



Public Disclosure

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Community Reinvestment Act Performance Evaluation

Broadway National Bank
Charter Number: 14447

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Office of the Comptroller of the Currency

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NOTE: This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Broadway National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **April 19, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Overall CRA Rating

Institution's CRA Rating: This institution is rated **"Satisfactory."**

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

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

- < A good responsiveness to credit needs, especially home purchase mortgages and an adequate responsiveness to small business loans.
- < A substantial majority of home mortgage and small business related loans were originated within its assessment areas.
- < A good dispersion of home loans to borrowers of varying income levels and an adequate dispersion of small business loans to businesses of different sizes.
- < A high level of community development lending.
- < An adequate level of investments in the San Antonio assessment area.
- < The use of flexible and innovative underwriting guidelines to meet the credit needs of individuals and small businesses, particularly those for affordable housing.
- < The reasonable accessibility of Broadway's services through branch and ATM locations, and telephone and computer banking services.

< A good level of community development services.

Description of Institution

Broadway National Bank (Broadway) was established in 1941 to primarily serve the deposit and credit needs of military families stationed in San Antonio, Texas. Broadway began in a small store front in the Alamo Heights area as the first suburban bank north of the City of San Antonio. Today, the bank has evolved from a small neighborhood bank into the third largest bank based in San Antonio. As of December 31, 1998, Broadway reported total assets of \$950 million and net income of \$13 million.

Broadway is an intrastate bank that is wholly-owned by Broadway Bancshares of Delaware, Inc. (BBDI), an intermediary multi-bank holding company. Broadway 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 on Fort Sam Houston which is surrounded by San Antonio. BBDI is a shell corporation whose only assets are Broadway and ENB, and it is wholly-owned by Broadway Bancshares, Inc. (BBI) of San Antonio. BBI's total assets as of December 31, 1998 are \$1.079 billion. There are no activities of any affiliates or subsidiaries of Broadway that were reviewed in this Performance Evaluation.

Broadway has 17 full service banking locations with operations centered in San Antonio, Texas. The main office and nine branches are located in San Antonio with one branch in each of the following cities: Boerne, Kerrville, Fredericksburg, Castroville, Hondo, Elgin and Seguin. These seven locations were acquired in December 1996 from Bank of America, N. A. (BOA). These purchases represent the largest, most significant expansion in the bank's history. Since the acquisitions of the seven branches from BOA, Broadway opened a loan production office in February 1997 and two branches, one in January 1998 and the other in July 1998. These three locations were opened in San Antonio.

Broadway faces strong competition from multinational and regional banking companies with a significant presence in the San Antonio area such as Bank One, N. A., BOA, Comerica Bank, N. A., Wells Fargo Bank, N. A., Frost National Bank, and International Bank of Commerce. Additional competition comes from the area's large community banks and other nontraditional sources such as national and regional mortgage companies, finance companies, credit unions, and securities firms. Credit unions are especially competitive in consumer deposits, auto lending and home improvement/home equity lending.

As of June 30, 1998, Broadway's market share of bank deposits was 5.24% for a ranking of fifth in its combined assessment areas. The San Antonio area is the source of 86% of the bank's total deposits and 82% of the bank's total loans. As of December 31, 1998, the bank's loan to deposit ratio was 49%. Based on annual loan to deposit ratios for 1997 and 1998, the average ratio is approximately 47%.

Broadway offers a full range of financial and credit services, with an emphasis on real estate lending. These include commercial, real estate, and consumer loan products. As of December 31, 1998, net loans represented 53% of total assets. Broadway's first and second lien residential real estate loans constitute approximately \$251 million or 60% of the loan portfolio, while consumer lending makes up \$49 million or 12%. Commercial and industrial loans account for \$98 million or 24%, loans secured by nonfarm nonresidential properties total \$93 million or 36.7%, and construction and land development loans total \$48 million or 19.0%.

Broadway has no legal impediments which hamper its ability to help meet various credit needs based on its financial condition, size, prior performance or legal impediments.

Broadway's previous CRA performance evaluation is dated April 23, 1997. The bank was rated "Outstanding" under Small 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 assessment area.

Scope of the Evaluation

Evaluation Period/Products Evaluated

Broadway's performance with respect to the CRA was reviewed under the Lending, Investment and Service Tests for large banks. The evaluation period selected for this review was April 24, 1997 through April 19, 1999. Under the Lending Test, conclusions were based on an analysis of Broadway's Home Mortgage Disclosure Act - Loan Activity Reports (HMDA-LARs) for calendar years 1997 and 1998, Data Collection Registers (DCRs) for small business and small farm lending for calendar year 1998, and CD lending during the evaluation period. No market or peer data is available for the home loans and small business and small farm loans originated in 1998 given the 1998 HMDA-LAR, small business and small farm DCR had recently been filed March 1, 1999. Retail and commercial banking products and services and community development services were evaluated under the Service Test. Qualifying CD investments, grants and donations were evaluated under the Investment Test.

Data Integrity

A data verification review was performed on the bank's HMDA-LARs and DCRs for accuracy during the examination. Specific products reviewed included home purchase, home improvement and refinance mortgages, loans to small businesses and small farms, and community development loans. Significant errors were noted with the small business and small farm loans data that was reported for 1997 and 1998. Bank management corrected and resubmitted 1998 information only. Therefore, our analysis of small business and small farm lending was based only on the accurate data for 1998. Examiners were unable to use small business/small farm data or market comparison data for 1997 since that information was not corrected during this evaluation.

