Business and Finance Committee of the Board of Trustees of the United Independent

School District, which coordinates the free/reduced lunch programs for the district's children, 73percent of which are low- or moderate-income.

#### Houston MA

CD service performance is good in the Houston MA. LNB provides CD Services with an emphasis on small business and community services. In his capacity as a board member, an LNB officer has assisted with fundraising and budgeting issues for the Greater East End Chamber of Commerce, an organization, whose efforts are focused on the stabilization and revitalization of the predominately low- and moderate-income geographies of east Houston. An LNB officer provided financial literacy training to a seminar of ACCION small business clients. Another officer provided technical financial services as a member of the board and the budget committee, and in fund-raising efforts for The Tejano Center for Community Concerns, a nonprofit organization serving the affordable housing, financial literacy, general education, and community service needs of its low- and moderate-income constituency in East Houston.

#### San Antonio MA

Community development service performance is good in the San Antonio MA. LNB provides CD Services with an emphasis on small business and community services, some in a leadership capacity. Since July 2002, an LNB Officer has served as Treasurer on the board of Avance, Inc., a nonprofit group, which provides support and educational services to low- and moderate-income families. An LNB officer serves as a Board Trustee with the San Antonio Development Agency, a city organization that provides financial education to women- and minority owned small businesses. An officer provides technical financial services and serves as chairman of one, and treasurer of another community service organization, both providing education and services to primarily low- and moderate-income residents of the low-income areas in which these organizations are located.

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

Based on limited-scope reviews, the bank's performance under the Service Test in the Austin, Corpus Christi, and Dallas MAs is not inconsistent with the bank's overall "Outstanding" rating performance under the Service Test. Performance is somewhat weaker in the Brownsville and McAllen MAs, primarily because branches are not as heavily concentrated in low- and moderate-income areas. It is noted, however, that the Brownsville branch is across the street from a low-income tract, and the two McAllen branches are on major streets in tracts that are nearly surrounded by low- and/or moderate-income tracts. This somewhat weaker performance does not change the overall conclusion for the bank under the Service Test. Locations in the Brownsville and McAllen MAs are considered easily accessible by persons living in adjacent low- and moderate-income CTs. The bank has no offices in the Willacy County Non-Metropolitan Area. 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (10/01/00 to 12/31/03) Investment and Service Tests and CD Loans: (02/06/01 to 09/07/04)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Laredo National Bank (LNB) Laredo, Texas	HMDA Loans, Small Business & Small Farm Loans, Multi-Family Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Laredo MA #4080 Houston MA #3360 San Antonio MA #7240 Austin MA #640 Brownsville MA #1240 Corpus Christi MA #1880 McAllen MA #3360 San Marcos MA #3360 Willacy County Non-MA	Full-Scope Full-Scope Full-Scope Limited-Scope Limited-Scope Limited-Scope Limited-Scope Limited-Scope Limited Scope	Harris County only Bexar County only Travis County only Cameron County only Nueces County only

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

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

Laredo MA.....	B-2
San Antonio MA .....	B-5
Houston MA .....	B-7

**Laredo MA**

Demographic Information for Full-Scope Area: Laredo MA – 2000 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	32	3.13	37.50	37.50	21.88	0
Population by Geography	193,117	0.53	38.06	33.72	27.69	0
Owner-Occupied Housing by Geography	33,321	0.12	34.45	33.06	32.37	0
Businesses by Geography	10,420	7.40	22.92	24.17	45.51	0
Farms by Geography	140	2.86	13.57	31.43	52.14	0
Family Distribution by Income Level	43,701	22.96	16.89	18.19	41.96	
Distribution of Low- and Moderate-Income Families throughout AA Geographies	17,415	0.34	50.18	34.72	14.76	0
Median Family Income						
HUD Adjusted Median Family Income for 2003	\$29,394					
Households Below the Poverty Level	\$32,700					
	28.11%					
			Median Housing Value			\$67,000
			Unemployment Rate			3.34%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census, and 2003 HUD updated MFI.

Demographic Information for Full-Scope Area: Laredo MA – 1990 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	0.00	45.83	33.33	20.83	0.00
Population by Geography	133,239	0.00	43.02	27.95	29.03	0.00
Owner-Occupied Housing by Geography	20,902	0.00	39.67	29.01	31.32	0.00
Businesses by Geography	10,163	0.00	29.63	31.60	38.77	0.00
Farms by Geography	106	0.00	23.58	26.42	50.00	0.00
Family Distribution by Income Level	29,735	24.63	16.66	16.54	42.17	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	12,279	0.00	52.78	30.45	16.77	0.00
Median Family Income						
HUD Adjusted Median Family Income for 2002	\$19,527					
Households Below the Poverty Level	\$32,200					
	34.54%					
			Median Housing Value			\$48,802
			Unemployment Rate			4.49%

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

LNB designated the entire Laredo MA, which encompasses Webb County, as an assessment area. During our evaluation period, the data compiled by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development (HUD), pursuant to the Census of the United States conducted in 2000, was disseminated. The 2000 Census results changed the demographic picture, of not only this bank's assessment areas, but also those throughout the entire nation. Populations grew, shrank, and shifted. Uninhabited areas were developed and the population density and income characteristics of other areas were altered. New census tracts were formed as old tracts changed boundaries, merged, split, or disappeared altogether. For Webb County, the changes resulted in the addition of 8 census tracts and the recoding of one census tract.

The Cities of Laredo, Bruni, Mirando City, Rio Bravo, and El Cenizo are located in Webb County. A significant majority of the population (91 percent) is concentrated in the City of Laredo. Geographically, the City of Laredo is located along the Texas-Mexico border, 150 miles southwest of San Antonio, and directly across the Rio Grande River from the much larger Nuevo Laredo, Mexico, its sister city. The City of Laredo is the only city along the U.S./Mexico border strategically positioned at the convergence of all land transportation systems between Mexico, the United States, and Canada.

