



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**Public Disclosure**

**April 2, 2007**

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

**Inter National Bank**  
**Charter Number: 18480**

**1801 S Col Rowe Boulevard**  
**McAllen, TX 78505**

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

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## Overall CRA Rating

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

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

Performance Levels	Inter National Bank – McAllen, TX 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:

- Lending activity reflects good responsiveness to credit needs in the bank’s assessment areas (AAs), given the bank’s business strategy and performance context.
- A substantial majority (93%) of the number of HMDA and small business/small farm loans, originated by INB during the evaluation period, were within its AAs.
- INB's overall distribution of loans by income level of the geographies is good in the Hidalgo County and El Paso County AAs.
- The distribution of loans among borrowers of different income levels was adequate.
- Community development lending had a positive impact on the Lending Test performance.
- The level of community development investments is adequate, based on the quality of the investments.
- The accessibility of INB’s offices to geographies and individuals of different income levels and the responsiveness of INB’s services to the needs of its AAs is adequate.
- The bank has provided an adequate amount of community development services.

## Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

**Geography:** A census tract 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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

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

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

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

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

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an

employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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

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

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

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

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

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

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

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

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

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

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

## Description of Institution

INB is an intrastate bank headquartered in McAllen, Texas. INB operates 16 full-service branches in the counties of Hidalgo and El Paso. The major cities in these counties are McAllen, Edinburg, and Mission in Hidalgo County, and El Paso in El Paso County.

INB is a wholly owned subsidiary of INB Financial Corporation, a one-bank holding company based in McAllen, Texas. Banorte USA Corporation (a Delaware Corp.) acquired 70% of INB Financial Corporation in November 2006. This transaction does not adversely impact INB's ability to help meet the credit needs in its AAs. Banorte USA Corporation had total assets of \$1.7 billion (consolidated basis) as of December 31, 2006.

As of December 31, 2006, the bank had \$1.5 billion in assets and Tier 1 Capital of \$92 million, which represents 7.07 percent of quarterly average assets. Net loans of \$779 million represent 52 percent of total assets. Real estate loans make up the largest category of loans at 79 percent of gross loans (GL). The real estate loans include construction and development loans at 34 percent of GL, commercial real estate loans at 33 percent of GL, and one-to-four family residential loans at 9 percent of GL. Commercial loans comprise 18 percent of GL, while consumer loans represent only 2 percent of GL. INB offers a full range of lending and deposit products with particular emphasis on loans for commercial purposes and residential development.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its AAs. The OCC assigned INB a rating of "Satisfactory" at the previous CRA evaluation dated April 14, 2003.



## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Conclusions regarding the Lending Test are based on data collected for calendar years 2004, 2005, and 2006. This time period accounted for a substantial portion of the bank's lending activity since the previous review. The evaluation of the Investment and Service Tests runs from April 15, 2003, through December 31, 2006, the period since the prior CRA evaluation. The evaluation of the bank's performance under the Lending Test includes HMDA-reportable, small business, small farm, and community development (CD) loans. The Investment Test conclusions are based on an evaluation of qualified CD investments and donations. Retail and commercial deposit products, loan products and services, and CD services are evaluated for purposes of rating INB's performance under the Service Test.

### Data Integrity

In June 2006, OCC personnel verified the accuracy of data made available to the public in accordance with HMDA and CRA loan data reporting requirements. Public data includes home mortgage lending and loans to small businesses and farms. During the CRA evaluation, INB's management submitted non-public data for CD loans, investments, and services. The data was reviewed to ensure each item qualifies as community development. Based on verification work performed, publicly reported lending data and CD data was considered accurate after adjustments were made by the bank. All verified data reported for the above categories was used in this evaluation.

### Selection of Areas for Full-Scope Review

The Hidalgo County assessment area (AA) and the El Paso County AA were selected for full-scope reviews. These two AAs make up the entire AAs of the bank. The Hidalgo County AA is where the bank's main office and majority of branches are located. The bank derived 80% of its deposits from within the Hidalgo County AA while the remainder of deposits is derived from the El Paso County AA. Please refer to appendices A and B for more information.

### Ratings

The bank's overall rating is based on those areas that received full-scope reviews.

