



Public Disclosure

January 25, 1999

Community Reinvestment Act Performance Evaluation

**Moody National Bank
Charter Number: 8899**

**2302 Postoffice Street
Galveston, Texas 77550**

Office of the Comptroller of the Currency

**Houston Field Office
1301 McKinney Street, Suite 3750
Houston, Texas 77010**

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.

Table of Contents

- General Information** 1
- Definitions and Common Abbreviations** 2
- Overall CRA Rating** 4
- Description of Institution** 5
- Scope of Evaluation** 8
- Conclusions with Respect to Performance Tests**
 - Lending Test 9
 - Investment Test 12
 - Service Test 12
- Fair Lending Review** 14
- Appendix A:** Geographic Distribution: HMDA and Small Business Loans for 1997 15
- Appendix B:** Geographic Distribution: HMDA and Small Business Loans for 1998 17
- Appendix C:** Borrower Distribution: HMDA and Small Business Loans for 1997 19
- Appendix D:** Borrower Distribution: HMDA and Small Business Loans for 1998 21
- Appendix E:** Qualified Investments 23
- Appendix F:** Distribution of Branch and ATM Delivery System 24

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 **Moody National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 25, 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.

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 safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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.

Census Tract (CT) - Small, locally defined 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.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a MSA 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 its disposition (e.g., approved, denied, withdrawn).

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 census tracts. 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.

Low-Income - Income levels that are less than 50% of the MFI.

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

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

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

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Overall CRA Rating

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

The major factors which support this rating include:

- < Moody National Bank (MNB) has demonstrated an adequate responsiveness to the community’s demonstrated credit needs given their resources.
- < The substantial majority of HMDA, small business and small farm loans are originated within MNB’s assessment area.
- < The dispersion of HMDA, small business, and small farm loans in the assessment area is satisfactory. MNB lends across various geographic and borrower income levels.
- < MNB has a reasonable level of community development loans given their resources and opportunities. They also have made some use of innovative or flexible loan programs.
- < MNB has a poor level of qualified investments.
- < MNB’s retail delivery systems are reasonably accessible to individuals and geographies of different income levels. The level of community development services is good.

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

Performance Levels	Moody National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			X
Low satisfactory	X		
Needs to improve		X	
Substantial noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

Description of Institution

Moody National Bank (MNB) is a full-service banking subsidiary of Moody Bank Holding Company (MBHC) headquartered in Galveston, Texas. The December 31, 1999 asset size is \$341 million with \$300 million in total deposits, including \$72 million of preferred deposits to public entities. The bank's year-end loan-to-deposit ratio of 28.6% is lower than other comparable banks. This ratio is negatively impacted by the high level of preferred public deposits. These deposits are not lendable funds as state law requires them to be secured. Adjusting for these non-lendable funds results in a loan-to-deposit ratio of 37.6% which is more consistent with other comparable banks. However, it also indicates that MNB has additional capacity available for lending. MNB's deposits comprise approximately 13% of total deposits in Galveston County, where the main bank is located. This ranks second among the 20 banking companies represented in Galveston County.

MNB has designated a single assessment area, although the area has changed from 1997 to 1998. The change was precipitated by the bank's branch expansion into Brazoria County and southern Harris County. The assessment area for 1997 is defined as: *Galveston Metropolitan Statistical Area (MSA)*; and for 1998 it is defined as: *Galveston MSA, Brazoria MSA, and the portion of Harris County east of I-45 and south of the ship channel, inclusive of whole census tracts*. MNB currently operates 12 full-service branches and 16 ATM's in it's assessment area.

Several community contacts have been conducted in the designated assessment areas over the past two years. Contacts have cited small business and home improvement loans as the predominant credit needs in the area. Home improvement lending was cited as a particular credit need in the City of Galveston. Homes are older and more likely in need of repair on the island. Small business working capital credit was generally cited as needed throughout the assessment area.