The population in the Laredo MA increased by 45 percent between the 1990 Census and the 2000 Census to 193 thousand. Three major highways converge in the City of Laredo: IH 35 runs north-south connecting Laredo to San Antonio; US Highway 59 runs east-west connecting Laredo to Corpus Christi; and US Highway 83 runs south to McAllen-Brownsville. The one low-income census tract is located downtown in the commercial district. Moderate-income tracts are concentrated in the west-central portion of the city and in south Laredo. Middle-income census tracts are concentrated east of IH 35 and south of US 59. Upper-income tracts are concentrated in the northern portion of the City, north of US 59.

The HUD updated Median Family Income (MFI) in Webb County for 2003 is \$32.7 thousand and is 31 percent lower than the state MFI. While the MFI is comparatively low, the median housing value in the Laredo MA is relatively high at approximately \$67 thousand. There exists a definite mismatch between the financial ability of the residents of the Laredo MA to purchase a home and the cost of a home. High housing prices are attributed to high land costs resulting from Laredo's unique geography, control of land supply by a limited number of landowners, and the increase in the demand of land for development due to economic expansion as a result of NAFTA. The high cost of housing, coupled with the low MFI, negatively impacts the bank's ability to make direct affordable home mortgage products available to low- and moderate-income families.

Laredo has a fairly strong competitive financial sector, with branches of a multi-national bank, other established state- and nationally-chartered banks, and credit unions headquartered in the area. Major lines of business in Laredo are related to the import/export industry – trucking, warehousing, tourism, and the retail market.

The poverty level in Webb County is high. Over 28 percent of households are below poverty level, which is almost twice the statewide percent. The unemployment rate, at 3.34 percent, is also higher than the state average per the 2000 Census. The Bureau of Labor Statistics reported a 7.3 percent unemployment rate for the Laredo MA in 2003. The import/export and transportation sectors play an important part of the Laredo economy, which is very sensitive to

changes in the Mexican economy. If the Mexican economy declines, then the import/export, transportation and retail businesses are negatively impacted.

Two community contacts were made in the Laredo MA. One was with a nonprofit community-based economic development corporation (EDC) and the other was with a nonprofit Community Development Housing Organization (CHODO). Both indicated that the primary credit needs were small and micro business lending, and that community development lending and services opportunities were, in general, plentiful. Opportunities for community development investments, however, are considered moderate, at best, and the competition for them remains high. The contacts characterized the local Laredo economy as good and improving, and brisk, respectively. The EDC also saw financial literacy for small businesses as another pressing need. The CHODO sees small business lending as the primary method to revitalize neighborhoods because this type of lending brings jobs to the inner city.

**San Antonio MA**

Demographic Information for Full-Scope Area: San Antonio MA – 2000 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	278	4.32	41.01	28.42	25.18	1.08
Population by Geography	1,392,931	3.01	40.97	27.68	28.33	0.01
Owner-Occupied Housing by Geography	299,171	1.94	34.52	26.83	36.71	0.01
Businesses by Geography	73,916	2.47	32.64	30.39	34.22	0.28
Farms by Geography	1,491	1.21	26.29	27.77	44.40	0.34
Family Distribution by Income Level	347,923	22.08	18.16	20.24	39.52	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	140,006	4.85	57.40	25.61	12.14	0.00
Median Family Income HUD Adjusted Median Family Income for 2003 Households Below the Poverty Level	\$44,729 \$50,500 13.67%	Median Housing Value Unemployment Rate				\$74,100 2.61%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2003 HUD updated MFI.

Demographic Information for Full-Scope Area: San Antonio MA – 1990 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	226	9.73	31.42	30.09	27.43	1.33
Population by Geography	1,185,394	8.20	30.51	32.38	28.90	0.00
Owner-Occupied Housing by Geography	236,404	5.74	27.69	30.28	36.29	0.00
Businesses by Geography	71,516	4.94	22.26	32.68	40.10	0.02
Farms by Geography	1,239	2.26	18.40	31.07	48.18	0.08
Family Distribution by Income Level	299,507	22.94	17.05	20.00	40.01	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	119,772	13.95	42.81	30.29	12.95	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	\$29,898 \$46,200 17.21%	Median Housing Value Unemployment Rate				\$56,353 3.82%

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

LNB designated the San Antonio MA as an assessment area. More specifically, LNB has designated Bexar County, which primarily includes the city of San Antonio as its assessment area. The 2000 Census reported population of 1.4 million. The 2000 Median Family Income (MFI) for Bexar County was \$44,729. The 2000 Census reported an unemployment rate of 2.61 percent; however the Bureau of Labor Statistics reported an unemployment rate of 5.3 percent for the San Antonio MA, which is below the state average of 6.6 percent.

The City of San Antonio enjoys a strong military presence with several military bases located in the metropolitan area. Each base is unique in its service characteristic. For example, Lackland AFB provides basic training; Randolph AFB performs payroll service for the entire Air Force; Fort Sam Houston is the military's medical training center for the western U.S., and Brooks Army Medical Center specializes in medical research, and is known worldwide for its burn victim treatment center. Telemarketing also has a significant presence in San Antonio with the Home Shopping Network and Citibank in addition to a vibrant tourism industry, a strong retail market, recognized international medical and biomedical research facilities. And auto manufacturer Toyota will be opening a plant in San Antonio in 2006. In addition, media reports indicate that ten automotive suppliers will locate in San Antonio to provide services to Toyota. This industry is expected to create over one thousand new jobs in the next 3-5 years.

Bexar County includes various communities in and around San Antonio, such as Live Oak, Universal City, Windcrest, Shavano Park, Converse, Leon Valley and others that because of where the LNB branches are located cannot be reasonably expected to be served by LNB.

A locally headquartered midsize bank provides the major competition in this market. Credit unions are also major players in the San Antonio MA. They serve large populations of military and government employees and hold almost a third of the deposits in the City of San Antonio. Other competition includes affiliates of large national banking companies, other midsize banks, and numerous, well-established community banks.

One community contact was done in the San Antonio MA with the president of the certified development financial institution (CDFI). This contact stated that lending to women- and minority-owned small businesses were needed because these types of businesses are often under served and in most need of help in the community. The president also indicated that banks could help by conducting financial literacy sessions and providing other technical financial assistance to small minority and women-owned businesses. This contact reported an overall positive economic environment based on growth in existing and new businesses. Community development opportunities are moderate and rising with the designation and expansion of the San Antonio Empowerment Zone. Competition for these opportunities is high as more large financial institutions (Washington Mutual, Wachovia) increase their presence in the city.

