



Public Disclosure

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Community Reinvestment Act Performance Evaluation

First National Bank
Charter Number: 14124

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Edinburg, Texas 78539

Office of the Comptroller of the Currency

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NOTE: 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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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First National Bank**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **June 7, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

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

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

Performance Levels	First National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		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:

- < FNB’s lending volume is excellent. More than 91% of the bank’s loans are made within its assessment areas.
- < FNB’s lending levels reflect excellent responsiveness to assessment area credit needs, particularly in the area of affordable housing.
- < The overall geographic distribution of loans reflects excellent penetration throughout the assessment areas, particularly in moderate-income geographies.
- < The distribution of borrowers, given the product lines offered by the bank, is excellent among customers of different income levels, particularly low- and moderate-income borrowers, and small business customers. Approximately 98% of small business loans are made to businesses with revenue of less than \$1 million.
- < FNB originated a high level (\$6.9 million) of community development loans in its assessment areas.

- < FNB makes extensive use of flexible lending policies and practices to serve the credit needs of its assessment areas.
- < The bank has a significant level (\$1.5 million) of qualified community development investments, given the financial constraints of the bank's balance sheet and the high level of competition for community development investments in its assessment areas.
- < Delivery systems are readily accessible to geographies and individuals of different income levels in its assessment areas, particularly low- and moderate-income individuals.
- < Services and business hours do not vary, and do not inconvenience any portion of the assessment areas, particularly low- or moderate-income geographies or individuals.
- < The bank has assumed a leadership role and provides a high level of community development services, primarily in the areas of affordable housing and economic development, two identified assessment area needs.

Description of Institution

First National Bank (FNB), headquartered in Edinburg, Texas, operates 14 full service branches in South Texas, including branches in Edinburg, McAllen, Harlingen, Brownsville and Corpus Christi. Asset size of the bank is \$416 million as of March 31, 1999, and Tier 1 Capital is \$29.5 million or 7.1% of assets.

FNB is a wholly-owned subsidiary of First National Bank Group, Inc., a two bank holding company in Edinburg, with less than \$500 million in total assets. The holding company conducts no activity outside the activities of the banks it owns. No merger or acquisition activity impacted the scope of the bank's operations during the evaluation period. Nueces National Bank, acquired by the holding company in 1998, maintains its separate charter in Corpus Christi and is supervised as a separate charter. There are no bank subsidiary activities which impact the FNB's capacity for community reinvestment. Therefore, the activities of Nueces National Bank, or any other affiliate or operating subsidiary, are not evaluated here.

The bank has an average loan-to-deposit ratio of 61% since the prior evaluation. The loan-to-deposit ratio of 53% as of March 31, 1999, down from 69% at 1997 year-end, is consistent with the ratio for similarly sized banks in Hidalgo County. The decrease in the loan-to-deposit ratio is the result of a large increase in public funds on deposit with the bank. In 1998 bank assets increased 31%, and public funds increased nearly \$60 million to over \$150 million. This level of public funds requires FNB to pledge nearly all of its marketable securities, constraining the bank's liquidity and limiting its ability to make direct investments in its communities. The pledging of securities also places constraints on the bank's ability to lend, in that the deposits must be invested in pledgable assets. The bank's loan-to-deposit ratio excluding the public funds exceeds 87% at March 31, 1999. Local governments and other public entities were having difficulty placing these funds because of the constraints they placed on the depository institution. FNB management decided that it would assist the communities the bank serves if FNB accepted the public deposits. There are no financial impediments to the bank meeting community needs under the Service Test.

FNB derives 90% of its deposits, and 90% of the loan originations evaluated, from Hidalgo County, which equals the McAllen-Edinburg-Mission MSA. Net loans comprised 47% of total assets as of year-end 1998. The majority of these loans, or 56%, are secured by various types of real estate. One-to-four family residential real estate loans equal 30% of the bank's total loan portfolio, and consumer loans equal 24%. Commercial real estate represents 15%, and other commercial loans

make up 16%, of the loan portfolio. The bank has historically originated a large number of home improvement and mobile home loans.

FNB focuses on small business, consumer and all forms of real estate lending. A primary bank strategy is to offer its services in smaller communities which are under banked. For example, in the last decade, FNB opened branches in the Hidalgo County communities of Elsa and Mercedes, where financial institutions had closed. Community development is viewed by FNB management as an integral part of its business focus because of the nature and culture of the Rio Grande Valley communities it serves.

The OCC assigned FNB a rating of "Outstanding" at the previous CRA evaluation dated December 19, 1996.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Conclusions regarding the Lending Test are based on data collected for calendar years 1997 and 1998. The evaluation period of the Investment and Service Tests runs from December 20, 1996 through June 7, 1999, the period since the prior CRA evaluation. The evaluation of the bank's performance under the Lending Test includes HMDA-reportable, small business, small farm, consumer, and community development loans. The Investment Test conclusions are based on evaluation of qualified community development investments and donations. Retail and commercial deposit products, loan products and services, and community development services are evaluated for purposes of rating FNB's performance under the Service Test.

Data Integrity

In December 1998, we tested HMDA, small business and small farm loan data reported by FNB in 1997 and collected in 1998. Material errors were noted in the collection and reporting of small business and HMDA loan data. The bank corrected much of the 1998 and 1997 data prior to this evaluation, and the corrected data is presented here. However, the 1997 small business data was made public prior to our testing, therefore, market share information for 1997 small business lending cannot be considered in this evaluation. The bank erroneously reported numerous renewed loans as refinanced home mortgages in 1997, and so the 1997 HMDA refinanced loan data could not be used.

The bank requested that consumer data for 1998 be considered. We tested the 1998 consumer data provided and the minor errors noted were corrected during the evaluation. This data was provided in a usable format and is included in this evaluation.

