



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 29, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Inter National Bank
Charter Number: 18480

1801 S Col Rowe Boulevard
McAllen, TX 78503

Office of the Comptroller of the Currency

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San Antonio, Texas 78216

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) 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 (95%) of the number of HMDA and small business loans originated by INB during the evaluation period were within its AAs.
- INB's overall distribution of loans by income level of the geographies and among borrowers of different income levels is good.
- Community development lending had a neutral impact on the Lending Test performance.
- The level of community development investments is adequate.
- 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 a low level 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 Metropolitan Area (MA)/AA.

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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 applicants, 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/AA.

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 (MSA): 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 at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Inter National Bank (INB) is a \$2.1 billion intrastate bank headquartered in McAllen, Texas. INB operates 18 full-service branches in the Texas counties of Hidalgo, El Paso, Cameron, and Webb. The major cities in these counties are McAllen, Edinburg, and Mission in Hidalgo County, El Paso in El Paso County, Brownsville and Harlingen in Cameron County, and Laredo in Webb County. INB also operates 35 automated teller machines (ATMs) in designated AAs with an additional two ATMs that are not in its designated AA. One is in Fort Hancock, Texas and the other one is in Chaparral, New Mexico. Both of these ATMs are near the El Paso County AA.

The bank is a wholly owned subsidiary of INB Financial Corporation, a one bank holding company that is wholly owned by Banorte USA Corporation. Banco Mercantil del Norte owns 100% of Banorte USA Corporation and Grupo Financiero Banorte (GFNorte) from Monterey, Mexico owns 97.06% of Banco Mercantil del Norte. As of December 31, 2009, GFNorte has total assets of MXN \$567 billion, or USD \$45 billion, with over 1,000 branches and 19,000 employees.

As of December 31, 2009, the bank had \$2.1 billion in assets and Tier 1 capital of \$180 million, which represents 9.26 percent of average assets. Net loans of \$1.1 billion represent 53 percent of total assets. Real estate loans make up the largest category of loans at 80 percent of gross loans (GL). The real estate loans include construction and development loans at 27 percent of GL, and one-to-four family residential loans at 19 percent of GL. Commercial loans comprise 18 percent of GL, while consumer loans represent 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, and special products that are tailored to customers of its affiliated Banco Mercantil del Norte.

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 2, 2007.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment and Service Tests. To evaluate the bank's lending performance, we reviewed residential mortgage loans subject to filing under the HMDA, small loans to businesses and farms subject to filing under the CRA, and community development (CD) loans. The Investment Test included a review of investments, grants, and donations made in the bank's AAs that meet the definition of CD investments. The Service Test included a review of retail and CD products and services provided in the bank's AAs.

The evaluation period for the Lending Test, except for CD loans, covered January 1, 2007 through December 31, 2009. For CD loans, the Investment Test, and the Service Test, the evaluation period covered activity after April 2, 2007, the date of the last CRA evaluation, through March 29, 2010. We based our conclusions related to CD loans and qualified investments on the number and dollar amounts made during the evaluation period. We also considered the level of innovation, complexity, responsiveness to community credit needs, and the degree to which private investors do not provide these instruments.

Data Integrity

In December 2009, 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, OCC personnel reviewed non-public data for CD loans, investments, and services that INB management submitted to ensure that they met the regulatory definition for CD. Based on verification of work performed, publicly reported lending data was considered accurate after adjustments were made by the bank. All CD data which met regulatory definition requirements was used in this evaluation.

Selection of Areas for Full-Scope Review

During this evaluation, we performed a full-scope review for one of the bank's four AAs. We selected the Hidalgo County AA for a full-scope review because it represents a substantial majority of the bank's business in terms of lending activity, deposit activity, and branch locations. Including the bank's main office, 13 of the 18 branches are located in this AA. The bank derived 88% of loans by number, 83% of loans by dollars, and 79% of deposits from the Hidalgo County AA.

Please refer to Appendix A for more information.