### Other

We reviewed five community contact interview summaries conducted since the prior examination in Hidalgo County and El Paso Counties. During this examination we also contacted a housing organization to discuss community development and credits needs in the Hidalgo County AA. The contacts in Hidalgo County identified small business, consumer, used vehicle, and affordable housing loans as credit needs. The contacts in El Paso identified affordable housing as the predominant credit need. A contact in El Paso also identified financial literacy and economic development as a need.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the lending test is rated "High Satisfactory". Based on full-scope reviews and given the bank's business strategy, the bank's performance in the Hidalgo County and the El Paso County AAs is good.

#### Lending Activity

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

**Hidalgo County AA:** INB has 10.54 percent of the deposit market share in the AA and ranks 5<sup>th</sup> in this market. The bank ranked 9<sup>th</sup> for small loans to businesses with a 4.38 percent market share by number, and ranked 3<sup>rd</sup> with a market share of 11.23 percent by dollar amount. INB ranked 28<sup>th</sup> for home purchase loans and had a 0.89 percent market share. INB's average loan size for home purchases is \$106 thousand, compared to peer average of \$91 thousand. For home improvement loans, INB ranked 25<sup>th</sup> with a 0.44 percent market share. INB's average loan size for home improvement loans is \$30 thousand, compared to peer average of \$54 thousand. There is a large number of financial institutions and an aggressive level of lending competition in this market for residential real estate and small business loans.

**El Paso County AA:** The bank has 4.18 percent of the deposit market share in the AA and ranks 6<sup>th</sup> in this market. The bank ranked 14<sup>th</sup> for small loans to businesses with a 0.81 percent market share by number of loans, and ranked 4<sup>th</sup> by dollar amount. The average loan size for small business or small farm loans is \$195 thousand. INB has a .02 percent market share for home purchase loans. There is a large number of financial institutions and an aggressive level of lending competition in this market for residential real estate and small business loans.

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

##### *Home Mortgage Loans*

*Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.*

INB's overall distribution of loans by income level of the geography is good in the Hidalgo County AA. The geographic distribution of home mortgage refinance loans, multifamily loans, small loans to businesses, and small loans to farms in the moderate-income tracts was excellent. The geographic distribution of home purchase and home improvement loans in the

moderate-income tracts was adequate. Although there are no low-income census tracts (CTs) in the county, 32 percent of the households are below the poverty level. This fact precludes many of the low- and moderate-income families from home ownership.

INB's overall distribution of loans by income level of the geography is good in the El Paso County AA. The geographic distribution of small loans to businesses in low-income geographies is excellent, while distribution of the same type of loans is adequate in moderate-income geographies. The geographic distribution of home purchase loans in low- and moderate-income geographies is very poor; however, this is a very small portion of the bank's loans. Six percent of the CTs are designated as low-income in the AA; however, 22 percent of the households are below the poverty level. The high percentage of households below the poverty level precludes many of the low- and moderate-income families from home ownership.

### **Home Purchase Loans**

The geographic distribution of home purchase loans in the Hidalgo County AA is adequate. The distribution of loans in the moderate-income CTs is somewhat lower than the percentage of owner-occupied housing units in the AA. The bank's market share in the moderate-income CTs is near the overall market share. There are no low-income CTs in this AA.

The geographic distribution of home purchase loans in the El Paso County AA is very poor. The bank did not make any home purchase loans in low- and moderate-income geographies. A mitigating factor is the high level of households in the AA below the poverty level. This is a very small portion of the bank's loans as the bank originated a total of only 14 home purchase loans in the El Paso County AA.

### **Home Improvement Loans**

The geographic distribution of home improvement loans in the Hidalgo County AA is adequate. The distribution of loans in the moderate-income CTs is lower than the percentage of owner-occupied housing units. The bank's market share in the moderate-income CTs is somewhat lower than the overall market share. There are no low-income geographies in the AA. The bank made a total of 52 home improvement loans in the Hidalgo County AA.

The geographic distribution of home improvement loans in the El Paso County AA is not meaningful as only three home improvement loans were made in this AA.