Selection of Areas for Full-Scope Review

The Counties of Bexar and Guadalupe from the San Antonio MSA (the San Antonio Area) were selected for full-scope review for several reasons. A substantial majority of Broadway's loans (82%) and deposits (86%) originated in the area, the main office and most branches (65%) and ATM locations (75%) are located in the area, almost all qualified investments were directed to this area. In addition, Broadway's main focus is in and around the San Antonio area. Additionally, this area constitutes a good representative sample of the most significant market

where Broadway conducts business. A limited scope review was performed for the Bastrop County and the Texas Non-Metropolitan area (Gillespie, Kendall, Kerr and Medina Counties) given these areas are representative of less significant markets where Broadway conducts business. Please refer to Appendix A for more information on the San Antonio Area which received a full-scope review.

Ratings

Broadway's overall CRA performance rating is based primarily on a full-scope review of the bank's performance in the San Antonio Area. Home purchase lending activity received the most weight followed by small business lending in developing the conclusions regarding the bank's overall performance. The offices in Bastrop County and in the Texas Nonmetropolitan areas are still considered relatively new markets for the bank since being acquired in December 1996; therefore, performance in these markets received minimal weighting on the overall CRA performance rating. The bank's HMDA lending performance, particularly home purchase loans, was weighed more heavily than small business lending since mortgage lending is a significant line of business for Broadway.

Other

A review of nine community contacts conducted in the San Antonio Area indicates a number of opportunities to participate in CD loans, investments and service activities in the San Antonio Area. The City of San Antonio, two chambers of commerce, the local CDC, a nonprofit micro business lender, and four affordable housing organizations were contacted. These contacts identified the primary needs of the community as affordable housing, affordable home improvement and small business loans. CD lending opportunities are primarily in inner city development and construction of affordable housing. Some of the more significant affordable housing opportunities exist in the major distressed neighborhoods which are within San Antonio's Empowerment Zone Enterprise Community, a 15-square mile area comprised of the inner city portions of the west and east side quadrants. CD investment opportunities include purchase of mortgage-backed securities whose underlying collateral is home purchase loans of low- and moderate-income borrowers, participation in the San Antonio Housing Authority's Affordable Housing Low-Income Tax Credit or Tax Exempt Bond Program, and qualifying donations to a variety of area organizations that serve primarily low- and moderate-income geographies or persons in the San Antonio Area. Overall,

community development opportunities in the San Antonio Area are characterized as moderate.

Fair Lending Review

We performed a fair lending review utilizing procedures outlined within the OCC's Fair Lending Handbook, dated October 1997. The fair lending review focused on a selected group of applications for home purchase loans. A comparative file review was conducted with specific emphasis upon the potential for illegal discrimination on the basis of Race. We compared creditworthiness of approved Hispanic applicants to approved White applicants and the rates and terms of these two groups. We found no violations of the substantive provisions of the antidiscrimination laws and regulations. In addition, the bank's internal procedures, training programs and internal review process for prevention and/or detection of possible illegal discrimination were reviewed and analyzed. No areas of concern were identified.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

Broadway's performance under the Lending Test is rated "**High Satisfactory**". Based on a full-scope review, the bank's performance in the San Antonio assessment area is good.

Conclusions:

- < Lending levels reflect a good responsiveness to credit needs within Broadway's assessment areas, especially home purchase mortgages.
- < Broadway is one of the top lenders of home mortgage products, particularly home purchase loans, to low- and moderate-income geographies and borrowers throughout the San Antonio assessment area. The distribution shows that loans to low- and moderate-income geographies and borrowers substantially match or exceed the percentage of owner-occupied units and percentage of families.
- < Small business lending levels reflect an adequate dispersion throughout the assessment areas. During 1998, the bank originated 745 loans totaling approximately \$56 million.
- < The borrower distribution is good for originating small business loans to small businesses, and in amounts of \$100 thousand or less.
- < Broadway has a strong level of CD lending in the San Antonio assessment area.

Lending Activity

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

Overall lending volume is good in the San Antonio assessment area. Table 1 shows that Broadway originated 1,613 reportable loans totaling approximately \$128 million during the evaluation period. A substantial majority of the number

(1,325 or 82%) and dollar amounts (\$102 million or 80%) of loans originated in the San Antonio assessment area. The loan to deposit ratio as of December 31, 1998 is 49% which is slightly lower than peer banks. This lower ratio is due to the strong competition and Broadway's conservative lending philosophy.

Home mortgage lending activity is good based on a comparison between Broadway's market share and ranking in HMDA loan products and its market share and ranking of bank deposits. Broadway has a 5.24% share of bank deposits which results in a ranking of fifth among banks in Bexar County. The bank's shares and rankings for home purchase, home improvement, and home refinancing loans in its San Antonio assessment area are significantly lower at 0.93%/32nd, 1.21%/19th, and 1.07%/20th, respectively. However, among the same banks in its San Antonio assessment area, Broadway ranks 5th, 10th, and 4th.

Market share data and ranking for small business and small farm loans was not evaluated due to errors in the bank's reported 1997 data.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

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

Lending levels for home purchase loans in low- and moderate-income tracts are good considering the percentage of owner-occupied units as shown in the Tables, the percentage of rental units (8% in low-income CTs and 26% in moderate-income CTs), households below the poverty level in the San Antonio assessment area, the bank's overall market share in these geographies, and competition as discussed previously.

Broadway extended 91% of their HMDA loans in their assessment area from January 1, 1997 through December 31, 1998. Broadway directly originated 858 home mortgage related loans (home purchase, home improvement and refinances) totaling \$69 million during the evaluation period. Again, more than a majority of these loans in number (636 or 74%) and dollar amounts (\$102 million or 70%) were made within the San Antonio Area. Total originations, in both number and dollar amounts, reflects a good responsiveness to home mortgage credit needs in this assessment area.