Selection of Areas for Full-Scope Review

Eleven of the bank's fourteen branches are located in Hidalgo County, which accounts for 90% of the bank's deposits and 90% of the loan originations reported in 1997 and 1998. Therefore, Hidalgo County received a full-scope review. FNB operates one branch in each of the other three assessment areas. Only the branch in Brownsville, which accounts for 7% of bank deposits, was open for the entire evaluation period. The branches in Harlingen and Corpus

Christi are open less than two years. The bank is relatively new to all of these markets, and it was determined that the bank's performance in Brownsville would be most representative of the bank's overall performance in these new markets. Therefore, the Brownsville assessment area received a full scope review, and the Harlingen and Corpus Christi areas received limited-scope reviews. Please refer to the table in Appendix A for more information.

Ratings

The overall rating assigned FNB is based primarily on results of the full-scope reviews of the bank's performance in the Hidalgo County and Brownsville assessment areas.

Other

Seven community organizations were contacted in Hidalgo and Cameron Counties, and in Corpus Christi, to discuss community development and credit needs in these areas. The organizations contacted included City government offices, social service organizations, affordable housing groups, and small business development groups. The needs most often noted were similar in each community: affordable housing and job growth.

Fair Lending Review

A sample of 75 unsecured consumer loans originated in 1998 was selected and reviewed to test for compliance with antidiscrimination laws. Loans made to female applicants were compared to loans made to male applicants to ensure that similar interest rates and terms were offered each applicant regardless of gender. No evidence of disparate treatment was noted. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. FNB has policies and procedures in place to prevent discriminatory or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "Outstanding". Based on full-scope reviews, the bank's performance in Hidalgo County is excellent and in the Brownsville assessment area is good. More weight was given to the bank's performance in Hidalgo County since over 90% of its loans and deposits are generated there and due to the relative newness of the bank's Brownsville presence (three years).

Lending Activity

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

The bank's lending volume is excellent in Hidalgo County and good in the Brownsville assessment area. The bank's loan to deposit ratio was 53% as of March 31, 1999 which is in line with peer banks. Excluding the public funds requiring pledging, the loan to deposit ratio exceeded 87% as of March 31, 1999. The bank's deposit market rank in Hidalgo County as of June 30, 1998 is four (8.12% share) which compares to a Home Purchase Loan rank of four (6.81% share) and a Home Improvement Loan rank of three (11.66% share) based on 1997 HMDA market share data. The bank's deposit market rank in the City of Brownsville as of June 30, 1998 is seven (3.2% share). The bank's market rank in the Brownsville assessment area was 18 (1.75% share) for home purchase loans and five (1.76% share) for home improvement loans which is good considering that 1997, the year on which the loan market share data is based, was only the bank's first full year of operation in the Brownsville assessment area. Market share data was not evaluated for HMDA Refinances, Small Business Loans or Small Farm Loans due to errors noted in the bank's 1997 data. The bank also made a significant level of community development loans in both areas.

The bank also purchased 433 mobile home loans totaling \$3,696,000 in 1998. These loans are not reflected in the lending tables in Appendix C because the bank did not geocode the loans. A majority of these loans, however, were stated by bank management to be in its assessment areas.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

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

The bank's geographic distribution for Home Mortgage loans is excellent in Hidalgo County and good in the Brownsville assessment area. In Hidalgo County, the distribution of home purchase loans equals the comparative demographic in moderate-income tracts. There are no low-income census tracts in Hidalgo County. In the Brownsville assessment area, the distribution of home purchase loans does not meet the comparative demographics in either low or moderate-income tracts. However, this lesser performance in the Brownsville assessment area was not given significant weight in the overall analysis. There is only one low-income census tract in the Brownsville assessment area with less than 2% of owner-occupied housing and only 659 families, of which 51% are low-income. The low level of owner-occupied housing indicates very limited opportunities for home mortgage loans. Of the 11,871 families in moderate-income tracts, 36.86% are low-income. The very low-income levels in the Brownsville assessment area result in a significant number of low-income families that may not qualify for mortgage loans. The bank's strong performance in home improvement loan distribution, as noted below, indicates that the bank is meeting community housing needs in these areas. Refer to Appendix B of the PE for additional demographic information.

The distribution of home improvement loans in Hidalgo County substantially exceeds the comparative demographic in moderate-income tracts. The distribution of home improvement loans in the Brownsville assessment area also substantially exceeds the comparative demographic in both low and moderate-income tracts. Only eight refinance loans were made by the bank in Hidalgo County and one refinance was made in the Brownsville assessment area, therefore, geographic distribution of refinances was not considered in the analysis.

The bank's Hidalgo County market share for home purchase and home improvement loans in moderate-income tracts exceeds its overall market share for those types of loans. The bank's Brownsville assessment area market share for home purchase loans substantially meets its overall market share and its market share for home improvement loans exceeds its overall market share in moderate-income tracts.

Small Business Loans

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

The bank's geographic distribution for Small Business loans is good in Hidalgo County and adequate in the Brownsville assessment area. In Hidalgo County, the distribution of small business loans substantially meets the comparative demographic in moderate-income tracts. In the Brownsville assessment area, the distribution of small business loans does not meet the comparative demographics for low and moderate-income tracts. The distribution in low-income tracts was not given significant weight since there is only one low-income tract in the Brownsville assessment area. The distribution in moderate-income tracts, 41% of loans compared to 48% of businesses, is reasonable given the relative newness of the bank's presence in Brownsville.

Small Farm Loans

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

Minimal weight was given to the distribution of small farm loans since farm lending does not represent a significant portion of the bank's portfolio and is not a major component of its lending strategy. The bank's geographic distribution for Small Farm loans is adequate in Hidalgo County. The Hidalgo County distribution of small farm loans does not meet the comparative demographic in moderate-income tracts. However, it is interesting to note that even though the bank's distribution does not meet the comparative demographic, Hidalgo County contains only 179 farms and the bank made 98 small farm loans in that assessment area. Only three small farm loans were made in the Brownsville assessment area and there are only 34 farms in that assessment area so a geographic distribution analysis would not be meaningful.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations.