**Houston MA**

Demographic Information for Full-Scope Area: Houston MA – 2000 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	649	9.55	34.21	27.58	27.58	1.08
Population by Geography	3,400,578	8.01	33.94	29.23	28.75	0.07
Owner-Occupied Housing by Geography	667,129	3.87	25.73	30.52	39.88	0.00
Businesses by Geography	246,241	5.84	27.94	25.83	40.08	0.30
Farms by Geography	3,655	3.17	21.81	34.50	40.49	0.03
Family Distribution by Income Level	840,630	24.07	17.82	18.70	39.40	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	352201	13.74	47.49	26.74	12.03	0.00
Median Family Income HUD Adjusted Median Family Income for 2003 Households Below the Poverty Level	\$51,212 \$59,100 12.34%	Median Housing Value Unemployment Rate			\$86,200 3.02%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2003 HUD updated MFI.

Demographic Information for Full-Scope Area: Houston MA – 1990 Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	582	12.54	30.76	29.04	25.26	2.41
Population by Geography	2,818,199	9.07	28.71	32.36	29.86	0.00
Owner-Occupied Housing by Geography	533,891	5.76	22.64	32.26	39.34	0.00
Businesses by Geography	235,410	5.94	25.11	29.88	38.80	0.28
Farms by Geography	3,024	3.84	19.38	35.45	41.30	0.03
Family Distribution by Income Level	708,831	23.16	16.84	20.14	39.87	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	283,494	15.91	40.97	30.21	12.90	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	\$36,886 \$59,600 13.40%	Median Housing Value Unemployment Rate			\$63,376 3.52%	

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

LNB designated the Houston MA as an assessment area. More specifically, LNB has designated Harris County, which includes the city of Houston as its assessment area. The 2000 Census reported population of 3.4 million in Harris County. The Houston assessment area is very large and includes the cities of Spring, Kingwood, Baytown, Pasadena, Mission Bend, and Katy, that are not reasonably served by the LNB branches in the Houston MA.

The 2000 Median Family Income (MFI) in Harris County is \$45 thousand, which is 22 percent higher than the state MFI. The 2000 Census reported the unemployment rate as 4.14 percent, which is slightly higher the state average of 3.74 percent.

The downturn in crude oil prices and the recession of the 1980s forced the Houston marketplace to diversify. The Houston area has an extensive transportation network linking the city to regional, national, and global markets and economies. The Port of Houston is one of the largest ports in the United States. Predominant industries include aerospace engineering, oil exploration and refining, and electronics. Houston continues to be a world leader in the energy sector as employment has shifted away from basic extraction to refining, petrochemicals, and engineering and management services. In addition, Houston has an internationally recognized medical center and is where the National Aeronautical Space Association (NASA) is headquartered.

LNB holds less than 1 percent of bank deposits in Houston. Local banking competition is very aggressive and includes affiliates of large national banks, midsize banks and established community banks, and credit unions.

Four community contacts performed in Harris County or in the Houston area in 2003 and in 2004 were reviewed. Organizations represented include community development corporations (2 contacts with same agency), a municipal housing agency, and a chamber of commerce. Contacted individuals indicated that there is a continued need for flexible terms for affordable housing mortgages and for small business loans. One contact indicated numerous individuals have been unable to enter the housing market due to escalating housing costs in the area. One of the contacts, located in Northwest Harris County, indicated that industry, especially manufacturing, was needed in that area. The contact indicated that these companies pay higher salaries and could provide higher multipliers for economic growth. Community development opportunities are plentiful especially in the Houston Empowerment Zone/Enterprise Community.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. 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, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multi-family Loans** - Compares the percentage distribution of the number of multi-family loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multi-family housing units throughout those geographies. The table

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

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

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

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

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

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**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 1990						Evaluation Period: October 1, 20	
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA <sup>*</sup>	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans <sup>**</sup>	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
<b>Full Review:</b>									
Laredo MA - 1990	40.11	835	58,238	1,857	127,449	59	4,645	0	0
San Antonio MA - 1990	16.43	320	25,549	795	59,216	12	589	0	0
Houston MA - 1990	15.94	635	43,666	458	39,548	0	0	0	0
<b>Limited Review:</b>									
Austin MA - 1990	0.83	21	4,214	36	2,773	0	0	0	0
Brownsville MA - 1990	2.01	76	8,424	61	5,230	1	25	0	0
Corpus Christi MA - 1990	15.88	131	7,728	943	40,019	15	2,114	0	0
Dallas MA - 1990	2.08	35	3,153	107	9,231	1	234	0	0
McAllen MA - 1990	6.66	262	15,577	187	16,739	8	458	0	0
Willacy Non Metro - 1990	0.06	1	5	1	15	2	1,000	0	0

<sup>\*</sup> Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is February 6, 2001 to September 7, 2004: See Table 1 for Texas 2000 for this information.

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

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

Geographic Distribution: HOME PURCHASE			Geography: Texas 1990				Evaluation Period: October 1,			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans
<b>Full Review:</b>										
Laredo MA - 1990	327	30.33	0.00	0.00	39.67	16.51	29.01	29.05	31.32	54.00
San Antonio MA - 1990	143	13.27	5.74	3.50	27.69	23.08	30.28	32.87	36.29	40.00
Houston MA - 1990	340	31.54	5.76	9.12	22.64	42.65	32.26	31.18	39.34	17.00
<b>Limited Review:</b>										
Austin MA - 1990	13	1.21	4.07	0.00	19.03	38.46	37.92	38.46	38.98	23.00
Brownsville MA - 1990	46	4.27	0.54	0.00	22.34	17.39	50.18	21.74	26.94	60.00
Corpus Christi MA - 1990	62	5.75	5.17	3.23	22.17	11.29	36.84	24.19	35.82	61.00
Dallas MA - 1990	9	0.83	5.12	11.11	21.28	33.33	40.11	11.11	33.49	44.00
McAllen MA - 1990	138	12.80	0.00	0.00	24.42	19.57	48.72	37.68	26.85	42.00
Willacy Non Metro - 1990	0	0.00	0.00	0.00	72.41	0.00	27.59	0.00	0.00	0.00

\* Based on 1990 Peer Mortgage Data: Southwest Region.