Demographic information shows approximately 5% and 27% of the owner-occupied housing units in the San Antonio Area are located in low- and moderate-income CTs, respectively. As Table 2 shows, Broadway originated approximately 7% and 26%, respectively, of the home purchase loans in the low- and moderate-income CTs of the San Antonio assessment area. The table also shows that Broadway's market share of loans in low- and moderate-income CTs exceeds its overall market share. These levels of lending demonstrate an excellent responsiveness to the low- and moderate-income housing related credit needs in the area, especially in view of the strong competition in the area.

While Broadway has slightly larger market presences in the home improvement and refinancing markets as compared to home purchase lending, lending performance to low- and moderate-income areas was weaker as shown in Tables 3 and 4. Low-income CT lending was 3% and 1% for home improvement and refinancing loans, respectively, and moderate-income area lending was 8% for both loan types, compared to the level of owner-occupied housing in these CTs. This weaker performance is due to intense competition, largely from community banks and large area credit unions for home improvement loans, and from national mortgage companies and one large local credit union for refinancings.

Noticeable gaps were evident in the geographic distribution of home improvement and refinancing loans. Two loans of each type were noted in low-income areas, while 6 home improvement loans and 17 refinancing loans were made in moderate income areas. These gaps are due to banking locations that are generally on the northern half of the San Antonio assessment area which is mostly middle- and upper income. Another factor has been strong competition as already discussed. In response to these gaps, Broadway opened a branch in a low-income tract and has continued to explore avenues to increase mortgage lending in these areas. One program that has been implemented in the community to help is the United Unitarian (UU) Housing Program. For additional information regarding this and other programs to increase home improvement and refinancing lending activities, refer to "**Product Flexibility**" for additional information.

Small Business Loans

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

Broadway's geographic distribution of small business lending is adequate. Approximately 3% and 9% of small business loans were originated to businesses in low- and moderate-income tracts, respectively, compared to 6% and 23% of

the businesses in these tracts being small businesses. This performance is indicative of the bank locations as mentioned above.

Small Farm Loans

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

Minimal weight was placed on the bank's small farm lending because it represents less than 1% of the total loan portfolio and is not a major line of business in the San Antonio assessment area. Moreover, the San Antonio assessment area is largely urban with nominal farm activity noted. Broadway originated only 22 small farm loans in 1998 totaling \$1.2 million in the San Antonio assessment area. Further discussion and analysis of small farm loans are not meaningful in the context of this evaluation since they are not material in number or dollar amounts.

Lending Gap Analysis

No significant lending gaps outside of those previously discussed for the home improvement and home refinance loans were noted in an analysis of geographic lending in the San Antonio assessment area.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

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

Broadway's record of making home purchase, home improvement, and home mortgage refinance loans to borrowers of different incomes is satisfactory. Demographic information shows 23% of families are low-income, and 17% are moderate-income while 60% are middle- and upper-income borrowers in the San Antonio Area.

Broadway's percentage of home purchase loans to low-income borrowers (15%) compares unfavorably to demographics, but the bank's percentage of home purchase loans to moderate-income borrowers (27%) in the San Antonio

assessment area significantly exceeds demographics. Broadway was not an active lender in this area with only a 0.95% market share; however, Broadway's market shares of loans to low-income applicants (2.49%) and moderate-income applicants (1.18%) were significantly better than its overall market share in the San Antonio assessment area. This low-income market share comparison to overall market share and the favorable lending to moderate-income borrowers mitigate the gap in loans to low-income borrowers. Another strong mitigating factor is that low-income families have a high degree of difficulty qualifying for a loan to purchase a home at the median housing value unless they receive some form of down payment assistance.

The combined percentage of lending to low- and moderate-income borrowers for home improvement and refinancing are below the combined percentage of low- and moderate-income borrowers in the San Antonio assessment area. Broadway's percentage of lending for home improvement loans to low- and moderate-income borrowers were 9% while refinances were 17%, both below demographics, but mitigated by the factor of strong competition that was previously discussed.

Small Business Loans

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

Small business lending performance is adequate. Broadway's lending to small businesses has accounted for 61% of its loans while 73% of the businesses in the assessment area are categorized as small (revenues less than \$1 million). And a substantial majority (78%) of the small business loans that Broadway makes are in amounts of \$100 thousand or less.

Small Farm Loans

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

Minimal weight was given to the bank's small farm lending activity in the San Antonio assessment area. Farm lending is not a significant product line for the bank in this assessment area. Volume was very nominal as the bank made 22 small farm loans in 1998. It is noted that 87% of the loans were to small farms and a substantial majority (91%) were in amounts of \$100 thousand or less.

Community Development Lending

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

Broadway has originated a high level of community development loans. In the San Antonio Area, the main community development lending needs are affordable housing and small business loans. During the evaluation period, the bank originated 18 loans totaling \$3.8 million. These lending efforts include the following:

- C In 1997 and 1998, the bank originated 16 interim construction loans totaling \$883 thousand to local home builders to build affordable homes in inner city low- and moderate-income areas targeted for redevelopment. These sites are located in the San Antonio Enterprise Community. Developments created were Coliseum Oaks, Villas de Esperanza, Claude W. Black/Cherry Street and Brookside Homes which are located within the HUD designated San Antonio Enterprise Community. Special interest-free or low-interest (1-3%) second lien loans are made available to assist low- and moderate-income home buyers with closing costs and down payments.
- C In 1997, Broadway made a \$1.4 million construction loan to build a family medical practice in a moderate-income tract in San Antonio's Southside that had few medical facilities available nearby. The practice primarily serves the residents of the area which consists mainly of low-income and other moderate-income tracts.
- C In November 1997, a binding commitment to purchase \$1.5 million out of a \$15 million credit facility to the Greater Kelly Development Corporation (GKDC). This commitment includes a \$5 million revolving credit facility and a \$10 million multiple advance term loan. The bank has already funded their \$500 thousand portion of the revolving credit facility. GKDC is a nonprofit corporation established by the City of San Antonio to redevelop and revitalize the southwest section of the city surrounding Kelly Air Force Base and to offer special financing for the purpose of job creation in this predominately low- and moderate-income part of San Antonio as a result of the base's closure in July 2001.
- C In 1998, two loans totaling \$113,400 were made to the George Gervin Center Youth Programs. The proceeds were used to build affordable homes in low- and moderate-income areas. Administered by HUD, the program targets

disadvantaged “at risk” youth and adults with the intent of teaching them a trade in the home construction industry.