Ratings

INB's overall rating is based primarily on the Hidalgo County AA that received a full-scope review because the largest percentage of the bank's business is located in this AA. Overall performance in small business lending and home purchase lending received equal weight in determining the overall Lending Test rating since the volumes of these loan products, in terms

of the number of loans and loan dollars were approximately equal. Home refinance loans, home improvement loans and small farm loans represent less than 5 percent of total originations and are not primary business lines. Analyses of these three products were not meaningful because of the low volumes of these types of lending; therefore, they received significantly less weight in determining the overall Lending Test rating.

Other

Community credit needs in the AAs were determined by reviewing recent housing and demographic information, and community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same AAs.

For this examination, we reviewed recent community contacts to determine credit needs and opportunities for financial institutions to meet those needs. The contacts indicated a somewhat high level of CD opportunities in the full-scope AA in the areas of affordable housing, small business financing, and community services. The comments received were positive and indicated that the current economic problems in housing and commercial lending have affected the willingness of some financial institutions, in general, to meet credit needs in the full-scope AA.

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**".

- ▶ Overall lending performance in the Hidalgo County AA is good.

These conclusions are based on the bank's performance context and the full-scope review of the specific AA previously noted. Small business lending and residential mortgage lending, and in particular, home purchase lending, were the primary products reviewed to evaluate CRA performance, with equal consideration given to both types of lending. Another factor that had a positive impact on the rating was the origination of a significant majority of loans in the AAs.

Lending Activity

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

INB's responsiveness to credit needs in its AAs during the evaluation period is good. Identified credit needs include loans to small businesses and home mortgage products for affordable housing. In the AAs, loans to small businesses totaled 1,142 or 49% of the number of originated loans, and home mortgage loans totaled 1,173 or 50% of the number of loans. CD lending was adequate and had a neutral effect on the Lending Test conclusions.

Overall lending volume in the bank's AAs is good. Market share data and rankings for deposits are from the FDIC's Summary of Deposits, Market Share Report as of June 30, 2009. Market share and rankings for loan information are from 2007 Peer Mortgage data and 2008 Peer Small Business data.

Hidalgo County AA: The bank has 14.32% of the deposit market share in the AA and ranks second in this market. Overall, the bank has an above average market share of small business loans in the Hidalgo County AA. INB is 11th in number of loan originations in this AA with a 2.33% market share, and ranks fourth in number of loan dollars with an 8.84% market share. The bank is ranked fifth for home purchase loans and had a market share of 4.95%. INB's average loan size for home purchase loans is \$114 thousand compared to the average of \$124 thousand for all lenders.

This AA includes a large number of financial institutions, resulting in an aggressive level of lending competition for small business loans, residential real estate loans, and consumer 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 home mortgage loans by income level of geography is good in the Hidalgo County AA.

The geographic distribution of home purchase loans is good. While the distribution of loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units, the bank's market share in moderate-income geographies slightly exceeds the overall market share.

The geographic distribution analysis of home mortgage refinance loans and home improvement loans is not meaningful. These products represent 4.81% and 2.49%, respectively, of total loan originations. INB originated only 112 home refinance loans and 58 home improvement loans spread among four AAs. The tables titled Geographic Distribution of Home Mortgage Refinance Loans and Geographic Distribution of Home Improvement Loans are provided for informational purposes only.

The geographic distribution of multifamily loans is excellent. The distribution of loans in moderate-income geographies significantly exceeds the percentage of multifamily units in those geographies. The market share in moderate-income geographies is almost three times the overall market share.

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.

INB's distribution of small loans to businesses is good. The percentage of small loans to businesses with annual revenues of \$1 million or less is near to the percentage of businesses with annual revenues of \$1 million or less in the AA, and the bank's market share to businesses with annual revenues of \$1 million or less substantially exceeds its overall market share by almost two times.

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.

A geographic distribution analysis of small loans to farms is not meaningful. INB originated only 12 loans during the evaluation period representing 0.52% of total loan originations. The table is provided for informational purposes only.

Lending Gap Analysis

Maps and reports detailing INB's lending activity over the evaluation period for home mortgages and small loans to businesses 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, small business, and small farm loans originated by INB during the evaluation period were within its AAs. Ninety-six percent of the total number of loans and ninety-five percent of the total dollar volume of loans originated within the bank's AAs. This analysis was performed at the AA level. The information includes loans that the bank originated or purchased and does not include loans by affiliates that are being considered under other performance criteria. The excellent distribution of loans originating within INB's AAs factored positively in the overall lending performance analysis.