The bank's geographic distribution of consumer loans is excellent in Hidalgo County and good in the Brownsville assessment area. In Hidalgo County,

distribution of consumer loans in moderate-income geographies exceeds the comparative demographic. In the Brownsville assessment area, the distribution of consumer loans exceeds the comparative demographic in low-income geographies and substantially meets the comparative demographic in moderate-income geographies.

Lending Gap Analysis

Analysis of home mortgage and small business/small farm lending activity in Hidalgo County and the Brownsville assessment area revealed no unexplained conspicuous gaps in lending. Consumer loan data was not included in this analysis due to limitations imposed by the format in which the data was provided for evaluation.

In/Out Ratio

The bank's distribution of loans inside and outside its assessment areas is excellent. A substantial majority (over 91%) of all the bank's reported loans were made within its assessment areas. By loan type, 90% of home mortgage loans, 91% of small farm loans and 93% of small business loans were made within the assessment areas. Consumer loan data was not included in this analysis due to limitations imposed by the format in which the data was provided for evaluation.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

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

The bank's distribution of home mortgage loans to borrowers of different income levels is excellent in both Hidalgo County and in the Brownsville assessment area.

The bank's distribution of home purchase loans to low-income borrowers does not meet the comparative demographic in either Hidalgo County or the Brownsville assessment area. This performance, however, was not considered negatively because the significantly low-income levels in the two areas and the high unemployment rates result in a significant number of low-income families that may not qualify for mortgage loans. Refer to Appendix B of the PE for additional demographic information. Only eight refinances were made in Hidalgo County and one refinance was made in the Brownsville assessment area so the borrower distribution of refinances is not meaningful. In addition, the bank's market share

for home purchase loans to low-income borrowers exceeds the bank's overall market share in both areas which reflects positive results in lending to low-income borrowers.

In Hidalgo County, the bank's distribution of home improvement loans to low-income borrowers substantially meets the comparative demographic and the market share of home improvement loans to low-income borrowers exceeds the bank's overall market share. In the Brownsville assessment area, the bank's distribution of home improvement loans to low-income borrowers exceeds the comparative demographic and the market share of home improvement loans to low-income borrowers exceeds the bank's overall market share.

The bank's distribution of home purchase and home improvement loans to moderate-income borrowers exceeds the comparative demographics in both Hidalgo County and the Brownsville assessment area. The bank's market share for home purchase and home improvement loans to moderate-income borrowers exceed the bank's overall market share in Hidalgo County. The market share for home purchase loans to moderate-income borrowers does not meet the bank's overall market share in the Brownsville assessment area but the home improvement market share to moderate-income borrowers exceeds the bank's overall market share in that Assessment area. The bank's distribution of refinances to moderate-income borrowers in Hidalgo County exceeds the comparative demographic. Due to the minimal number of refinances originated by the bank in either assessment area, they were given minimal weight in the borrower distribution analysis.

Small Business Loans

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

The bank's distribution of small business loans to businesses of different sizes is excellent in both Hidalgo County and the Brownsville assessment area. The distribution of small business loans to businesses with revenues less than \$1 million exceeds the comparative demographics in both Hidalgo County and the Brownsville assessment area. A substantial majority (90.6% in Hidalgo County and 82.4% in the Brownsville assessment area) of the bank's small business loans were for amounts less than \$100,000.

Small Farm Loans

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small farm loan originations.

The bank's distribution of small farm loans to farms of different sizes is good in Hidalgo County. The distribution of small farm loans to farms with revenues less than \$1 million in Hidalgo County substantially meets the comparative demographic. Although all three of the small farm loans made in the Brownsville assessment area were to farms with revenues less than \$1 million, borrower distribution is not meaningful due to the limited number of loans. More weight was given to the distribution of small business loans since farm lending does not represent a significant portion of the bank's portfolio and is not a major component of its lending strategy.

A substantial majority (90.8%) of the bank's small farm loans in Hidalgo County were for amounts less than \$100,000. All three of the small farm loans made in the Brownsville assessment area were for amounts less than \$100,000.

Consumer Loans

Refer to Table 14 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations.

The bank's distribution of consumer loans to borrowers of different income levels is excellent in both Hidalgo County and the Brownsville assessment area given the low-income levels and high unemployment rates in the areas. The distribution of consumer loans to low-income borrowers substantially meets the comparative demographics in both Hidalgo County and the Brownsville assessment area. The distribution of consumer loans to moderate-income borrowers exceeds comparative demographics in both Hidalgo County and the Brownsville assessment area.

Community Development Lending

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

The bank's level of community development loans is excellent. The bank originated 28 community development loans totaling \$6.9 million since the last CRA examination. These loans are all for affordable housing purposes. The majority of these loans were in Hidalgo County but \$458,000 were originated for the benefit of the Brownsville assessment area.

The following is the breakdown of the types of community development loans originated by the bank:

Multifamily Housing - purchase or refinance	\$1,121,750
Multifamily Housing - new construction	\$ 468,000
Land Development - vacant residential lots	\$5,090,368
1-4 Family Housing - new construction	\$ 200,000

The bank's community development lending to provide housing for low- and moderate-income individuals demonstrates an excellent responsiveness to identified affordable housing needs within Hidalgo County and the Brownsville assessment area.

Product Innovation and Flexibility

FNB makes extensive use of flexible lending policies and practices to serve the credit needs of its assessment areas. The bank's loan policy provides the framework for loans to be tailored to the specific needs of the customer. For example, alternative credit references are given the same weight as loans in establishing and evaluating credit history and repayment ability. All sources of income are considered, including seasonal or cash income.

The bank has a flexible loan program that is included in the established loan policy. The Migrant Loan Program is designed for migrant farm workers who travel north to work on farms and ranches. Under this program loan payments may be deferred up to six months until a customer returns. In most cases, income from this seasonal work is the main source of income for these customers. Loans under this program are available at all bank locations. The number and amount of loans originated within the evaluation period is unknown as the bank does not specifically monitor this program.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the Lending Test in the Harlingen assessment area, where the bank opened its single branch in August 1997, is not inconsistent with the bank's overall outstanding performance under the Lending Test. In the Corpus Christi assessment area, which also received a limited review, the bank's performance under the Lending Test is inconsistent with the bank's overall performance. However, the Corpus Christi branch was opened in March 1998, and only nine months of loan data was evaluated here.