- C In February 1998, they renewed a \$25 thousand interest-free loan to ACCION, Texas. A consortium of four banks offers interest-free lines of credit to help meet expenses of servicing ACCION’s loan portfolio. ACCION is a private nonprofit economic development organization offering micro-business loans between \$300 and \$25,000 and/or technical assistance to start-up and existing small businesses typically ineligible for funds through traditional sources. During the assessment period, ACCION made 315 loans totaling \$1.0 million during 1998. Sixty-three percent (63%) of the number and 84% of the dollar amount were made in the San Antonio MSA. Ninety-one percent (91%) of the loans’ recipients were minorities and 59% were women.
- C Their pro-rata share of loans originated by the San Antonio Business Development Fund (SABDF). Based on a \$56,250 investment, SABDF’s total capitalization of \$12.1 million, and the total of \$2.1 million in qualifying loans funded from April 24, 1997 to April 19, 1999, the bank’s portion is \$65,007.

Product Innovation and Flexibility

Broadway makes use of flexible underwriting guidelines to meet the credit needs of both individuals and small businesses, and especially those is need of affordable housing loans. The majority of the programs were initiated to increase the volume of lending to low- and moderate- income individuals and small businesses. Many times, Broadway leverages these programs with public monies to maximize home ownership opportunities for low- and moderate-income families and individuals. In some cases (UU Housing and NHS), Broadway has assumed a leadership role in making these programs available to low- and moderate-income areas and/or families.

Examples of flexible loan products are:

- C *Habitat for Humanity*
Broadway purchases home loans from Habitat for Humanity, a nonprofit organization building homes in low- and moderate-income areas of San Antonio for low- and moderate-income individuals. This allows Habitat to leverage funds to continue building and rehabilitating homes. As of March 31, 1999, Broadway had purchased 25 loans totaling \$373 thousand. The bank purchased an additional 20 loans totaling \$544 thousand in May 1999.

C Small Business Administration (SBA) Lending

Broadway is designated as a "certified" SBA lender. Broadway participates in the SBA's Small Loan Program designed for loans under \$50 thousand and in loans which SBA guarantees up to a maximum of \$750 thousand. As of March 31, 1999, Broadway had originated 6 loans totaling \$727 thousand.

Examples of innovative or special mortgage loan programs for various housing development projects targeting low- and moderate-income areas or borrowers are:

C United Unitarian (UU) Housing Home Improvement & Mortgage Loan Program

This program is aimed at strengthening the inner-city neighborhoods of Beacon Hill and Alta Vista. The arrangement among UU Assistance Corporation, San Antonio Housing Trust and Broadway makes low interest home improvement loans available to qualifying low- and moderate-income residents of these areas. Interest free money is combined on a two-to-one basis with Broadway's funding to make 6.4% interest loans. This is one of the first programs of its kind in the San Antonio assessment area for home improvement financing in low- and moderate-income inner-city neighborhoods. After Broadway's participation in this program began in February 1999, five loan commitments totaling \$71 thousand have been extended and are awaiting funding.

C Coliseum Oaks, Villas de Esperanza, Claude W. Black/Cherry Street, Brookside Homes

Special interest-free or low-interest (1-3%) second lien loans are made available to assist low- and moderate-income home buyers with closing costs and down payment assistance to buy homes in these low- and moderate-income subdivision developments that are located in a HUD designated Enterprise Community. The funds were created through private/public partnerships involving the City of San Antonio, the Greater San Antonio Builders Association, nonprofit groups and several lending institutions including Broadway. As of March 31, 1999, Broadway had originated 13 loans totaling \$2.0 million using the special financing.

C Neighborhood Housing Services (NHS)

NHS is a non-profit organization whose mission is to improve the quality of life in targeted neighborhoods by promoting revitalization through home ownership and rehabilitation using various public and private monies. NHS was certified as a Community Housing Development Organization by the City of San Antonio and Bexar County. This allows NHS to administer government funds for down payment and closing cost assistance and public funds to provide soft second mortgages or low-interest loans to bring the sales price to an affordable level. During the evaluation period, Broadway was the lead lender for NHS providing

first lien loans on 62 loans totaling \$2.2 million which leveraged second liens by NHS totaling \$818 thousand.

C Communities Organized for Public Service (COPS)/Metro Alliance (Metro)

COPS was organized in 1974 to improve the infrastructure in low- and moderate-income neighborhoods in San Antonio's West Side. Metro, a sister organization, was formed later to focus on San Antonio's East side. The organizations focus on empowering residents to initiate changes and improvements in their neighborhoods located on the East, West and South sides of San Antonio. Broadway has partnered with four local banks to make home improvement and mortgage loans available to families identified and counseled by the organizations. Additionally, COPS/Metro has worked to create a special mortgage product tailored to meet the housing needs of participating families. The special mortgage product includes down-payment assistance and flexibility when evaluating medical and trade delinquencies. In 1998, COPS/Metro sponsored 11 work sessions for new participants and 2 housing fairs. In 1997, the assistance program provided \$3 thousand each to 24 participating families. During 1998, COPS/Metro worked to obtain down-payment assistance of \$8 thousand each for 22 participating families. Broadway funded 18 mortgage loans totaling \$718 thousand for the evaluation period.

