



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**August 26, 2002**

# **Community Reinvestment Act Performance Evaluation**

**Broadway National Bank  
Charter Number: 14447**

**1177 N. E. Loop 410  
San Antonio, TX 78217-0001**

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

## Table of Contents

<b><u>OVERALL CRA RATING</u></b> .....	1
<b><u>DEFINITIONS AND COMMON ABBREVIATIONS</u></b> .....	2
<b><u>DESCRIPTION OF INSTITUTION</u></b> .....	6
<b><u>SCOPE OF THE EVALUATION</u></b> .....	7
<b><u>FAIR LENDING REVIEW</u></b> .....	8
<b><u>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS</u></b> .....	9
<u>LENDING TEST</u> .....	9
<u>INVESTMENT TEST</u> .....	16
<u>SERVICE TEST</u> .....	18
<b><u>APPENDIX A: SCOPE OF EXAMINATION</u></b> .....	A-1
<b><u>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS</u></b> .....	B-1
<b><u>APPENDIX C: TABLES OF PERFORMANCE DATA</u></b> .....	C-1

# Overall CRA Rating

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

The following table indicates the performance level of **Broadway 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			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Lending activity is good.
- The distribution of loans by income level of the geography is good.
- The distribution of loans by income level of the borrower is good.
- The bank has an excellent level of community development (CD) loans in the San Antonio assessment area (AA), which had a positive impact on the evaluation of lending performance.
- The bank makes extensive use of flexible underwriting criteria in making affordable housing loans through numerous partnerships with affordable housing lenders.
- The level of community development investments in the San Antonio AA is good.
- The quantity and accessibility of the bank's service-delivery systems allow for reasonable access to bank products and services by geographies and individuals.
- The level of community development services is good.

## Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of 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 multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Description of Institution

Broadway National Bank (BNB) was established in 1941 to primarily serve the deposit and credit needs of military families stationed in San Antonio, Texas. BNB is the largest independently owned bank headquartered in San Antonio. The bank started as a small neighborhood bank and has grown into the largest independent locally-owned bank based in San Antonio. As of June 30, 2002, BNB reported total assets of \$1.2 billion and net income of \$11 million.

BNB is an intrastate bank that is wholly owned by Broadway Bancshares of Delaware, Inc. (BBDI), an intermediary multi-bank holding company. BNB owns Broadway Brokerage Securities, Inc., a full-service brokerage company based in San Antonio. BBDI also wholly owns Eisenhower National Bank (ENB), a separately chartered institution that is located in Fort Sam Houston in the San Antonio area. BBDI is a shell corporation whose only assets are BNB and ENB. It is wholly owned by Broadway Bancshares, Inc. (BBI) of San Antonio. BBI's total assets as of December 31, 2001 are \$1.3 billion. There are no activities of any affiliates or subsidiaries of BNB that were reviewed in this Performance Evaluation.

BNB has 19 full service banking locations with operations centered in San Antonio, Texas. The main office and 12 branches are located in San Antonio. The other six branches are located in the surrounding communities of Boerne, Hondo, Seguin, Castroville, Fredericksburg and Kerrville. A branch in Elgin, Texas was sold in July 2000 due to unprofitable operations in that area.

BNB faces its strongest competition in San Antonio from Frost National Bank, Jefferson State Bank, Compass Bank, and BankOne. Multinational or regional institutions such as Wells Fargo Bank, Bank of America, Chase Manhattan Bank and International Bank of Commerce are also competitors. Additional competition comes from other sources such as credit unions, national and regional mortgage companies, federal savings banks, and finance companies. Credit unions are especially competitive in consumer deposits, auto lending, and home improvement/home equity lending.

As of June 30, 2001, BNB's market share of bank deposits was 3.99% for a ranking of fifth in the San Antonio MA, which includes one county more than the bank's designated San Antonio AA. As of June 30, 2002, the San Antonio AA is the source of 87% of the bank's total deposits and 86% of the bank's total loans, and the loan to deposit ratio was 50%. Based on year-end loan to deposit ratios for 2000 and 2001, the average ratio is 53%.

BNB offers a full range of financial and credit services, with an emphasis on real estate lending for commercial and consumer residential loan products. As of June 30, 2002, net loans represented 46% of total assets. BNB's previous CRA performance evaluation is dated April 19, 1999. The bank was rated "Satisfactory" under Large Bank CRA guidelines.

Please refer to Appendix B for a market profile for the area that received a full scope review. This section contains detailed demographics, descriptions of the institution's operations, and other performance context information for the San Antonio AA.