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, the bank's performance in the Hidalgo County and Brownsville assessment areas is good considering constraints and capacity noted in the "Description of the Institution" discussed earlier. FNB made an investment of a significant dollar amount in Brownsville to impact affordable housing needs in that community. However, the size of the investment limited the amount available for investment in other assessment areas, given the bank's capacity and constraints that exist within the opportunities available. This investment in the Brownsville assessment area significantly impacts the bank's overall rating under the Investment Test.

Please see Table 12 in Appendix C for the data used to evaluate the bank's level of qualified investments.

After making attempts to find community development investments which also met FNB's requirements given constraints previously discussed, an opportunity to purchase a FNMA bond in the Brownsville assessment area was identified. FNB management stated that they could find no equally suitable community development investments in the other assessment areas which would have the same impact for the dollars invested. The investment purchased is a FNMA pool identified by FNMA as "Financing Multifamily Targeted Affordable Housing" with qualification criteria governed by the Federal Low-Income Housing Tax Credit Program. The project funded through this issue is an apartment complex which provides rental housing for low- and moderate-income families in Brownsville. This \$1 million investment reflects a strong commitment in the Brownsville assessment area under the Investment Test.

The following are examples of investments in the Hidalgo County assessment area:

- C A prior period investment continues to be held by FNB. This investment in a Texas Housing Agency Bond originally provided for construction and permanent financing for a rental housing development to be occupied entirely by low- and moderate-income families.

- C A current period donation has been made to a community nonprofit organization which provides housing-related services for low-income families.

For example, the bank's donation will assist a current project by the organization to construct 64 apartment units in Hidalgo County. Funding will be under the Texas Department of Housing and Community Affairs Tax Credit Program. This donation was necessary for the organization to obtain a \$20,000 grant from Federal Home Loan Bank of Dallas.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Harlingen and Corpus Christi areas is not inconsistent with the bank's overall high satisfactory performance under the Investment Test. Activities in these two areas were limited by the capacity and constraints referred to in the description of the institution provided earlier. Additionally, the Harlingen and Corpus Christi assessment areas were added during the evaluation period when FNB opened branches in these areas.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

Retail Banking Services

The bank's performance under the Service Test is rated "Outstanding" based on full-scope reviews of FNB's performance in Hidalgo County and Brownsville, Texas.

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

The quantity, quality and locations of the bank's service-delivery systems allow for ready access to bank products and services by all geographies and individuals of varying income levels in the institution's assessment areas, particularly those in moderate-income areas. There are no low-income census tracts in Hidalgo County. A wide array of products and services are available through its branch locations and ATM network, many tailored to identified needs in the bank's communities. FNB operates a large branch, with a large meeting room routinely lent to community groups, in the Rio Grande Valley Empowerment Zone, where other banks had closed, which demonstrates the bank's long-term commitment to its community.

FNB has 11 full-service offices including its main office and 12 ATM locations in Hidalgo County. All branches and the main office have drive-through facilities and an ATM. The ATMs accept deposits and dispense cash. The branch and ATM distributions are excellent when compared to the percentages of the population located in the same geographies, particularly moderate-income census tracts.

Since the previous evaluation in December 1996, FNB has opened four branches and five ATMs in Hidalgo County. Two branches are in middle-income tracts and two are in upper-income tracts; however, each of these tracts is adjacent to at least one moderate-income tract and near or along US Highway 83, the principal thoroughfare of the area. Each new branch has an ATM, and one proprietary ATM was opened in a moderate-income tract. No branches or ATMs were closed in Hidalgo County during the evaluation period. There is no variance in bank products and services offered at all locations.

The branch and ATM in Brownsville are situated in a moderate-income tract, which is adjacent to the only low-income tract in this assessment area. The

location compares very well to the population distributions in low-income (3%) and moderate-income (51%) census tracts. No branches were opened or closed in Brownsville during the evaluation period.

FNB has made new deposit accounts very accessible through several programs. The bank has developed an innovative outreach program which increases the availability and effectiveness of delivering retail banking services to low- and moderate-income geographies and individuals. FNB personnel go to commercial businesses and public entities, private organizations, neighborhoods, schools, retirement centers, nursing homes, and community events to discuss bank products, open new accounts or to provide prepaid envelopes for bank-by-mail. These visits are made on an ongoing basis throughout Hidalgo County, and target low- and moderate-income geographies and individuals. To increase the accessibility of FNB's Check It Out account, the bank is able to open accounts at remote locations with the \$1 coupon provided by the bank. The bank also offers bank-by-phone and bank-by-mail programs, however, no data is available on usage of these alternative delivery systems by low- and moderate-income individuals.

FNB offers a full array of consumer, residential, and business lending products. Loan products which are available and have been made include those for new and used vehicle purchases, education, unsecured purposes, home purchase and refinance, home improvement, mobile homes, home equity, and a variety of commercial lending purposes. A flexible loan policy provides the framework for loans to be tailored to the specific needs of the bank's customers. For example, alternative credit references are given the same weight as loans in evaluating credit history and repayment ability.

Hours of operation are the same at all FNB branch locations and are most convenient in Hidalgo County and Brownsville. Lobby and motor bank hours on weekdays are the longest of banks in these assessment areas. It is noted the motor bank hours are matched by three community banks. Lobby and motor bank hours for Saturdays are commensurate with those offered by other banks.

Community Development Services

The bank provides an excellent level and wide variety of community development services, which are highly responsive to identified needs in the Hidalgo County and Brownsville assessment areas, based on full-scope reviews of each area. Many of the CD services provided by FNB are innovative. These services have had a large impact on a good number of individuals in the bank's assessment areas. FNB personnel have committed a high number of hours to community service.