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 distribution of home mortgage loans by income level of borrowers is good in the Hidalgo County AA. We factored into our analysis of home mortgage loans the difficulty that low- and moderate-income individuals have in purchasing homes in the AAs.

The distribution of home purchase loans by borrower income level is good despite the high level of households (32%) below the poverty level. When compared to a HUD Adjusted Median Family Income of \$27,700 for 2007, \$31,600 for 2008, \$32,000 for 2009 and, for 2008, a median home price of \$101 thousand and an average sale price of \$110 thousand to \$141 thousand, the unsubsidized purchase of an average single-family residence may be beyond the financial means of many individuals classified as low- and moderate-income. While the percentage of loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA, the bank's market share for low-income borrowers exceeds its overall market share by over 1.5 times. The percentage of loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA, but the bank's market share for moderate-income borrowers substantially exceeds its overall market share by over two times.

Analysis of home mortgage refinance loans and home improvement loans by borrower income levels is not meaningful. These products represent 4.81% and 2.49%, respectively, of total loan originations. INB originated only 112 home refinance loans and 58 home improvement loans spread among four AAs. The tables titled Borrower Distribution of Home Mortgage Refinance Loans and Borrower Distribution of Home Improvement Loans are provided for informational purposes only.

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 bank's distribution of small loans to businesses with annual revenues of \$1 million or less is good. The percentage of small loans to businesses is lower than the percentage of businesses with annual revenues of \$1 million or less in the AA, but the bank's market share of loans to businesses with annual revenues of \$1 million or less substantially exceeds its overall market share by almost two times.

In addition, over 66% of the bank's small business loans were originated for under \$100 thousand. This performance is good considering that the need for smaller dollar business loans is met, in large part, by credit card lenders who often possess competitive advantages over other financial institutions in that segment of the market.

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.

A distribution analysis of small loans to farms by revenue is not meaningful. This product represents 0.52% of total loan originations. INB originated only 12 loans spread over four AAs. The table is provided for informational purposes only.

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 CD 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 multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

INB has an adequate level of CD loans in its AAs. This had a neutral impact on the overall Lending Test conclusions. INB originated 12 CD loans totaling \$23.2 million during the evaluation period. Seven loans totaling \$14.8 million originated in the Hidalgo County AA, four loans totaling \$7.1 million originated in the Cameron County AA, and one loan for \$1.3 million originated in the El Paso County AA. These loans financed activities for CD purposes, most for the construction and/or development of affordable single-family residences, an identified credit need. None of the CD loans are considered complex or innovative.

Product Innovation and Flexibility

INB participates in providing flexible financing for low-income housing through Affordable Homes of South Texas, Inc. (AHSTI), a company started by the non-profit, McAllen Affordable Homes, Inc. AHSTI is a non-profit housing initiative that provides home ownership opportunities and education to low-income residents of south Texas acting as a land developer, general contractor, and as a full-service mortgage company providing multi-cultural, in-house home owner education to its low- and moderate-income clients. AHSTI is certified by

Hidalgo County and the city of McAllen as a Community Housing Development Organization (CHODO) and by the U.S. Department of Treasury as a Community Development Financial Institution (CDFI) and a Community Development Entity (CDE).

INB will periodically provide financing for low-income single family residential (SFR) lot development to AHSTI with flexible underwriting guidelines that are typically the same as for non-low-income SFR lot development loans.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the Cameron County AA is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test. In the El Paso County AA and in the Webb County AA, the bank's performance is weaker than overall performance mainly because of low percentages of bank loans compared to demographic indicators that were not mitigated by market share performance. The weaker performance in these areas did not impact the bank's overall Lending Test rating. Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated Low Satisfactory. Based on full-scope reviews, the bank's performance in the Hidalgo County AA is adequate.

