



PUBLIC DISCLOSURE

May 17, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Hondo National Bank
Charter number 14351

1112 18th Street
Hondo, Texas 78861

Office of the Comptroller of the Currency
Southern District
San Antonio 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

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

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- A substantial majority of the bank's loans are inside its assessment areas (AAs).
- The loan to deposit (LTD) ratio is reasonable considering the bank's size, and the AA credit needs.
- The geographic distribution of loans within the bank's AA is reasonable.
- The distribution of loans to individuals of different income levels, and farms and businesses of different sizes is reasonable.
- There were no fair lending or CRA-related complaints during the evaluation period.

Loan-to-Deposit Ratio

Considering The Hondo National Bank's (HNB) size, financial condition, and credit needs of the AAs, the LTD ratio is reasonable. The LTD ratio averaged 69 percent over the 11 quarters since the last CRA examination, representing an increase from 60 percent at the prior CRA examination. During the assessment period, the bank's quarterly average LTD ratio ranged from a low of 53 percent to a high of 76 percent.

The LTD ratio compares favorably to other similarly situated banking institutions. For comparison purposes we selected four small community banks operating in the same or similar markets as HNB. The average LTD ratio for the other banks was 66 percent with a high average of 73 percent and a low average of 57 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs.

The bank originated and purchased 81 percent of its loans by number and 78 percent by dollar volume inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	122	85	21	15	143	20,145	82	4,394	18	24,539
Small Business	37	74	13	26	50	4,403	57	3,273	43	7,676
Small Farm	38	76	12	24	50	6,448	83	1,281	17	7,729
Total	197	81	46	19	243	30,996	78	8,948	22	39,944

Description of Institution

HNB is an intrastate rural community bank headquartered in the city of Hondo, Texas, approximately 35 miles west of San Antonio. HNB is 100 percent owned by Texas Heritage Bancshares Inc., a two-bank holding company also headquartered in Hondo. As of December 31, 2020, HNB reported \$322 million in total assets and \$27 million in tier 1 capital.

HNB has five full-service branches including the headquarters. The branches are in the cities of Bandera, Uvalde, Leakey, and Blanco. During the assessment period, the Blanco location was converted from a loan processing office (LPO) to a full-service branch. All branches are in different Texas counties, all of which are included in HNB's AAs. Two of the counties are located within the San Antonio-New Braunfels metropolitan statistical area (MSA), and the other three are rural non-MSA counties. For evaluation purposes there are two AAs, the MSA counties and the non-MSA counties.

HNB offers traditional lending and deposit banking services with drive-thru services and ATMs at all branches. All branches are open Monday through Friday, and all but the Blanco branch offer limited drive-thru services on Saturdays. In addition to the branches, HNB also provides online, telephone, and mobile banking services.

HNB's focus and goal is to meet the banking needs of the communities in which it operates. The primary loan products based on discussion with management are home loans, loans to small businesses, and loans to small farms. We confirmed the primary products through an analysis of the portfolio composition, as well as an analysis of loans originated during the assessment period. As of December 31, 2020, total loans were \$157 million and represent 49% of total assets. The portfolio composition was 33 percent commercial and industrial (C&I) and commercial real estate (CRE) loans, 24 percent agricultural loans, 24 percent 1-4 family home loans, and 19 percent consumer and construction & development (C&D) loans. During the assessment period, 30 percent of new originations were C&I and CRE loans, 25 percent were agricultural loans, 15 percent were 1-4 family home loans. While 18.7 percent of new originations were non 1-4 family C&D loans, by number of loans they represented only 2.63 percent. The previous CRA evaluation dated May 28, 2018 rated HNB's performance "Satisfactory". There are no legal, financial, or other factors that impact HNB's ability to meet the credit needs in its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated HNB lending activities using the interagency Small Bank CRA examination procedures. The scope of the review covered the periods from January 1, 2018, to December 31, 2020. The OCC performed a lending test and analysis of loans originated and purchased during the assessment period.

To perform the lending test, examiners used HNB's home mortgage disclosure act (HMDA) data, as well as internal loan trial balances of all loans originated or purchased during the assessment period. In addition to the HMDA data, we selected a random sample of 50 commercial loans, and 50 agricultural loans to determine the level of lending inside HNB's assessment areas. The second lending test, to determine geographic and borrower distributions, included only loans made within the AAs. The second sample was comprised of home loans reported in the bank's HMDA data and 20 commercial and 20 agricultural loans for each of the two AAs. We analyzed the sampled loans based on the 2015 American Community Survey (ACS) data and 2018-2020 Dunn & Bradstreet (D&B) information. For CRA purposes, the ACS replaces

the decennial census. We evaluated the adequacy of HNB's LTD ratio by considering the size and complexity of the institution, the credit needs of the community, and how the ratio compares to similarly situated banking institutions during the assessment period.