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

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

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

Geographic Distribution: HOME IMPROVEMENT			Geography: Texas 1990				Evaluation Period: October 1990			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans
<b>Full Review:</b>										
Laredo MA - 1990	376	43.67	0.00	0.00	39.67	36.44	29.01	34.04	31.32	29.52
San Antonio MA - 1990	102	11.85	5.74	11.76	27.69	54.90	30.28	14.71	36.29	18.63
Houston MA - 1990	214	24.85	5.76	13.55	22.64	58.88	32.26	19.63	39.34	7.94
<b>Limited Review:</b>										
Austin MA - 1990	2	0.23	4.07	0.00	19.03	50.00	37.92	50.00	38.98	0.00
Brownsville MA - 1990	12	1.39	0.54	0.00	22.34	16.67	50.18	58.33	26.94	25.00
Corpus Christi MA - 1990	47	5.46	5.17	12.77	22.17	38.30	36.84	21.28	35.82	27.66
Dallas MA - 1990	24	2.79	5.12	16.67	21.28	37.50	40.11	29.17	33.49	16.67
McAllen MA - 1990	83	9.64	0.00	0.00	24.42	18.07	48.72	61.45	26.85	20.48
Willacy Non Metro - 1990	1	0.12	0.00	0.00	72.41	100.00	27.59	0.00	0.00	0.00

\* Based on 1990 Peer Mortgage Data: Southwest Region.

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE				Geography: Texas 1990				Evaluation Period: Oct			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	
<b>Full Review:</b>											
Laredo MA – 1990	124	35.73	0.00	0.00	39.67	20.97	29.01	19.35	31.32	59.68	
San Antonio MA – 1990	69	19.88	5.74	11.59	27.69	40.58	30.28	13.04	36.29	34.78	
Houston MA – 1990	74	21.33	5.76	9.46	22.64	47.30	32.26	24.32	39.34	18.92	
<b>Limited Review:</b>											
Austin MA – 1990	6	1.73	4.07	16.67	19.03	16.67	37.92	50.00	38.98	16.67	
Brownsville MA – 1990	17	4.90	0.54	0.00	22.34	17.65	50.18	17.65	26.94	64.71	
Corpus Christi MA – 1990	18	5.19	5.17	5.56	22.17	11.11	36.84	33.33	35.82	50.00	
Dallas MA – 1990	2	0.58	5.12	0.00	21.28	0.00	40.11	0.00	33.49	100.00	
McAllen MA – 1990	37	10.66	0.00	0.00	24.42	18.92	48.72	29.73	26.85	51.33	
Willacy Non Metro – 1990	0	0.00	0.00	0.00	72.41	0.00	27.59	0.00	0.00	0.00	

\* Based on 1990 Peer Mortgage Data: Southwest Region.

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

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

**Table 5. Geographic Distribution of Multi-family Loans**

Geographic Distribution: MULTI-FAMILY			Geography: Texas 1990				Evaluation Period: October 1990			
MA/Assessment Area:	Total Multi-family Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans
<b>Full Review:</b>										
Laredo MA - 1990	8	26.67	0.00	0.00	22.57	25.00	16.05	25.00	61.38	50.00
San Antonio MA - 1990	6	20.00	5.32	16.67	19.26	33.33	54.78	33.33	20.64	16.67
Houston MA - 1990	7	23.33	10.14	28.57	34.65	57.14	32.55	0.00	22.66	14.29
<b>Limited Review:</b>										
Austin MA - 1990	0	0.00	15.17	0.00	40.04	0.00	26.45	0.00	18.34	0.00
Brownsville MA - 1990	1	3.33	1.72	0.00	15.83	100.00	26.78	0.00	55.67	0.00
Corpus Christi MA - 1990	4	13.33	9.86	0.00	5.57	75.00	35.28	0.00	49.28	25.00
Dallas MA - 1990	0	0.00	14.66	0.00	32.49	0.00	39.17	0.00	13.68	0.00
McAllen MA - 1990	4	13.33	0.00	0.00	11.80	0.00	31.30	50.00	56.90	50.00
Willacy Non Metro - 1990	0	0.00	0.00	0.00	60.00	0.00	40.00	0.00	0.00	0.00

\* Based on 1990 Peer Mortgage Data: Southwest Region.

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

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

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

Geographic Distribution: SMALL LOANS TO BUSINESSES					Geography: Texas 1990				Evaluation Period: Oct	
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans
<b>Full Review:</b>										
Laredo MA - 1990	1,857	41.85	0.00	0.00	29.63	19.17	31.60	29.03	38.77	51.80
San Antonio MA - 1990	795	17.92	4.94	11.82	22.26	31.57	32.68	31.57	40.11	25.03
Houston MA - 1990	458	10.32	5.95	12.89	25.18	48.00	29.96	18.22	38.90	20.89
<b>Limited Review:</b>										
Austin MA - 1990	36	0.81	4.80	5.56	18.88	11.11	32.59	41.67	43.72	41.67
Brownsville MA - 1990	61	1.37	0.86	1.64	24.71	13.11	40.48	40.98	33.95	44.26
Corpus Christi MA - 1990	943	21.25	7.68	7.74	27.33	37.65	34.37	26.09	30.63	28.53
Dallas MA - 1990	107	2.41	5.77	13.08	26.10	34.58	35.19	35.51	32.94	16.82
McAllen MA - 1990	187	4.21	0.00	0.00	20.56	19.79	37.73	30.48	41.71	49.73
Willacy Non Metro - 1990	1	0.02	0.00	0.00	71.66	100.00	28.34	0.00	0.00	0.00

\* Based on 2002 Peer Small Business Data: US.

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

\*\*\* Source Data - Dun and Bradstreet 2003.