The following tables reflect the demographic characteristics of the bank's 1997 assessment area and 1998 assessment area. Note the significant increase in all demographic characteristics from 1997 to 1998. This is attributable to the bank's expanded assessment area during this timeframe.

Demographic Information for Assessment Area: 1997 - Galveston MSA #2920						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	67	13.43	23.88	37.31	19.40	5.98
Population by Geography	217,399	8.34	19.52	48.62	23.45	.07
Owner-Occupied Housing by Geography	50,463	4.78	18.37	49.51	27.34	0
Businesses by Geography	7,176	16.60	16.08	42.39	24.93	0
Farms by Geography	137	3.65	13.14	51.82	31.39	0
Family Distribution by Income Level	58,334	23.46	16.77	19.76	40.01	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	23,471	14.15	27.91	47.90	10.04	0
Median Family Income	= \$35,742	Median Housing Value				= \$59,588
HUD Adjusted Median Family Income for 1997	= \$47,100	Unemployment Rate (1990 Census)				= 3.44%
Households Below the Poverty Level	= 15.0%					

Source: 1990 U.S. Census and 1997 HUD updated Median Family Income.

Demographic Information for Assessment Area: 1998 - MSA's #2920, #1145, and a part of #3360						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	193	5.70	25.91	43.01	18.13	7.25
Population by Geography	721,067	3.48	23.73	47.15	25.61	.03
Owner-Occupied Housing by Geography	156,431	1.69	19.70	48.92	29.69	0
Businesses by Geography	24,000	5.38	22.15	44.59	27.49	.39
Farms by Geography	447	1.34	15.44	54.36	28.86	0
Family Distribution by Income Level	191,051	20.09	17.42	22.09	40.40	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	71,680	6.26	34.09	48.72	10.93	0
Median Family Income	= \$38,675	Median Housing Value				= \$61,393
HUD Adjusted Median Family Income for 1997	= \$48,835	Unemployment Rate (1990 Census)				= 2.99%
Households Below the Poverty Level	= 11.7%					

Source: 1990 U.S. Census and 1997 HUD updated Median Family Income.

Galveston Island (City of Galveston) contains a population of approximately 60,000 persons in 24,000 households with 21% below the poverty level. The city has a homeownership rate of only 32% compared to 50% for the entire county.

This is partially explained by the student population of the University of Texas Medical Branch (UTMB) and Texas A&M University at Galveston.

Galveston's largest employer is UTMB, with approximately 11,000 employees ranging from lower paid service employees to highly paid medical professionals. The tourism industry is also an important source of jobs, although they tend to be lower paid service-related jobs. The Port of Galveston is no longer a major U.S. port and is not a major provider of jobs in the region. On the mainland, manufacturing, petro-chemical and trade industries provide the majority of jobs in the assessment area.

MNB's CRA performance was last evaluated November 25, 1996. It's performance was rated "Satisfactory" at that time.

Scope of the Evaluation

The review for the lending test covered the timeframe beginning January 1, 1997 to September 30, 1998. This is the timeframe associated with the bank's required collection of small business and small farm data for the Large Bank CRA program. The review for the Investment and Services tests were conducted from January 1, 1997 until January 25, 1999. Loan products evaluated were predominately HMDA and small business loans. The bank has not originated many farm credits. Consumer loans are not a substantial majority of MNB's business, and therefore are not considered in this evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Lending Activity

Major lending products applicable to the CRA for MNB include small business, home purchase and home improvement loans. MNB also originates home purchase and home improvement refinance, multi-family, and small farm loans to a lesser degree. The bank has demonstrated an adequate responsiveness for all applicable lending products during the evaluation period. Although market share percentages appear relatively low, they are somewhat reflective of the high level of competition from non-bank financial lenders in the area. The bank's lending volumes look more favorable when compared to similarly situated financial institutions in the area. The following table reflects a market share comparison of FDIC-Insured commercial banks operating in the Galveston MSA for 1997 (1998 data is not available).