Selection of Areas for Full-Scope Review

HNB's designated AA includes the counties of Uvalde, Real, Blanco, Bandera, and Medina where the bank has full-service branches. Because Medina and Bandera counties are located within the San Antonio-New Braunfels MSA for evaluation purposes we divided the AA into a non-MSA AA, and an MSA AA. Both AAs received a full scope review. Refer to appendix A, Scope of Examination, for a list of AAs.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings. HNB operates only in the state of Texas. Both AAs were given equal consideration during the lending test and the conclusion of the overall CRA rating. The primary products were also given equal consideration in arriving at the conclusion of the overall CRA rating.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

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 Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution 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.

State Rating

State of Texas

CRA rating for the State of Texas¹: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- A substantial majority of the bank's loans are inside its AAs.
- The LTD ratio is reasonable considering the bank's size, and the AAs credit needs.
- The geographic distribution of loans within the bank's AAs is reasonable.
- The distribution of loans to individuals of different income levels, and farms and businesses of different sizes is reasonable.
- There were no fair lending or CRA-related complaints during the evaluation period.

Description of Institution's Operations in Texas

As previously noted, HNB is an intrastate bank operating only in the state of Texas. The bank has five full-service locations throughout the AA. HNB offers traditional banking products with lending focus in home loans, commercial/small business loans, and small farm/agricultural loans. There is a strong level of competition with 18 FDIC insured institutions operating in the market. HNB ranks second in deposit market share, but the share is less than 10 percent.

We interviewed two community contacts as part of this examination, one from Uvalde county, and the other from Blanco county. Both contacts indicated that the local banking institutions are meeting the credit needs of the community, they are actively involved in community events, and have positive reputations.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within a MMSA.

Non-MSA Assessment Area (Blanco-Real-Uvalde Counties)

Demographic Information for Blanco-Real-Uvalde Counties Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.0	12.5	75.0	12.5	0.0
Population by Geography	41,031	0.0	15.4	72.9	11.7	0.0
Housing Units by Geography	19,302	0.0	10.1	75.3	14.7	0.0
Owner-Occupied Housing by Geography	10,310	0.0	10.9	75.0	14.1	0.0
Occupied Rental Units by Geography	3,513	0.0	15.9	67.8	16.3	0.0
Vacant Units by Geography	5,479	0.0	4.7	80.5	14.8	0.0
Businesses by Geography	2,866	0.0	10.5	72.3	17.3	0.0
Farms by Geography	222	0.0	5.4	72.1	22.5	0.0
Family Distribution by Income Level	9,782	20.4	20.5	15.9	43.1	0.0
Household Distribution by Income Level	13,823	23.2	16.5	15.9	44.4	0.0
Census Median Family Income		\$52,198	Median Housing Value		\$115,092	
Families Below Poverty Level		12.2%	Median Gross Rent		\$666	

Source: 2015 ACS and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

The non-MSA AA is comprised wholly of Blanco, Uvalde, and Real Counties. The AA includes the towns of Blanco, 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. Blanco county seat is located approximately 50 miles north of San Antonio. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low and moderate income (LMI) geographies.

In the non-MSA AA, HNB operates three full-service branches with drive throughs and ATMs, and one additional standalone ATM. The branch in the town of Uvalde is located in the only moderate-income census tract (CT) within the three counties. The branches in the towns of Leakey, and Blanco are located in middle-income CTs. The additional standalone ATM is located in the town of Uvalde at the SOE Beverage Barn.

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, 2020, Deposit Market Share Report shows that there are 8 institutions operating 19 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 6 percent of the deposit market share.

According to estimates from the U.S. Census Bureau from July 2019, Uvalde county has a population of 27 thousand, Real county has a population of 3 thousand, and Blanco county has a population of 12 thousand. Census data shows modest population growth from 2010 to 2019 of 1.3 percent in Uvalde

county and 4.3 percent in Real county. The same data shows population growth of 13.8 percent in Blanco county.

Economic activity in the AA is centered in agriculture, construction, transportation/communication, retail/tourism, and services. The United States Bureau of Labor Statistics (BLS) data from 2020 reports the unemployment rate for Blanco, Uvalde, and Real counties is 3.8 percent, 6.4 percent, and 6.7 percent, respectively. Based on the 2015 ACS, the median family income (MFI) in the non-MSA AA is \$52 thousand, and the median housing value is \$115 thousand.