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

A total of \$7.8 million in current period investments, donations, or grants were made during the evaluation period. The number and dollar volume of INB's qualified investments is adequate in view of existing opportunities to make qualifying investments in its AAs. INB purchased two GNMA mortgage-backed bond pools in March 2010. Both have as underlying collateral, loans to purchase or refinance single family homes. Both qualify as CD investments because the loans are either to low-or moderate-income individuals or in low- or moderate-income areas. Of the total investment of \$7.8 million, \$2.3 million or 29% of loan dollars are in the bank's designated AAs. The remaining \$5.5 million in loans were made in other Texas counties and are listed collectively in Table 14 on the line labeled, Broader Statewide Area.

An additional six qualifying donations or grants totaling \$7 thousand were made in the Hidalgo County AA, and five qualifying donations totaling \$20 thousand were made in the El Paso County AA.

The bank maintained its prior period equity investment in a multi-family housing revenue bond with a book value of \$907 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 low-income elderly residents.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Investment Test in the Cameron County AA, El Paso County AA, and Webb County AA is not inconsistent with the bank's overall "Low Satisfactory" performance under the Investment Test.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Hidalgo County AA is adequate.

Retail Banking Services

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

The service delivery systems in the Hidalgo County AA are reasonably accessible to geographies and individuals of different income levels. INB has 13 offices (including the main office) in this AA. While the bank has no branches in moderate-income geographies compared to 30% of the population that resides in such tracts, consideration was given to 6, or 46%, of the branches that are located in middle- and upper-income geographies that are adjacent and readily accessible to residents of neighboring moderate-income census tracts. This improves overall accessibility by the residents of those moderate-income tracts. There are no low-income geographies in the Hidalgo County AA.

Bank hours are consistent for all locations with six locations offering extended hours. Bank hours are among the more convenient in the Hidalgo County AA based on longer hours of operation on Saturdays for lobbies and motor bank facilities. On Saturdays, INB lobbies and motor banks are open when several competing institutions are not open.

Alternative Delivery Systems

The distribution of ATMs provides excellent access to bank products and services. The bank's ATM network, which includes 37 INB-owned ATMs, includes no charge ATM access in all 50 states, plus all over Mexico. Customers have access to over 35,000 no charge ATMs via any INB, GFNorte, or Allpoint ATMs. Alternative delivery systems also include 24-Hour Phone Banking, Internet banking, and bank by mail. All of these services are available in English and Spanish. Through the bank's website, customers can access information regarding their checking, savings, and loan balances, transfer funds, view and print their statements, view their imaged checks, pay bills, and communicate with the bank via e-mail. Customers can also sign up for electronic statement delivery service, which includes an email alert system for the availability of statements and allows customers to save their statements to their own personal computers. No data was available to determine the effect of these services on low- and moderate-income individuals or areas, or small businesses; therefore, these were

not key considerations in determining the level of benefit to low- or moderate-income individuals or areas, or small businesses.

Opening and Closing of Branches

INB opened two branches since the prior CRA evaluation. One new branch was opened in the Cameron County AA. While it is located in an upper-income census tract it is reasonably accessible by residents of a neighboring moderate-income census tract. The second new branch was opened in the Webb County AA in an upper-income census tract, and not reasonably convenient to residents of the area's low- or moderate-income census tracts. It is on a major road, but adjacent to and near upper- or middle-income geographies with predominately upper- and middle-income residents. No new branches were opened in either the Hidalgo County AA or the El Paso County AA since the last evaluation. No branches were closed.

Other Retail Banking Services

The bank offers a variety of loan and deposit products at its many locations. No data was available to determine the effect of these products on low- and moderate-income individuals or areas; therefore, the level of benefit to low- or moderate-income individuals or areas could not be determined. Examples of the products and services that could benefit low- or moderate-income individuals due to their low-cost nature are described below.

Free Checking and FreeStyle Checking - These accounts require a low initial deposit of \$50 to open and are not assessed a monthly service fee. While neither earns interest, several free services are included. Examples include travelers checks, money orders, cashiers checks, notary services, and unlimited check writing. No minimum balance is required, checks are imaged, and no per item fees apply.

Community Development Services

INB's performance in the Hidalgo County AA is adequate. The bank has provided a low level of qualifying CD services. Two officers have served in leadership positions and have provided valuable, technical financial advice to two organizations that serve affordable housing needs in the Hidalgo County AA. Each one is described below.