### **Home Mortgage Refinance**

The geographic distribution of home mortgage refinance loans in the Hidalgo County AA is excellent. The distribution of loans in the moderate-income CTs exceeds the percentage of owner-occupied housing units. The bank's market share in the moderate-income CTs exceeds the overall market share.

The geographic distribution of home mortgage refinance loans in the El Paso County AA is not meaningful as only three refinance loans were made in this AA. This is a small portion of the bank's loans.

### **Multifamily**

The geographic distribution of multifamily loans in the Hidalgo County AA is excellent. The distribution of loans in the moderate-income CTs is nearly double the percentage of multifamily units. The bank's market share in the moderate-income CTs exceeds the overall market share. There are no low-income geographies in this AA.

The geographic distribution of multifamily loans in the El Paso County AA is adequate. The distribution of loans in the moderate-income CTs exceeds the percentage of multi-family units. The bank's market share in the moderate-income geographies greatly exceeds the overall market share. The bank did not make any multi-family loans in low-income geographies. The bank made only 6 multifamily loans in the El Paso County AA during the evaluation period. This also is a small portion of the bank's loans

### **Small Loans to Businesses**

*Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.*

The geographic distribution of small loans to businesses in the Hidalgo County AA is excellent. The distribution of loans in the moderate-income CTs exceeds the percentage of small businesses in the CTs. The bank's market share in the moderate-income CTs exceeds the overall market share. There are no low-income geographies in this AA.

The geographic distribution of small loans to businesses in the El Paso County AA is adequate. The distribution of small loans to businesses in low-income geographies exceeds the percentage of small businesses. The distribution of small loans to businesses in moderate-income geographies is somewhat lower than the number of businesses in moderate-income geographies. The bank's market share in low- and moderate-income areas is somewhat lower than the overall market share.

### **Small Loans to Farms**

*Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.*

The geographic distribution of small loans to farms in the Hidalgo County AA is excellent. The distribution of small farm loans in the moderate-income CTs exceeds the percentage of small farms in the CTs. The bank's market share in the moderate-income CTs exceeds the overall market share. There are no low-income geographies in this AA.

The geographic distribution of small loans to farms in the El Paso County AA is not meaningful as only two small loans to farms were made during the evaluation period.

## Lending Gap Analysis

Reports detailing INB's lending activity over the evaluation period for home mortgage and CRA reportable loans were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

### *Inside/Outside Ratio*

The bank's distribution of loans inside their AAs is good. A substantial majority of the HMDA and small business/small farm loans, originated by INB during the evaluation period, were within its AAs. Ninety-three percent of the total number of loans, and 91 percent of the dollar volume of loans, were within the bank's AAs. Ninety-four percent of the number of mortgage loans, and 95 percent of the dollar amount, were within the AAs. Small business loans within the AAs represented 93 percent by number and 89 percent by dollar amount. The distribution of farm loans inside the AA is adequate at 76 percent of the number and 76 percent of the dollar volume; however, this is a very small portion of the banks lending.

## Distribution of Loans by Income Level of the Borrower

### *Home Mortgage Loans*

*Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.*

INB's overall distribution of loans by income level of the borrower is adequate when considering the high percentage of households that live below the property level in the AAs. We took into consideration that home mortgage lending is not the main focus of the bank's business strategy. We also factored into our analysis of home mortgage loans the difficulty that a low- and moderate-income person has in purchasing a home in the AAs. The distribution of home improvement loans was adequate in Hidalgo County and excellent in El Paso County. The distribution of home purchase loans was poor in both AAs. The distribution of mortgage refinance loans in Hidalgo County was also poor. We noted that the bank's mortgage department closed and sold 178 mortgage loans in the secondary market, and that 14, or 8 percent, of these loans were to low- or moderate-income persons. While these loans are not factored into the HMDA tables, it reflects additional mortgage lending options that are available to potential loan applicants.

### **Home Purchase Loans**

The distribution of home purchase loans in the Hidalgo County AA by borrower income level is poor. The percentage of loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. The bank's market share for low-income borrowers exceeds its overall market share. The bank's market share for moderate-income borrowers also exceeds the overall market share.

