



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

**April 14, 2003**

# **Community Reinvestment Act Performance Evaluation**

**Inter National Bank  
Charter Number: 18480**

**1801 South 2<sup>nd</sup> Street  
McAllen, TX 78503**

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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:

<b>Performance Levels</b>	Inter National Bank, McAllen, Texas Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Lending levels reflect a good responsiveness by INB in meeting the credit needs of the assessment areas (AA).
- A high level of INB’s lending, ninety-six percent of the number of loans, is within its AAs.
- Community development (CD) lending has a positive effect on the overall lending test rating, based on the quality of CD loans.
- The level of community development investments is good, 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.

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

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

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Description of Institution

INB is an intrastate bank headquartered in McAllen, Texas. INB operates 10 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. The holding company, which has total assets of \$643 million at December 31, 2002, conducts no activity outside the activities of the bank.

As of December 31, 2002, the bank has \$642 million in assets and Tier 1 Capital of \$43 million, which represents 6.7 percent of assets. Net loans of \$331 million represent 52 percent of total assets. Real estate loans are the largest category of loans at 73 percent of gross loans, followed by commercial loans at 22 percent and consumer loans at 5 percent. Agricultural loans represent less than 1 percent of gross loans. INB offers a full range of lending and deposit products with particular emphasis on loans for commercial purposes, residential development, and consumer purposes.

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 March 22, 1999.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

Conclusions regarding the Lending Test are based on data collected for calendar years 1999, 2000, 2001, and 2002. 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 March 22, 1999 through December 31, 2002, 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 community development services are evaluated for purposes of rating INB's performance under the Service Test.

### Data Integrity

In January 2003, 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 non-public CD data are considered accurate. All data reported for the above categories was used in this evaluation.

### Selection of Areas for Full-Scope Review

The Hidalgo County assessment area (AA) was selected for a full-scope review. It was selected because the bank is headquartered in this county and a majority of the bank's locations (80 percent), loans (90 percent), and deposits (94 percent) are located in this county.

A limited scope review was conducted in the El Paso County AA because INB entered the El Paso market, with two branches, in late 2000. The El Paso market represents a very small percentage of INB's loan and deposit activity at this time.

*Please refer to Appendix A for more information.*

### Ratings

INB's overall rating is based on Hidalgo County, the area that received a full-scope review. The bank's two main lending products are small business loans and home purchase loans, so these were weighted most heavily in determining the overall Lending Test rating. Home improvement and home refinance lending received less weight as they make up a much less significant portion of the bank's lending activity. Small farm loans were not considered in evaluating lending performance due to the bank's relative lack of emphasis on this product line.

## Other

We reviewed seven community contact interview summaries recently conducted in Hidalgo County. We also contacted one housing organization to discuss community development and credit needs in the areas. The contacts identified loans to small businesses and affordable housing as predominant credit needs.

## Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the lending test is rated "**High Satisfactory**". Based on the full-scope review, the bank's performance in the Hidalgo County assessment area is good.

#### Lending Activity

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

Lending activity in the bank's AA is good in relation to the size of the bank and the locations of bank offices. INB's responsiveness to credit needs of its AA during this evaluation period is good. Identified credit needs include home mortgage products for affordable housing and loans to small businesses. In the AA, approximately 41 percent of HMDA reportable loans were home mortgage loans and approximately 58 percent were to small businesses. Community development lending was good, benefiting low- and moderate-income borrowers, and had a positive impact on the Lending Test conclusions. Due to the low volume of farm loans, they were not considered for geographic or borrower distribution. Since the last evaluation, loan and deposit growth was high at 98.76 percent and 59.92 percent, respectively. During this time period, the loan-to-deposit ratio has increased slightly to 60.44 percent. Excluding public funds, the ratio is 77.64 percent. This ratio is comparable to similarly situated institutions in the AA.

Overall lending volume in the bank's AA is good. Market share data and rankings for deposits are from the FDIC's Summary of Deposits, Market Share Report as of June 30, 2002. Market share and rankings for loan information is from 2001 Peer Mortgage data and 2001 Peer Small Business data.

