



## **PUBLIC DISCLOSURE**

May 28, 2018

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Hondo National Bank  
Charter Number 14351

1112 18th Street  
Hondo, TX 78861

Office of the Comptroller of the Currency

San Antonio South Field Office  
10001 Reunion Place, Suite 250  
San Antonio, TX 78216-4133

**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: This institution is rated Satisfactory.**

### **The Lending Test is rated: Satisfactory.**

The Hondo National Bank's (HNB) lending performance reflects a satisfactory record of meeting community credit needs in its assessment areas (AA). Factors supporting the institutions rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of lending and lending-related activities originate in the institution's AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects reasonable penetration among individuals of different income and businesses of different sizes.
- There is no evidence of illegal discrimination.

## Definitions and Common Abbreviations

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

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

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

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

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

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

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

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

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

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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) 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 (C&I) 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

The HNB, headquartered in the city of Hondo, Medina County, Texas, is located 35 miles west of San Antonio, Texas, and operates solely in the state of Texas. HNB is 100 percent owned by Texas Heritage Bancshares, Inc. (THB), a single-bank holding company, also headquartered in Hondo. HNB is a sub-chapter S company, independently owned by its shareholders. As of March 31, 2018, HNB reported total assets of \$250 million and tier one capital of \$24 million.

HNB operates four locations. The main office is located in Hondo, with branches in Medina, Uvalde, and Leakey. All four locations have a walk-in teller lobby, a drive-up motor bank, and an automated teller machine (ATM). HNB also operates a loan production office (LPO) located in Blanco, opened in November 2017, which does not offer any deposit services.

HNB reported net loans of \$155 million as of March 31, 2018, comprising 62 percent of the bank's total assets. HNB's primary loan products are residential real estate loans, C&I loans, and agriculture loans. The following table reflects the loan portfolio composition by loan type.

LOAN PORTFOLIO SUMMARY BY PRODUCT DECEMBER 31, 2017		
Loan Category	Volume (\$000)	% of Total Loans
Commercial and Commercial Real Estate Loans	56,262	37%
Residential Real Estate Loans (1-4 Family)	28,163	18%
Residential Construction Loans	2,043	1%
Agriculture/Farm Related	42,902	28%
Other Construction Loans	15,124	10%
Consumer Loans	8,681	6%
<b>Total Loan Portfolio</b>	<b>153,328</b>	<b>100%</b>

The FDIC Deposit Market Share Report as of June 30, 2017 shows HNB has deposits totaling \$230 million. The Hondo office has \$106 million, or 46 percent, of total bank deposits. The Bandera, Uvalde, and Leakey locations represent 14 percent, 32 percent, and 8 percent of deposits, respectively. As of June 30, 2017, HNB has the third largest deposit market share (15 percent), of the 11 institutions in the Bandera-Medina MSA AA. HNB had the second largest deposit market share (7 percent), of the four institutions in the Real-Uvalde Non-MSA AA.

HNB offers a variety of loan and deposit services and delivery channels. HNB's online and electronic delivery channels enable the bank to reasonably serve customers in the AA. HNB's Internet website ([www.myhnb.com](http://www.myhnb.com)) offers deposit and lending product information, and allows for use of online applications for consumer and residential loan products, online banking services, bill pay, mobile banking and SMS text banking. The bank also offers telephone banking and online bank statements. The previous CRA evaluation, dated December 3, 2012, assigned a "Satisfactory" rating to HNB's lending performance. There are no legal, financial, or other factors that impact HNB's ability to meet credit needs in its AA. HNB's current business strategy is to continue offering commercial and residential loans as primary loan products.



# **Scope of the Evaluation**

## **Evaluation Period/Products Evaluated**

The Office of the Comptroller of Currency (OCC) evaluated HNB's CRA performance utilizing interagency Small Bank examination procedures. The scope of the evaluation covered the period between September 30, 2012, the date of the previous CRA examination, and May 28, 2018. The OCC analyzed loans that were originated and purchased in each AA, during the loan sampling period, to identify the bank's primary loan products. Primary loan products were identified as residential real estate, C&I, and agricultural.