C San Antonio Development Agency (SADA)

SADA, a political subdivision of the State of Texas, is funded by the City of San Antonio and organized to provide funds for down-payment and closing cost assistance for low- and moderate-income families. SADA has several programs involving the development of land for new home construction in the inner city areas of San Antonio. Funding is available through various public sources to assist with down payments and closing costs and to provide subsidies to make homes affordable.

In 1997 and 1998, the down payment and closing cost assistance program provided \$5 thousand to each borrower. For 1999, SADA will increase this limit to \$8 thousand per borrower and increase the appraisal limit from \$65 thousand to \$75 thousand. This change will allow SADA to help more families attain home ownership. As of April 16, 1999, Broadway originated 15 first lien loans for \$668 thousand and leveraged \$85 thousand in down payment assistance loans from SADA for the assessment period.

Examples of special loan programs geared to meet the credit needs of small businesses in the assessment area are:

C San Antonio Business Development Fund (SABDF)

Broadway is a level 2 investor in the SABDF, a multi-bank community development corporation providing flexible gap financing to small businesses that do not qualify for traditional bank financing. The SABDF relies on the 20 investor banks to refer applicants that require gap financing. The primary emphasis is on small businesses owned by minorities and women and the creation and retention of jobs with consideration focused on low- and moderate-income residents. Broadway works with small business loan applicants that do not qualify under the bank's conventional lending programs. Total financing packages have thus far resulted from a partnership between the SABDF and Broadway, where each lender makes a loan to the same business. The total amount of the loans would not normally be possible for these small businesses without the gap financing assistance from the SABDF. During the assessment period, Broadway originated 4 loans totaling \$245 thousand and leveraged \$185 thousand in down payment assistance loans from SABDF.

C Kelly Redevelopment Loan Program

Broadway is a member of a consortium of lenders offering special financing for small businesses with annual sales less than \$5 million that perform work with the redevelopment of Kelly Air Force Base (KAFB) or that is located within a five-mile radius of the center of KAFB. The intent of this program is to promote economic development that will help stabilize the area and minimize the adverse economic impact when KAFB is closed. Surrounding tracts are primarily low- and moderate-income. Broadway offers loans with special pricing to finance contracts, accounts receivable, equipment, inventory, leasehold improvements, and other needs. Broadway originated 12 loans totaling \$318 thousand in the assessment period.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's lending performance in Bastrop County and in the Texas Nonmetropolitan areas is weaker than the bank's overall lending performance; however, it did not change the overall Lending Test rating. These locations are still considered relatively new and therefore, of little impact to the bank's overall lending performance. Refer to the Tables 1-11 in Appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated **"Low Satisfactory"**. Based on a full scope review the bank's performance in the San Antonio assessment area is adequate.

Conclusions:

- < Broadway has an adequate level of qualifying community development investments and grants, given the bank's size, available resources and opportunities available.
- < Broadway has made qualifying investments, grants or donations totaling \$265 thousand for the review period of April 24, 1997 through April 19, 1999.
- < Several qualifying donations have had a material impact.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation. Based on the information provided, Broadway has qualifying community development investments, donations and equity holdings totaling \$265 thousand. All investments directly benefit the bank's assessment area.

Broadway has made a \$56,250 equity investment in the San Antonio Business Development Fund (SABDF), a multi-bank community development corporation (CDC). SABDF provides gap financing to small businesses unable to qualify for traditional sources of funds. The primary emphasis is on small business development, women- and minority-owned businesses and the creation and retention of jobs for low- and moderate-income residents. While this investment originated in the prior evaluation period, it is considered by virtue of the bank's active involvement through partnership loans and other loans to customers referred by SABDF to Broadway, and bank officers who serve SABDF by providing financial services. See Community Development Services later in this evaluation.

All qualifying donations benefit the San Antonio assessment area. Broadway has made 50 donations to 39 different organizations in this evaluation period. Most donations are responsive to helping organizations meet identified credit needs and provide financial assistance in several areas including small business financing, affordable housing and revitalization of low- and moderate-income geographies.

Some examples of high impact donations include the following:

- C In July 1997 and March 1998, the bank donated a combined \$25 thousand to NHS primarily to support the salary of an affordable housing lender. NHS is a non-profit, certified Community Housing Development organization with a mission to improve the quality of life in targeted low- or moderate-income neighborhoods by promoting revitalization through home ownership and rehabilitation. NHS' focus is low- or moderate-income individuals or families. Broadway and three senior partner banks each contribute \$12.5 thousand annually. Broadway pledged to donate \$12.5 thousand for 1999.
- C Broadway donated \$20 thousand in 1997 and \$20 thousand in 1998 to COPS/Metro Alliance for the purpose of operating expenses directly related to the organization's affordable housing efforts.
- C The bank donated \$13 thousand and \$12.5 thousand to NHS also for meeting expenses directly associated with this organization's affordable housing efforts.

Broadway's responsiveness to community credit needs is evidenced by the numerous donations. Although the bank has an adequate level of qualified CD investments, opportunities may exist for additional qualified investments.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in Bastrop County and in the Texas Nonmetropolitan assessment areas is weaker than the bank's overall "Low Satisfactory" performance under the Investment Test as the bank has made no qualifying investments, grants or donations in these areas. However, it did not change the overall Investment rating. The bank's presence in these areas is still considered relatively new and the bank's performance in these areas is therefore, of little impact to the bank's overall Investment rating. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

Broadway's performance under the Service Test is rated "**Low Satisfactory**". Based on a full-scope review, the bank's performance in the San Antonio assessment area is adequate.