# Scope of the Evaluation

## Evaluation Period/Products Evaluated

The evaluation period for this evaluation of BNB's CRA performance is April 20, 1999 to August 26, 2002. Under the Lending Test, conclusions are based on analyses of BNB's HMDA and CRA loan activity for calendar years 2000, 2001, and year-to-date activity as of June 30, 2002. The Lending Test also included a review of community development (CD) loans made during the evaluation period. The Investment Test evaluation is based on a review of qualifying CD investments. The Service Test evaluation is based on an evaluation of retail and commercial banking products and services and CD services.

## Data Integrity

The integrity of data used for this evaluation was determined during a Data Integrity Review in April, 2002. The scope of the review included HMDA and CRA loan data for 2000, 2001, and year-to-date March 31, 2002. Publicly reported data was compared to original loan documents, and the geo-coding of addresses was independently verified. The conclusion of this Data Integrity Review was that HMDA and CRA loan data is reliable. Information for samples of CD loans, investments and services was also reviewed and determined to be reliable.

## Selection of Areas for Full-Scope Review

BNB has three AAs. The San Antonio AA includes the counties of Bexar, Guadalupe, and Comal, and it received a full-scope review. These counties comprise most of the San Antonio MA. The Hill Country AA consists of Kendall, Gillespie, and Kerr Counties. The third AA is the Medina County AA. Refer to the table in Appendix A for more information. Both the second and third AAs received limited-scope reviews.

## Ratings

The bank's overall rating is based primarily on performance in the San Antonio AA which received a full-scope review. BNB's performance in small business and residential lending were primarily considered in arriving at the overall Lending Test rating, with small business lending being weighted more heavily because it represents about 60% of lending activity while home mortgages represent 38% of lending during the evaluation period.

## Other

One statewide micro business lender that is based in San Antonio was contacted during this evaluation. This nonprofit lender identified small business lending and related services as significant needs, and primarily in low- and moderate-income areas. Seven other community contacts that were done during the evaluation period were also reviewed. These contacts indicated that the primary credit needs were small business lending and more flexible affordable housing lending.

## **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information, HMDA, and small business and small farm lending data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in November 19, 2001.

# 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**". Overall lending performance is good in the San Antonio AA, based on the bank's performance context and the full-scope review of the specific metropolitan areas (MAs) and assessment areas (AAs).

### Lending Activity

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

Lending activity is good. Approximately 86% of the bank's loans evaluated for CRA are in the San Antonio AA. During the loan evaluation period, from January 2, 2000 to June 30, 2002, the bank originated a good volume of home mortgage loans and small loans to businesses. Due to the low volume of multi-family loans and small loans to farms originated, these loans were not considered for geographic or borrower distribution. Since the last evaluation, loan and deposit growth was moderate at 21% and 19%, respectively. During this period, the quarterly net loans-to-deposits ratio remained relatively stable, averaging 57.8%.

Loan volume in the AA is adequate. Market share and rankings for loan information were derived from 2000 Peer Mortgage data and 2000 Peer Small Business data. BNB ranked 62<sup>nd</sup> in the AA for home purchase loans and had a 0.40% market share. For home improvement loans, BNB ranked 31<sup>st</sup> with a 0.50% market share. The bank ranked 22<sup>nd</sup> for refinance loans with a 1.41% market share. BNB ranked 10<sup>th</sup> with a 2.28% market share for small loans to businesses, and was ranked 2<sup>nd</sup> with a market share of 9.22% for small loans to farms. Competition for home mortgage products in the San Antonio AA is extremely high. In 2000, there were 366 mortgage lenders in the AA consisting of commercial banks, mortgage companies, credit unions, and finance companies. As of June 30, 2001, BNB had 4% of the deposit market share in the AA and was ranked 5<sup>th</sup>.

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

BNB's overall distribution of loans by income level of the geography is good. The geographic distribution for home mortgage products is good in the San Antonio AA. Geographic distribution is adequate for small loans to businesses. Lending gaps exist within low- and moderate-income geographies for home mortgage products. Refer to the **Lending Gap Analysis** discussed later in this evaluation. A substantial majority (95% of the number and dollar) of loans originated in the bank's AA.

## ***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 originations and purchases of home mortgage loans. The bank's distribution of home mortgage loans by income level of the geography is good in the San Antonio AA.

### **Home Purchase Loans:**

The geographic distribution of home purchase loans is excellent. The distribution of loans in low-income CTs exceeds the percentage of owner-occupied housing units. The percentage of home purchase loans in moderate-income CTs is near the percentage of owner-occupied housing units. The bank's market share among low-income borrowers substantially exceeds its overall market share. The market share among moderate-income borrowers exceeds the overall market share.