To perform a test of bank's lending performance, examiners selected a sample of 203 loans that were purchased or originated between January 1, 2015 and December 31, 2017. The loan sample included 83 residential real estate loans, 60 agricultural loans, and 60 C&I loans. The LTD ratio was calculated for the 21 quarters since the previous CRA examination. The bank's ratio was compared to similarly situated institutions.

## **Data Integrity**

HNB does report HMDA data, but a full data integrity review was not completed prior to the CRA examination. Data integrity was verified and validated through analysis of the loan files as part of the loan review. There were no data integrity issues identified during the CRA evaluation.

## **Selection of Areas for Full-Scope Review**

HNB identified the whole of Uvalde, Real, Bandera, and Medina Counties as its AA. For evaluation purposes examiners split the areas into two separate AAs based on MSA and non-MSA geography. Medina and Bandera County (Bandera-Medina MSA AA) is a part of the San Antonio-New Braunfels MSA, and Uvalde and Real County (Real-Uvalde Non-MSA AA) which is a non-MSA geography. Both AAs received a full scope review. See appendices A and B for detailed information regarding the AA descriptions and selection process.

## **Ratings**

Both AAs were given equal consideration during the lending test and the conclusion of the overall CRA rating.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

The results of the performance tests reflect reasonable CRA performance. The LTD ratio is reasonable given the institution’s size, financial condition, and AA credit needs. A majority of loans and other lending-related activities originate within the AAs. The geographic distribution of loans reflects reasonable dispersion throughout AAs. The distribution of borrowers reflect reasonable penetration among individuals of different income and businesses of different sizes, given the demographics of the AAs. Detailed information regarding the performance criteria, and relevant information from the performance context, is documented below.

## LENDING TEST

The evaluation period of the lending test was January 1, 2015, through December 31, 2017. The original sample included a sample of 60 residential real estate loans, 60 C&I loans, and 60 agricultural loans. These 180 loans were utilized to calculate the in/out ratio. As a part of the borrowing test the sample was expanded to include an additional 23 residential real estate loans bringing the total sample to 203 loans. Due to changes in CT income data, loans originated in 2015-2016, and loans originated in 2017 were evaluated separately.

Results of the lending test indicate that: i) the bank originates and purchases a majority of its loans inside the AA, ii) distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes, and iii) geographical distribution of primary loan products reflects reasonable dispersion throughout the AAs. No significant disparities were identified during the lending test.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and AA credit needs. The LTD ratio averaged 60 percent over the 21 quarters since the last CRA examination, representing a decrease from 69 percent at the prior CRA examination. Over the previous 21 quarters, the bank’s quarterly average LTD ratio ranged from a low of 48 percent to a high of 72 percent.

Similarly situated institutions serving the AA were identified as Bandera Bank, Castroville State Bank, and Community National Bank (Hondo, TX). HNB’s LTD ratio ranks third among these similarly situated banks. The three banks had an average LTD ratio of 51 percent, 61 percent, and 62 percent. The total asset size, as of March 31, 2018, and the average quarterly LTD ratio of all four banks are illustrated in the table below.

Institution	Total Assets (\$000s)	Average LTD Ratio
The Hondo National Bank	249,913	60%
Bandera Bank	72,287	62%
Castroville State Bank	149,768	51%
Community National Bank	203,474	61%

Source: Call Report Data.

## Lending in Assessment Area

Lending in the AA is satisfactory. A majority (74 percent) of the primary loan products were originated inside the institution's AAs. The following table reflects the bank's lending performance in its AA by number and dollar volume of loans originated or purchased during the evaluation period. A sample of 180 loans was used to determine lending in the AA.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	45	75	15	25	60	4,337	53	3,823	47	8,160
Agricultural	47	78	13	22	60	4,634	66	2,409	34	7,043
C&I	41	68	19	32	60	5,358	88	747	12	6,105
<i>Totals</i>	<i>133</i>	<i>74</i>	<i>47</i>	<i>26</i>	<i>180</i>	<i>14,329</i>	<i>67</i>	<i>6,979</i>	<i>33</i>	<i>21,308</i>

Source: Loan Sample

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects, reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.