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

Geographic Distribution: SMALL LOANS TO FARMS			Geography: Texas 1990				Evaluation Period: Octo			
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans
<b>Full Review:</b>										
Laredo MA - 1990	59	60.20	0.00	0.00	23.58	23.73	26.42	28.81	50.00	47.46
San Antonio MA - 1990	12	12.24	2.26	8.33	18.42	33.33	31.10	16.67	48.22	41.67
Houston MA - 1990	0	0.00	3.84	0.00	19.38	0.00	35.46	0.00	41.32	0.00
<b>Limited Review:</b>										
Austin MA - 1990	0	0.00	2.56	0.00	16.39	0.00	45.49	0.00	35.55	0.00
Brownsville MA - 1990	1	1.02	0.00	0.00	6.96	0.00	65.72	100.00	27.32	0.00
Corpus Christi MA - 1990	15	15.31	2.68	0.00	20.00	13.33	43.09	13.33	34.23	73.33
Dallas MA - 1990	1	1.02	4.60	0.00	21.90	0.00	40.25	100.00	33.25	0.00
McAllen MA - 1990	8	8.16	0.00	0.00	13.46	0.00	48.27	50.00	38.27	50.00
Willacy Non Metro - 1990	2	2.04	0.00	0.00	83.52	100.00	16.48	0.00	0.00	0.00

\* Based on 2002 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**

Borrower Distribution: HOME PURCHASE			Geography: Texas 1990				Evaluation Period: Octo			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****
<b>Full Review:</b>										
Laredo MA - 1990	327	30.33	24.63	2.94	16.66	14.71	16.54	11.76	42.17	70.5
San Antonio MA - 1990	143	13.27	22.94	12.80	17.05	12.80	20.00	17.60	40.01	56.8
Houston MA - 1990	340	31.54	23.16	21.69	16.84	35.24	20.14	19.58	39.87	23.4
<b>Limited Review:</b>										
Austin MA - 1990	13	1.21	20.65	8.33	17.11	16.67	22.02	0.00	40.22	75.0
Brownsville MA - 1990	46	4.27	24.63	6.82	16.37	4.55	16.98	15.91	42.02	72.7
Corpus Christi MA - 1990	62	5.75	23.70	0.00	15.70	10.91	18.99	14.55	41.61	74.5
Dallas MA - 1990	9	0.83	22.22	12.50	18.57	12.50	21.94	25.00	37.27	50.0
McAllen MA - 1990	138	12.80	24.60	3.65	16.48	16.06	16.59	16.79	42.33	63.5
Willacy Non Metro - 1990	0	0.00	38.30	0.00	19.33	0.00	17.20	0.00	25.17	0.0

\* Based on 1990 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 8.6% of loans originated and purchased by Bank.

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

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

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

Borrower Distribution: HOME IMPROVEMENT			Geography: Texas 1990				Evaluation Period: Oct			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****
<b>Full Review:</b>										
Laredo MA - 1990	376	43.67	24.63	16.18	16.66	20.00	16.54	24.71	42.17	39.12
San Antonio MA - 1990	102	11.85	22.94	27.00	17.05	22.00	20.00	23.00	40.01	28.00
Houston MA - 1990	214	24.85	23.16	26.44	16.84	37.98	20.14	21.15	39.87	14.42
<b>Limited Review:</b>										
Austin MA - 1990	2	0.23	20.65	0.00	17.11	0.00	22.02	100.00	40.22	0.00
Brownsville MA - 1990	12	1.39	24.63	8.33	16.37	8.33	16.98	16.67	42.02	66.67
Corpus Christi MA - 1990	47	5.46	23.70	17.78	15.70	17.78	18.99	31.11	41.61	33.33
Dallas MA - 1990	24	2.79	22.22	33.33	18.57	41.67	21.94	25.00	37.27	0.00
McAllen MA - 1990	83	9.64	24.60	17.50	16.48	22.50	16.59	28.75	42.33	31.25
Willacy Non Metro - 1990	1	0.12	38.30	100.00	19.33	0.00	17.20	0.00	25.17	0.00

\* Based on 1990 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 5.7% of loans originated and purchased by Bank.

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

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

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

Borrower Distribution: HOME MORTGAGE REFINANCE					Geography: Texas 1990			Evaluation Period: Oct		
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****
<b>Full Review:</b>										
Laredo MA - 1990	124	35.73	24.63	4.35	16.66	6.52	16.54	19.57	42.17	69.57
San Antonio MA - 1990	69	19.88	22.94	15.00	17.05	20.00	20.00	23.33	40.01	41.67
Houston MA - 1990	74	21.33	23.16	17.74	16.84	29.03	20.14	17.74	39.87	35.48
<b>Limited Review:</b>										
Austin MA - 1990	6	1.73	20.65	25.00	17.11	0.00	22.02	25.00	40.22	50.00
Brownsville MA - 1990	17	4.90	24.63	5.88	16.37	0.00	16.98	5.88	42.02	88.24
Corpus Christi MA - 1990	18	5.19	23.70	0.00	15.70	17.65	18.99	23.53	41.61	58.82
Dallas MA - 1990	2	0.58	22.22	0.00	18.57	0.00	21.94	0.00	37.27	100.00
McAllen MA - 1990	37	10.66	24.60	0.00	16.48	5.56	16.59	11.11	42.33	83.33
Willacy Non Metro - 1990	0	0.00	38.30	0.00	19.33	0.00	17.20	0.00	25.17	0.00

\* Based on 1990 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 16.7% of loans originated and purchased by Bank.

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

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

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

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: Texas 1990		Evaluation Period: Octo	
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
<b>Full Review:</b>							
Laredo MA - 1990	1,857	41.78	71.99	41.20	83.74	11.04	
San Antonio MA - 1990	795	17.89	71.42	66.54	82.01	12.08	
Houston MA - 1990	458	10.30	66.68	75.33	79.91	11.14	
<b>Limited Review:</b>							
Austin MA - 1990	36	0.81	68.51	58.33	83.33	8.33	
Brownsville MA - 1990	61	1.37	72.44	72.13	78.69	13.11	
Corpus Christi MA - 1990	943	21.21	73.34	71.37	92.68	4.67	
Dallas MA - 1990	107	2.41	65.75	57.94	75.70	16.82	
McAllen MA - 1990	187	4.21	73.14	70.05	75.40	15.51	
Willacy Non Metro - 1990	1	0.02	70.84	100.00	100.00	0.00	

\* Based on 2002 Peer Small Business Data: US and PR.