### **Home Improvement Loans:**

The geographic distribution of home improvement loans is good. The percentage of home improvement loans in low-income CTs substantially exceeds the percentage of owner-occupied housing units. The percentage of bank loans in moderate-income CTs is below the percentage of owner-occupied housing units. The bank's market share in low-income geographies exceeds its overall market share. Market share in moderate-income geographies is below the overall market share.

### **Home Refinance Loans:**

The geographic distribution of home mortgage refinance loans is poor. The percentage of loans in both low- and moderate-income CTs is well below the percentage of owner-occupied housing units. The bank's market share in low- and moderate-income geographies is below its overall market share.

### **Multifamily**

A geographical analysis of multifamily loans is not included in the evaluation because the bank originated few of these loans and any analysis would not be meaningful. Table 5 in appendix C is not included.

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

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's lending to small businesses. The distribution of loans by the income level of the geography is adequate in the San Antonio AA.

The geographic distribution of small loans to businesses is adequate. The percentages of loans in low-income and moderate-income CTs are below the percentage of small businesses located in those tracts. BNB's market share in low-income CTs exceeds its overall market share. The market share in moderate-income geographies is near its overall market.

### ***Small Loans to Farms***

Refer to Table 7 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to farms.

No analysis was conducted for small loans to farms. During the evaluation period 36 loans originated in the San Antonio AA. Due to the low volume of loans, an analysis of the bank's performance for small loans to farms would not be meaningful.

### **Lending Gap Analysis**

Maps and reports were reviewed to identify any gaps in the geographic distribution of home mortgage loans and small loans to businesses. Lending gaps exist for home mortgage products in low- and moderate-income geographies. For home purchase loans, 55% of low-income CTs and 68% of moderate-income CTs had no loan penetration. Reports for home improvement loans show no penetration in 95% of low-income geographies and 96% of moderate-income geographies. For refinanced loans, 91% of low-income CTs and 71% of moderate-income CTs had no loan penetration.

Low- and moderate-income CTs are predominately located in the southern half of Bexar County. Demographic data show these tracts as some of the poorest in the county. The percentage of families below the poverty level averages 48% in low-income geographies and 28% in moderate-income geographies. The low level of occupied housing and the fact that it is difficult for the very poor to qualify for most home mortgage products were considered in making judgments about the bank's level of lending in low- and moderate-income areas.

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

During the evaluation period, approximately 95% of loans reviewed were within the combined AAs. Approximately 95% of the bank's home mortgage loans and 96% of the small loans to business were within its combined AAs. This performance was a positive factor in the overall analysis of the geographic distribution of lending.

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

BNB's overall distribution of loans by income level of the borrower is good. Borrower distribution for home mortgage loans is good. Borrower distribution for small loans to businesses is adequate.

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

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. The distribution of loans by income level of the borrower is good in the San Antonio AA.

### **Home Purchase Loans:**

The distribution of home purchase loans by borrower income level is excellent in view of the relatively high level of households (17%) in the AA that are below the poverty level. This indicates a higher difficulty for low-income families to qualify for home purchase loans. The percentage of loans to low-income borrowers is below the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The bank's market share for both low- and moderate-income borrowers exceeds its overall market share.

### **Home Improvement Loans:**

The distribution of home improvement loans by borrower income level is good. The percentage of bank loans is near the percentage of low-income families. The distribution to moderate-income borrowers is below the percentage of moderate-income families. BNB's market share to both low- and moderate-income borrowers exceeds the overall market share for home improvement loans.

### **Home Refinance Loans:**

The distribution of home mortgage refinance loans by borrower income level is adequate. The distribution to low-income borrowers is well below the percentage of low-income families. It is sometimes difficult for low-income families to qualify for refinance loans due to insufficient equity in their homes for an acceptable loan-to-value ratio after refinancing. The percentage of loans to moderate-income borrowers is below the percentage of moderate-income families. The bank's market share to low-income borrowers is below its overall market share. BNB's market share to moderate-income borrowers nearly equals its overall market share.

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

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses. The distribution of loans to businesses with revenues of \$1 million or less is adequate in the San Antonio AA.

BNB's percentage of loans to businesses with revenues of \$1 million or less is well below the percentage of businesses with revenues of \$1 million or less in the AA. Based on 2000 Peer Small Business Data, non-bank small business lenders in the AA originated approximately 34 percent of loans to businesses with revenues of \$1 million or less. There are numerous non-bank sources in the AA for small business lending that offer products to small business owners who normally would not qualify for traditional bank products. BNB's market share to businesses with revenues of \$1 million or less exceeds its overall market share.