Institution Name	Total Deposits in Galveston MSA*		Small Business loans in Galv. MSA**		Home Purchase loans in Galv. MSA**		Home Imprvmt loans in Galv. MSA**	
	Market Share	Rank	Market Share	Rank	Market Share	Rank	Market Share	Rank
Moody National Bank	12.9%	2	5.9%	6	.7%	41	5.4%	5
NationsBank N.A.	11.6%	3	3.9%	8	1.06%	26	12.3%	1
Merchants Bank	7.5%	4	13.9%	2	.5%	52	4.1%	9
U.S. National Bank	7.2%	5	8.2%	4	1.06%	27	3.0%	13
Chase Bank N.A.	5.5%	6	1.8%	11	.1%	134	0.0%	N/A

* Based on June 30, 1998 FDIC market share reports. Guaranty F.S.B. ranks 1st in Mkt Share, but is a savings bank and not used for comparison purposes.

** Based on number of loans from 1997 Business Demographic Data.

MNB has shown a substantial increase in small business lending for 1998 through nine months. As of September 30th, they have originated 126 small business loans compared to 85 for all of 1997. This represents a 98% increase and is primarily attributable to the growth from increased branching. However, home mortgage lending has declined by 48% from 111 to 58 through the first 9 months of 1998. Home mortgage lending is defined as home purchase, home

improvement, refinances of home purchase or home improvement, and multi-family housing loans. The following tables reflect the lending volumes in the bank's assessment areas for 1997 and 1998.

LENDING VOLUME		State: TEXAS		Assessment Period: January 1, 1997 TO December 31, 1997								
MSA/Assessment Area:	% of Total Bank Deposit in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Loans		% of Total Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Galveston MSA #2920	100%	111	3,833	85	5,942	0	0	1	1,200	197	10,975	100%

Source: Bank Data

LENDING VOLUME		State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998								
MSA/Assessment Area:	% of Total Bank Deposit in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Loans		% of Total Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	100%	58	2,636	126	10,431	0	0	0	0	184	13,067	100%

Source: Bank Data

The loans detailed above represent a substantial majority of total bank loans for these loan types in all areas. In 1997; 95% of home mortgage, and 83% of small business loans were made in the designated assessment area. In 1998; 97% of home mortgage, and 91% of small business loans were made in the designated assessment area.

Distribution of Loans by Income Level of the Geography

Refer to Appendix A for details on Geographic Distribution Lending Patterns for 1997. Refer to Appendix B for details on Geographic Distribution Lending Patterns through nine months of 1998.

Home Mortgage Loans

Home mortgage products are distributed throughout all CT income levels in a reasonable manner. The percentage of loans in low- and moderate-income CTs is consistent with the percentage of owner-occupied units in the various tracts. In 1997 and 1998, approximately 29% and 22% of the number of MNB's home purchase loans were in low- and moderate-income CTs. This compares to the percentage of owner-occupied units in these tracts at 23% and 21%, respectively. Home improvement loans in low- and moderate-income CTs were 21% and 30% over this same timeframe. MNB has a higher market share percentage in low- and moderate-income CTs at 2.83% compared to an overall market share of 1.56%.

Small Business Loans

MNB has demonstrated good efforts at small business lending in low- and moderate-income CTs. The percentage of loans in low- and moderate-income CTs is consistent with the percentage of small businesses located within these tracts. In 1997 and 1998, approximately 42% and 49% of the number of MNB's small business loans were in low- and moderate-income CTs. This compares to the percentage of small businesses located in these tracts at 33% and 28%, respectively. The bank has a higher market share percentage of loans in low- and moderate-income CTs at 8.7% compared to an overall market share of 5.9%.

Distribution of Loans by Income Level of the Borrower

Refer to Appendix C for details on Borrower Distribution Lending Patterns for 1997. Refer to Appendix D for details on Borrower Distribution Lending Patterns for 9 months of 1998.