The distribution of home purchase loans in the El Paso County AA by borrower income level is very poor. The bank did not make any home purchase loans to low- or moderate-income

borrowers during the rating period. The bank made only 14 home purchase loans in the El Paso AA during the evaluation period. The level of households living below the poverty level is high at 22 percent. This percentage indicates a high level of difficulty for low- and moderate-income households to qualify for home purchase loans.

### **Home Improvement Loans**

The distribution of home improvement loans in the Hidalgo County AA by borrower income level is adequate. The percentage of loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA. The percentage of loans to moderate-income borrowers is somewhat lower than the percentage of moderate-income families. The bank's market share for low-income borrowers is significantly lower than the overall market share, while the bank's market share for moderate-income borrowers exceeds the overall market share.

The distribution of home improvement loans in the El Paso County AA, by borrower income level, is excellent. The percentage of loans to low-income borrowers exceeds the percentage of low-income borrowers. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income borrowers. The market share information was not meaningful.

### **Home Mortgage Refinance Loans**

The distribution of home mortgage refinance loans in the Hidalgo County AA, by borrower income level, is poor. The bank did not make any refinance loans to low-income borrowers. The percentage of loans to moderate-income borrowers is lower than the percentage of moderate-income families. The bank's market share for low- and moderate-income borrowers was significantly lower than the overall market share.

The distribution of home mortgage refinance loans in El Paso County, by borrower income level, was not meaningful as only three loans were made in this AA. This is a small portion of the bank's lending.

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

*Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.*

The distribution of loans to businesses with annual revenues of \$1 million or less is adequate in the Hidalgo County AA. INB's percentage of small loans to businesses with annual revenues of \$1 million or less is somewhat lower than the percentage of businesses with annual revenues of \$1 million or less in the AA. The bank's market share to businesses with annual revenues of \$1 million or less exceeds its overall market share.

The distribution of loans to businesses with annual revenues of \$1 million or less is adequate in the El Paso County AA. INB's percentage of small loans to businesses with annual revenues of \$1 million or less is somewhat lower than the percentage of businesses with annual revenues of \$1 million or less in the AA. The bank's market share of businesses with annual revenues of \$1 million or less is somewhat lower than the overall market share.

### **Small Loans to Farms**

*Refer to Table 12 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.*

The distribution of loans to farms with annual revenues of \$1 million or less is adequate in the Hidalgo County AA. INB's percentage of small loans to farms with annual revenues of \$1 million or less is somewhat lower than the percentage of farms with annual revenues of \$1 million or less in the AA. The bank's market share of farms with annual revenues of \$1 million or less exceeds its overall market share.

The distribution of loans to farms in El Paso County was not meaningful due to the small number of loans in this AA.

### **Community Development Lending**

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

INB has a good level of CD loans in the Hidalgo County and El Paso County AAs. The volume of CD loans has increased since the previous examination and totaled \$4.9 million. The largest CD loan was a \$1 million operating line to a community development corporation in McAllen. The purpose of this loan is to purchase lots and construct affordable homes for low-income families in McAllen. The remainder of CD loans consisted primarily of loans for residential developments located in moderate-income census tracts.

### **Product Innovation and Flexibility**

The bank makes use of innovative and/or flexible lending practices in serving AA credit needs. The bank offers a special residential lot purchase loan program that is useful to lower income families needing to build equity for a home loan. The program offers a low down payment and reduced fees. The bank is also an active Small Business Administration lender.



## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

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

INB's performance under the investment test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Hidalgo County and the El Paso AAs is adequate. Our review of the bank's performance demonstrates an adequate level of qualified investments and a rare use of innovative or complex qualified investments.

The bank maintained its prior period investment which consists of an equity investment in a multi-family housing revenue bond with a balance of \$954 thousand. This investment was originally for the construction of a 70-unit elderly housing development located in southwest McAllen. Forty percent of the 70 units were set aside for elderly with very low income. Since the prior examination, we noted 21 qualified donations totaling \$47 thousand for the benefit of organizations in the AA.

The bank's performance in the El Paso County AA is adequate with two qualified donations noted during the evaluation period. Although not considered a qualified investment, the bank is an investor/contributor in the El Paso Regional Economic Development Corporation (REDCO). This organization focuses on recruiting new businesses and industry to the El Paso region. One of INB's officers has served on REDCO's board since its inception in 2003.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

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

The bank's performance under the service test is "Low Satisfactory" based on full-scope reviews of the bank's performance in both AAs.