## ***Small Loans to Farms***

Refer to Table 12 in the appendix C for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

No analysis was conducted for small loans to farms. During the evaluation period 36 loans originated in the San Antonio AA. Due to the low volume of loans, an analysis of the bank's performance for small loans to farms would not be meaningful.

## **Community Development Lending**

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

BNB has an excellent level of CD loans in the San Antonio AA. During the evaluation period BNB originated 34 loans totaling \$8.1 million in the San Antonio AA. These loans provided affordable housing for low- and moderate-income residents in the AA and financing for small businesses that have difficulty obtaining financing under normal bank underwriting standards, both identified credit needs. None of the CD loans are considered complex or innovative. CD lending had a positive effect on the Lending Test Conclusions in the San Antonio AA.

### **Affordable housing**

- BNB originated 29 loans totaling \$1.7 million to developers and non-profit organizations that constructed or rehabilitated affordable housing for low- and moderate-income individuals.

### **Services to low- and moderate-income individuals**

- \$1.5 million loan to a non-profit community health clinic. Loan proceeds were used to refinance existing debt at another bank and provide financing for leasehold improvements at a medical clinic located on the south side of San Antonio. The clinic provides medical services to low- and moderate-income individuals.
- \$2 million loan to a non-profit organization that provides shelter and basic services to low- and moderate-income children. Loan proceeds were used to purchase property and make improvements to the shelter.
- \$1.1 million to a non-profit religious organization. The organization's main purpose is to provide space for services to the low- and moderate-income community, especially social and health outreach services. The area served consists of four inner city council districts. The four districts have among the highest poverty levels in the city of San Antonio.

## **Economic development**

- \$1.7 million commitment to a non-profit development corporation for the redevelopment of Kelly Air Force Base (AFB). Kelly AFB was one of several bases around the country closed by the U. S. Department of Defense. This base had a great economic impact in the San Antonio AA through jobs and indirect economic stimulus. Funding for this project comes from a consortium of lenders in the greater San Antonio area. Lenders will offer special financing for small businesses with annual sales less than \$5 million that work on the redevelopment of Kelly AFB or are located within a 5-mile radius of the Kelly Center. Proceeds of the loan will provide funds for leasehold improvements, tenant finish-out, and new building construction.
- \$50,000 line of credit to a community development financial institution (CDFI) promoting economic development through micro-loans and technical assistance to start-up businesses typically ineligible for funds through traditional sources. The organization funded 540 loans in 1999. BNB donates interest paid on the line of credit back to the CDFI.

## **Product Innovation and Flexibility**

BNB offers flexible lending products, through outside sources, to address the credit needs of small business owners and low- and moderate-income individuals and geographies both inside and outside its AA. Bank management has participated in numerous partnerships, alliances, and special loan programs that address affordable housing and small business financing. During the evaluation period, BNB originated 13 loans totaling \$7.2 million to organizations that provide flexible financing to small business owners who would not qualify under most banks' lending criteria. BNB originated or purchased 210 loans totaling \$7.4 million to organizations that provide affordable housing to low- and moderate-income families. Although most are not innovative, the bank's participation in these programs provides more flexible underwriting criteria than BNB's traditional loan products. BNB has taken a leadership role in many of these programs. Following is a description of some of the programs that had a larger impact in the AA.

### **Small Business Financing**

**Community Development Loan Fund (CDLF):** is a Community Development Financial Institution (CDFI) initiated by the City of San Antonio and 21 banks in 1993 to address the underserved credit needs of small, minority- and women-owned businesses in Bexar and surrounding counties. CDLF is formally the San Antonio Business Development Fund. The Bank originated 6 loans totaling \$2.6 million under this program. BNB originated more loans by number and dollar in comparison to other lenders involved with this program.

**San Antonio Local Development Company (SALDC):** A non-profit Certified Development Corporation owned and principally financed by the City of San Antonio. This organization provides long-term, below-market, subordinated financing through the SBA 504 Loan Program for established small businesses to expand their operations. SALDC also administers the Economic Development Administration Revolving Loan Fund and the HUD Enterprise Community Loan Program, which provide financing for small businesses in the San Antonio



area often partnering with local banks. BNB originated 5 loans totaling \$2.9 million under this program.