Conclusions:

- < Broadway's delivery systems are reasonably accessible by most geographies and individuals of different income levels in its assessment area, particularly moderate-income areas and persons.
- < Branch openings and closings have not adversely affected delivery systems.
- < Services and business hours do not vary in a way that would inconvenience any portions of the assessment areas.
- < The level of CD services is high.

Retail Banking Services

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

The quantity, quality and accessibility of the bank's service-delivery systems allow for adequate access to bank products and services by most geographies and individuals of varying income levels of the institution's assessment area, and limited access by persons in low-income areas. The bank provides a standard range of services through its branch locations and ATM network.

Broadway has 11 full-service banking offices and 12 ATMs in the San Antonio assessment area. No bank branch or ATM is located in a low-income area. Three or 27% of branches and two or 17% of ATMs are located in moderate-income CTs as compared to population distributions of 9% in low-income CTs and 31% in moderate-income CTs. Eight (8) or 73% of Broadway's branches are located in middle- or upper-income geographies. During this evaluation period, Broadway opened two branches in 1998. One new branch is located in a middle-income CT and the other new branch is in an upper-income CT. There have been no branches closed during the evaluation period. A gap exists with regard to low-income areas; however, the gap is only in deposit products. The gap in availability of loan products was bridged somewhat with the opening of a loan production office (LPO) in a low-income CT that is surrounded by other low-income CTs. The LPO is located in San Antonio's Enterprise Community and represents 8% (1 of 12) of total lending locations, which is generally consistent with the distribution of low-income CTs.

A variety of bank services are offered and there is no variance among office locations. Alternative delivery systems include an LPO in a low-income CT, telephone banking and internet banking. The LPO was opened during this evaluation period primarily to increase access to affordable housing loans by low- and moderate-income families on San Antonio's west side, a predominately low- and moderate-income area. The effectiveness of telephone banking and internet banking in reaching low- and moderate-income persons or geographies could not be determined as no pertinent data was available. All locations, including telephone/computer banking, offer services in Spanish, consistent with demographics and community needs

Hours of operation and services are commensurate with those offered in their respective communities, with two exceptions. The San Pedro and Huebner branches have no drive-thru facilities available, but do provide 24 hour drive-up ATMs. In addition, the downtown location lacks an ATM. Nine of the 11 locations offer Saturday lobby hours. Locations in low- or moderate-income areas are not adversely affected by these variances.

Community Development Services

Broadway provides a good level of financial services with the primary purpose of community development in its assessment areas. 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.

Examples include:

C **San Antonio Business Development Fund (SABDF)**

Two Broadway loan officers are members of the SABDF board and review loans for credit decisions for this lending fund created by a consortium of banks and the city to support small, minority- and women-owned businesses in San Antonio.

C **COPS/Metro Alliance**

Broadway supports COPS by providing homebuyer counseling and assistance for housing work sessions including completing applications and reading and understanding credit reports.

C **UU Housing (Home Improvement & Mortgage Loan Program)**

Expertise has been provided to UU Housing regarding the set up & financing of the program. Additionally, Broadway participated in housing fairs sponsored by UU Housing.

- C **Sidney Lanier High School International School of Banking & Business**
Broadway works with this school's faculty and staff to coordinate banking orientation sessions to educate students on how to use banking services. Students, who are primarily from low- or moderate-income families, are required to establish a business plan and make presentations to request financing. Broadway loan officers observe and critique the students' presentations.

- C **Presa Community Center (PCC)**
PCC provides essential supportive services to over 16,000 people in an economically depressed area south of downtown San Antonio. A Broadway loan officer provides assistance with fundraising projects as a member of the Board.

- C **Westside Improvement Network (WIN)**
A Broadway employee serves on the committee initiating, developing and participating in decision-making on affordable housing sites and commercial developments in a low-income section on the West side of the San Antonio MSA.

- C **Revitalization or Stabilization Activities**
Broadway personnel worked with the Committee for Better Schools to generate support for a bond issue to completely renovate the "inner city" San Antonio ISD schools. Ninety percent of all San Antonio inner city schools are located in low- or moderate-income CTs.

- C **Neighborhood Housing Services of San Antonio, Inc.**
Broadway's mortgage lenders conduct homebuyer counseling and provide technical financial assistance to this organization.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in Bastrop County and in the Texas Nonmetropolitan assessment areas is consistent with the bank's overall "Low Satisfactory" performance under the Service Test.

Refer to Table 13 in Appendix C for the facts and data that support these conclusions.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

Time Period Reviewed	Lending Test: April 24, 1997 to April 19, 1999 Investment Test: April 24, 1997 to April 19, 1999 Service Test: April 24, 1997 to April 19, 1999	
Financial Institution		Products Reviewed
(Name of Bank (Abbreviation) City, State)	Broadway San Antonio, Texas	HMDA, Small Business, Small Farm, and CD Loans, Investments and Services, Retail Banking Services
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>[Instructions: Provide only if affiliate products are reviewed.]</i> (Name of Affiliate (Abbreviation))	NA	NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
San Antonio Bastrop County Texas Nonmetropolitan Areas	Full-Scope Limited-Scope Limited-Scope	Includes 2 of 5 counties in MSA #7240 Includes 1 of 5 counties in MSA #0640 Counties of Gillespie, Kendall, Kerr, and Medina

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews
San Antonio Assessment Area B-2

Description of the San Antonio Assessment Area

The San Antonio MSA consists of four counties (Bexar, Comal, Guadalupe and Wilson) and 256 CTs. The counties of Comal and Wilson are not included in the following table since they are not included in Broadway's San Antonio assessment area. The table below provides basic demographic information based on the income level of the CTs and families within the San Antonio assessment area.