### Retail Banking Services

#### Delivery Systems

Service delivery systems in the Hidalgo County AA are reasonably accessible to geographies and individuals of different income levels in the AA. Thirteen of the bank's sixteen offices, including the bank's main office, are in Hidalgo County. Of those, nine or 69 percent are located in upper-income census tracts and the remaining four, or 31 percent, are in middle-

income tracts. None of the offices are in moderate-income tracts. While there are no low-income tracts in the county, 30 percent of the population resides in moderate-income tracts. While located in upper or middle income tracts, all but one of the thirteen offices are in a tract adjoining at least one moderate income tract. In addition, bank offices are generally located on major thoroughfares, and several are near US Highway 83, the major traffic route through the area.

The delivery system in the El Paso County AA is readily accessible to geographies and individuals of different income groups. Although two of the AA's three branches are in upper income tracts, the downtown office (a full service branch) offers a strong level of service to low- and moderate-income areas. The downtown office is in a moderate income tract that adjoins two other moderate-income tracts as well as two low-income tracts. It should be noted that there are only eight low-income tracts in El Paso County and the branch adjoins two of them. The 33 percent branch penetration to moderate-income areas exceeds the 31 percent of the AA population living in those tracts. Although there are no branches located in low-income geographies, it should be noted that only 4 percent of the AA population resides in those areas.

Bank hours are relatively consistent between branches and do not vary in a way that inconveniences low- or moderate-income customers. Office hours at the full service branches are 9:00 am to 5:00 pm Monday through Thursday, with hours extended to 6:00 pm on Friday. Drive-through hours are 7:30 am to 6:00 pm. The bank also has four "Express Banking" Centers in the McAllen area offering extended hours. These primarily offer deposit related services and are open from 7:30 am to 7:30 pm Monday through Saturday, and 11:00 am to 4:00 pm on Sunday.

### **Alternative Delivery Systems**

The distribution of automated teller machines (ATMs) in the Hidalgo County AA is adequate. Three of the 23 ATMs (13 percent) were in moderate-income tracts where 30 percent of the population lives. Seven ATMs, or 30 percent, are in middle income tracts, and thirteen, or 57 percent, are in upper income tracts. It should be noted that all of the ATMs in middle-income tracts, and ten of the ATMs located in upper-income tracts, actually adjoin moderate-income tracts. ATMs tend to be located on major thoroughfares including locations in shopping centers, fast food restaurants, and grocery stores. As noted previously, there are no low income tracts in the Hidalgo County AA.

The distribution of ATMs in the El Paso County AA is good. Of the nine ATMs in the El Paso County AA, one or 11 percent is in a low income tract (where only 4 percent of the population lives). Three of the ATMs, or 33 percent, are in moderate-income tracts (where 31 percent of the population lives). One ATM is in a middle-income tract and the other four are in upper-income tracts.

The bank's website, [www.inbweb.com](http://www.inbweb.com), offers free "unlimited" bill payment services. The bilingual (English and Spanish) site also offers balance and transaction inquiry, and transfers between accounts with the ability to view check images. The bank also offers 24 hour "Bank by Phone" access in both English and Spanish.

Many of the bank's customer service representatives are bilingual. This is important as all bank offices are located in border communities and a significant portion of the bank's customers speak Spanish.

### **Opening and Closing Branches**

Branch openings in the Hidalgo County AA have not adversely affected the accessibility of its delivery systems to moderate-income areas. Of the AA's five new branches in the AA, three are located in middle-income census tracts and two are in upper-income tracts. Although none of the bank's five new branches in the Hidalgo County AA are located in moderate-income tracts, all five are adjacent to at least one moderate-income tract. As noted previously, there are no low-income tracts in the AA.

The bank's one branch opening in the El Paso County AA has improved the accessibility of its delivery systems in reaching low- and moderate-income areas. The new downtown El Paso branch is located in a moderate-income census tract which also adjoins two low income tracts and two other moderate-income tracts.

INB did not permanently close any branches during our evaluation period. The bank did close the 10<sup>th</sup> Street branch in McAllen, but reopened in a new building on essentially the same site.