**Greater Kelly Redevelopment Corporation:** BNB is a member of a consortium of lenders offering special financing to attract larger enterprises to secure jobs as a result of the base closure. BNB originated a loan commitment totaling \$1.7 million under this program. Underwriting guidelines include:

- Short-term loans (1 year or less) to finance contracts, A/R, inventory, etc.
- Long-term loans (7 years or less) to finance contracts, equipment, etc.
- No bank loan fees will be charged under this program; other fees may apply
- Interest rate – prime floating on short-term loans. Prime plus 1% floating on long term loans. Fixed rate option on long-term loans at prime plus 2% fixed at funding.
- Minimum loan amount \$10,000
- Maximum loan amount \$2,500,000

### **Affordable Housing:**

**Neighborhood Housing Services (NHS) First-Time Homebuyers Loan Program:** NHS mission is to improve the quality of life in neighborhoods it serves through homeownership. Revitalization is conducted through lending, homebuyer education, rehabilitation, and affordable housing development for families below 80% of the median family income. NHS public funds provided soft mortgages and low interest rate loans for low-income families. BNB has originated more loans than any of its peers in the San Antonio AA. BNB originated 81 loans totaling \$3.5 million under this program.

**San Antonio Development Agency (SADA)/City of San Antonio:** A political subdivision of the State of Texas, funded by the City of San Antonio, and organized to provide funds for affordable housing including down payment closing cost assistance. The bank originated 44 loans totaling \$2.1 million under this program. BNB is the leader among the other larger financial institutions involved with the SADA.

**Habitat for Humanity:** An ecumenical Christian organization working in partnership with people in need to build simple, decent and affordable homes without interest or profit. Built almost entirely with volunteer labor, Habitat houses are sold to low-income families (25% - 50% of median family income). BNB purchased 59 loans totaling \$969,000 under this program.

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

Based on limited-scope reviews, the bank's performance in the Hill Country AA and Medina County AA is inconsistent with (weaker) the bank's overall "**High Satisfactory**" performance under the Lending Test. The bank's performance is considered "**Low Satisfactory**" in these AAs based on borrower distribution. There are no low- or moderate-income geographies in the limited-scope areas. This rating is due to the bank's weaker performance in HMDA lending to low- and moderate-income borrowers.

## 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 San Antonio MA is good.

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

During the evaluation period, BNB funded \$1.9 million in qualified investments, grants, and donations. The bank also has an unfunded commitment of \$746 thousand remaining out of an initial \$1 million commitment in a qualifying investment.

The bank has two equity investments. The largest is a \$1 million mortgage backed security issued by the Government National Mortgage Association (GNMA). The underlying collateral on this GNMA consists of 15 loans secured by homes in the San Antonio AA. Eighty-six percent of these loan dollars were made to 13 low- or moderate-income families in the San Antonio AA. The other 14% of the loan dollars were made to two families financing properties located in moderate-income tracts. Eighteen percent of the loan amounts were made to three moderate-income families for their homes in moderate-income CTs.

The other equity investment is in the Independent Bankers Capital fund, L.P. This is a qualified Small Business Investment Company (SBIC). The bank made three capital contributions totaling \$254 thousand during the evaluation period. An unfunded portion of \$746 thousand remains out of a \$1 million commitment, which is the third highest amount among 58 investor banks in Texas. Since its inception in November 1999, this SBIC has funded \$7.6 million in loans in Texas. This SBIC's trade area covers a statewide or regional area that includes the bank's AAs; however, because none of the loans funded by the SBIC are in the bank's AAs, this investment is allocated based on the distribution of deposits by AA. The bank is given favorable consideration because of the few community development investment opportunities the San Antonio AA, and the bank's good performance in meeting current CD needs in the San Antonio AA. This investment is not considered complex or innovative.

Other qualified investments consist of grants or donations and the most significant are described below:

#### **United Way**

BNB makes annual corporate contributions of \$40 to \$50 thousand per year. In years 2000 and 2001, the United Way provided evidence that a majority of their client base consisted of low- or moderate-income families. In 2002, the bank requested their \$53,000 contribution be targeted to programs with over 51% of low-income (less than \$35 thousand) participants, as the San Antonio United Way's information showed 39% of its client base clearly fit under the HUD Median Family Income definition for low- or moderate-income.

### **U.U. Housing Assistance Corporation**

BNB contributed \$25,000 to this organization in 2002. This is a partnership with The PMI Group, Inc's Gateway Cities Initiatives & U.U. Housing Assistance Corporation to build new homes for first-time low-income homebuyers and to purchase, repair, and sell homes to low-and/or moderate-income families in the area known as the Five Points Historical Area. This project is considered innovative for the San Antonio AA. The PMI Group Inc. had been successful with this program in the Houston area, but this program had not been attempted in San Antonio.