FNB has developed two basic consumer deposit products which are targeted primarily for the low-income and/or elderly customer. The "Check It Out" free checking account is offered at no cost to the customer. It requires only \$1 to open, and offers unlimited check writing, monthly statements, no service charges and no transaction limits. The bank also provides the first box of duplicate checks at no charge and a \$1 coupon which can only be used to open this account. This product is innovative because FNB was the first bank in the Rio Grande Valley to offer a no cost checking account. Since its inception in January 1998, the bank has opened 14,970 Check It Out accounts. As of March 31, 1999 the bank had a total of 13,968 accounts with a total balance of \$11,387,307. FNB attributes the success of this product to three factors:

- < This product serves a community need that was not previously being met;
- < FNB implemented an outreach program to bring the account to customers, primarily those who had difficulty getting to a branch location; and
- < Branches opened in locations which had no or few other financial institutions, such as in La Joya which had none, and in Donna which had one which was acquired by Norwest. Both of these branches were opened in January 1998.

Another innovative product, the Piggy Bank Club Savings account was developed to encourage savings by children and its focus was on primarily low- and moderate-income family members. It requires \$10 to open, is available to minors up to 18 years old, includes a piggy bank, kid-size savings register and ongoing deposit incentives. FNB promotes accumulation of savings by charging \$1 if either the balance falls below \$10 any day of the year or a deposit is not made annually, and by charging \$2 for each withdrawal in a year after the first one. This account continues to be the first of its kind in the Rio Grande Valley Area. Since its inception in June 1997, the bank has opened 8,149 accounts, all of which are active with a total balance of \$1,135,132, as of March 31, 1999.

FNB has also developed the Foundation Commercial Checking account to target small business owners and help minimize account fees. A minimum of \$100 is required to open this account. It has two tiers of service charges that are based on the volume of all types of items in the account in one month. Fifty or fewer items result in a monthly charge of \$10, while the charge is \$20 for a total number of items up to 200. If a customer exceeds 200 items in one month, FNB may convert the account to a regular commercial checking account. Since its introduction in January 1999, 330 such accounts totaling \$2.5 million have been opened.

FNB management was instrumental in obtaining the Empowerment Zone designation, and for the inclusion of part of Hidalgo County in that Zone. A bank

employee sits on several Committees of the Rio Grande Valley Empowerment Zone (RGVEZ) Corporation, including the Affordable Housing and Home Renovation Committee. The services provided by the bank are innovative in that the RGVEZ is one of only three such zones nationwide, and it brings Federal funds and services to these economically distressed areas.

FNB leadership helped organize a model training program, recognized by the State of Texas Skills Development Program, targeted to low-income, untrained, and unemployed residents of Brownsville through a major company at the Port of Brownsville. Program participants were paid while being trained to become certified welders and then provided high-paying jobs by the sponsor company. The training included money and credit management. This program required significant commitment by bank personnel and was the first of its kind in South Texas, therefore it is considered innovative.

FNB operates a large branch in the RGVEZ which includes a large meeting room that the bank routinely lends to numerous affordable housing, community and youth groups. No other meeting room of this size is available in the area. The construction of this branch demonstrated the bank's long-term commitment to its community.

The bank is represented on boards of directors and committees of many important community organizations, such as:

- < The Hidalgo County Revolving Loan Fund Project Committee which finances small businesses at favorable interest rates.
- < The Board and Finance Committee of the Magic Valley Electrical Cooperative which serves a five county area including Harlingen, Brownsville and Hidalgo County. This board member was active in accomplishing the construction and financing of a new generating plant and operational center for the Cooperative. The new plant will ensure the low-income colonias concentrated in its service area receive electrical services at reasonable rates.
- < Edinburg Foundation, Inc., a not-for-profit group involved in economic and business expansion projects which create jobs, encourage new small businesses, and revitalize targeted areas in the community.
- < The Hidalgo County Housing Authority and its committees, involved in the provision and financing of affordable housing.
- < The Brownsville Local Development Company, which acts as a conduit for financing small businesses through the SBA and private lenders at favorable terms.

In addition to the above activities, bank personnel also provide seminars on credit management, the lending process, and bank products to small business owners,

students from low- and moderate-income families, and CD organizations such as the South Texas Economic Development Corporation and the Mercedes Affordable Housing Corporation. Bank employees also participate in financial education for small business owners at the SBA Incubator in Hidalgo County and the Brownsville Local Development Company.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance in the Harlingen assessment area is not inconsistent with the bank's overall outstanding performance under the Service Test. In the Corpus Christi assessment area, which also received a limited-scope review, the bank's performance is weaker than the bank's overall performance under the Service Test. However, the branch in Corpus Christi has been opened only one year and is reasonably accessible to all geographies and persons of varying income levels. This is due to it being on the major thoroughfare that traverses these tracts toward the Corpus Christi Central Business District. Refer to Table 13 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 nonmetropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: December 20, 1996 to June 7, 1999 Service Test: December 20, 1996 to June 7, 1999	
Financial Institution	Products Reviewed	
First National Bank (FNB) Edinburg, Texas	Home Purchase and Home Improvement Loans originated in 1997 and 1998, Home Refinance Loans in 1998, Small Business and Small Farm Loans in 1997 and 1998, and Consumer Loans in 1998. Community Development Loans, Investments, and Services. Retail products and services offered.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Hidalgo County Brownsville Harlingen Corpus Christi	Full Scope Full Scope Limited Scope Limited Scope	includes all of MSA #4480 does not include all of the city or MSA does not include all of the city or MSA does not include all of the city or MSA

Appendix B: Market Profiles for Full-Scope Areas

HIDALGO COUNTY

Demographic Information for Full-Scope Area: HIDALGO COUNTY						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	63	0.00	30	43	27	0.00
Population by Geography	383,545	NA	28	47	25	0.00
Owner-Occupied Housing by Geography	72,715	NA	24	49	27	0.00
Businesses by Geography	9,086	NA	24	36	40	0.00
Farms by Geography	179	NA	21	40	39	0.00
Family Distribution by Income Level	88,615	25	16	17	42	0.00
Distribution of Low- and Moderate-Income Families throughout Assessment area Geographies	36,402	NA	35	50	15	0.00
Median Family Income	\$17,619	Median Housing Value				\$38,999
HUD Adjusted Median Family Income for 1998	\$25,500	Unemployment Rate (1998)*				14.6%
Households Below the Poverty Level	38,132					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

* Source: Texas Workforce Commission

The bank has identified all of Hidalgo County as an assessment area, which equals the McAllen-Edinburg-Mission MSA. The defined assessment area complies with the requirements of the CRA. The bank's activities in Hidalgo County received a full-scope review.