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

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B – 2002)

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 25.87% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS				Geography: Texas 1990		Evaluation Period: October	
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
<b>Full Review:</b>							
Laredo MA - 1990	59	60.20	87.74	54.24	76.27	13.56	1
San Antonio MA - 1990	12	12.24	91.61	58.33	91.67	8.33	
Houston MA - 1990	0	0.00	91.01	0.00	0.00	0.00	
<b>Limited Review:</b>							
Austin MA - 1990	0	0.00	91.70	0.00	0.00	0.00	
Brownsville MA - 1990	1	1.02	88.66	100.00	100.00	0.00	
Corpus Christi MA - 1990	15	15.31	92.16	53.33	53.33	20.00	2
Dallas MA - 1990	1	1.02	91.00	100.00	0.00	100.00	
McAllen MA - 1990	8	8.16	82.12	100.00	75.00	25.00	
Willacy Non Metro - 1990	2	2.04	87.91	100.00	0.00	0.00	10

\* Based on 2002 Peer Small Business Data: US and PR.

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

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B – 2002)

\*\*\*\* 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 34.69% of small loans to farms originated and purchased by Bank.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: Texas 2000				Evaluation Period: January 1, 2000			
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **	
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)
<b>Full Review:</b>									
Laredo MA – 2000	39.47	394	28,875	951	72,767	20	818	4	3,078
San Antonio MA – 2000	14.75	146	12,374	364	33,789	0	0	6	2,995
Houston MA – 2000	11.54	264	20,878	134	12,824	1	35	2	619
<b>Limited Review:</b>									
Austin MA – 2000	4.25	43	5,159	103	8,360	1	100	1	8,000
Brownsville MA – 2000	3.44	47	4,834	72	3,516	0	0	1	89
Corpus MA – 2000	14.89	91	6,696	419	19,827	5	554	3	2,165
Dallas MA – 2000	4.25	43	5,159	103	8,360	1	100	4	606
McAllen MA – 2000	7.32	135	8,577	117	8,393	1	25	0	0
Willacy Co Non MA – 2000	0.09	2	9	1	500	0	0	0	0

<sup>1</sup> Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

<sup>2</sup> The evaluation period for Community Development Loans is February 6, 2001 to September 7, 2004.

<sup>3</sup> 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**

Geographic Distribution: HOME PURCHASE			Geography: Texas 2000				Evaluation Period: January 1, 2000			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans
<b>Full Review:</b>										
Laredo MA – 2000	136	29.82	0.12	0.00	34.45	15.44	33.06	17.65	32.37	66.11
San Antonio MA – 2000	59	12.94	1.94	1.69	34.52	45.76	26.83	22.03	36.71	30.11
Houston MA – 2000	122	26.75	3.87	5.74	25.73	61.48	30.52	22.13	39.88	10.11
<b>Limited Review:</b>										
Austin MA – 2000	13	2.85	4.24	7.69	28.90	46.15	35.29	30.77	31.57	15.11
Brownsville MA – 2000	29	6.36	0.87	3.45	21.06	13.79	43.90	13.79	34.18	68.11
Corpus MA – 2000	32	7.02	4.68	0.00	24.99	28.13	36.41	34.38	33.92	37.11
Dallas MA – 2000	13	2.85	4.24	7.69	28.90	46.15	35.29	30.77	31.57	15.11
McAllen MA – 2000	52	11.40	0.00	0.00	27.56	17.31	48.45	40.38	23.99	42.11
Willacy Co Non MA – 2000	0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00

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

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

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

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

Geographic Distribution: HOME IMPROVEMENT				Geography: Texas 2000				Evaluation Period: January 1,			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	
<b>Full Review:</b>											
Laredo MA – 2000	180	42.25	0.12	0.00	34.45	40.56	33.06	29.44	32.37	30.00	
San Antonio MA – 2000	38	8.92	1.94	2.63	34.52	71.05	26.83	13.16	36.71	13.16	
Houston MA – 2000	85	19.95	3.87	9.41	25.73	69.41	30.52	16.47	39.88	4.71	
<b>Limited Review:</b>											
Austin MA – 2000	15	3.52	4.24	13.33	28.90	46.67	35.29	20.00	31.57	20.00	
Brownsville MA – 2000	10	2.35	0.87	0.00	21.06	30.00	43.90	30.00	34.18	40.00	
Corpus MA – 2000	26	6.10	4.68	15.38	24.99	30.77	36.41	42.31	33.92	11.54	
Dallas MA – 2000	15	3.52	4.24	13.33	28.90	46.67	35.29	20.00	31.57	20.00	
McAllen MA – 2000	55	12.91	0.00	0.00	27.56	25.45	48.45	52.73	23.99	21.82	
Willacy Co Non MA – 2000	2	0.47	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	

\* Based on [Year] Peer Mortgage Data: Southwest Region.

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE				Geography: Texas 2000				Evaluation Period: Jan			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	
<b>Full Review:</b>											
Laredo MA – 2000	74	29.13	0.12	0.00	34.45	17.57	33.06	22.97	32.37	59.4	
San Antonio MA – 2000	42	16.54	1.94	2.38	34.52	50.00	26.83	9.52	36.71	38.1	
Houston MA – 2000	54	21.26	3.87	9.26	25.73	44.44	30.52	22.22	39.88	24.0	
<b>Limited Review:</b>											
Austin MA – 2000	13	5.12	4.24	15.38	28.90	38.46	35.29	23.08	31.57	23.0	
Brownsville MA – 2000	6	2.36	0.87	0.00	21.06	0.00	43.90	0.00	34.18	100.0	
Corpus MA – 2000	28	11.02	4.68	0.00	24.99	32.14	36.41	42.86	33.92	25.0	
Dallas MA – 2000	13	5.12	4.24	15.38	28.90	38.46	35.29	23.08	31.57	23.0	
McAllen MA – 2000	24	9.45	0.00	0.00	27.56	20.83	48.45	54.17	23.99	25.0	
Willacy Co Non MA – 2000	0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.0	

\* Based on [Year] Peer Mortgage Data: Southwest Region.