### **San Antonio Communities Organized for Public Service (COPS)/Metro Alliance**

The bank contributes \$20,000 annually to this organization. This organization works exclusively with low-income residents. These San Antonio residents earn less than 150% of the federal poverty line, or 45% of the median family income. COPS offers programs such as school reform, after school programs, affordable housing, and adult education - job training. The organization reports that 90% of the beneficiaries of their services are low-income individuals.

### **Neighborhood Housing Services of San Antonio, Inc. (NHS)**

BNB contributes \$20,000 annually to this organization. NHS offers home buying and home owning services geared to the inner city community, such as homebuyer education and counseling, first-time homebuyer programs, and loan products. Very low- and low-income families are NHS's target customers, making up three-fourths of all borrowers. The remaining quarter of their customers are between 50% and 120% of the HUD updated median family income, buying homes in either low-income CTs or targeted mixed-income projects.

### **Other Qualifying Community Development Donations:**

The bank has contributed a number of donations to various qualifying community development organizations other than the aforementioned. The more notable of these include The George Gervin Youth Center, Habitat for Humanity, Boys and Girls Town, San Antonio Development Agency, and the Guadalupe County Food Bank. None of these are considered complex or innovative.

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

Based on limited scope reviews, the bank's performance under the investment test in the Hill Country AA and the Medina County AA limited-scope areas is weaker than the bank's overall "**High Satisfactory**" performance under the investment test. Performance in the limited-scope areas is rated "**Low Satisfactory**". The main opportunities for qualified investments in these limited-scope areas are through donations, which BNB has done on a limited basis. The bank is still relatively new to these areas and investment opportunities are very few.

## **SERVICE TEST**

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

BNB's performance under the Service Test is rated "**Low Satisfactory**" based on a full-scope review of the bank's performance in the San Antonio AA.

BNB's delivery systems are reasonably accessible by geographies and individuals of different income levels in the San Antonio AA, particularly low- and moderate-income areas and persons.

Branch openings and closing have had a positive effect on delivery systems.

Services and business hours do not vary in a way that would inconvenience any portions of the AAs.

The level of CD services is good.

### **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 quantity and quality of the bank's service-delivery systems allow for reasonable access to bank products and services by geographies and individuals of different income levels in BNB's San Antonio AA. The bank provides a standard range of services through its branch locations and ATM network. None are tailored to low- or moderate-income, or small business needs.

BNB has 14 full-service banking offices and 16 ATMs in the San Antonio AA. The distribution of full-service bank offices in low-income CTs is excellent as the percentage of bank offices is near the percentage of the population that is low-income. The distribution of bank offices in moderate-income CTs is adequate as the percentage of bank offices is below the distribution of the population that is moderate-income. It is noted that the income designation of an additional office changed from moderate-income to upper-income due to a revision of FFIEC geocoding.

Since the prior examination, BNB opened three branches, one in a low-income CT and two in upper- income CTs. No branches were closed during the evaluation period in the San Antonio AA. This record of opening and closing branches has increased the accessibility of BNB's products and services by the immediate area's low- and moderate-income people because this low-income CT is surrounded by numerous low- and moderate-income CTs.

Accessibility of BNB's products and services by low- and moderate-income people was improved through the opening of one ATM in a low-income CT and one in a moderate-income tract. Two ATMs were opened in upper-income CTs. BNB's distribution of ATMs in low-income CTs is good, as the percentage of ATMs in low-income CTs (6.25%) is near the

percentage of the population that is low-income (7.47%). The distribution of ATMs in moderate-income CTs is adequate as the percentage of bank offices in moderate-income CTs (6.25%) is below the distribution of the population that is moderate-income (28.59%). It is noted that the income designation of an additional ATM changed from moderate-income to upper-income due to a revision of FFIEC geocoding.

Hours of operation and services are consistent throughout the AA and commensurate with those offered in the San Antonio AA. They allow for reasonable availability to the community.

## **Community Development Services**

BNB provides a good level of financial services with the primary purpose of community development in the San Antonio AA. The bank provides technical assistance and financial expertise in securing donations and other assistance for nonprofit groups that serve low- and moderate-income families and geographies, and small businesses.

Examples include:

### **Community Development Loan Fund (CDLF)**

Two BNB loan officers are members of the CDLF board and review loans for credit decisions for this lending fund. A consortium of banks and the City of San Antonio created the fund to support small, minority- and women-owned businesses in San Antonio.