**Hidalgo County AA:** The bank has 8.77 percent of the deposit market share in the AA and ranks 5<sup>th</sup> in this market. INB ranked 8<sup>th</sup> for home purchase loans and had a 2.76 percent market share. INB's average loan size for home purchases is \$70 thousand, compared to peer average of \$75 thousand. For home improvement loans, INB ranked 11<sup>th</sup> with a 2.17 percent market share. INB's average loan size for home improvement loans is \$21 thousand, compared to peer average of \$11 thousand. The bank ranked 6<sup>th</sup> for small loans to businesses with a 4.27 percent market share. 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 adequate in the Hidalgo County AA. Although there are no low-income CTs in the county, nearly 40 percent of the population is below the poverty level. This fact precludes many of the low- and moderate-income families from home ownership. The bank does a good job providing multifamily and small business loans in the moderate-income CTs.

### ***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 lower than the percentage of owner-occupied housing units. The bank's market share in the moderate-income CTs exceeds the overall market share. A mitigating factor is the extremely high level of households in the AA below the poverty level. Since the area is growing, there are affordable homes being built for low- and moderate-income individuals.

### ***Home Improvement Loans***

The geographic distribution of home improvement loans in the Hidalgo County AA is poor. 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 significantly lower than the overall market share. A mitigating factor is the extremely high level of households in the AA below the poverty level. This also is a small portion of the bank's loans.

### ***Home Mortgage Refinance***

The geographic distribution of home mortgage refinance 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 exceeds the overall market share. A mitigating factor is the extremely high level of households in the AA below the poverty level, and 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 is four times the overall market share. Although the bank only had twenty-four of these loans, they were 4<sup>th</sup> in Hidalgo County with 8.45 percent of the number of multifamily 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 good. The distribution of loans in the moderate-income CTs is somewhat lower than the percentage of small businesses in the CTs. The bank's market share in the moderate-income CTs exceeds the overall market share.

## **Lending Gap Analysis**

Maps and 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/outside of their AAs is excellent. A significant majority of the HMDA and small business loans originated by INB during the evaluation period were within its AAs. Ninety-six percent of the total number of loans, and 93 percent of the dollar volume of loans were within the bank's AAs. Ninety-seven percent of the number of mortgage loans and 91.5 percent of the dollar amount were within the AAs. Small business loans within the AAs represented 94.8 percent by number and 93.4 percent by dollar amount.

## **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 poverty level in the AA.

INB's distribution of home mortgage loans by income level of borrowers is lower than the families living in the assessment area, but this is mitigated by the market share the bank has in the Hidalgo County AA. The majority of the bank's home mortgage loans were for home purchase, where the bank's market share to low-income families exceeds the bank's overall market share. We factored into our analysis of home mortgage loans the difficulty that a low-income person has in purchasing a home in the AAs, and the limited opportunities for home improvement loans to these borrowers.

### **Home Purchase Loans**

The distribution of home purchase loans in the Hidalgo County AA by borrower income level is adequate given the high level of households, 36.8 percent, in the AA that are below the poverty level. This percentage indicates a high level of difficulty for low-income households to qualify for home purchase loans. 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 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 is lower than its overall market share.

## Home Improvement Loans

The distribution of home improvement loans by borrower income level in the Hidalgo County AA is adequate when considering the limited opportunities for these types of loans to low-income borrowers as discussed above. 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 is lower than its overall market share and their market share for moderate-income borrowers is significantly lower than its overall market share.

## Home Mortgage Refinance

The distribution of home mortgage refinance loans by borrower income level in the Hidalgo County AA is adequate when considering the limited opportunities for these types of loans to low-income borrowers as discussed above. The percentage of loans to low-income borrowers is significantly below 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 is significantly lower than its overall market share and the bank's market share for moderate-income borrowers is near to its overall market share.

## *Small Loans to Businesses*

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

The distribution of loans to businesses with annual revenues of \$1 million or less is good in the Hidalgo County AA.

INB's percentage of small loans to businesses with annual revenues of \$1 million or less exceeds 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 is lower than its overall market share.