City of McAllen Community Development Block Grant Program (CDBG) – A bank officer joined the CDBG program in February 2009. The CDBG program reviews grant applications for low-income housing, city construction projects, and social service agencies. The CDBG also ensures that the allocated federal funds are used to serve low- and moderate-income individuals and families.

Affordable Homes of South Texas, Inc. – A bank officer has served on the board and executive committee since 2006 for this leading provider of affordable housing in Hidalgo County.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Service Test in the Cameron County is not inconsistent with the bank's overall "Low Satisfactory" performance under the Service Test. In the El Paso AA, the bank's performance is stronger than the bank's overall performance because of an excellent branch distribution. In the Webb County AA, the bank's performance is weaker than the bank's overall performance because of a poor branch distribution. Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test (excludes CD Loans): (01/01/07 to 12/31/09) Investment and Service Tests and CD Loans: (04/03/07 to 03/29/10)	
Financial Institution	Products Reviewed	
Inter National Bank McAllen, Texas	HMDA, CRA, Community Development Loans, Community Development Investments, and Community Development Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
We did not review any affiliate activities.	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Hidalgo County AA El Paso County AA Cameron County AA Webb County AA	Full Scope Limited Scope Limited Scope Limited Scope	McAllen-Edinburg-Mission MSA #32580 El Paso MSA # 21340 Brownsville-Harlingen MSA #15180 Laredo MSA # 29700

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
Business by Geography	45,444	0.00	19.99	42.50	37.51	0.00
Farms by Geography	768	0.00	15.50	51.30	33.20	0.00
Family Distribution by Income Level	133,186	23.49	16.86	17.67	41.98	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 2009 Households Below Poverty Level		25,988 32,000 32%	Median Housing Value Unemployment Rate (2000 US Census)	49,916 4.33%		

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

Source: 2000 US Census and 2009 HUD updated MFI

The Hidalgo County AA is also known as the McAllen-Edinburg-Mission MSA. The defined AA meets the requirements of the CRA and does not arbitrarily exclude any moderate-income tracts. There are no low-income census tracts in this MSA. Major cities are McAllen, Edinburg, Mission, Pharr, and Weslaco. These cities are located essentially adjacent to each other along State Highway 83. There are several other smaller cities located mainly along State Highway 83. The median housing price was \$101 thousand in 2008 with an average sale price of between \$110 and \$141 thousand according to the Real Estate Center at Texas A&M University.

INB's main competitors in the AA are other large community banks including Lone Star National Bank and First National Bank of Edinburg, branches of multinational and regional banking companies such as BBVA-Compass, Wells Fargo, International Bank of Commerce, Frost Bank, and JP Morgan Chase Bank, and several smaller community banks. At June 30, 2009, MSA deposits account for 79 percent of total deposits. Of the total HMDA, CRA, and CD loans reported during the evaluation period, 88 percent of the number and 83 percent of the dollars were made in this AA. The bank operates 13 full service branches and 24 ATMs in the Hidalgo County AA. INB offers a full-range of banking products and services in this AA with particular emphasis on loans for residential housing, small business loans, loans for consumer purposes, and loans to meet the needs of its international customers.

Prior to 2008, the metropolitan area of McAllen was one of the fastest growing in Texas and in the nation. That growth made McAllen the second largest residential center along the border after El Paso. Despite an economic downturn in 2009 in many major metropolitan areas of the

country, the MSA remains a very favorable prospect for job growth in 2010. The Milken Institute rating of the best performing MSAs in 2009 ranks the McAllen-Edinburg-Mission MSA as the fourth best among the 200 largest MSAs. The growing population base was the primary force feeding growth in the metro area's housing, education, health, finance, and personal services industries. Local manufacturing added jobs and hiring accelerated in tourism areas.

Economic conditions were fairly stable at year-end 2008 in contrast to nationwide economic problems in commercial real estate and residential housing, with slower, yet positive improvement in 2009. Professional and business services, state and federal government, and education and health service sectors account for the majority of employment in the AA. The major sectors and employers were the school districts in McAllen and Edinburg; healthcare industry including Edinburg Regional Medical Center, McAllen Medical Center, Doctors Hospital at Renaissance; and state and federal government. Major corporate employers are Wal-Mart and the various banking companies.