### **Habitat for Humanity**

Two BNB loan officers are members of the Board of Directors. The two officers provide technical assistance on financial matters and conduct homebuyer education classes and credit counseling to Habitat clients.

### **Neighborhood Housing Services of San Antonio, Inc.**

BNB's mortgage lenders conduct homebuyer counseling and provide technical financial assistance to this organization.

### **U.U. Housing Assistance (Home Improvement & Mortgage Loan Program)**

Four BNB officers provide technical assistance on financial matters, attend monthly meetings, and provide technical assistance to promote mortgage and home improvement services. Additionally, BNB participates in housing fairs sponsored by UU Housing, which are targeted to low- and moderate-income clients.

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

Based on limited-scope reviews, the bank's performance under the Service Test in the Hill Country AA and Medina County AA is not inconsistent with the bank's overall "**Low Satisfactory**" performance under the Service Test. BNB sold one branch in the City of Elgin, Texas because it was unprofitable. Elgin is in Bastrop County, which is no longer a BNB AA.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/02/2000 to 06/28/2002) Investment and Service Tests and CD Loans: (04/20/1999 to 08/26/2002)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Broadway National Bank (BNB) San Antonio, Texas	HMDA, CRA, Community Development Loans, Investments, Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	N/A	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>
San Antonio Assessment Area Hill Country Assessment Area Medina County Assessment Area	Full-Scope Limited-Scope Limited-Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

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

<a href="#"><u>(Name of MA or Non-metropolitan Area)</u></a> .....	B-2
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## San Antonio Assessment Area

Demographic Information for Full-Scope Area: (Name of MA or Non-metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	250	8.80	29.20	33.60	27.20	1.20
Population by Geography	1,302,099	7.47	28.59	35.64	28.31	0.00
Owner-Occupied Housing by Geography	267,105	5.08	25.20	34.86	34.87	0.00
Businesses by Geography	55,569	4.80	21.54	37.24	36.40	0.02
Farms by Geography	1,358	1.69	15.68	41.53	41.02	0.07
Family Distribution by Income Level	332,315	22.50	17.09	20.11	40.30	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	131,543	12.70	40.11	34.12	13.07	0.00
Median Family Income						
HUD Adjusted Median Family Income for XXXX	\$29,898					
Households Below the Poverty Level	46,200					
	17.14%					
			Median Housing Value			\$64,837
			Unemployment Rate			3.84%

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

Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The San Antonio AA consists of three counties (Bexar, Comal, and Guadalupe) and 250 CTs out of the San Antonio MA. Wilson County is the only county in the San Antonio MA that is not included in BNB's San Antonio AA. BNB's AA also include the Hill Country AA (Gillespie, Kerr and Kendall Counties) with 17 BNAs, and the Medina County AA with seven BNAs.

The San Antonio economy is diverse and continues to grow with a strong workforce. The city's high number of government, healthcare, and service sectors gives San Antonio more of a stable economic climate in good times and bad. While the San Antonio metropolitan area was affected by the September 11, 2001, terrorist attacks that curtailed tourism and travel on a nationwide basis, tourism is beginning to improve in the area.

The largest private sector employers include HEB Food Stores, USAA Federal Savings Bank, the Baptist Health System, and SBC Communications. Principal public sector employers include the U.S. Government, the City of San Antonio, Kelly USA, and the San Antonio Independent School District.

The unemployment rate in San Antonio is lower than state and national averages. The June 30, 2002 unemployment rate for San Antonio is 5.4%. The Texas unemployment rate is 6.5% and the national unemployment rate is 6.0%. The trend in the unemployment rate for the San Antonio AA is stable to declining.



## 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 Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

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

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of 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 – Other Products and Table 13 – Geographic Distribution of Consumer Loans are not applicable. Therefore, they are not included in this section.**

**Table 1. Lending Volume**

LENDING VOLUME		Geography: TEXAS				Evaluation Period: JANUARY 2, 2000 TO JUNE 28, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
San Antonio AA	86.32	796	73,794	1,613	177,836	36	1,235	34	8,128	2,479	260,993	87.78
<b>Limited Review:</b>												
Hill Country AA	11.94	251	30,736	82	6,123	10	779	0	0	343	37,638	8.85
Medina County	1.74	31	2,409	11	861	8	668	0	0	50	3,938	3.37

\* Loan Data as of June 28, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is April 19, 1999 to August 26, 2002