A community contact from Uvalde and Blanco counties were interviewed to discuss the community profile, opportunities for participation by local financial institutions, and performance of local financial institutions in the Blanco-Real-Uvalde Non-MSA AA. The community contacts expressed that the local community has been positively affected by the recent influx of tourism. Uvalde's economy is growing with the upcoming completion of two solar plants and a new truck stop. The community contacts identified the opportunity for local financial institutions to participate in small business development. The contacts indicated that local perception of banks in the market is positive. Financial institutions are present and participate in community outreach and events.

MSA Assessment Area (Bandera-Medina Counties)

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
Housing Units by Geography	29,662	0.0	3.1	85.7	11.2	0.0
Owner-Occupied Housing by Geography	19,072	0.0	2.8	84.4	12.9	0.0
Occupied Rental Units by Geography	4,195	0.0	2.2	87.2	10.6	0.0
Vacant Units by Geography	6,395	0.0	4.6	88.7	6.7	0.0
Businesses by Geography	4,210	0.0	1.9	81.1	17.0	0.0
Farms by Geography	335	0.0	7.8	80.9	11.3	0.0
Family Distribution by Income Level	17,036	18.0	17.5	21.8	42.7	0.0
Household Distribution by Income Level	23,267	23.0	15.6	18.0	43.4	0.0
Census Median Family Income		\$62,228	Median Housing Value		\$137,202	
Households Below Poverty Level		9.8%	Median Gross Rent		\$742	
			Unemployment Rate:		3.4%	
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

This AA is comprised of the entirety of Medina and Bandera counties. These counties are part of 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.

In the MSA AA, HNB has two full-service branches with drive throughs and ATMs, and one additional standalone ATM. The headquarters and additional standalone drive-up ATM are located in a middle-income CT in the town of Hondo. The second branch located in the town of Bandera is also in a middle-income CT.

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, 2020 Deposit Market Share Report shows that there are 11 institutions operating 20 offices in the AA. The market leaders include Community National Bank, Castroville State Bank, and Wells Fargo Bank, as well as a large regional bank and smaller local competitors in Medina and Bandera counties. HNB's 15 percent deposit market share ranks third out of the 11 institutions in this AA.

According to estimates from the U.S. Census Bureau from July 2019 Medina is the largest county in the AA, with a population of 51 thousand, and Hondo is the largest city in the county. The same data estimates the population in Bandera county at 23 thousand. Census data shows population growth of 12 percent in both counties from 2010 to 2019.

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 2020 BLS data indicates the unemployment in Medina and Bandera counties is 6.3 percent and 5.8 percent, respectively. Based on the 2015 ACS, the MFI for the MSA AA was \$62 thousand and the average median home value was \$137 thousand.

Scope of Evaluation in Texas

For this evaluation, HNB's AA is separated into a non-MSA AA and a MSA AA. A full-scope review was completed for each of the two AAs. See Table A for details on the AAs under review.

LENDING TEST

The bank's performance under the lending test in Texas is rated Satisfactory.

The rating is based on the full-scope review of both AAs. Our analysis focused on home loans, commercial loans, and agricultural loans as those are HNB's primary loan products during the assessment period. Consumer loans constitute a small percentage of the loan portfolio; therefore, analysis of those products would not be meaningful.

Conclusions for the Assessment Areas Receiving a Full-Scope Review

Based on a full-scope review, the HNB's performance in Texas is good.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State. Each AA has only one moderate-income CT, and there are no low-income CTs.

It is important to note that the LMI CT in the non-MSA AA is in the town of Uvalde. HNB's deposit market share for that county although ranked second is only 6 percent. The First State of Uvalde has a significant market lead and holds 93 percent of the deposits, thus limiting the lending opportunities of other institutions.

Home Mortgage Loans

Refer to Table O in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

Non-MSA AA

The distribution of HMDA loans to geographies of different income levels is reasonable. During the assessment period, 13 percent of HMDA loans originated were in the moderate-income CT which compares favorably to the 10.9 percent of owner-occupied homes in the CT. The bank's percentage of loans significantly exceeds the aggregate distribution of home mortgage loans in the moderate-income geography.

MSA AA

The distribution of HMDA loans to geographies of different income levels is reasonable. During the assessment period, 3 percent of HMDA loans originated were in the moderate-income CT which is in line with the 2.8 percent of owner-occupied housing units in the CT. Lending in the CT was 3.6 times higher than other lenders as reflected in the aggregate data.