According to the U.S. Department of Labor, Bureau of Labor Statistics, the MSA reported an annual unemployment rate of 10.6% as of December 31, 2009, a significant increase from the 7.6% for 2008. The state annual unemployment rate was 7.9% for 2009, also a significant increase compared to the 4.9% rate for 2008, which is a reflection of economic conditions nationwide. For March 2010, the MSA's unemployment rate rose slightly to 11.6%, as did the state unemployment rate which rose to 8.2%.

Market data on HMDA lending indicates there is a lower than average demand for purchase money mortgage loans in the bank's trade area. The high level of families below the poverty level coupled with the high unemployment rate, median home sales price, and average sales price of a home, means many cannot qualify for home mortgage loans without financial assistance. While the prior high growth levels helped mitigate these factors somewhat, the general economic slowdown of late 2008 and 2009 has impacted the demand for loans resulting in lower demand in the commercial real estate and residential real estate markets.

Hidalgo County has a good level of CD 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/Affordable Homes of South Texas, Inc., Edinburg Housing Authority, and Coto de Casa, Inc. help provide home ownership counseling, construction, and financing of affordable homes. The MSA includes several areas that are identified as Federally-designated Empowerment Zones primarily for affordable housing.

Appendix C: Tables of Performance Data

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/AA; (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 (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12. Tables without data are not included in this Performance Evaluation.

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/AA. CD loans to statewide or regional entities or made outside the bank’s AA may receive positive CRA consideration. See Interagency Q&As - 12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- 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 AA.

- 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 AA.
- 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/AA. 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 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 AA. See Interagency Q&As - 12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

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 2009		Geography: TEXAS						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009				
Assessment Area (2009):	% 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 Deposit s in MA/AA*
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
Hidalgo County AA	88.35	1,035	120,761	1,009	137,813	12	1,321	7	14,828	2,063	274,377	78.82
Limited Review:												
Cameron County AA	6.19	102	15,110	42	10,928	0	0	4	7,072	148	33,110	0.88
El Paso County AA	5.20	33	12,270	88	16,601	0	0	1	1,300	122	30,171	19.22
Webb County AA	0.26	3	177	3	106	0	0	0	0	6	283	1.08

* Loan Data as of December 31, 2009. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from April 3, 2007 to March 29, 2010.

*** Deposit Data as of June 30, 2009. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: TEXAS				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009					Market Share (%) by Geography				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	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						
Full Review:																
Hidalgo County AA	870	88.69	0.00	0.00	27.56	21.72	48.45	51.72	23.99	26.55	4.90	0.00	4.91	6.48	3.24	
Limited Review:																
Cameron County AA	82	8.36	0.87	2.44	21.06	23.17	43.90	15.85	34.18	58.54	0.76	1.56	0.00	0.37	1.14	
El Paso County AA	29	2.96	0.92	0.00	26.70	10.34	34.90	27.59	37.48	62.07	0.08	0.00	0.15	0.05	0.10	
Webb County AA	0	0.00	0.12	0.00	34.45	0.00	33.06	0.00	32.37	0.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2008 Peer Mortgage Data (Western)

** 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: TEXAS						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009						
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:															
Hidalgo County AA	52	89.66	0.00	0.00	27.56	15.38	48.45	46.15	23.99	38.46	2.49	0.00	1.59	2.70	2.75
Limited Review:															
Cameron County AA	3	5.17	0.87	0.00	21.06	33.33	43.90	0.00	34.18	66.67	0.36	0.00	0.95	0.00	0.52
El Paso County AA	1	1.72	0.92	0.00	26.70	0.00	34.90	0.00	37.48	100.00	0.04	0.00	0.00	0.00	0.09
Webb County AA	2	3.45	0.12	0.00	34.45	50.00	33.06	0.00	32.37	50.00	0.45	0.00	0.79	0.00	0.53

* Based on 2008 Peer Mortgage Data (Western)