Demographic Information for Full-Scope Area: San Antonio Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	239	9%	31%	32%	27%	1%
Population by Geography	1,250,267	8%	30%	35%	28%	0%
Owner-Occupied Housing by Geography	252,814	5%	27%	33%	35%	0%
Businesses by Geography	39,970	6%	26%	37%	31%	0%
Farms by Geography	701	2%	17%	42%	39%	0%
Family Distribution by Income Level	317,520	23%	17%	20%	40%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	126,648	7%	27%	35%	31%	0%
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$31,594 = \$40,900 = 17.35%	Median Housing Value Unemployment Rate December 1998		= \$64,177 = 3.88%		

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

Broadway has three assessment areas consisting of 239 census tracts (CTs) in the San Antonio assessment area, eight CTs in Bastrop County, and 24 BNAs in the Texas Nonmetropolitan area (Medina, Gillespie, Kerr and Kendall Counties).

The San Antonio economy is considered diverse, stable and improving. Government, tourism, retail trade, medical and research interests, and apparel manufacturing are the major sectors which support the region's economy. Principal private employers include HEB Grocers, USAA, and the Methodist Healthcare System. Principal public sector employers include the U. S. Government, the City of San Antonio and the San Antonio Independent School District. Kelly Air Force Base has been scheduled for closure in 2001. A privatization plan developed by governmental, business and civic leaders aims to support small business expansion to retain the civilian workforce.

The unemployment rate is comparable to state and national averages. The December 1998 unemployment rate for the San Antonio MSA is 2.7% which is well below both the state and national figures of 4.4% and 4.3%, respectively. The trend in the unemployment level for the San Antonio assessment area is improving as compared to 3.0% for both the prior month and the prior year.

Broadway operates its main office and 10 branches in the San Antonio assessment area. Approximately 86% of bank deposits and 82% of loans originated in this area.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

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

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

Table 14. Geographic and Borrower Distribution of Consumer Loan Originations (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

LENDING VOLUME													State: Texas	Evaluation Period: January 1, 1997 To December 31, 1998
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area*	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area		
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)			
Full-Scope:														
San Antonio	85.76%	636	\$48,586	643	\$48,208	22	\$1,184	27	\$3,986	1,325	\$102,046	82.15%		
Limited-Scope:														
Bastrop County	1.20%	7	\$387	2	\$162	2	\$355	0	\$0	11	\$904	0.68%		
Texas Nonmetropolitan	13.04%	215	\$20,223	52	\$4,236	10	\$525	0	\$0	277	\$24,984	17.17%		

* Based on deposit data provided by the bank

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE					State: Texas		Evaluation Period: January 1, 1997 To December 31, 1998					Total Home Purchase Loans				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	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		Overall	Low	Mod	Mid	Upp		
Full-Scope:																
San Antonio	5.37%	6.78%	26.62%	25.96%	33.42%	31.27%	34.59%	35.69%	32	0.93%	6.67	2.52	1.06	0.46	339	76%
Limited-Scope:																
Bastrop County	0.00%	0.00%	36.81%	100.00%	63.19%	0.00%	0.00%	0.00%	25	0.12%	0.00	0.31	0.00	0.00	3	1%
Texas Nonmetropolitan	0.00%	0.00%	0.00%	0.00%	66.40%	54.21%	33.60%	45.79%	5	4.01%	0.00	0.00	4.06	3.94	107	23%

(*) Based on 1997 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT																State: Texas		Evaluation Period: January 1, 1997 To December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
San Antonio	5.37%	2.50%	26.62%	7.50%	33.42%	21.25%	34.59%	68.75%	19	1.21%	0.85	0.38	0.84	2.01	80	87%			
Limited-Scope:																			
Bastrop County	0.00%	0.00%	36.81%	0.00%	63.19%	0.00%	0.00%	0.00%	0	0.00%	0.00	0.00	0.00	0.00	0	0%			
Texas Nonmetropolitan	0.00%	0.00%	0.00%	0.00%	66.40%	33.33%	36.60%	66.67%	6	3.77%	0.00	0.00	2.52	5.38	12	13%			

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE																State: Texas		Evaluation Period: January 1, 1997 To December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans				
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
San Antonio	5.37%	0.92%	26.62%	7.83%	33.42%	28.11%	34.59%	63.13%	20	1.07%	0.00	1.47	0.96	1.09	217	69%			
Limited-Scope:																			
Bastrop County	0.00%	0.00%	36.81%	0.00%	63.19%	100.00%	0.00%	0.00%	0	0.00%	0.00	0.00	0.00	0.00	4	1%			
Texas Nonmetropolitan	0.00%	0.00%	0.00%	0.00%	66.40%	54.17%	36.60%	45.83%	2	7.16%	0.00	0.00	8.70	5.85	96	30%			

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS																	State: Texas		Evaluation Period: January 1, 1998 To December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography**					Total Small Business Loans					
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
San Antonio	5.64%	2.55%	23.03%	8.72%	33.41%	38.93%	27.52%	36.11%	NA**	NA	NA	NA	NA	NA	643	86%				
Limited-Scope:																				
Bastrop County	0.00%	0.00%	0.80%	0.27%	1.26%	0.00%	0.00%	0.00%	NA**	NA	NA	NA	NA	NA	2	.30%				
Texas Nonmetropolitan	0.00%	0.00%	0.00%	0.00%	5.95%	5.23%	2.39%	1.74%	NA**	NA	NA	NA	NA	NA	52	7%				

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

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM																State: Texas		Evaluation Period: January 1, 1998 To December 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography**					Total Small Farm Loans				
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
San Antonio	1.85%	0.00%	12.98%	9.09%	32.17%	50.00%	29.44%	40.91%	NA**	NA	NA	NA	NA	NA	22	65%			
Limited-Scope:																			
Bastrop County	0.00%	0.00%	2.07%	100.00 %	3.16%	0.00%	0.00%	0.00%	NA**	NA	NA	NA	NA	NA	2	6%			
Texas Nonmetropolitan	0.00%	0.00%	0.00%	0.00%	11.45%	80.00%	6.87%	20.00%	NA**	NA	NA	NA	NA	NA	10	29%			

(*) Based on 1997 Aggregate Small Farm Data only.