Home Mortgage Loans

Home mortgage products are adequately distributed by borrower income levels. The percentage of loans to low- and moderate-income families compared to the percentage of low- and moderate-income families in the assessment area is reasonable. MNB has a higher market share among low-income families at 3.16% and moderate-income families at 1.72% compared to an overall market share percentage of 1.59%.

Small Business Loans

MNB reflects satisfactory lending patterns to businesses of different sizes. In 1997, approximately 72% of the bank's small business loans were originated to firms with less than \$1 million in gross annual revenues. The bank's competition in the assessment area originated only 57% of their small business loans to this size of firm. In 1998, the bank's

percentage of these loans has declined to 65%. The 1998 market data for comparison purposes is unavailable at this time.

Community Development Lending

During the evaluation period, MNB originated one loan meeting the definition of community development. The bank participated with two other local institutions in refinancing a \$1.2 million loan providing renovation funds for a historical building in the downtown area. The building is in a low-income tract. The loan was originated under the Incentive Loan Program sponsored by the Downtown Revitalization Coalition d.b.a. The Historic Downtown/Strand Partnership.

Product Innovation and Flexibility

MNB participates in a low interest rehabilitation loan program sponsored by the Galveston Historical Foundation. The program is designed to stimulate the rehabilitation of historic properties on Galveston Island. The maximum loan amount is \$50,000 and the bank has originated 3 loans totaling \$147,226 under this program.

INVESTMENT TEST

MNB has made very few qualified investments in its community. The CRA provides specific definitions for investments, grants, and donations which qualify. Although MNB has made many donations and contributions in its community, most do not meet the tests specified by the CRA. Total qualified investments during the review period were \$28,433. This includes an in-kind donation of computer equipment to a local agency that provides community services for low- and moderate-income children and youth. Also, the bank has provided grants to the Downtown Revitalization Coalition, the Galveston County Economic Development Alliance (GCEDA) and the Galveston Economic Development Partnership. These organizations have been instrumental in bringing new businesses to Galveston County and the City of Galveston. The latter two have created over 200 jobs for low- and moderate-income individuals since they were formed in 1998.

Refer to *Appendix E* for details on Qualified Investments.

SERVICE TEST

Delivery systems are accessible to essentially all portions of MNB's assessment area. All locations offer both deposit and loan services. Refer to *Appendix F* for details on the *Distribution of Branch and ATM Delivery Systems*.

Retail Banking Services

MNB operates 12 full-service branches and 16 ATMs, of which 4 are free standing. The main office and 3 ATMs are located in a low-income CT in downtown Galveston. Three branches and ATMs are located in moderate-income census tracts in Galveston and Brazoria counties. The other offices are located throughout the assessment area, including 4 grocery store branches. Eight of the branches, including the main office, have drive-through facilities. Ten of the branches have lobby hours on Saturdays, and the 4 grocery store branches are open on Sundays, offering a good level of convenience for bank customers throughout the assessment area. Seven branches have opened during the review period, with 2 located in moderate-income census tracts.

In addition to traditional deposit accounts, the bank cashes payroll checks for several large commercial and public entities in the assessment area that employ low- and moderate-income individuals. No fees are charged, even if the employees do not have a deposit account at the bank. Bi-lingual services (Spanish speaking employees) are available at seven of the branches, including the main office, which is in the low-income census tract. Two of the 7 are located in moderate-income tracts in Galveston and Texas City. Other services include 24 hour telephone banking for bank customers to check deposit balances, loan balances, transfer funds, and make loan payments. Internet banking is also available at no charge for customers who desire to bank from home on their computer. Customers may also pay bills through the Internet banking feature for a small monthly fee.