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

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

**Table 5. Geographic Distribution of Multi-family Loans**

Geographic Distribution: MULTI-FAMILY			Geography: Texas 2000				Evaluation Period: Jan			
MA/Assessment Area:	Total Multi-family Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans
<b>Full Review:</b>										
Laredo MA – 2000	4	13.79	2.50	0.00	18.94	0.00	41.52	50.00	37.04	50.00
San Antonio MA – 2000	7	24.14	1.89	0.00	36.43	57.14	38.94	42.86	22.74	0.00
Houston MA – 2000	3	10.34	10.24	33.33	36.30	0.00	31.19	33.33	22.27	33.33
<b>Limited Review:</b>										
Austin MA – 2000	2	6.90	18.13	50.00	36.75	50.00	30.24	0.00	14.88	0.00
Brownsville MA – 2000	2	6.90	2.93	0.00	15.31	50.00	19.84	50.00	61.92	0.00
Corpus MA – 2000	5	17.24	8.18	0.00	14.05	60.00	45.41	20.00	32.37	20.00
Dallas MA – 2000	2	6.90	18.13	50.00	36.75	50.00	30.24	0.00	14.88	0.00
McAllen MA – 2000	4	13.79	0.00	0.00	11.56	0.00	31.77	50.00	56.67	50.00
Willacy Co Non MA – 2000	0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00

\* Based on [Year] Peer Mortgage Data: Southwest Region.

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

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

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

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: Texas 2000				Evaluation Period: January 2000 - December 2000			
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	
<b>Full Review:</b>											
Laredo MA – 2000	951	42.06	7.40	3.26	22.92	17.56	24.17	14.62	45.52	64.56	
San Antonio MA – 2000	364	16.10	2.48	3.58	32.73	48.48	30.48	19.01	34.31	28.93	
Houston MA – 2000	134	5.93	5.86	9.09	28.03	47.73	25.91	16.67	40.20	26.52	
<b>Limited Review:</b>											
Austin MA – 2000	103	4.56	6.04	11.65	31.57	64.08	32.90	15.53	29.49	8.74	
Brownsville MA – 2000	72	3.18	2.42	1.39	28.36	30.56	32.82	26.39	36.40	41.67	
Corpus MA – 2000	419	18.53	14.44	11.22	25.24	29.59	36.56	37.71	23.75	21.48	
Dallas MA – 2000	103	4.56	6.04	11.65	31.57	64.08	32.90	15.53	29.49	8.74	
McAllen MA – 2000	117	5.17	0.00	0.00	18.20	24.79	38.98	35.90	42.81	39.32	
Willacy Co Non MA – 2000	1	0.04	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	

\* Based on 2002 Peer Small Business Data: US.

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

\*\*\* Source Data - Dun and Bradstreet 2003.

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

Geographic Distribution: SMALL LOANS TO FARMS				Geography: Texas 2000				Evaluation Period: Janu			
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	
<b>Full Review:</b>											
Laredo MA – 2000	20	68.97	2.86	0.00	13.57	10.00	31.43	15.00	52.14	75.00	
San Antonio MA – 2000	0	0.00	1.21	0.00	26.38	0.00	27.86	0.00	44.55	0.00	
Houston MA – 2000	1	3.45	3.17	0.00	21.81	0.00	34.51	100.00	40.50	0.00	
<b>Limited Review:</b>											
Austin MA – 2000	1	3.45	4.73	0.00	28.57	0.00	36.20	100.00	30.49	0.00	
Brownsville MA – 2000	0	0.00	0.23	0.00	11.03	0.00	56.57	0.00	32.16	0.00	
Corpus MA – 2000	5	17.24	6.42	20.00	21.10	0.00	45.87	40.00	26.61	40.00	
Dallas MA – 2000	1	3.45	4.73	0.00	28.57	0.00	36.20	100.00	30.49	0.00	
McAllen MA – 2000	1	3.45	0.00	0.00	12.22	0.00	47.85	0.00	39.93	100.00	
Willacy Co Non MA – 2000	0	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2002 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**

Borrower Distribution: HOME PURCHASE			Geography: Texas 2000				Evaluation Period: Janu			
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families**	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****
<b>Full Review:</b>										
Laredo MA – 2000	136	29.82	22.96	2.91	16.89	10.68	18.19	12.62	41.96	73.7
San Antonio MA – 2000	59	12.94	22.08	17.02	18.16	19.15	20.24	12.77	39.52	51.0
Houston MA – 2000	122	26.75	24.07	24.35	17.82	35.65	18.70	24.35	39.40	15.6
<b>Limited Review:</b>										
Austin MA – 2000	13	2.85	25.54	16.67	19.94	41.67	20.14	16.67	34.38	25.0
Brownsville MA – 2000	29	6.36	23.75	3.85	16.04	7.69	17.82	23.08	42.40	65.3
Corpus MA – 2000	32	7.02	22.89	0.00	16.67	20.00	19.48	44.00	40.95	36.0
Dallas MA – 2000	13	2.85	25.54	16.67	19.94	41.67	20.14	16.67	34.38	25.0
McAllen MA – 2000	52	11.40	23.48	0.00	16.86	16.00	17.67	16.00	41.98	68.0
Willacy Co Non MA – 2000	0	0.00	35.93	0.00	21.31	0.00	20.20	0.00	22.55	0.0

\* Based on 2002 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 14.5% of loans originated and purchased by Bank.

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

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

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

Borrower Distribution: HOME IMPROVEMENT			Geography: Texas 2000				Evaluation Period: January 2000			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families*	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****
<b>Full Review:</b>										
Laredo MA – 2000	180	42.25	22.96	18.54	16.89	28.48	18.19	15.89	41.96	37.09
San Antonio MA – 2000	38	8.92	22.08	22.22	18.16	27.78	20.24	36.11	39.52	13.89
Houston MA – 2000	85	19.95	24.07	23.46	17.82	35.80	18.70	23.46	39.40	17.29
<b>Limited Review:</b>										
Austin MA – 2000	15	3.52	25.54	21.43	19.94	28.57	20.14	21.43	34.38	28.57
Brownsville MA – 2000	10	2.35	23.75	10.00	16.04	10.00	17.82	30.00	42.40	50.00
Corpus MA – 2000	26	6.10	22.89	32.00	16.67	16.00	19.48	32.00	40.95	20.00
Dallas MA – 2000	15	3.52	25.54	21.43	19.94	28.57	20.14	21.43	34.38	28.57
McAllen MA – 2000	55	12.91	23.48	9.43	16.86	15.09	17.67	20.75	41.98	54.77
Willacy Co Non MA – 2000	2	0.47	35.93	50.00	21.31	0.00	20.20	50.00	22.55	0.00

\* Based on 2002 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 9.4% of loans originated and purchased by Bank.