(**) No Market Data used due to errors noted in bank's data that was reported for 1997

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE				State: Texas		Evaluation Period: January 1, 1997 To December 31, 1998										
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
San Antonio	22.76%	14.75%	17.12%	26.55%	20.07%	17.11%	40.04%	41.59%	33	0.95%	2.49	1.18	0.76	0.77	339	75%
Limited-Scope:																
Bastrop County	28.26%	66.67%	21.17%	0.00%	23.74%	0.00%	26.83%	33.33%	26	0.12%	0.79	0.00	0.00	0.00	3	1%
Texas Nonmetropolitan	17.12%	2.80%	14.99%	5.61%	21.79%	11.21%	46.01%	80.37%	5	4.10%	3.03	2.23	1.78	5.41	107	24%

(*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated by BANK.

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

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT																State: Texas		Evaluation Period: January 1, 1997 To December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans				
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
San Antonio	22.76%	3.75%	17.12%	5.00%	20.07%	8.75%	40.04%	82.50%	18	1.22%	0.46	0.44	0.63	1.92	80	87%			
Limited-Scope:																			
Bastrop County	28.26%	0.00%	21.17%	0.00%	23.74%	0.00%	26.83%	0.00%	0	0.00%	0.00	0.00	0.00	0.00	0	0%			
Texas Nonmetropolitan	17.21%	0.00%	14.99%	0.00%	21.79%	0.00%	46.01%	100.00%	6	3.94%	0.00	0.00	0.00	5.97	12	13%			

(*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated by BANK.

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

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE																State: Texas		Evaluation Period: January 1, 1997 To December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans				
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
San Antonio	22.76%	5.07%	17.12%	11.98%	20.07%	19%	40.04%	64.59%	13	1.37%	3.01	1.43	1.38	1.25	217	69%			
Limited-Scope:																			
Bastrop County	28.26%	25.00%	21.17%	0.00%	23.74%	0.00%	26.83%	75.00%	0	0.00%	0.00	0.00	0.00	0.00	4	1%			
Texas Nonmetropolitan	17.21%	3.13%	14.99%	5.21%	21.79%	14.58%	46.01%	77.08%	2	7.65%	0.00	10.53	9.09	7.35	96	30%			

(*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated by BANK.

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

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS			State: Texas		Evaluation Period: January 1, 1998 To December 31, 1998						
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
San Antonio	73%	61%	NA	78.05%	7.75%	6.46%	NA	NA	643	86.31%	\$75,000
Limited-Scope:											
Bastrop County	81%	85%	NA	0.14%	0.14%	0.00%	NA	NA	2	0.27%	\$81,000
Texas Nonmetropolitan	82%	100%	NA	5.88%	0.72%	0.86%	NA	NA	52	6.98%	\$81,000

(*) As a percentage of businesses with known revenues.
 (**) As a percentage of loans with revenue information available. No information was available for 0% 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. No market data used due to errors noted in bank's data that was reported for 1997
 (****) Based on 1997 Aggregate Small Business Data only. No market data used due to errors noted in bank's data that was reported for 1997

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM												State: Texas		Evaluation Period: January 1, 1998 To December 31, 1998								
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans													
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size											
Full-Scope:																						
San Antonio	91.16%	86.36%	NA	90.91%	4.55%	4.55%	NA	NA	22	53.66%	\$75,000											
Limited-Scope:																						
Bastrop County	87.50%	50.00%	NA	50.00%	0.00%	50.00%	NA	NA	2	4.88%	\$81,000											
Texas Nonmetropolitan	91.67%	90.00%	NA	23.53%	5.88%	0.00%	NA	NA	10	24.39%	\$52,500											

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

(**) As a percentage of loans with revenue information available. No information was available for 0% of loans originated by BANK.

(**) The market consists of all other Small Farm reporters in BANK's assessment area and is based on 1997 Aggregate Small Farm Data only. No market data used due to errors noted in bank's data that was reported for 1997

(***) Based on 1997 Aggregate Small Farm Data only. No market data used due to errors noted in bank's data that was reported for 1997

Table 12. Qualified Investments

QUALIFIED INVESTMENTS									
			State: Texas	Evaluation Period: April 24, 1997 To April 19, 1999					
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope:									
San Antonio	1	\$56	21%	50	\$209	79%	51	\$265	100%
Limited-Scope:									
Bastrop County	0	\$0	0%	0	\$0	0%	0	\$0	0%
Texas Nonmetropolitan	0	\$0	0%	0	\$0	0%	0	\$0	0%

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

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

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM				State: Texas				Evaluation Period: April 24, 1997 To April 19, 1999									
MSA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
San Antonio	86%	11	65%	0%	27%	18%	55%	12	67%	0%	17%	25%	58%	9%	31%	32%	27%
Limited-Scope:																	
Bastrop County	1%	1	6%	0%	100%	0%	0%	1	6%	0%	100%	0%	0%	0%	38%	62%	0%
Texas Nonmetropolitan	13%	5	29%	0%	0%	60%	40%	5	28%	0%	0%	60%	40%	0%	0%	67%	33%