FNB's main competitors are Texas State Bank (\$1.7 billion in assets), Inter National Bank of McAllen (\$352 million), and several smaller community banks. Several regional and multi-state banks also have branches in Hidalgo County, primarily in McAllen. FNB is ranked fourth in deposits with an 8.1% market share of deposits. The bank operates 11 full service branches and 12 ATMs in Hidalgo County.

Hidalgo County continues to experience a population surge largely associated with the many cross-border trade opportunities associated with the North American Free Trade Agreement (NAFTA). The economy is centered in services, including packaging agricultural and imported products. The city of McAllen is regarded as the retail center of South Texas. Hidalgo County has posted consistent

employment growth in recent years. However, unemployment remains significantly higher than the state and national averages. More than 30% of households live below the poverty level, yet there are no low-income census tracts in Hidalgo County. Agriculture has suffered in recent years from depressed prices.

Market data on HMDA lending indicates there is a lower than average demand for purchase money mortgage loans in the bank's trade area. This is attributable to the high level of families below the poverty level, the high unemployment rate, and the size of the migrant work force and relocated retiree population. Several subdivisions financed by FNB were inspected during the evaluation. It was observed that many residences were in various stages of completion. Bank management stated that it is common for families to live in temporary housing, for example, a mobile home situated on the lot, while saving money to build a permanent residence. Therefore, construction of these homes is owner-financed and no permanent home financing is necessary. According to community contacts, the number of out-of-state individuals who spend winters in South Texas tends to increase demand for manufactured and rental housing but not necessarily for mortgage loans.

There is a moderate level of community development opportunities in Hidalgo County. Needs identified through community contacts include affordable housing, home improvement loans, and job creation. City- and federally-funded non-profit organizations in McAllen are the primary vehicles for the provision of home ownership counseling, and construction and financing of affordable homes. The City of McAllen provides assistance to low- and moderate-income individuals through participation in the Community Development Block Grant program. Portions of Hidalgo County have been Federally-designated as one of only three Federally-designated Empowerment Zones in the nation, primarily for affordable housing. Bank management provided significant assistance to gain the Empowerment Zone designation for the area. There are fewer active community development organizations in Edinburg than in McAllen. The bank has organized a Community Development Corporation in Edinburg to serve Hidalgo County. Please refer to the discussion of the Investment Test herein.

BROWNSVILLE

Demographic Information for Full-Scope Area: BROWNSVILLE						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	27	4	48	18	30	0.00
Population by Geography	111,961	3	51	25	21	0.00
Owner-Occupied Housing by Geography	16,834	2	46	25	27	0.00
Businesses by Geography	3,134	2	49	22	27	0.00
Farms by Geography	34	0.00	21	38	41	0.00
Family Distribution by Income Level	24,956	28	18	16	38	0.00
Distribution of Low- and Moderate-Income Families throughout Assessment area Geographies	11,414	4	61	25	10	0.00
Median Family Income	\$18,731	Median Housing Value				\$43,499
HUD Adjusted Median Family Income for 1998	\$25,600	MSA Unemployment Rate (1998)*				11.5%
Households Below the Poverty Level	11,767					

Source: 1990 U.S. Census and 1998 HUD updated MFI.

* Source: Texas Workforce Commission

The City of Brownsville is part of the Brownsville-Harlingen MSA in Cameron County. FNB operates one branch in this MSA and has designated a certain 27, of the MSA's total of 64, census tracts as its assessment area. The defined Assessment area meets the requirements of the CRA. The census tracts included in the bank's Assessment area basically surround the branch and include the only low-income tract in the MSA. This branch accounts for 7% of the bank's total deposits and 4.5% of the evaluation period's loan originations. FNB business focus in Brownsville is commercial and consumer lending.

FNB faces strong competition in the Brownsville market from multinational and regional banking companies, such as Mercantile Bank (now Wells Fargo), Chase Bank of Texas, Bank of America, and Texas State Bank. International Bank of Commerce, part of a \$2 billion holding company and with \$419 million in assets, has a significant presence. Numerous Rio Grande Valley banks have branches in Brownsville similar to FNB. FNB ranks seventh in deposits with a 3.2% market share in Brownsville.

Demographics and economic conditions in Brownsville are very similar to Hidalgo County. Brownsville, part of the U.S. Foreign Trade Zone, is the largest city in the Rio Grande Valley, and has been among the nation's leaders in job growth throughout the 1990's. Yet, according to community contacts, unemployment in

Brownsville approximates that of the MSA which is significantly higher than state and national averages. This is largely attributed to a population surge associated with the implementation of NAFTA. The economy is centered in manufacturing, services, including assembly production, and agriculture. Agriculture has suffered in recent seasons from depressed market prices.

Market data on HMDA lending indicates there is a lower than average demand for purchase money mortgage loans in the bank's trade area. The high level of families below the poverty level (40%), coupled with the high unemployment rate, means many cannot qualify for home mortgage loans.

There are a number of CD opportunities in Brownsville, and competition among financial institutions for participation is strong. Several community contacts were made in South Texas, including the Rio Grande Valley. Jobs and job training, housing improvements and affordability, health and education services are pressing needs in the community. Contacts also mentioned the financial needs of new small businesses and the lack of smaller homes for the growing number of people retiring to South Texas.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. 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; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated 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 rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated 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 rank and market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (< \$500,000) to farms originated 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 rank and market share information based on the most recent aggregate market data available.
- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations** - See Table 7.
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations** - See Table 7.
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (< \$1 million) originated 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. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (< \$500 thousand) originated 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. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.