### Performance in the Bandera-Medina MSA AA

Borrower distribution of loans in the Bandera-Medina MSA AA is reasonable. Only loans originated inside the AA were considered resulting in a sample of 40 residential real estate loans, 28 agricultural loans, and 19 C&I loans. No significant disparities of borrower distribution in the AA were identified. While poor penetration in residential real estate loans is noted, examiners considered other factors such as high home values, elevated poverty levels, and the strengthening of the oil and gas economy.

#### *Residential Real Estate Loans*

Distribution of residential real estate loans in the Bandera-Medina MSA AA reflects poor penetration among borrowers of different income levels. A sample of 21 residential loans for 2017, and 19 for the 2015 and 2016 period, were tested for borrower distribution. During 2017, HNB made 5 percent of its residential loans to low-income borrowers and 14 percent of residential loans to moderate-income borrowers. Demographic data indicates that low-income borrowers make up 18 percent of the Bandera-Medina MSA AA, while moderate-income borrowers make up 17.50 percent of the AA. A mitigating factor in the penetration of LMI families is that households below the poverty level represented 17 percent of the population in the Bandera-Medina MSA AA in 2017. During this same time, the median housing value for the AA was \$137,202. Borrowers living below the poverty level may have a difficult time qualifying for residential loans, especially given the housing values inside the AA. Bank approval rates do not indicate disparities across borrower income levels. Additionally, the local

oil and gas economy has picked up, and many oil and gas employees have gone back to work. This has resulted in a shift towards upper borrower income levels. The following table illustrates the borrower distribution of residential real estate loans in the Bandera-Medina MSA AA for both the 2017 and 2015-2016 time periods.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Residential	18	5	18	14	22	19	43	62

Source: US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Residential	23	16	18	11	21	26	39	47

Source: US Census Bureau 2010 Census, Sample of Hondo National Bank loans

### Commercial and Industrial Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration. Examiners randomly selected 60 C&I loans from 2015, 2016, and 2017. Only loans originated inside the AA were used in determining penetration levels, resulting in a sample size of seven commercial loans for 2017, and 12 for 2015 and 2016. The percentage of businesses inside the AA with annual revenues less than \$1 million remained constant at 87 percent in both time periods. Loan originations to businesses with annual revenues less than \$1 million were 86 percent of business loans made inside the AA in 2017, and 67 percent for 2015-2016. The variance of bank performance from AA concentration in 2015-2016 is due to unavailable revenue data in 16 percent or two loan originations. The following table shows the borrower distribution of loans to businesses in the Bandera-Medina MSA AA in both the 2017 and 2015-2016 samples.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	87	3	9	100
% of Bank Loans in AA by #	86	14	0	100
% of Bank Loans in AA by \$	72	28	0	100

Source: D&B as of June 2017, Sample of Hondo National Bank loans

<b>Table 2A - Borrower Distribution of Loans to Businesses in Bandera-Medina MSA AA 2015-2016</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Businesses	87	3	10	100
% of Bank Loans in AA by #	67	17	16	100
% of Bank Loans in AA by \$	11	6	83	100

Source: D&B as of June 2016, Sample of Hondo National Bank loans

### *Agricultural Loans*

The distribution of loans to farms reflect reasonable penetration among agricultural businesses of different sizes. Examiners randomly selected 60 agricultural loans from 2015, 2016, and 2017. Only loans originated inside the AA were used in determining penetration levels, resulting in a sample size of six agricultural loans for 2017, and 22 for 2015 and 2016. The percentage of farms inside the AA with annual revenues less than \$1 million remained constant in both time periods. Loan originations to farms with annual revenues less than \$1 million were 67 percent of agricultural loans made inside the AA in 2017, and 100 percent for 2015-2016. The variance of bank performance from AA concentration in 2017 is due to unavailable annual revenue in 33 percent of loan originations. Due to results of 2015-2016 testing, and time constraints examiners concluded expanding the sample for 2017 loan originations was not warranted. The following table shows the borrower distribution of loans to farms in the Bandera-Medina MSA AA in both the 2017 and 2015-2016 samples.