Community Development Services

An officer of MNB served as an advisory member of the board and a member of the loan review committee for the Galveston CDC during the evaluation period. He has been elected as a full member of the board for 1999. He has also participated in home buyer training courses and follow-up counseling on the responsibilities of home ownership.

The bank provides referral services to the Galveston County Small Business Development Center at Galveston College for customers who need guidance on starting a small business, writing a small business plan, or applying for an SBA loan.

Three officers at the main office are advisory board members of the Galveston Consumer Credit Counseling Service (CCCS). The board met quarterly during the review period, with the bank officers providing guidance to the counselors on working with clients. One officer, located at the Clear Lake branch, has been Chairman of the Board of the Clear Lake Consumer Credit Counseling Service during the review period. The Clear Lake CCCS meets twice yearly to discuss how to help consumers re-establish their credit. A workshop for low- and moderate-income individuals on purchasing a home was sponsored

by the CCCS and held in the Clear Lake branch facility in 1997.

Bank staff have also been active in providing financial education to high school students during the review period.

Fair Lending Review

Our concurrent fair lending examination did not detect any evidence of discriminatory or other illegal credit practices. MNB has established adequate policies and training programs to ensure compliance with antidiscrimination laws and regulations.

APPENDIX A

Geographic Distribution: HMDA and Small Business Loans for 1997

Geographic Distribution: HOME PURCHASE																	State: TEXAS		Assessment Period: January 1, 1997 TO December 31, 1997				
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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							
Galveston MSA #2920	4.8%	0.0%	18.4%	29.4%	49.5%	58.8%	27.3%	11.8%	41	.70	0	2.21	1.07	.16	34	92%							

* Based on 1997 Aggregate HMDA Data only.

Geographic Distribution: HOME IMPROVEMENT																	State: TEXAS		Assessment Period: January 1, 1997 TO December 31, 1997				
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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							
Galveston MSA #2920	4.8%	7.5%	18.4%	13.4%	49.5%	59.7%	27.3%	19.4%	5	5.37	10.2	4.62	7.62	2.71	67	96%							

* Based on 1997 Aggregate HMDA Data only.

Geographic Distribution: REFINANCE																	State: TEXAS		Assessment Period: January 1, 1997 TO December 31, 1997				
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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							
Galveston MSA #2920	4.8%	0.0%	18.4%	30.0%	49.5%	40.0%	27.3%	30.0%	25	1.04	0	2.08	1.2	.66	10	100%							

* Based on 1997 Aggregate HMDA Data only.

APPENDIX A - (continued)

Geographic Distribution: MULTI-FAMILY																	State: TEXAS		Assessment Period: January 1, 1997 TO December 31, 1997				
---------------------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--------------	--	---	--	--	--	--

MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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
Galveston MSA #2920	4.8%	0.0%	18.4%	0.0%	49.5%	0.0%	27.3%	0.0%	0	0	0	0	0	0	0	0.0%

* Based on 1997 Aggregate HMDA Data only.

Geographic Distribution: SMALL BUSINESS State: TEXAS Assessment Period: January 1, 1997 TO December 31, 1997																
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total Loans	
	% of Bus.'s	% BANK Loans	% of Bus.'s	% BANK Loans	% of Bus.'s	% BANK Loans	% of Bus.'s	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Galveston MSA #2920	16.6%	25.9%	16.1%	16.5%	42.4%	35.3%	24.9%	22.4%	6	5.9	11.0	6.6	5.3	4.1	85	83%

* Based on 1997 Aggregate Small Business Data only.

APPENDIX B

Geographic Distribution: HMDA and Small Business Loans through nine months of 1998

Geographic Distribution: HOME PURCHASE																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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						
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	1.7%	4.4%	19.7%	17.4%	48.9%	52.2%	29.7%	26.1%	N/A	N/A	N/A	N/A	N/A	N/A	23	96%						

* Based on 1997 Aggregate HMDA Data only.