Table 13. Distribution of Branch and ATM Delivery System - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations (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 the population 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 MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME		State: Texas				Evaluation Period: January 1, 1997 TO December 31, 1998						
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
Hidalgo County - MSA 4480	90.04%	894	\$20,686	532	\$26,417	98	\$3,882	26	\$6,450	1,550	\$57,435	91.02%
Brownsville	7.06%	54	\$1,548	17	\$1,619	3	\$186	2	\$458	76	\$3,811	4.46%
Limited-Scope:												
Harlingen	2.19%	40	\$422	27	\$786	0	\$0	0	\$0	67	\$1,208	3.93%
Corpus Christi	.71%	3	\$41	7	\$573	0	\$0	0	\$0	10	\$614	.59%

*Based upon deposit data by branch provided by the bank

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE																
State: Texas																
Evaluation Period: January 1, 1997 TO December 31, 1998																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Hidalgo County - MSA 4480	NA	NA	24%	24%	49%	50%	27%	26%	4	6.81%	NA	11.18%	9.47%	3.26%	447	91%
Brownsville	2%	0%	46%	31%	25%	34%	27%	34%	18	1.75%	0%	1.69%	1.91%	1.74%	32	6%
Limited-Scope:																
Harlingen	NA	NA	11%	8%	55%	58%	34%	33%	29	.78%	NA	0%	1.25%	.59%	12	2%
Corpus Christi	13%	0%	54%	100%	3%	0%	30%	0%	NA**	NA	NA	NA	NA	NA	2	0%

(*) Based on 1997 Aggregate HMDA Data only.

(**) Bank did not have a branch in this assessment area in 1997.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT																
State: Texas																
Evaluation Period: January 1, 1997 TO December 31, 1998																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Hidalgo County - MSA 4480	NA	NA	24%	32%	49%	41%	27%	27%	3	11.66%	NA	12.18%	10.32%	13.66%	428	90%
Brownsville	2%	5%	46%	63%	25%	16%	27%	16%	5	1.76	0%	2.87%	0%	1.54%	19	4%
Limited-Scope:																
Harlingen	NA	NA	11%	44%	55%	30%	34%	26%	11	2.27	NA	8.82%	1.42%	1.12%	27	6%
Corpus Christi	13%	0%	54%	0%	3%	0%	30%	100%	NA**	NA	NA	NA	NA	NA	1	0%

(*) Based on 1997 Aggregate HMDA Data only.

(**) Bank did not have a branch in this assessment area in 1997.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE*																
					State: Texas				Evaluation Period: January 1, 1997 TO December 31, 1998							
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography**					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Hidalgo County - MSA 4480	NA	NA	24%	50%	49%	25%	27%	25%	NA	NA	NA	NA	NA	NA	8	80%
Brownsville	2%	0%	46%	0%	25%	100%	27%	0%	NA	NA	NA	NA	NA	1	10%	
Limited-Scope:																
Harlingen	NA	NA	11%	0%	55%	100%	34%	0%	NA	NA	NA	NA	NA	NA	1	10%
Corpus Christi	13%	0%	54%	0%	3%	0%	30%	0%	NA	NA	NA	NA	NA	0	0%	

(*) 1997 Refinance data not included due to reporting errors

(**) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS																	State: Texas		Evaluation Period: January 1, 1997 TO December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans					
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
Hidalgo County - MSA 4480	NA	NA	24%	20%	36%	38%	41%	42%	NA**	NA	NA	NA	NA	NA	532	91%				
Brownsville	2%	0%	48%	41%	22%	35%	27%	24%	NA**	NA	NA	NA	NA	NA	17	3%				
Limited-Scope:																				
Harlingen	NA	NA	29%	26%	41%	52%	30%	22%	NA**	NA	NA	NA	NA	NA	27	5%				
Corpus Christi	19%	0%	56%	14%	7%	43%	17%	43%	NA**	NA	NA	NA	NA	NA	7	1%				

(*) Based on 1997 Aggregate Small Business Data only.
 (**) No market share data used due to errors noted in bank's 1997 reported CRA data.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM																	State: Texas		Evaluation Period: January 1, 1997 TO December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans					
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
Hidalgo County - MSA 4480	NA	NA	21%	14%	40%	32%	39%	54%	NA**	NA	NA	NA	NA	NA	98	97%				
Brownsville	0%	0%	21%	0%	38%	0%	41%	100%	NA**	NA	NA	NA	NA	NA	3	3%				
Limited-Scope:																				
Harlingen	NA	NA	7%	0%	44%	0%	49%	0%	NA**	NA	NA	NA	NA	NA	0	0%				
Corpus Christi	12%	0%	44%	0%	2%	0%	42%	0%	NA**	NA	NA	NA	NA	NA	0	0%				

(*) Based on 199X Aggregate Small Farm Data only.
 (**) No market share data used due to errors noted in bank's 1997 reported CRA data

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE State: Texas Evaluation Period: January 1, 1997 TO December 31, 1998																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Hidalgo County - MSA 4480	25%	6%	16%	21%	17%	27%	42%	46%	4	6.81%	15.7%	10.97%	9.62%	5.4%	447	91%
Brownsville	28%	13%	18%	22%	16%	28%	38%	38%	18	1.75%	3.13%	.86%	3.06%	1.73%	32	6%
Limited-Scope:																
Harlingen	22%	8%	15%	17%	17%	25%	46%	50%	29	.78%	0%	1.1%	1.23%	.5%	12	2%
Corpus Christi	33%	0%	18%	0%	19%	100%	30%	0%	NA***	NA	NA	NA	NA	NA	2	0%

(*) As a percentage of loans with borrower income information available. No information was available for 1.6% of loans originated by BANK.

(**) Based on 1997 Aggregate HMDA Data only.