### **Other Retail Banking Services**

The bank offers a wide variety of loan and deposit products at its many locations. Several of these products are of particular use to low- or moderate-income individuals. Examples of products useful to lower income customers or small businesses include:

#### Free Personal Checking

The bank offers a checking account with no minimum balance and no monthly service fee. The account also includes a free debit card and overdraft privileges are available.

#### Free Business Checking

This account has no monthly service fee and is useful to small businesses with limited activity. No minimum balance is required and up to 400 items per month are allowed. A free debit card is provided on qualified accounts.

### **Community Development Services**

Bank officers and employees provide an adequate level of service to community development efforts. The bank's community development effort in the Hidalgo County AA is generally centered on economic development and affordable housing. Activity is understandably more limited in the El Paso County AA given the more limited resources and shorter history in that area. Efforts demonstrate a commitment to community development through providing technical assistance on financial and banking related matters to community groups. For example, the bank assisted the YWCA of El Paso with its grant application for the Affordable Housing Program of the Federal Home Loan Bank of Dallas. Other examples of INB's community development services are listed below.

McAllen Affordable Housing, Inc.

INB has been active in assisting this organization's efforts to provide affordable housing to low- and moderate-income home buyers in McAllen, Texas. An officer of the bank serves on the organization's Board of Directors as well as its Executive and Loan Organization Committee. Another bank officer has served on the Finance Committee.

Edinburg Housing Authority (Hidalgo County AA)

The bank has been involved in a Housing Authority program aimed at providing home loans (single family residences) to Section 8 qualified borrowers (low- and moderate-income borrowers). The program provides direct assistance for the borrower's monthly payments for the first half of their home loan term. Bank officers provide assistance and counseling in the application process.

El Paso Regional Economic Development Corporation

This organization promotes economic development in the El Paso area. While recruiting industry and other major employers to come to the area is a primary focus, the organization provides free consulting or referral services to area business's trying to expand. In addition to providing direct assistance, an INB officer has served on the organization's Board since its inception.

In addition to the above services, bank officers routinely participate in a variety of community organizations such as CASA of Hidalgo County, Dress for Success Rio Grande Valley, and the United Way of South Texas. Officers are also active in several Chambers of Commerce and other economic development organizations in Hidalgo County.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 1/01/04 to 12/31/06 Investment and Service Tests and CD Loans: 4/15/03 to 12/31/06	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Inter National Bank (INB) McAllen, Texas	HMDA, CRA, and Community Development Loans, Community Development Investments and Community Development Services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Banorte USA Corporation	Holding Company	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Hidalgo County El Paso County	Full Review Full Review	

## Appendix B: Market Profiles for Full-Scope Areas

### Hidalgo County AA

Demographic Information for Full-Scope Area: Hidalgo County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	80	0.00	28.75	47.50	23.75	0.00
Population by Geography	569,463	0.00	29.73	48.29	21.98	0.00
Owner-Occupied Housing by Geography	114,570	0.00	27.56	48.45	23.99	0.00
Businesses by Geography	30,182	0.00	19.14	41.31	39.55	0.00
Farms by Geography	609	0.00	15.76	53.70	30.54	0.00
Family Distribution by Income Level	133,186	23.48	16.86	17.67	41.99	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	53,733	0.00	37.97	48.96	13.07	0.00
Median Family Income HUD Adjusted Median Family Income for 2006 Households Below the Poverty Level	= \$25,988 = \$30,800 =32%				Median Housing Value = \$49,916 Unemployment Rate = 4.33%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 U.S. Census, and 2006 HUD updated MFI.

The bank identified the County of Hidalgo as its primary market. This area includes the cities of McAllen, Edinburg, and Mission. These cities are included in the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA) which includes Hidalgo County in its entirety. The MSA is named for its three largest cities, which are essentially adjacent to each other. The AA complies with the requirements of the CRA. The bank's activities in the Hidalgo County AA received a full-scope review.