## Community Development Lending

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

INB has a good level of CD loans in the Hidalgo County AA. INB has one CD loan for \$1 million to McAllen Affordable Homes, Inc. (MAHI) for their Center City Revitalization Project. The loan purpose is to purchase lots and construct 16-18 homes in the central part of the city to provide affordable housing to low-income families in McAllen. Another goal of the project is to rehabilitate the downtown area by moving families, especially those with school age children, back into the central part of the city. As of December 31, 2002, \$114 thousand had

been funded. As of February 3, 2003, \$367 thousand of the committed amount had been funded.

### **Product Innovation and Flexibility**

The bank does not provide any innovative or flexible products targeted at low- and moderate-income individuals or geographies beyond their normal retail products listed below under Retail Banking Services.

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

*Refer to Tables 1 through 13 in appendix C for the facts and data that support these conclusions.*

Based on limited-scope reviews, the bank's performance under the lending test in the El Paso AA is weaker than the bank's overall high satisfactory performance. This is based on the geographic and borrower distribution of small loans to businesses. The branches are new, and the bank has a small market share in the area.

The Community Development lending is stronger than in the full-scope review with \$1.7 million in community development loans. One loan is for \$1.4 million to the Rural Development and Finance Corporation for the development of a low income subdivision. The other is a \$389 thousand commitment to Alianza Para El Desarrollo Comunitario, Inc. for the construction of ten low-income homes.

## **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 "**High Satisfactory**". Based on full-scope reviews, the bank's performance in the Hidalgo County AA is good. Our review of the bank's performance demonstrates an adequate level of qualified investments and an occasional use of innovative or complex qualified investments.

The bank made a one million dollar equity investment in a Multi-family Housing Revenue Bond for the construction of a 70-unit elderly housing development located in South West McAllen, TX. Forty percent of the 70 units will be set-aside for elderly with very low income. Although it is not completed, it is most likely that the majority of housing will be for low- and moderate-income people because of the need in the area and the history of McAllen Housing Facility Corporation, who is developing this project. A goal of the project is to get the elderly out of section 8 housing and into a quieter environment.

INB purchased a \$100,000 certificate of deposit that qualifies as a community development investment. It is a Community Development Financial Institution (CDFI) in Hidalgo County that serves mostly low- and moderate-income customers in Weslaco. Of the people served, a

majority are unskilled, agricultural or seasonal workers. These members do not necessarily qualify for banking services. These deposits are not considered complex or innovative.

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

*Refer to Table 14 in appendix C for the facts and data that support these conclusions.*

Based on limited-scope reviews, the bank's performance under the investment test in the El Paso AA is weaker than the bank's overall performance. The bank does not have any investments in the El Paso AA. This is mitigated by the bank being new to this area and the community development lending the bank has done in the area.

## **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.*

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

### **Retail Banking Services**

#### **Delivery Systems**

The quantity and quality of the bank's service-delivery systems allow for adequate access to bank products and services by geographies and individuals of different income levels in INB's Hidalgo AA. INB has eight offices (1 main office and 7 branches) in the Hidalgo County AA. Twelve and a half percent of the eight branches are located in moderate-income census tracts compared to 28 percent of the population that reside in the moderate-income CTs. There are three other branches in middle-income CTs which are adjacent to moderate-income tracts and make services readily accessible to the population that resides in the moderate-income tracts. There are no low-income CTs tracts in Hidalgo County.

Services and bank hours are not different between the various geographies of the bank's assessment area. This allows for convenient access to the banks services for people in the moderate-income geographies and to low- and moderate-income individuals.

#### **Alternative Delivery Systems**

The distribution of ATMs in the Hidalgo County AA is good. INB has 10 stand-alone ATMs in various CTs and 2 at the main office that supplement the 7 ATMs located at the bank's branches. The distribution of ATMs in Hidalgo County is somewhat lower than the moderate-income population levels with 21 percent of the ATMs in moderate-income CTs compared to 28 percent of the population residing in these areas. One stand-alone ATM is located in a major shopping center and 3 stand-alone ATMs are located in fast food restaurants, and they are in middle- and upper-income CTs that are easily accessible to residents of adjacent moderate-income CTs.