Geographic Distribution: HOME IMPROVEMENT																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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						
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	1.7%	3.7%	19.7%	25.9%	48.9%	22.2%	29.7%	48.2%	N/A	N/A	N/A	N/A	N/A	N/A	27	96%						

* Based on 1997 Aggregate HMDA Data only.

Geographic Distribution: REFINANCE																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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						
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	1.7%	0.0%	19.7%	20.0%	48.9%	60.0%	29.7%	20.0%	N/A	N/A	N/A	N/A	N/A	N/A	5	100%						

* Based on 1997 Aggregate HMDA Data only.

APPENDIX B - (continued)

Geographic Distribution: MULTI-FAMILY																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total 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						

Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	1.7%	100%	19.7%	0.0%	48.9%	0.0%	29.7%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	3	100%
---	------	------	-------	------	-------	------	-------	------	-----	-----	-----	-----	-----	-----	---	------

* Based on 1997 Aggregate HMDA Data only.

Geographic Distribution: SMALL BUSINESS State: TEXAS Assessment Period: January 1, 1998 TO September 30, 1998																
MSA/Assessment Area:	Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Overall Market Rank*	Market Share*					Total Loans	
	% of Bus.'s	% BANK Loans	% of Bus.'s	% BANK Loans	% of Bus.'s	% BANK Loans	% of Bus.'s	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	5.4%	27.8%	22.2%	21.4%	44.7%	25.4%	27.6%	25.4%	N/A	N/A	N/A	N/A	N/A	N/A	126	91%

* Based on 1997 Aggregate Small Business Data only.

APPENDIX C

Borrower Distribution: HMDA and Small Business Loans for 1997

Borrower Distribution: HOME PURCHASE State: TEXAS Assessment Period: January 1, 1997 TO December 31, 1997																
MSA/Assessment Area:	Low-Income Families	Moderate-Income Families	Middle-Income Families	Upper-Income Families	Overall Market Rank**	Market Share**					Total Loans					

	% of Families		% BANK Lns*		% of Families		% BANK Lns*		Overall	Low	Mod	Mid	Upp	#	% of Total	
	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*										
Galveston MSA #2920	23.5%	6.7%	16.8%	20.0%	19.8%	6.7%	40.0%	66.6%	41	.70	.98	.91	.18	.88	30	91%

* 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.

Borrower Distribution: HOME IMPROVEMENT State: TEXAS Assessment Period: January 1, 1997 TO December 31, 1997																
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank**	Market Share**					Total Loans	
	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*		Overall	Low	Mod	Mid	Upp	#	% of Total
Galveston MSA #2920	23.5%	12.1%	16.8%	13.6%	19.8%	19.7%	40.0%	54.6%	5	5.37	5.63	4.79	4.66	5.78	66	96%

* 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.

Borrower Distribution: HOME REFINANCE State: TEXAS Assessment Period: January 1, 1997 TO December 31, 1997																
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank**	Market Share**					Total Loans	
	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*		Overall	Low	Mod	Mid	Upp	#	% of Total
Galveston MSA #2920	23.5%	20.0%	16.8%	10.0%	19.8%	30.0%	40.0%	40.0%	25	1.04	6.06	1.23	2.08	.84	10	100%

* 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.

Borrower Distribution: MULTI-FAMILY State: TEXAS Assessment Period: January 1, 1997 TO December 31, 1997																
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank**	Market Share**					Total Loans	
	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*	% of Families	% BANK Lns*		Overall	Low	Mod	Mid	Upp	#	% of Total
Galveston MSA #2920	23.5%	0.0%	16.8%	0.0%	19.8%	0.0%	40.0%	0.0%	0	0	0	0	0	0	0	0.0%

* 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.