<b>Table 2A - Borrower Distribution of Loans to Farms in Bandera-Medina MSA AA 2017</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Farms	98	2	1	100
% of Bank Loans in AA by #	67	0	33	100
% of Bank Loans in AA by \$	68	0	32	100

Source: D&B as of June 2017, Sample of Hondo National Bank loans

<b>Table 2A - Borrower Distribution of Loans to Farms in Bandera-Medina MSA AA 2015-2016</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Farms	99	1	1	100
% of Bank Loans in AA by #	100	0	0	100
% of Bank Loans in AA by \$	100	0	0	100

Source: D&B as of June 2016, Sample of Hondo National Bank loans

### Performance in the Real-Uvalde Non-MSA AA

The borrower distribution of loans in the Real-Uvalde Non-MSA AA is reasonable. Distribution of loans in the AA reflects reasonable penetration among borrowers of different income levels. Only loans originated inside the AA were considered resulting in a sample of 27 residential real estate loans, 19 agricultural loans, and 22 C&I loans. There was no significant disparities of borrower distribution in the AA. Residential real estate loans lacked penetration in the LMI levels. Examiners considered compensating factors for the low penetration to LMI borrowers such as, high home values, elevated

poverty levels, strengthening of the oil and gas economy, and minimal bank market share in the AA.

### *Residential Real Estate Loans*

Distribution of residential real estate loans in the Real-Uvalde Non-MSA AA reflects poor penetration among borrowers of different income levels. Only loans originated inside the AA were utilized and resulted in a sample of nine loans for 2017, and 18 for 2015-2016. The sample represented 82 percent and 69 percent of the total number of residential loans originated during the 2017, and 2015-2016 periods, respectively. During 2017, HNB made 11 percent of its residential loans to low-income borrowers and 11 percent of residential loans to moderate-income borrowers. Demographic data indicates that low-income borrowers make up 24 percent of the Real-Uvalde Non-MSA AA, while moderate-income borrowers make up 22 percent. A mitigating factor in the penetration of LMI families is that HNB held only a 7 percent deposit market share of the Real-Uvalde Non-MSA AA in 2017. Local financial institutions present moderate competition, and the bank receives minimal loan applications in the AA. The local oil and gas economy has picked up, and many oil and gas employees have gone back to work. This has resulted in a shift towards upper borrower income levels. Examiners also considered the type of loan product offered. HNB offers adjustable rate loans with many customers desiring a long term fixed rate loan. The following table illustrates the borrower distribution of residential real estate loans in the Real-Uvalde Non-MSA AA for both the 2017 and 2015-2016 time periods.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Real-Uvalde Non-MSA AA 2017</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Residential	24	11	22	11	17	22	37	55

Source: US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Real-Uvalde Non-MSA AA 2015-2016</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Residential	29	6	20	28	17	22	34	39

Source: US Census Bureau 2010 Census, Sample of Hondo National Bank loans

### *Commercial and Industrial Loans*

The distribution of loans to businesses of different sizes reflects reasonable penetration. Examiners randomly selected 60 C&I loans from 2015, 2016, and 2017. Only loans originated inside the AA were used in determining penetration levels, resulting in a sample size of five commercial loans for 2017, and 17 for 2015-2016. Loan originations

to businesses with annual revenues less than \$1 million comprised 80 percent of business loans made inside the AA in 2017, and 76 percent for 2015-2016. These results compare favorably to the demographics of the AA. The following table shows the borrower distribution of loans to businesses in the Real-Uvalde Non-MSA AA in both the 2017 and 2015-2016 samples.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Real-Uvalde Non-MSA AA 2017</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79	6	15	100
% of Bank Loans in AA by #	80	20	0	100
% of Bank Loans in AA by \$	74	26	0	100

Source: D&B as of June 2017, Sample of Hondo National Bank loans

<b>Table 2A - Borrower Distribution of Loans to Businesses in Real-Uvalde Non-MSA AA 2015-2016</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79	6	15	100
% of Bank Loans in AA by #	76	18	6	100
% of Bank Loans in AA by \$	49	50	1	100

Source: D&B as of June 2016, Sample of Hondo National Bank loans

### *Agricultural Loans*

The distribution of loans to farms reflect reasonable penetration among agricultural businesses of different sizes. Examiners randomly selected 60 agricultural loans from 2015, 2016, and 2017. Only loans originated inside the AA were used in determining penetration levels, resulting in a sample size of nine agricultural loans for 2017, and 10 for 2015-2016. The percentage of farms inside the AA with annual revenues less than \$1 million remained constant between both time periods. Loan originations to farms with annual revenues less than \$1 million totaled 78 percent of agricultural loans made inside the AA in 2017, and 90 percent for 2015-2016. A mitigating factor considered in the penetration testing is the fluctuation in farm income over the evaluation period. The AA experienced multiple business cycles and destructive weather patterns that impacted farm revenue. Many farms will report low to no income in seasons that involve adverse weather events due to reduction or absence of revenue and timing of insurance proceeds. The following table shows the borrower distribution of loans to farms in the Real-Uvalde Non-MSA AA in both the 2017 and 2015-2016 samples.