Small Loans to Businesses

Refer to Table Q in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Non-MSA AA

The geographic distribution of small loans to businesses during the assessment period is reasonable. Only 5 percent of the sampled loans to small businesses were in the moderate-income CT which compares unfavorably to the 10.5 percent of businesses in the CT. However, five of the six middle-income CTs are considered distressed or underserved. When considering lending to LMI, distressed, and underserved geographies, 95 percent of the HNB's loans were in those geographies.

MSA AA

The geographic distribution of small loans to businesses during the assessment period is excellent. Of the sampled loans to small businesses 20 percent were in the moderate-income CT which significantly exceeds the 1.9 percent of businesses in the CT. The bank's percentage also significantly exceeds aggregate data from other area small business lenders.

Small Loans to Farms

Refer to Table S in the state of Texas section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to farms.

Non-MSA AA

The geographic distribution of small loans to farms during the assessment period is excellent. Of the sampled agricultural and farmland loans 10 percent were in the moderate-income CT which compares favorably with the 5.4 percent of farms in the CT. In addition, HNB's lending in the CT was 2.2 times higher than other banks as reflected in the aggregate data.

MSA AA

The geographic distribution of small loans to farms during the assessment period is excellent. Of the sampled agricultural and farmland loans 20 percent were in the moderate-income CT which compares favorably with the 7.8 percent of farms in the CT. In addition, HNB's lending in the CT was 1.7 times higher than other banks as reflected in the aggregate data.

Lending Gap Analysis

In our geographic analysis of HMDA loans, loans to small businesses, and loans to small farms we did not identify any conspicuous or unidentified lending gaps.

Distribution of Loans by Income Level of the Borrower

The bank exhibits reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Home Mortgage Loans

Refer to Table P in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Non-MSA AA

The distribution of HMDA lending to borrowers of different income levels is reasonable. The level of HNB's home loans to LMI borrowers of 17 percent compares unfavorably with the 41 percent of LMI families in the AA. However, HNB's lending to low-income families in the AA is 5 times higher than other banks as reflected in the aggregate data. This demonstrates HNB is making a significant effort to lend to LMI borrowers.

MSA AA

The distribution of HMDA lending to borrowers of different income levels is reasonable. The level of HNB's home loans to LMI borrowers of 21 percent compares unfavorably with the 35.5 percent of LMI families in the AA. However, when compared to other institutions' performance as reflected in the aggregate data, HNB's lending to low-income families in the AA was 1.6 times higher, and lending to moderate-income families was 1.3 times higher.

Small Loans to Businesses

Refer to Table R in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

Non-MSA AA

The distribution of commercial loans to businesses of different sizes is reasonable. During the assessment period, 70 percent of sampled commercial loans were made to businesses with annual revenues under \$1 million which is below the 84 percent reported small businesses in the AA. However, HNB's small business lending was 1.3 times higher than other banks as reflected in the aggregate data. In addition, 55 percent of the sampled loans in the AA were under \$100 thousand which indicates HNB's willingness to make small loans to businesses.

MSA AA

The distribution of commercial loans to businesses of different sizes is reasonable. During the assessment period, 85 percent of sampled commercial loans were made to businesses with annual revenues under \$1 million which is near-to 88 percent reported small businesses in the AA. HNB's small business lending was 2.2 times higher than other banks as reflected in the aggregate data, and 80 percent of loans in the sample were under \$100 thousand.

Small Loans to Farms

Refer to Table T in the state of Texas section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to farms.

Non-MSA AA

The distribution of agricultural loans to farms of different sizes is reasonable. During the assessment period, 80 percent of sampled agricultural loans were made to small farms with annual revenues under \$1 million which is slightly lower than the 94 percent reported small farms in the AA. HNB's small farm lending was 1.6 times higher than other banks as reflected in the aggregate data. In addition, 55 percent of the sampled loans in the AA were under \$100 thousand which indicates HNB's willingness to make small loans to farms.

MSA AA

The distribution of agricultural loans to farms of different sizes is excellent. During the assessment period, 100 percent of sampled agricultural loans were made to small farms with annual revenues under \$1 million. HNB's small farm lending was 2.75 times higher than other banks as reflected in the aggregate data. In addition, 70 percent of the sampled loans in the AA were under \$100 thousand which indicates HNB's willingness to make small loans to farms.

