

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Bank of San Antonio  
San Antonio, Texas  
Application for Federal Deposit Insurance  
Deposit Insurance Fund

ORDER

The undersigned, acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act and relating to the applications for Federal deposit insurance through the Deposit Insurance Fund for Bank of San Antonio, a proposed new bank to be located at 8000 Interstate Highway 10 West, San Antonio, Bexar County, Texas, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED that the applications submitted by Bank of San Antonio, San Antonio, Texas, for Federal deposit insurance, be and the same is hereby approved subject to the following conditions:

- (1) That beginning paid-in capital funds of not less than \$19,580,000 be provided, of which not less than \$2,000 shall be allocated to common capital and not less than \$19,578,000 to surplus;
- (2) That the Tier 1 capital to assets leverage ratio will be maintained at not less than eight percent throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided;
- (3) That any changes in proposed management or proposed ownership of 10% or more of stock, including new acquisitions of or subscriptions to 10% or more of the stock be approved by the FDIC prior to opening;
- (4) That an accrual accounting system be adopted for maintaining the bank's books;
- (5) That Federal deposit insurance shall not become effective unless and until the applicant has authority to conduct a depository institution business and its establishment and operation as a depository institution has been fully approved by the Texas Department of Banking;
- (6) That the bank shall operate within the parameters of the business plan submitted to the FDIC. Furthermore, during the first three years of operations, the bank shall notify the Regional Director of any proposed major deviation or material change from the submitted plan 60 days before consummation of the change.
- (7) That a registered or proposed bank holding company has obtained approval of the Board of Governors of the Federal Reserve System to acquire voting stock control of the institution prior to its opening;

- (8) That, where applicable, full disclosure has been made to all proposed directors and stockholders of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and the terms and cost involved. An insider is one who is or is proposed to be a director, officer, or incorporator of an applicant; a shareholder who directly or indirectly controls 10 or more percent of any class of the applicant's outstanding voting stock; or the associates or interests of any such person;
- (9) That the applicant will have adequate fidelity coverage;
- (10) That the persons selected to serve as the Director- Commercial Banking Group and as the Director- Real Estate Banking Group shall be acceptable to the Regional Director;
- (11) That the bank will obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance coverage is effective, furnish a copy of any reports by the independent auditor (including any management letters) to the Dallas Regional Office within 15 days after their receipt by the bank, and notify the Regional Office within 15 days when a change in its independent auditor occurs;
- (12) That until the bank is established, the FDIC shall have the right to alter, suspend, or withdraw the said commitment should any interim development be deemed to warrant such action; and
- (13) That if deposit insurance has not become effective within twelve months from the date of this ORDER, or unless, in the meantime, a request for an extension of time has been approved by the FDIC, the consent granted shall expire at the end of the said twelve-month period.

Dated at Dallas, Texas, this 26th day of April, 2007.

FEDERAL DEPOSIT INSURANCE CORPORATION

By:

/s/

\_\_\_\_\_  
M. Anthony Lowe  
Acting Regional Director

**FEDERAL DEPOSIT INSURANCE CORPORATION**

In Re: Bank of San Antonio  
San Antonio, Texas  
Application for Federal Deposit Insurance  
Deposit Insurance Fund

**STATEMENT**

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (12 U.S.C. §1815), an application for Federal deposit insurance has been filed for Target Bank (the Bank), a proposed new state-chartered bank, to be located at 8000 Interstate Highway 10 West, San Antonio, Bexar County, Texas.

The Bank will be a wholly-owned subsidiary of a proposed holding company, Southwest Bancshares, Inc., San Antonio, Texas, which will file an application with the Federal Reserve Bank of Dallas to become a bank holding company.

The Bank intends to become a full-service community bank providing traditional services to its target market, which consists of local individuals and small to medium sized business activities. The applicants are cognizant of and intend to fully comply with the Community Reinvestment Act.

For the purposes of this proposal, capital is adequate, projections for future earnings prospects are favorable, management is considered satisfactory, and the investment in fixed assets is reasonable. Corporate powers to be exercised are consistent with the purpose of the Federal Deposit Insurance Act. No formal objections to this proposal have been filed and no undue risk to the insurance fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, the Acting Regional Director, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**ACTING REGIONAL DIRECTOR  
DALLAS REGIONAL OFFICE  
DIVISION OF SUPERVISION AND CONSUMER PROTECTION  
FEDERAL DEPOSIT INSURANCE CORPORATION**