<b>Table 2A - Borrower Distribution of Loans to Farms in Real-Uvalde Non-MSA AA 2017</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	95	4	1	100
% of Bank Loans in AA by #	78	46	0	100
% of Bank Loans in AA by \$	46	54	0	100

Source: D&B as of June 2017, Sample of Hondo National Bank loans



<b>Table 2A - Borrower Distribution of Loans to Farms in Real-Uvalde Non-MSA AA 2015-2016</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96	3	1	100
% of Bank Loans in AA by #	90	10	0	100
% of Bank Loans in AA by \$	77	23	0	100

Source: D&B as of June 2016, Sample of Hondo National Bank loans

## Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Overall lending compares favorably for LMI CTs. HNB continues to show reasonable to excellent dispersion of loans to LMI CTs, despite changes in CT income levels and underserved/distressed CTs over the evaluation period. In 2017 there were four underserved and distressed CTs located in the Real-Uvalde Non-MSA AA.

### Performance in the Bandera-Medina MSA AA

The geographic distribution of loans in the Bandera-Medina MSA AA reflects excellent dispersion. The AA previously contained only middle and upper income CTs, but, the 2015 census update resulted in a CT being designated as a moderate income level CT. As of 2017, the Bandera-Medina MSA AA contained 11 middle income CTs, one moderate income CT, and one upper income CT. The bank illustrated excellent dispersion across all loan products inside the AA.

### *Residential Real Estate Loans*

HNB's geographical distribution of residential real estate loans in the Bandera-Medina MSA AA reflects excellent dispersion throughout the AA. The updated census data utilized in analysis of 2017 loan originations resulted in the classification of a moderate income CT within the Bandera-Medina MSA AA. Owner occupied housing located within a moderate income level CT represents 3 percent of the AA, with 33 percent of loans originating within a moderate income CT.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Bandera-Medina MSA AA 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Residential	NA	NA	3	33	84	66	13	0

Source: US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

**Table 3 - Geographic Distribution of Residential Real Estate Loans in Bandera-Medina MSA AA 2015-2016**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Residential	NA	NA	NA	NA	89	95	11	5

Source: US Census Bureau 2010 Census, Sample of Hondo National Bank loans

**Commercial and Industrial Loans**

Commercial lending to various CT income levels in the Bandera-Medina MSA AA reflects excellent dispersion. In 2017, 2 percent of businesses in the AA were located within a moderate income level CT. Over the same period, 29 percent of the C&I loans sampled were originated or purchased within a moderate income level CT.

**Table 3A - Geographic Distribution of Loans to Businesses in Bandera-Medina MSA AA 2017**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
C&I	NA	NA	2	29	83	71	14	0

Source: D&B as of June 2017, US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

**Table 3A - Geographic Distribution of Loans to Businesses in Bandera-Medina MSA AA 2015-2016**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
C&I	NA	NA	NA	NA	86	100	14	0

Source: US Census Bureau 2010 Census, D&B as of June 2016, Sample of Hondo National Bank loans

**Agricultural Loans**

Geographic distribution of loans to farms in the Bandera-Medina MSA AA reflects excellent dispersion. In 2017, 7 percent of businesses in the AA were located within a moderate income level CT. Over the same period, 33 percent of the agricultural loan sample were originated or purchased within a moderate income level CT.