** 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE 2009		Geography: TEXAS						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,					Market Share (%) by Geography				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies								
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp		
Full Review:																	
Hidalgo County AA	95	84.82	0.00	0.00	27.56	31.58	48.45	44.21	23.99	24.21	1.79	0.00	4.52	1.63	0.74		
Limited Review:																	
Cameron County AA	15	13.39	0.87	6.67	21.06	26.67	43.90	6.67	34.18	60.00	0.65	0.00	1.73	0.00	0.99		
El Paso County AA	1	0.89	0.92	0.00	26.70	0.00	34.90	0.00	37.48	100.00	0.01	0.00	0.00	0.00	0.03		
Webb County AA	1	0.89	0.12	0.00	34.45	0.00	33.06	0.00	32.37	100.00	0.09	0.00	0.00	0.00	0.16		

* Based on 2008 Peer Mortgage Data (Western)

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

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

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: TEXAS				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009					Market Share (%) by Geography				
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overa ll	Low	Mod	Mid	Upp	
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans						
Full Review:																
Hidalgo County AA	18	81.82	0.00	0.00	11.56	33.33	31.77	27.78	56.67	38.89	11.11	0.00	30.77	5.88	4.17	
Limited Review:																
Cameron County AA	2	9.09	2.93	0.00	15.31	0.00	19.84	50.00	61.92	50.00	5.00	0.00	0.00	7.69	5.00	
El Paso County AA	2	9.09	11.43	0.00	31.34	100.00	26.23	0.00	31.00	0.00	2.78	0.00	11.11	0.00	0.00	
Webb County AA	0	0.00	2.50	0.00	18.94	0.00	41.52	0.00	37.04	0.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2008 Peer Mortgage Data (Western)

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: TEXAS				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009							
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	Overall	Low	Mod	Mid	Upp
Full Review:															
Hidalgo County AA	1,009	88.35	0.00	0.00	19.99	16.95	42.50	35.88	37.51	47.18	2.33	0.00	2.45	2.32	2.52
Limited Review:															
Cameron County AA	42	3.68	2.63	0.00	26.77	14.29	34.48	23.81	36.13	61.90	0.14	0.00	0.06	0.09	0.25
El Paso County AA	88	7.71	7.96	7.95	29.94	22.73	26.38	23.86	35.72	45.45	0.10	0.10	0.05	0.12	0.12
Webb County AA	3	0.26	5.13	0.00	20.93	0.00	21.64	0.00	52.30	100.00	0.03	0.00	0.00	0.00	0.06

* Based on 2008 Peer Small Business Data -- US and 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 (2009).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS 2009		Geography: TEXAS						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,							
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
Full Review:															
Hidalgo County AA	12	100.00	0.00	0.00	15.49	25.00	51.30	8.33	33.20	66.67	3.23	0.00	2.94	0.00	8.77
Limited Review:															
Cameron County AA	0	0.00	0.37	0.00	9.14	0.00	56.72	0.00	33.77	0.00	0.00	0.00	0.00	0.00	0.00
El Paso County AA	0	0.00	3.33	0.00	35.49	0.00	23.92	0.00	37.25	0.00	0.00	0.00	0.00	0.00	0.00
Webb County AA	0	0.00	2.21	0.00	13.81	0.00	28.73	0.00	55.25	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2008 Peer Small Business Data -- US and 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 (2009).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: TEXAS				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009					Market Share				
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overa ll	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families ¹	% BANK Loans**	% Families**	% BANK Loans****	% Families*	% BANK Loans****						
Full Review:																
Hidalgo County AA	870	88.69	23.48	1.53	16.86	8.04	17.67	15.31	41.98	75.13	4.92	14.81	7.84	4.34	4.67	
Limited Review:																
Cameron County AA	82	8.36	23.75	0.00	16.04	13.89	17.82	36.11	42.40	50.00	0.56	0.00	1.16	0.80	0.46	
El Paso County AA	29	2.96	22.11	0.00	17.46	0.00	18.92	0.00	41.51	100.00	0.05	0.00	0.00	0.00	0.07	
Webb County AA	0	0.00	22.96	0.00	16.89	0.00	18.19	0.00	41.96	0.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2008 Peer Mortgage Data (Western)

** 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 Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 11.4% of loans originated and purchased by bank.