Responses to Complaints

HNB did not receive any complaints related to its CRA performance between May 28, 2018 (date of the previous CRA examination) and May 17, 2021 (date of the current examination).

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 MSAs and non-MSAs 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:	1/1/2018 to 12/31/2020	
Bank Products Reviewed:	Home Mortgage Loans, Commercial Loans (including commercial real estate), Agricultural Loans (including farmland)	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Texas		
Non-MSA AA	Full-scope	Entirety of Texas counties of Blanco, Real, and Uvalde
MSA AA	Full-scope	Entirety of Texas counties of Bandera and Medina

Appendix B: Summary of MMSA and State Ratings

RATINGS	The Hondo National Bank
Overall Bank:	Lending Test Rating
The Hondo National Bank	Satisfactory
MMSA or State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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-Scope 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), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/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. The median is the point at which half of the families have income above, and half below, a range of incomes. 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, and half below, a range of incomes.

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.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical 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 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 1 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.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of 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 are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - 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 aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - 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 MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were 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) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography - 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 aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2018 -2020

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Hondo NB Non MSA-AA	64	9,650	52%	799	0.0	0.0	0.0	10.9	13%	5.0	75.0	88%	79	14.1	0%	16	0.0	0.0	0.0
Hondo NB MSA AA	58	10,494	48%	2,094	0.0	0.0	0.0	2.8	3%	1.0	84.4	95%	69	12.9	2%	31	0.0	0.0	0.0
Total	122	20,144	100%	2,893	0.0	0.0	0.0	5.6	8%	2.1	81.1	91%	71	13.3	1%	26	0.0	0.0	0.0

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2018-2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2018 -2020

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Hondo NB Non MSA-AA	64	9,631	52%	799	20.4	9%	1.9	20.5	8%	8.6	15.9	13%	16.3	43.1	50.0	58.3	0.0	23%	14.9
Hondo NB MSA AA	58	10,513	48%	2,094	18.0	7%	4.4	17.5	14%	10.4	21.8	22%	20.4	42.7	48.9	44.6	0.0	4%	20.2
Total	122	20,144	100%	2,893	18.9	8%	3.7	18.6	11%	9.9	19.7	17%	19.3	42.9	49.5	48.4	0.0	13%	18.7

Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2018-2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2018 -2020**

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Hondo NB Non MSA-AA	20	3,504	50%	1,116	0.0	--	0.0	10.5	5%	11.4	72.3	90%	76.1	17.3	5%	12.5	0.0	--	0.0
Hondo NB MSA AA	20	872	50%	1,180	0.0	--	0.0	1.9	20%	2.0	81.1	80%	79.6	17.0	0%	18.4	0.0	--	0.0
Total	40	4,376	100%	2,296	0.0	--	0.0	5.4	13%	6.6	77.5	85%	77.9	17.1	3%	15.5	0.0	--	0.0

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0% (2020 CRA Aggregate data was not available in time for this exam)

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2018 -2020**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Hondo NB Non-MSA AA	20	3,504	50%	1,116	84.1	70%	54.6	4.3	30%	11.7	--
Hondo NB MSA AA	20	872	50%	1,180	88.4	85%	39.0	2.9	15%	8.7	--
Total	40	4,376	100%	2,296	86.7	78%	46.6	3.4	23%	9.9	--

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0% (2020 CRA Aggregate data was not available in time for this exam)

Table S: Assessment Area Distribution of Loans to Farms by Income Category of the Geography 2018 -2020

Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
Hondo NB Non MSA-AA	20	5,590	50%	224	0.0	--	0.0	5.4	10%	4.5	72.1	85%	90.2	22.5	5%	5.4	0.0	--	0.0
Hondo NB MSA AA	20	2,784	50%	77	0.0	--	0.0	7.8	20%	11.7	80.9	70%	74.0	11.3	10%	14.3	0.0	--	0.0
Total	40	8,374	100%	301	0.0	--	0.0	6.8	15%	6.3	77.4	78%	86.0	15.8	8%	7.6	0.0	--	0.0

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0% (2020 CRA Aggregate data was not available in time for this exam)

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues 2018 -2020

Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
Hondo NB Non MSA-AA	20	5,590	50%	224	94.1	80%	49.6	4.1	20%	1.8	--
Hondo NB MSA AA	20	2,784	50%	77	97.3	100%	36.4	1.8	0%	0.9	--
Total	40	8,374	100%	301	96.1	90%	46.2	2.7	10%	1.3	--

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0% (2020 CRA Aggregate data was not available in time for this exam)