<b>Table 3A - Geographic Distribution of Loans to Farms in Bandera-Medina MSA AA 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	NA	NA	7	33	81	67	12	0

Source: D&B as of June 2017, US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

<b>Table 3A - Geographic Distribution of Loans to Farms in Bandera-Medina MSA AA 2015-2016</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
AG	NA	NA	NA	NA	90	100	10	0

Source: US Census Bureau 2010 Census, D&B as of June 2016, Sample of Hondo National Bank loans

### Performance in the Real-Uvalde Non-MSA AA

The geographic distribution of loans in the Real-Uvalde Non-MSA AA reflects reasonable dispersion. In 2015-2016 the AA contained four moderate income CTs and two middle income CTs. Following the census data update, the 2017 AA contained one moderate income CT and five middle income CTs. Additionally, the AA contained three distressed CTs and one underserved and distressed CTs. Only loans originated inside the AA were evaluated and resulted in a sample totaling 27 residential real estate loans, 22 C&I loans, and 19 agricultural loans.

#### *Residential Real Estate Loans*

HNB's geographical distribution of residential real estate loans in the AA reflects reasonable dispersion throughout the AA. The reduction in the number of loans originated in a moderate income CT between the 2015-2016 period and 2017 is due to the reduction of moderate income CTs located within the AA. The AA had four moderate income CTs and two middle income CTs in 2015-2016. As of 2017, four of the six CTs in the AA are considered underserved or distressed. Owner occupied housing located within a moderate income level CT represents 16 percent of the AA, while 33 percent of loans in the sample were originated within a moderate income CT.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Real-Uvalde Non-MSA AA 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Residential	NA	NA	16	33	84	66	NA	NA

Source: US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

**Table 3 - Geographic Distribution of Residential Real Estate Loans in Real-Uvalde Non-MSA AA 2015/2016**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1-4 Residential	NA	NA	56	50	44	50	NA	NA

Source: US Census Bureau 2010 Census, Sample of Hondo National Bank loans

**Commercial and Industrial Loans**

Commercial lending in the AA reflects reasonable dispersion. The sample totaled 22 loan originations, five for 2017, and 17 for 2015-2016. Examiners took into consideration multiple factors when considering geographic distribution disparities. HNB maintains only a 7 percent market share in the AA, the competitiveness of the AA, and the products offered by the bank, limit the amount of applications received by the bank. In 2017, 18 percent of businesses in the AA were located within a moderate income level CT. Over the same period, 20 percent of the C&I loans sampled were originated or purchased within a moderate income level CT.

**Table 3A - Geographic Distribution of Loans to Businesses in Real-Uvalde Non-MSA AA 2017**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
C&I	NA	NA	18	20	82	80	NA	NA

Source: D&B as of June 2017, US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

**Table 3A - Geographic Distribution of Loans to Businesses in Real-Uvalde Non-MSA AA 2015-2016**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
C&I	NA	NA	59	24	41	76	NA	NA

Source: US Census Bureau 2010 Census, D&B as of June 2016, Sample of Hondo National Bank loans

**Agricultural Loans**

Geographic distribution of loans to farms in the Real-Uvalde Non-MSA AA reflects excellent dispersion to borrowers in LMI CTs. The 2017 update of the census file reduced the number of moderate income CTs within the AA to one. Prior to 2017, the

Real-Uvalde Non-MSA AA had four moderate income CTs. In 2017, 9 percent of businesses in the AA were located within a moderate income level CT. Over the same period, 33 percent of the agricultural loans sampled were originated or purchased within a moderate income level CT.

<b>Table 3A - Geographic Distribution of Loans to Farms in Real-Uvalde Non-MSA AA 2017</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	NA	NA	9	33	91	67	NA	NA

Source: D&B as of June 2017, US Census Bureau 2015 American Community Survey, Sample of Hondo National Bank loans

<b>Table 3A - Geographic Distribution of Loans to Farms in Real-Uvalde Non-MSA AA 2015-2016</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Agricultural	NA	NA	48	60	52	40	NA	NA

Source: US Census Bureau 2010 Census, D&B as of June 2016, Sample of Hondo National Bank loans

### **Responses to Complaints**

HNB has not received any CRA-related complaints during the evaluation period.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: (01/01/2015 to 12/31/2017)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The Hondo National Bank Hondo, Texas	1-4 Family Residential Commercial & Industrial Loans Agricultural Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Bandera-Medina MSA AA	Full-Scope	Medina and Bandera counties are part of the San Antonio – New Braunfels MSA 41700. The AA contains 14 CTs, 1 moderate, 12 middle, and 1 upper.
Real-Uvalde Non-MSA AA	Full-Scope	Non-MSA; contains 8 CTs, 1 moderate and 7 middle. Contains 5 CTs listed as distressed or underserved.