APPENDIX C - (continued)

Borrower Distribution: SMALL BUSINESS State: TEXAS Assessment Period: January 1, 1997 TO December 31, 1997										
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share***		Total Loans	
	% of Businesses*	% BANK Lns	% Market Lns**	< \$100,000	\$100,000 to \$250,000	> \$250,000	All	Rev \$1 million or less	#	% of Total
Galveston MSA #2920	93.07%	71.76%	57.04%	70	11	4	5.9	7.3	85	83%

* As a percentage of businesses with known revenues.

** 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.

APPENDIX D

Borrower Distribution: HMDA and Small Business Loans through nine months of 1998

Borrower Distribution: HOME PURCHASE																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank	Market Share					Total Loans							
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total						
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	20.1%	11.8%	17.4%	23.5%	22.1%	29.4%	40.4%	35.3%	N/A	N/A	N/A	N/A	N/A	N/A	17	100%						

* As a percentage of loans with borrower income information available. No information was available for 20% of loans originated by BANK.

Borrower Distribution: HOME IMPROVEMENT																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank	Market Share					Total Loans							
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total						
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	20.1%	0.0%	17.4%	7.7%	22.1%	26.9%	40.4%	65.4%	N/A	N/A	N/A	N/A	N/A	N/A	26	100%						

* As a percentage of loans with borrower income information available. No information was available for 20% of loans originated by BANK.

Borrower Distribution: HOME REFINANCE																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank	Market Share					Total Loans							
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total						
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	20.1%	20.0%	17.4%	40.0%	22.1%	0.0%	40.4%	40.0%	N/A	N/A	N/A	N/A	N/A	N/A	5	100%						

* As a percentage of loans with borrower income information available. No information was available for 20% of loans originated by BANK.

APPENDIX D - (continued)

Borrower Distribution: MULTI-FAMILY																	State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998			
MSA/Assessment Area:	Low-Income Families		Moderate-Income Families		Middle-Income Families		Upper-Income Families		Overall Market Rank	Market Share					Total Loans							
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total						

Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	20.1%	0.0%	17.4%	0.0%	22.1%	0.0%	40.4%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	0	0.0%
--	-------	------	-------	------	-------	------	-------	------	-----	-----	-----	-----	-----	-----	---	------

* As a percentage of loans with borrower income information available. No information was available for 20% of loans originated by BANK.

Borrower Distribution: SMALL BUSINESS		State: TEXAS		Assessment Period: January 1, 1998 TO September 30, 1998							
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share		Total Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	< \$100,000	\$100,000 to \$250,000	> \$250,000	All	Rev \$1 million or less	#	% of Total	
Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	N/A	64.60%	N/A	100	16	10	N/A	N/A	126	91%	

* As a percentage of businesses with known revenues.

** As a percentage of loans with revenue information available. No information was available for 10% 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.

APPENDIX E

Qualified Investments

QUALIFIED INVESTMENTS	State: TEXAS	Evaluation Period: JANUARY 1, 1997 TO JANUARY 25, 1999
-----------------------	--------------	--

MSA/Assessment Areas:	Affordable Housing		Community Service		Economic Development/ Small Business		Revitalize or Stabilize		Total Investments		
	#	Amt	#	Amt	#	Amt	#	Amt	#	Amt	% of Total \$'s
1997: Galveston MSA #2920	0	0	8	10,325	2	3,700	1	150	11	14,175	100%
1998: Galveston MSA #2920; Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	0	0	12	7,559	4	6,700	0	0	16	14,259	100%

APPENDIX F

Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM														State: TEXAS				Evaluation Period: JANUARY 1, 1997 TO JANUARY 25, 1999			
MSA/Assessment Area:	Deposit	Branches						ATMs				Population									
	% of Total BANK Deposit	# of BANK Branch	% of Total BANK Branch	Location of Branches by Income of Geographies				# of BANK ATMs	% of Tot. ATM	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				
1998: Galveston MSA #2920: Brazoria MSA #1145; and part of Harris Co. in Houston MSA #3360	100	12	100	1	3	4	4	16	100	3	3	6	4	20.1	17.4	22.1	40.4				