\*\*\* Deposit Data as of June 30, 2001. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: TEXAS					Evaluation Period: JANUARY 2, 2000 TO JUNE 28, 2002									
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
San Antonio AA	367	72.96	5.08	9.26	25.20	21.25	34.86	23.16	34.87	46.32	0.40	4.07	0.74	0.35	0.30	
<b>Limited Review:</b>																
Hill Country AA	127	25.25	0.00	0.00	0.00	0.00	64.00	52.76	36.00	47.24	4.77	0.00	0.00	4.89	4.62	
Medina County	9	1.79	0.00	0.00	0.00	0.00	72.90	66.67	27.10	33.33	1.15	0.00	0.00	1.13	1.18	

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

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

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

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

Geographic Distribution: HOME IMPROVEMENT												Geography: TEXAS				Evaluation Period: JANUARY 2, 2000 TO JUNE 28, 2002				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography									
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
San Antonio AA	39	68.42	5.08	15.38	25.20	12.82	34.86	15.38	34.87	56.41	0.50	2.19	0.26	0.20	0.69					
<b>Limited Review:</b>																				
Hill Country AA	12	21.05	0.00	0.00	0.00	0.00	64.00	58.33	36.00	41.67	3.33	0.00	0.00	4.39	1.52					
Medina County	6	10.53	0.00	0.00	0.00	0.00	72.90	66.67	27.10	33.33	10.00	0.00	0.00	9.52	11.11					

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

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: TEXAS Evaluation Period: JANUARY 2, 2000 TO JUNE 28, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
San Antonio AA	389	75.24	5.08	0.77	25.20	7.46	34.86	24.94	34.87	66.84	1.41	0.38	0.84	0.98	2.17	
<b>Limited Review:</b>																
Hill Country AA	112	21.66	0.00	0.00	0.00	0.00	64.00	58.04	36.00	41.96	4.92	0.00	0.00	5.36	4.46	
Medina County	16	3.09	0.00	0.00	0.00	0.00	72.90	68.75	27.10	31.25	2.81	0.00	0.00	2.00	3.85	

\* Based on 2000 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 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: TEXAS						Evaluation Period: JANUARY 2, 2000 TO JUNE 28, 2002							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
San Antonio AA	39	68.42	22.50	20.51	17.09	12.82	20.11	7.69	40.30	58.97	0.53	1.11	0.57	0.16	0.54
<b>Limited Review:</b>															
Hill Country AA	12	21.05	15.01	0.00	15.37	8.33	22.32	8.33	47.31	83.33	3.51	0.00	5.26	3.23	3.48
Medina County	6	10.53	23.12	0.00	14.00	0.00	20.37	0.00	42.51	100.00	10.71	0.00	0.00	0.00	15.00

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

\*\* As a percentage of loans with borrower income information available. No information was available for 0.00% 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 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: TEXAS			Evaluation Period: JANUARY 2, 2000 TO JUNE 28, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
San Antonio AA	36	66.67	91.38	97.22	97.22	0.00	2.78	9.22	12.15
<b>Limited Review:</b>									
Hill Country AA	10	18.52	94.43	100.00	80.00	0.00	20.00	1.02	1.07
Medina County	8	14.81	92.17	87.50	75.00	12.50	12.50	1.96	11.76

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

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

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2001).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 1.85% of small loans to farms originated and purchased by Bank.

## Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: TEXAS			Evaluation Period: APRIL 19, 1999 TO AUGUST 26, 2002				
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
San Antonio AA	2	56	121	1,759	123	1,815	97.69	1	746
<b>Limited Review:</b>									
Hill Country AA	0	0	12	28	12	28	1.51	0	0
Medina County	0	0	6	15	6	15	0.81	0	0

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

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



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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: TEXAS Evaluation Period: APRIL 19, 1999 TO AUGUST 26, 2002																		
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population				
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography				
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp	
<b>Full Review:</b>																		
San Antonio AA	87.78	14	74	7.14	7.14	28.57	57.14	3	0	1	0	0	2	7.47	28.59	35.64	28.31	
<b>Limited Review:</b>																		
Hill Country AA	8.85	3	16	0.00	0.00	66.67	33.33	0	0	0	0	0	0	0.00	0.00	66.26	33.74	
Medina County	3.37	2	11	0.00	0.00	50.00	50.00	0	0	0	0	0	0	0.00	0.00	74.85	25.15	
Bastrop County <sup>1</sup>	0.00	0	0	0.00	0.00	0.00	0.00	0	1	0	-1	0	0	0.00	39.92	60.08	0.00	

<sup>1</sup> Branch in Bastrop County was sold in July 2000. Bastrop County is no longer part of the bank's AA.