As of December 31, 2006, INB's main competitors in the AA, in terms of total assets, are locally-based Texas State Bank (\$8.5 billion), First National Bank of Edinburg (\$3.7 billion), Lone Star National Bank (\$1.7 billion) and several smaller community banks. Several regional and multi-state banks have branches in Hidalgo County including Chase Bank, International Bank of Commerce (\$9.2 billion), and Frost National Bank (\$13.3 billion). Of the total HMDA and CRA loans reported during the evaluation period, 93 percent of the number of loans were made in this AA. The bank operates 13 full service branches and 23 ATMs in Hidalgo County. As of December 31, 2006, INB is ranked 5th in deposits with a market share of 10.54 percent. INB offers a full-range of products and services with particular emphasis on financing for commercial and real estate purposes (acquisition, construction, land development).

The metropolitan area of McAllen remains one of the fastest growing in the state and in the nation. This growth has made McAllen the second largest residential center along the border,

after El Paso. The growing population base is the primary force feeding growth in the area's housing, education, health, finance, and personal services industries. Local manufacturing has added jobs, and hiring has accelerated in tourism areas. Although McAllen is not nearly as dependent on trade as other border areas, trade activity still defines broader economic conditions. The unemployment rate continues to decline and is at 4.33 percent (2006); however, the percentage of households below the poverty level remains high at 32 percent.

The high growth in the McAllen-Edinburg-Mission MSA has resulted in continued high demand for loans to small businesses and purchase money mortgage loans in the bank's trade area. The demand for low- and moderate-income housing remains high, especially with the high poverty level.

Hidalgo County has a good level of community development opportunities. Community contacts identified needs that include small business financing, affordable housing, and small consumer loans. Government and non-profit organizations in the county such as the McAllen Housing Authority, Mercedes Housing Authority, South Texas Economic Development Corporation, and McAllen Affordable Homes, Inc. help provide home ownership counseling, construction, and financing of affordable homes.

## El Paso County AA

Demographic Information for Full-Scope Area: El Paso County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	126	6.35	32.54	32.54	28.57	0.00
Population by Geography	679,622	3.70	30.92	33.98	31.40	0.00
Owner-Occupied Housing by Geography	133,596	0.92	26.70	34.90	37.48	0.00
Businesses by Geography	31,242	8.57	30.74	25.69	35.00	0.00
Farms by Geography	413	3.63	36.80	23.49	36.08	0.00
Family Distribution by Income Level	167,276	22.11	17.46	18.92	41.51	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	66,179	6.70	42.58	33.73	16.99	0.00
Median Family Income	= \$33,472					
HUD Adjusted Median Family Income for 2006	= \$39,500					
Households Below the Poverty Level	=22%					
			Median Housing Value	= \$70,141		
			Unemployment Rate	= 3.71%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2000 U.S. Census, and 2006 HUD updated MFI.

The bank identified El Paso County as one of its AAs. The El Paso MSA includes the entirety of El Paso County, and the city of El Paso is the largest city in the AA. The AA complies with the requirements of the CRA. The bank's activities in the El Paso County AA received a full-scope review.

As of December 31, 2006, INB's main competitors in the AA included the locally-based Bank of the West (\$636 million) and First National Bank (\$221 million). Other competitors include The National Bank of El Paso (branch of FNB Edinburg - \$3.7 billion) and the State National Bank – Fort Worth (\$1.7 billion). Several regional and multi-state banks have branches in El Paso County including Chase Bank, Bank of America, and Wachovia Bank. As of December 31, 2006, INB is ranked 6th in deposits with a market share of 4.18 percent. INB operates three full-service branches and nine ATMs in El Paso County. INB offers a full-range of products and services, with particular emphasis on financing for commercial and real estate purposes (acquisition, construction, land development).

The El Paso County AA has a population of 680 thousand and the city of El Paso is the largest U.S. city on the Mexican border. Directly across the Rio Grande River is Ciudad Juarez, the largest Mexican city on the U.S. border, with an estimated population of 1.6 million.

The El Paso/Juarez region is one of the largest manufacturing centers in North America. The "twin plants" (Maquiladoras) concept is heavily used for such industries as automotive parts, medical devices, consumer products, electric motors, and electronic components. Some of the major companies located in the area include Delphi, Hoover, Leviton, Sumitomo, and Cardinal Health. Juarez, Mexico is home to 350 Maquiladoras that employ more than 240,000 manufacturing workers. These companies purchase an estimated \$8 billion per year in components, raw material, and services. Fort Bliss remains a major employer with the world's largest Air Defense Artillery Training Center.