INB's other alternative delivery systems include 24-hour access to accounts via the Bank-by-Phone program. Customers can access information regarding their checking and savings balances, interest rates, and inquire about checks. Customers can also transfer funds between accounts and make loan payments. These services are available in English and Spanish. Internet banking is also available. No data was available to determine the usage by low- and moderate-income individuals therefore significant weight was not placed on these services when drawing the overall CRA Service Test performance conclusions.

### **Opening and Closing Branches**

The record of opening branches in the Hidalgo County AA during the evaluated period is adequate. INB converted the old main office to a branch, it was in a middle-income tract, and then opened a new main office with two ATM machines in 2002. The new main office is located in an upper income tract, but it is closer to moderate tracts to the south and east of the bank's other locations. There are no physical barriers that hinder accessibility to these branches.

INB has not closed any branches during the evaluation period.

### **Other Retail Banking Services**

A variety of deposit and loan products and business services are available at all INB branch locations. Several products are targeted to low- and moderate - income individuals and small businesses. The products provide basic low-cost and free banking products throughout the AA.

Examples of these products include:

Free Personal Checking Account - The account requires \$50 to open, and there is no required minimum balance. There is no monthly service charge until after December 31, 2005. There is unlimited check writing and unlimited ATM/debit card transactions.

Economy Business Checking - This account requires \$100 to open, and there is no required minimum balance. There is a monthly account maintenance fee of \$5, and up to 150 transactions/items per month at no charge.

Free Business Checking - This account is aimed at small businesses. The account requires \$50 to open and does not have a monthly account maintenance fee. There is no minimum balance required and accounts are allowed 150 items per month at no charge.

### **Community Development Services**

The bank's performance in the Hidalgo County AA is adequate. The bank helped the following organization in Hidalgo County:

Center City Revitalization Project - This is a project sponsored by the City of McAllen, Texas, and McAllen Affordable Homes, Inc., to revitalize the central part of the city and provide affordable housing to low-income families of McAllen. The purpose of this is to purchase

vacant lots and build affordable homes on them to repopulate the downtown area. INB's role in this project was to apply to the Federal Home Loan Bank for a \$250 thousand grant to be used to match the applicants' down payments and to defray closing costs.

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

*Refer to Table 15 in appendix C for the facts and data that support these conclusions.*

Based on limited-scope reviews, the bank's performance under the Service Test in the El Paso County AA is weaker than the bank's overall "Low Satisfactory" performance. INB entered into the El Paso, TX market with two branches in October of 2000. This market makes up a very small percentage of INB's activity at this time. The weaker performance in this AA did not have an impact on the overall Service Test rating.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/99 to 12/31/02 Investment and Service Tests and CD Loans: 03/22/99 to 12/31/02	
<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>
INB Financial Corp.	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 Limited Review	

# Appendix B: Market Profiles for Full-Scope Areas

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

Hidalgo County AA.....	B-2
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**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/BNAs)	63	0.00	30	43	27	0.00
Population by Geography	383,545	NA	28	47	25	0.00
Owner-Occupied Housing by Geography	72,715	NA	24	49	27	0.00
Businesses by Geography	14,351	NA	21	42	37	0.00
Farms by Geography	458	NA	13	53	34	0.00
Family Distribution by Income Level	88,615	25	16	17	42	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	36,406	NA	36	49	15	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$17,619 = \$29,200 = 38,132	Median Housing Value Unemployment Rate		= \$38,999 = 13.3%		

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2002 HUD updated MFI.