(***) Bank did not have a branch in this assessment area in 1997.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT																
State: Texas																
Evaluation Period: January 1, 1997 TO December 31, 1998																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Hidalgo County - MSA 4480	25%	25%	16%	30%	17%	20%	42%	25%	3	11.66%	13.77%	14.2%	9.77%	8.47%	428	90%
Brownsville	28%	47%	8%	21%	16%	11%	38%	21%	5	1.76%	3.06%	2.91%	0%	1.25%	19	4%
Limited-Scope:																
Harlingen	22%	8%	15%	31%	17%	15%	46%	46%	11	2.27%	0%	4.17%	1.92%	1.63%	27	6%
Corpus Christi	33%	0%	18%	0%	19%	0%	30%	100%	NA***	NA	NA	NA	NA	NA	1	0%

(*) As a percentage of loans with borrower income information available. No information was available for 4% of loans originated by BANK.

(**) Based on 1997 Aggregate HMDA Data only.

(***) Bank did not have a branch in this assessment area in 1997.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE*																
State: Texas																
Evaluation Period: January 1, 1997 to December 31, 1998																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans**	% of Families	% BANK Loans**	% of Families	% BANK Loans**	% of Families	% BANK Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Hidalgo County - MSA 4480	25%	0%	16%	38%	17%	13%	42%	50%	NA	NA	NA	NA	NA	NA	8	80%
Brownsville	28%	0%	18%	0%	16%	0%	38%	100%	NA	NA	NA	NA	NA	NA	1	10%
Limited-Scope:																
Harlingen	22%	0%	15%	100%	17%	0%	46%	0%	NA	NA	NA	NA	NA	NA	1	10%
Corpus Christi	33%	0%	18%	0%	19%	0%	30%	0%	NA	NA	NA	NA	NA	NA	0	0%

(*) 1997 Refinance data not included due to reporting errors

(**) As a percentage of loans with borrower income information available. No information was available for 2.63% of loans originated by BANK.

(***) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS			State: Texas		Evaluation Period: January 1, 1997 TO December 31, 1998						
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Hidalgo County - MSA 4480	91%	98%	NA	91%	6%	4%	NA	NA	532	91%	\$49,656
Brownsville	91%	100%	NA	82%	5%	12%	NA	NA	17	3%	\$95,235
Limited-Scope:											
Harlingen	92%	100%	NA	100%	0%	0%	NA	NA	27	5%	\$29,111
Corpus Christi	89%	100%	NA	71%	29%	0%	NA	NA	7	1%	\$81,857

(*) As a percentage of businesses with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for .86% of loans originated by BANK.
 (***) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1997 Aggregate Small Business Data only.
 (****) Based on 1997 Aggregate Small Business Data only. Due to reporting errors in the bank's 1997 CRA data, market data was not used for this evaluation.

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Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM State: Texas Evaluation Period: January 1, 1997 TO December 31, 1998											
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Hidalgo County - MSA 4480	99%	99%	NA	91%	7%	2%	NA	NA	98	97%	\$39,612
Brownsville	100%	100%	NA	100%	0%	0%	NA	NA	3	3%	\$62,000
Limited-Scope:											
Harlingen	95%	0%	NA	0%	0%	0%	NA	NA	0	0%	\$0
Corpus Christi	98%	0%	NA	0%	0%	0%	NA	NA	0	0%	\$0

(*) As a percentage of farms with known revenues.

(**) As a percentage of loans with revenue information available. No information was available for 9.8% of loans originated by BANK.

(***) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997 Aggregate Small Farm Data only. Due to reporting errors in the bank's 1997 CRA data, market data was not used for this evaluation.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS State: Texas Evaluation Period: December 20, 1996 TO June 7, 1999									
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope:									
Hidalgo County - MSA 4480	1***	\$209	99%	1	\$3	1%	2	\$212	17%
Brownsville	0	\$0	0%	1	\$1,018	100%	1	\$1,018	81%
Limited-Scope:									
Harlingen	1***	\$28	100%	0	\$0	0%	1	\$28	2%
Corpus Christi	0	\$0	0%	0	\$0	0%	0	\$0	0%

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

(***) This is actually one investment which directly benefits both noted Assessment area's. The dollar amount has been pro-rated based on the projects in each area.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: TEXAS				Evaluation Period: DECEMBER 20, 1996 TO JUNE 7, 1999									
MSA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
Hidalgo County	90%	11	79%	0%	36%	27%	36%	12	80%	0%	42%	25%	33%	0%	28%	47%	25%
Brownsville	7%	1	7%	0%	100%	0%	0%	1	7%	0%	100%	0%	0%	3%	51%	25%	20%
Limited-Scope:																	
Harlingen	2%	1	7%	0%	100%	0%	0%	1	7%	0%	100%	0%	0%	0%	16%	53%	31%
Corpus Christi	1%	1	7%	0%	0%	0%	100%	1	7%	0%	0%	0%	100%	19%	52%	3%	26%

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations

Geographic and Borrower Distribution: CONSUMER LOANS																			State: Texas		Evaluation Period: January 1, 1997 TO December 31, 1998	
MSA/Assessment Area:	Geographic Distribution								Borrower Distribution													
	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Total Consumer Loans					
	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Pop*	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	% of Hshlds	% BANK Loans	#	% of Total				
Full-Scope:																						
Hidalgo County - MSA 4480	NA	NA	28%	33%	47%	39%	25%	28%	26%	22%	16%	27%	16%	23%	43%	28%	2,579	87%				
Brownsville	3%	4%	51%	47%	25%	28%	20%	21%	27%	27%	16%	34%	15%	22%	39%	9%	196	7%				
Limited-Scope:																						
Harlingen	NA	NA	15%	20%	55%	45%	30%	36%	25%	14%	14%	28%	16%	24%	45%	33%	183	6%				
Corpus Christi	19%	0%	52%	0%	3%	74%	26%	26%	35%	13%	17%	13%	17%	13%	32%	60%	19	1%				

(*) The percentage of the population in the MSA/assessment area that resides in these geographies.