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

### Bandera-Medina MSA AA

Demographic Information for Bandera-Medina Counties MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0.0	7.7	84.6	7.7	0.0
Population by Geography	68,188	0.0	2.4	85.2	12.4	0.0
Owner-Occupied Housing by Geography	19,072	0.0	2.8	84.4	12.9	0.0
Businesses by Geography	3,420	0.0	2.2	83.5	14.4	0.0
Farms by Geography	305	0.0	7.2	80.7	12.1	0.0
Family Distribution by Income Level	17,036	18.0	17.5	21.8	42.7	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	6,048	0	4.2	88.9	6.9	0.0
Census Median Family Income FFIEC Adjusted Median Family Income 2017 Households Below Poverty Level		\$71,602 \$65,917 14.22%	Median Housing Value Unemployment Rate:		\$137,202 3.4%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2017 FFEIC updated MFI.

This AA is comprised of two complete counties, Medina and Bandera. These counties are located in the San Antonio – New Braunfels MSA. The AA includes the towns of Hondo, Castroville, La Coste, Devine, Natalia, D'Hanis, Bandera, and Medina. The county seats, Hondo and Bandera, are located approximately 35 miles west and 40 miles northwest of San Antonio, respectively. This AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

HNB has two offices and three ATMs in the AA. The main office is located in a middle-income CT in downtown Hondo, Texas, Medina County. In Hondo, HNB has an ATM located at the main office, a drive-through facility located across the street from the main office, and a stand-alone drive up ATM. The Bandera County branch in Bandera, Texas, is located in a middle-income CT. HNB has one ATM located at the branch in Bandera.

HNB faces strong competition in the AA from a variety of institutions, including local community banks, credit unions, savings institutions, mortgage companies, large regional banks, private equity funds, and one of the largest banks in the nation. The FDIC's June 30, 2017 Deposit Market Share Report shows that there are 11 institutions operating 19 offices in the AA. The market leaders include Community National Bank, Castroville State Bank, and Wells Fargo Bank, National Association, as well as a large regional bank and smaller local competitors in Medina and Bandera counties. HNB ranks third out of the 11 institutions in this AA, with 15 percent of the deposit market share.

Medina County is the largest county in the AA, with an estimated population of 50 thousand according to July 2017 updated estimates from the U.S. Census Bureau. Hondo is the largest city in Medina County. Bandera County, has an estimated population of 22 thousand as of July 2017. Bandera is the largest town in the county with an estimated population of 939. Census data shows moderate population growth in these counties from 2010 to 2017, at 9 percent for each county.

Economic activity in the AA is centered in a variety of industries including agriculture, service/recreational, healthcare/social assistance, educational services, and construction. Major employers include the Hondo Independent School District, Bandera Independent School District, Super Wal-Mart, Medina County, Bandera County, HEB, Medina Healthcare Systems, and Hondo Rail.

Information from the United States Bureau of Labor Statistics (BLS) from April 2018 indicates the unemployment rates for Medina and Bandera counties are 3.2 percent and 3.3 percent, respectively. Unemployment rates in the bank's AA are lower than the state of Texas at 3.8 percent and the national rate of 3.9 percent. The 2017 FFIEC MSA weighted average MFI for the bank's AA was \$65,917. As of September 2017, the BLS also reported the weekly average wage was \$677 in Medina County, and \$708 in Bandera County.

The average median home value in the bank's AA was \$137 thousand according to the 2010 Census information. Updated information from the Census Bureau from 2011 to 2015 reflects increasing home values in the bank's AA. Updated census data shows the median owner-occupied home value in Bandera County is the highest in the AA at \$159 thousand. This is higher than the state median value of \$143 thousand, and lower than national median value of \$185 thousand. The Medina County median home value of \$126 thousand is lower than both state and national median values.