¹ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: TEXAS						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009						
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 ²	% BANK Loans****	% Families** *	% BANK Loans****	% Families** *	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
Hidalgo County AA	52	89.66	23.48	14.29	16.86	8.57	17.67	14.29	41.98	62.86	2.00	6.67	1.31	2.56	1.50
Limited Review:															
Cameron County AA	3	5.17	23.75	0.00	16.04	0.00	17.82	33.33	42.40	66.67	0.38	0.00	0.00	0.83	0.36
El Paso County AA	1	1.72	22.11	0.00	17.46	0.00	18.92	0.00	41.51	100.00	0.04	0.00	0.00	0.00	0.06
Webb County AA	2	3.45	22.96	50.00	16.89	0.00	18.19	0.00	41.96	50.00	0.47	3.57	0.00	0.00	0.39

* Based on 2008 Peer Mortgage Data (Western)

** 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 Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 29.3% of loans originated and purchased by bank.

² Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE 2009		Geography: TEXAS								Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,					
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 ³	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans*** *	Overa ll	Low	Mod	Mid	Upp
Full Review:															
Hidalgo County AA	95	84.82	23.48	7.50	16.86	10.00	17.67	22.50	41.98	60.00	1.84	8.57	2.12	3.46	1.34
Limited Review:															
Cameron County AA	15	13.39	23.75	7.14	16.04	7.14	17.82	50.00	42.40	35.71	0.76	2.94	0.00	3.43	0.35
El Paso County AA	1	0.89	22.11	0.00	17.46	0.00	18.92	0.00	41.51	100.00	0.02	0.00	0.00	0.00	0.02
Webb County AA	1	0.89	22.96	0.00	16.89	0.00	18.19	0.00	41.96	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2008 Peer Mortgage Data (Western)

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

*** Percentage of Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 15.2% of loans originated and purchased by bank.

³ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES 2009				Geography: TEXAS		Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,			
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****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Hidalgo County AA	1,009	88.35	73.11	28.05	66.80	18.04	15.16	2.33	4.13
Limited Review:									
Cameron County AA	42	3.68	72.73	30.95	40.48	21.43	38.10	0.14	0.24
El Paso County AA	88	7.71	72.36	20.45	56.82	18.18	25.00	0.10	0.12
Webb County AA	3	0.26	71.82	0.00	100.00	0.00	0.00	0.03	0.04

* Based on 2008 Peer Small Business Data -- US and 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 - 2009).

**** 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 63.13% 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: TEXAS			Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009	
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
Full Review:									
Hidalgo County AA	12	100.00	92.84	66.67	75.00	8.33	16.67	3.23	4.24
Limited Review:									
Cameron County AA	0	0.00	96.83	0.00	0.00	0.00	0.00	0.00	0.00
El Paso County AA	0	0.00	95.88	0.00	0.00	0.00	0.00	0.00	0.00
Webb County AA	0	0.00	95.03	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2008 Peer Small Business Data -- US and 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 - 2009).

**** 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 33.33% of small loans to farms originated and purchased by the bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS									
Geography: TEXAS									
Evaluation Period: APRIL 3, 2007 TO MARCH 29, 2010									
Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Hidalgo County AA	1	907	8	806	9	1,713	19.64	0	0
Limited Review:									
Cameron County AA	0	0	2	619	2	619	7.10	0	0
El Paso County AA	0	0	7	542	7	542	6.22	0	0
Webb County AA	0	0	2	316	2	316	3.62	0	0
Broader Statewide Area	0	0	2	5,531	2	5,531	63.42	0	0

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

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

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

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS								Geography: TEXAS				Evaluation Period: APRIL 3, 2007 TO MARCH 29, 2010					
MA/AA:	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
Full Review:																	
Hidalgo County AA	78.82	13	72.22	0.00	0.00	30.77	69.23	0	0	0	0	0	0	0.00	29.73	48.29	21.98
Limited Review:																	
Cameron County AA	0.88	1	5.56	0.00	0.00	0.00	100.00	1	0	0	0	0	1	2.26	25.87	42.69	29.18
El Paso County AA	19.22	3	16.67	0.00	33.33	0.00	66.67	0	0	0	0	0	0	3.70	30.92	33.98	31.40
Webb County AA	1.08	1	5.56	0.00	0.00	0.00	100.00	1	0	0	0	0	1	0.52	38.06	33.72	27.69