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

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

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

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: Texas 2000				Evaluation Period: January 2000			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	
<b>Full Review:</b>											
Laredo MA – 2000	74	29.13	22.96	3.77	16.89	24.53	18.19	20.75	41.96	50.96	
San Antonio MA – 2000	42	16.54	22.08	16.22	18.16	10.81	20.24	21.62	39.52	51.33	
Houston MA – 2000	54	21.26	24.07	18.75	17.82	25.00	18.70	20.83	39.40	35.42	
<b>Limited Review:</b>											
Austin MA – 2000	13	5.12	25.54	25.00	19.94	16.67	20.14	33.33	34.38	25.00	
Brownsville MA – 2000	6	2.36	23.75	0.00	16.04	0.00	17.82	16.67	42.40	83.33	
Corpus MA – 2000	28	11.02	22.89	7.69	16.67	11.54	19.48	7.69	40.95	73.08	
Dallas MA – 2000	13	5.12	25.54	25.00	19.94	16.67	20.14	33.33	34.38	25.00	
McAllen MA – 2000	24	9.45	23.48	4.76	16.86	4.76	17.67	38.10	41.98	52.38	
Willacy Co Non MA – 2000	0	0.00	35.93	0.00	21.31	0.00	20.20	0.00	22.55	0.00	

\* Based on 2002 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 15.4% of loans originated and purchased by Bank.

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

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

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

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: Texas 2000		Evaluation Period: January 2000	
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
<b>Full Review:</b>							
Laredo MA – 2000	951	42.01	62.02	27.55	81.81	11.67	
San Antonio MA – 2000	364	16.08	61.97	55.77	75.82	16.48	
Houston MA – 2000	134	5.92	61.90	52.24	71.64	22.39	
<b>Limited Review:</b>							
Austin MA – 2000							
Brownsville MA – 2000	72	3.18	60.79	59.72	86.11	11.11	
Corpus MA – 2000	419	18.51	63.43	59.90	91.17	5.25	
Dallas MA – 2000	103	4.55	60.22	59.22	75.73	17.48	
McAllen MA – 2000	117	5.17	63.84	60.68	76.92	17.95	
Willacy Co Non MA – 2000	1	0.04	61.44	100.00	0.00	0.00	100.00

\* Based on 2002 Peer Small Business Data: US.

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

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B – 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 41.03% of small loans to businesses originated and purchased by the Bank.

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

Borrower Distribution: SMALL LOANS TO FARMS				Geography: Texas 2000		Evaluation Period: January	
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
<b>Full Review:</b>							
Laredo MA – 2000	20	68.97	87.14	20.00	95.00	0.00	
San Antonio MA – 2000	0	0.00	87.53	0.00	0.00	0.00	
Houston MA – 2000	1	3.45	86.81	0.00	100.00	0.00	
<b>Limited Review:</b>							
Austin MA – 2000	1	3.45	86.43	0.00	100.00	0.00	
Brownsville MA – 2000	0	0.00	90.14	0.00	0.00	0.00	
Corpus MA – 2000	5	17.24	90.83	80.00	80.00	0.00	2
Dallas MA – 2000	1	3.45	86.43	0.00	100.00	0.00	
McAllen MA – 2000	1	3.45	79.86	100.00	100.00	0.00	
Willacy Co Non MA – 2000	0	0.00	87.39	0.00	0.00	0.00	

\* Based on 2002 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 55.17% of small loans to farms originated and purchased by Bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: Texas 2000				Evaluation Period: February 6	
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments		
	#	\$(000's)	#	\$(000's)	#	\$(000's)	%
<b>Full Review:</b>							
Laredo MA – 2000	3	725	19	171	22	897	
San Antonio MA – 2000	1	700	17	881	18	1,581	
Houston MA – 2000	2	2,045	13	913	15	2,958	
<b>Limited Review:</b>							
Austin MA – 2000	0	0	8	69	8	69	
Brownsville MA – 2000	0	0	5	136	5	136	
Corpus MA – 2000	0	0	7	634	7	634	
Dallas MA – 2000	0	0	9	22	9	22	
McAllen MA – 2000	0	0	1	750	1	750	
Willacy Co Non MA – 2000	0	0	0	0	0	0	
Statewide/Regional – 2000	0	0	1	195	1	195	

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.  
 \*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: Texas 2000 Evaluation Period: F												
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 Branches (+ or -)		
				Low	Mod	Mid	Upp			Low	Mod	Mid
<b>Full Review:</b>												
Laredo MA – 2000	75.55	6	22.22	16.67	0.00	50.00	33.33	1	0	0	0	1
San Antonio MA – 2000	5.78	6	22.22	0.00	83.33	16.67	0.00	3	2	0	1	0
Houston MA – 2000	8.62	6	22.22	33.33	33.33	16.67	16.67	1	1	1	-1	0
<b>Limited Review:</b>												
Austin MA – 2000	0.17	1	3.70	0.00	100.00	0.00	0.00	1	0	0	0	0
Brownsville MA – 2000	2.65	1	3.70	0.00	0.00	0.00	100.00	0	0	0	0	0
Corpus MA – 2000	1.90	4	14.81	25.00	25.00	50.00	0.00	2	0	0	1	1
Dallas MA – 2000	0.26	1	3.70	0.00	100.00	0.00	0.00	1	0	0	1	0
McAllen MA – 2000	4.32	2	7.41	0.00	0.00	0.00	100.00	0	0	0	0	0
Willacy Co Non MA – 2000	0.00	0	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0