While the unemployment rate of the AA is low at 3.71 percent, the number of households below the poverty level is high at 22 percent. A review of community contacts, recently conducted in the area, reflected a need for affordable housing, financial education, and community development.



## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also

presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 13. Geographic and Borrower Distribution of Consumer Loans** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage

distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

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

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: TEXAS						Evaluation Period: January 1,2004 TO December 31, 2006				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Hidalgo County	90.25	557	93,881	1,098	155,189	35	3,942	13	3,859	1,703	256,871	79.55
El Paso County	9.75	26	5,051	149	28,213	2	150	7	1,061	184	34,475	20.45
<b>Limited Review:</b>												

\* Loan Data as of December 31, 2006. Rated area refers to either the state or multi-state MA rating area.  
 \*\* The evaluation period for Community Development Loans is April 14, 2003 to December 31, 2006.  
 \*\*\* Deposit Data as of June 30, 2006. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.





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

Geographic Distribution: HOME MORTGAGE REFINANCE      Geography: TEXAS      Evaluation Period: January 1, 2004 TO December 31, 2006															
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ... Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Hidalgo County	35	92.11	0.00	0.00	27.56	28.57	48.45	54.29	23.99	17.14	0.11	0.00	0.23	0.12	0.05
El Paso County	3	7.89	0.92	0.00	26.70	0.00	34.90	0.00	37.48	100.00	0.00	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															

\* Based on 2005 Peer Mortgage Data: Southwest Region.

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

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.





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

Geographic Distribution: SMALL LOANS TO BUSINESSES    Geography: TEXAS    Evaluation Period: January 1, 2004 TO December 31, 2006																
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*					
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid
<b>Full Review:</b>																
Hidalgo County	1098	88.05	0.00	0.00	19.14	19.76	41.31	33.97	39.55	46.27	4.37	0.00	4.51	4.77	4.43	
El Paso County	149	11.95	8.57	8.72	30.74	22.82	25.69	32.89	35.00	35.57	0.81	0.52	0.56	1.30	0.78	
<b>Limited Review:</b>																

\* Based on 2005 Peer Small Business Data: US.

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

\*\*\* Source Data - Dun and Bradstreet (2006).









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

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: TEXAS			Evaluation Period: January 1, 2004 TO December 31, 2006				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Hidalgo County	1,098	88.05	63.00	41.44	65.84	17.58	16.58	4.37	4.57
El Paso County	149	11.95	66.60	37.58	59.06	15.44	25.50	0.81	0.64
<b>Limited Review:</b>									

\* Based on 2005 Peer Small Business Data: US.

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

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2006).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 32.84% and 27.99% of small loans to businesses originated and purchased by the Bank for the Hidalgo County and El Paso County AAs, respectively.

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

Borrower Distribution: SMALL LOANS TO FARMS									
		Geography: TEXAS			Evaluation Period: January 1, 2004 TO December 31, 2006				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Hidalgo County	35	94.59	82.92	48.57	65.71	20.00	14.29	4.80	5.56
El Paso County	2	5.41	86.68	50	50	50	0.00	0.00	0.00
<b>Limited Review:</b>									

\* Based on 2005 Peer Small Business Data: US.

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

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2006).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 3.61% and 1.69% of small loans to farms originated and purchased by Bank for the Hidalgo County and El Paso County AAs, respectively.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: TEXAS				Evaluation Period: January 1, 2004 TO December 31, 2006			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Hidalgo County	1	954	21	47	22	1,001	99.4	0	0
El Paso County	0	0	2	6	2	6	0.6	0	0
<b>Limited Review:</b>									

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



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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: TEXAS Evaluation Period: January 1, 2004 TO December 31, 2006																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Hidalgo County	79.55	13	81.25	0.0	0.0	30.8	69.2	5	0	0	0	3	2	0.00	29.73	48.29	21.98
El Paso County	20.45	3	18.75	0.0	33.3	0.0	66.7	1	0	0	1	0	0	3.70	30.92	33.98	31.40
<b>Limited Review:</b>																	