A community contact was conducted to gather additional information about the San Antonio-New Braunfels MSA. Specific topics of discussion were the community profile, opportunities for participation by local financial institutions, and performance of local financial institutions. The community contact expressed concerns with the housing costs within the MSA. A family with one fulltime worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment, and households with two fulltime incomes lack the income to cover fair-market rents on such a unit without exceeding the 30 percent of income threshold for affordability. Local financial institutions have the ability to participate in local organizations that provide homeownership opportunities to low and very low-income families.



## Real-Uvalde Non-MSA AA

Demographic Information for Real-Uvalde Counties Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.0	16.7	83.3	0.0	0.0
Population by Geography	30,308	0.0	20.9	79.1	0.0	0.0
Owner-Occupied Housing by Geography	7,172	0.0	15.7	84.3	0.0	0.0
Businesses by Geography	1,572	0.0	18.1	81.9	0.0	0.0
Farms by Geography	129	0.0	9.3	90.7	0.0	0.0
Family Distribution by Income Level	6,739	23.6	21.7	17.2	37.4	0.0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,056	0.0	23.7	76.3	0.0	0.0
Census Median Family Income FFIEC Adjusted Median Family Income 2017 Households Below Poverty Level		\$52,076 \$48,212 18.3%	Median Housing Value Unemployment Rate:		\$86,325 8.5%	

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

Source: 2010 U.S. Census, and 2017 FFEIC updated MFI.

The Real-Uvalde Non-MSA AA is comprised wholly of Uvalde and Real Counties. The AA includes the towns of Uvalde, Sabinal, Camp Wood, and Leakey. The county seats, Uvalde and Leakey, are located approximately 68 miles and 84 miles west of San Antonio, respectively. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies.

HNB operates two offices in the AA and five ATMs. The Uvalde branch is located in a moderate-income CT. In Uvalde, HNB has an ATM located at the branch, and three stand-alone ATMs throughout the town. The Leakey branch in Real County, Texas, is located in a middle-income CT. HNB has one ATM located at the Leakey branch.

HNB faces strong competition in the AA from a variety of institutions including four local community banks, one regional bank branch, two branches of large financial institutions, and two finance companies. The FDIC's June 30, 2017 Deposit Market Share Report shows that there are 4 institutions operating 12 offices in the AA. The market leader in the AA is First State Bank of Uvalde. HNB ranks second out of the four institutions in this AA, with 7 percent of the deposit market share.

Uvalde County has an estimated population of 27 thousand according to estimates from the U.S. Census Bureau dated July 2017. Uvalde is the largest city in Uvalde County. Real County, has an estimated population of 3 thousand as of July 2017. Camp Wood is the largest town in this county with an estimated population of 716. Census data shows modest population growth in these counties from 2010 to 2017, at 3.3 percent in Uvalde County and 2.4 percent in Real County.

Economic activity in the AA is centered in agriculture, construction, transportation/communication, retail, and services. Unemployment rate of 8.5 percent

in the AA is higher than state and national rates of 3.8 percent and 3.9 percent respectively. BLS information dated April 2018 reports the unemployment rates for Uvalde and Real counties are 4 percent and 5.9 percent, respectively. The 2017 FFIEC MSA weighted average MFI for the bank's AA is \$52,076. As of September 2017, the BLS also reported the weekly average wage is \$627 in Uvalde County, and \$464 in Real County.

The average median home value in the AA is \$86 thousand according to the 2010 Census information. Updated information from the Census Bureau from 2011 to 2015 reflects increasing home values. Updated census data shows the median owner-occupied home value in Real County is the highest in the AA at \$111 thousand. This is lower than state and national values of \$143 thousand, and \$185 thousand respectively. The Uvalde County median home value is \$78 thousand.

A community contact was conducted to discuss the community profile, opportunities for participation by local financial institutions, and performance of local financial institutions in the Real-Uvalde Non-MSA AA. The community contact expressed that the local community was not affected as severely as neighboring communities by the Eagle Ford Shale bust. Uvalde houses many oil field commuters and corporate oil personnel due to its favorable location between oil production sites and the city of San Antonio. As the oil and gas industry continues to rebound, the local economy is expected to continue to improve. However, local economic development programs do not appear to support similar growth to those of neighboring communities. The community contact identified the opportunity for local financial institutions to participate in small business development. The community contact stated that several local financial institutions do not show the willingness to participate in small business development programs.