The 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 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 June 30, 2002, INB’s main competitors in the AA, in terms of total assets, are locally-based Texas State Bank (\$3.5 billion), First National Bank of Edinburg (\$1.5 billion), Lone Star National Bank (\$538 million), Alamo Bank (\$203 million), and several smaller community banks. Several regional and multi-state banks have branches in Hidalgo County, located primarily in McAllen. INB’s main competitors also include Chase Manhattan Bank (\$36 billion), International Bank of Commerce (\$5.3 billion), and Frost National Bank (\$8.0 billion). Of the total HMDA and CRA loans reported during the evaluation period, 96 percent were made in this AA. The bank operates 8 full service branches and 19 ATMs in Hidalgo County. As of June 30, 2002, INB is ranked fifth in deposits with a market share of 8.77 percent. Hidalgo County deposits accounted for 94 percent of INB’s total deposits. INB offers a full-range of products and services, with particular emphasis on financing for commercial and real estate purposes – acquisition, construction, and land development.

The MSA continues to experience a population surge largely associated with the many cross-border trade opportunities. The MSA’s economy more than doubled in size in the 1990s making it the third fastest growing MSA in the nation. Major employment sectors include services, trade, and government. The city of McAllen is regarded as the retail center of South Texas. Agricultural production continues to decline as the area becomes more urbanized.

Hidalgo County has posted consistent employment growth in recent years. While the unemployment rate for Hidalgo County is significantly higher (13.3 percent) than the state (5.9 percent) and national (5.8 percent) averages, the rate continues to decline. Hidalgo County's 2002 annual unemployment rate was 12.8 percent.

There continues to be a high demand for purchase money mortgage loans in the bank's trade area, which is attributable to the high growth of the McAllen-Edinburg-Mission MSA. This growth is being led by the city of McAllen, where the average cost of a new home is \$104 thousand. In the entire county, the average cost of a new home is \$72 thousand. Demand for low- and moderate-income housing remains high, given the high poverty level and the high unemployment rate. Because of this need, community development lending opportunities for development of affordable housing exist mainly outside of the city of McAllen.

There is a good level of community development opportunities in Hidalgo County. Needs identified through community contacts include affordable housing and small business financing. Government and non-profit organizations in the county, such as the McAllen Housing Authority, Mercedes Housing Authority, South Texas Economic Development Corporation, and City of McAllen, are the primary vehicles for providing home ownership counseling, construction, and financing of affordable homes. Portions of Hidalgo County are identified as 1 of 10 Federally-designated Empowerment Zones in the nation, primarily for affordable housing.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

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

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments.

**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: INTER NB						Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002				
MA/Assessment Area (2002):	% 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	96.33	1,003	63,122	1,331	121,904	26	1,770	1	1,000	2,360	186,796	99.41
<b>Limited Review:</b>												
El Paso County	3.67	3	181	86	15,332	1	50	3	1,789	90	15,563	0.59

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From March 22, 1999 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: INTER NB						Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Hidalgo County	784	99.87	0.00	0.00	24.42	12.37	48.72	53.83	26.86	33.80	2.76	0.00	4.53	3.61	1.68
<b>Limited Review:</b>															
El Paso County	1	0.13	1.98	0.00	22.15	0.00	38.97	0.00	36.90	100.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Southwest Region.

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

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

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

Geographic Distribution: HOME IMPROVEMENT			Geography: INTER NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
Inter NB Hidalgo	107	100.00	0.00	0.00	24.42	11.21	48.72	43.93	26.86	44.86	2.17	0.00	0.27	2.05	4.81	
<b>Limited Review:</b>																
Inter NB El Paso	0	0.00	1.98	0.00	22.15	0.00	38.97	0.00	36.90	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

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

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: INTER NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Inter NB Hidalgo	88	97.78	0.00	0.00	24.42	7.95	48.72	48.86	26.86	43.19	0.41	0.00	0.60	0.57	0.23	
<b>Limited Review:</b>																
Inter NB El Paso	2	2.22	1.98	0.00	22.15	100.00	38.97	0.00	36.90	0.00	0.02	0.00	0.14	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

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

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

## Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: INTER NB						Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Hidalgo County	24	100.00	0.00	0.00	11.80	20.83	31.30	37.50	56.90	41.67	8.45	0.00	33.33	5.26	4.65
<b>Limited Review:</b>															
El Paso County	0	0.00	12.45	0.00	25.75	0.00	31.39	0.00	30.41	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

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

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: INTER NB								Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002					
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 Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Inter NB Hidalgo	1,331	93.93	0.00	0.00	20.56	17.96	37.73	41.40	41.71	40.64	4.27	0.00	4.99	5.10	4.04
<b>Limited Review:</b>															
Inter NB El Paso	86	6.07	8.91	8.14	22.79	4.65	34.95	36.05	33.35	51.16	0.37	0.49	0.09	0.46	0.46

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* 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 (2002).

## Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		Geography: INTER NB						Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Inter NB Hidalgo	26	96.30	0.00	0.00	13.46	3.85	48.27	53.85	38.27	42.30	3.56	0.00	0.00	8.54	2.05
<b>Limited Review:</b>															
Inter NB El Paso	1	3.70	2.54	100.00	27.48	0.00	35.62	0.00	34.36	0.00	3.33	100.00	0.00	0.00	0.00

\* Based on 2001 Peer Small Business Data: US&PR.

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

\*\*\* Source Data - Dun and Bradstreet (2002).

## Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: INTER NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002										
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share						
	#	% of Total**	% Families**	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Inter NB Hidalgo	784	99.87	24.60	3.31	16.48	10.60	16.59	24.11	42.33	61.98	2.99	4.39	1.64	3.08	3.13		
<b>Limited Review:</b>																	
Inter NB El Paso	1	0.13	22.95	0.00	16.77	0.00	19.21	0.00	41.07	100.00	0.00	0.00	0.00	0.00	0.00		

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 3.69% of loans originated and purchased by INB.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

## Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: INTER NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share					
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Inter NB Hidalgo	107	100.00	24.60	6.00	16.48	7.00	16.59	19.00	42.33	68.00	2.25	1.38	0.40	2.19	4.03	
<b>Limited Review:</b>																
Inter NB El Paso	0	0.00	22.95	0.00	16.77	0.00	19.21	0.00	41.07	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 6.54% of loans originated and purchased by INB.

\*\*\* Percentage of Families is based on the 1990 Census information.

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

## Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: INTER NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share					
	#	% of Total**	% Families**	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans****	Over all	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Inter NB Hidalgo	88	97.78	24.60	1.37	16.48	8.22	16.59	23.29	42.33	67.12	0.42	0.00	0.32	0.19	0.50	
<b>Limited Review:</b>																
Inter NB El Paso	2	2.22	22.95	0.00	16.77	0.00	19.21	0.00	41.07	100.00	0.02	0.00	0.00	0.00	0.04	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 16.67% of loans originated and purchased by INB.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* 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.

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

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: INTER NB		Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002			
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>									
Inter NB Hidalgo	1,331	93.93	73.14	75.21	77.69	13.07	9.24	4.27	0.36
<b>Limited Review:</b>									
Inter NB El Paso	86	6.07	74.39	47.67	55.81	19.77	24.42	0.37	0.05

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* 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 - 2002).

\*\*\*\* 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 61.96% of small loans to businesses originated and purchased by the bank.

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

Borrower Distribution: SMALL LOANS TO FARMS		Geography: INTER NB			Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Inter NB Hidalgo	26	96.30	82.12	42.31	76.92	23.08	0.00	3.56	0.00
<b>Limited Review:</b>									
Inter NB El Paso	1	3.70	85.24	0.00	100.00	0.00	0.00	3.33	0.00

\* Based on 2001 Peer Small Business Data: US&PR.

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

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

\*\*\*\* 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 59.26% of small loans to farms originated and purchased by the bank.

## Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: INTER NB				Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Inter NB Hidalgo	0	0	2	1,100	2	1,100	100.00	0	0
<b>Limited Review:</b>									
Inter NB El Paso	0	0	0	0	0	0	0.00	0	0

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

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

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS										Geography: INTER NB							
Evaluation Period: JANUARY 1, 1999 TO DECEMBER 31, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Inter NB Hidalgo	99.41	8	78	0.00	12.50	12.50	75.00	1	0	0	0	0	1	0.00	27.92	47.03	25.06
<b>Limited Review:</b>																	
Inter NB El Paso	0.59	2	22	0.00	0.00	0.00	100.00	2	0	0	0	0	2	5.68	28.14	37.12	29.06

