



PUBLIC DISCLOSURE

January 8, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Texas National Bank
Charter Number 11879

201 S. Texas Ave
Mercedes, TX 78570

Office of the Comptroller of the Currency
San Antonio Office
10001 Reunion Pl., Suite 250
San Antonio, TX 78216

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

Overall CRA Rating.....	1
Description of Institution	2
Scope of the Evaluation	3
Discriminatory or Other Illegal Credit Practices Review	4
State Rating.....	5
State of Texas.....	5
Community Development.....	10
Appendix A: Scope of Examination	A-1
Appendix B: Summary of MMSA and State Ratings.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

Overall CRA Rating

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

The lending test is rated: Outstanding.

The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of the bank's loans are inside its assessment areas (AAs).
- The bank exhibits a reasonable geographic distribution of loans in its AAs.
- The bank exhibits a reasonable distribution of loans to businesses of different sizes, given the product lines offered by the bank.
- The bank exhibits excellent responsiveness to community development (CD) needs in the state through qualified loans, investments, and community development services. These community development activities had a positive effect on the bank's overall CRA rating and increased its satisfactory performance to outstanding.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's LTD is reasonable.

Texas National Bank's (TNBs) average LTD ratio between March 31, 2021 and December 31, 2022, was 74 percent. The ratio ranged from a quarterly low of 65 percent to a quarterly high of 99 percent during the evaluation period.

We compared TNB's average quarterly LTD ratio to three similarly situated community banks with total assets ranging from \$163 million to \$790 million. The quarterly average loan to deposit ratio for similarly situated institutions was 64 percent with an average low of 53 percent and an average high of 84 percent.

Lending in Assessment Area

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

The bank originated 63.1 percent of its total loans inside the bank's AAs during the evaluation period. This conclusion is based on a random sample of 179 small business loans that were originated during the evaluation period. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. This analysis is performed at the bank, rather than the AA, level.

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		
	#	%	#	%		\$	%	\$	%	
Small Business	113	63.1	66	36.9	179	19,576,291	76.5	6,015,811	23.5	25,592,102
Total	113	63.1	66	36.9	179	19,576,291	76.5	6,015,811	23.5	25,592,102

Source: Bank Data

Description of Institution

Texas National Bank (TNB) is a locally owned single state community bank established in 1920 and headquartered in Mercedes, Texas. The corporate office is located in Edinburg, Texas. TNB is wholly owned by TNB BancShares Inc; formally known as MNB Ventures, Inc., a single bank holding company also headquartered in Mercedes, Texas.

TNB has seven full-service branches located in Hidalgo County. In September 2021, TNB opened an eighth full-service branch in Brownsville, Texas located in Cameron County. All locations have a walk-in teller lobby, drive up motor bank, and automated teller machine (ATM). The bank has seven additional deposit taking ATMs located throughout its AAs, two at EZ Clean Car Washes in Weslaco and one at EZ Clean Car Wash in San Benito, and one at each of the following: the bank's corporate office, the Mission Convention Center, the City of Edinburg Municipal Building, and the City of Edinburg City Hall.

At year-end 2022, TNB was listed by the FDIC as the 11th largest minority owned depository financial institution in the state of Texas, and the sixth largest Hispanic American owned institution in the nation with over \$679 million in total assets. Also at year-end 2022, TNB reported \$76 million in Tier 1 Capital, which represents over 11 percent of average assets. In 2022, the bank's holding company was approved for \$109 million in funding through the Emergency Capital Investment Program (ECIP) which was established under the Consolidated Appropriations Act of 2021 to provide capital funding for minority owned depository institutions in support of small businesses, minority-owned businesses, and consumers, in low-and moderate-income communities. The holding company contributed a portion of these funds to TNB, which the bank utilizes to further meet the credit and community development needs of the bank's AAs.

The bank has been a Community Development Financial Institution (CDFI) since 2017. The CDFI designation by the Treasury Department, recognizes TNB's commitment to provide products and services to communities in need which includes affordable housing and small business lending. The program allows TNB to obtain grants and establish partnerships and deposit relationships with other industry organizations and CDFI's to address the needs of the community. For the bank to qualify for CDFI awards and grants, they are required to meet lending benchmarks within three years of the awards' issuance. The loans must be in the bank's trade market and in designated CDFI investment areas, or to CDFI target populations (i.e., LMI families and minorities). The bank met each of its benchmark requirements for 2020, 2021 and 2022.

The bank's products and services include small business, commercial real estate, consumer, and mortgage loans; as well as depository accounts and development services designed for underbanked community members. The majority of the bank's loan portfolio is comprised of business loans including

commercial and industrial loans at 25 percent, construction and development loans at 24 percent, commercial real estate loans at 23 percent, and multi-family loans at 6 percent. Residential mortgage loans represent 17 percent of the portfolio, followed by agricultural related loans at three percent, and consumer loans and other loans at one percent each. The bank's net loans as a percentage of total assets at year-end 2022 was 58.3%.

The bank has one rating area, the State of Texas and two AAs. The bank's AAs include Hidalgo County and Cameron County. Both AAs are in metropolitan statistical areas (MSAs). The AAs are described in more detail later within this PE. TNB was rated "Outstanding" in the last CRA evaluation as of January 11, 2021. There have been no mergers or acquisitions during this evaluation period. There are no legal or financial factors impeding the bank's ability to meet the credit and CD needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated the CRA performance of TNB using Small Bank performance criteria, which includes a lending test. The evaluation period for the lending test included loan originations from January 1, 2020, to December 31, 2022. Examiners determined the primary product for the lending test by determining the highest concentration of loans originated by number and dollar volume during the evaluation period. The primary loan product included in this evaluation included small business loans. Evaluating CD activities is optional under the Small Bank procedures; however, at management's request, examiners reviewed the bank's CD lending, qualified investments, and service activities for the evaluation period.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

TNB has delineated two AAs in Texas within Hidalgo County and Cameron County. Hidalgo County encompasses the entirety of the McAllen-Edinburg-Mission, TX MSA, while Cameron County comprises the entire Brownsville-Harlingen, TX MSA.

Ratings

The bank's overall rating is based on its performance in the state of Texas. The state rating is based on performance in the bank's AAs. Refer to the "Scope" section under the State Rating section for details regarding how the areas were weighted when arriving at the respective ratings. The Hidalgo County AA received more weight due to 99.9% of deposits and 87.5% of their total branching network being within the AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) 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.

State Rating

State of Texas

CRA rating for the State of Texas: Outstanding

The Lending Test is rated: Outstanding

The major factors that support this rating include:

- The bank exhibits a reasonable geographic distribution of loans in the state.
- The bank exhibits a reasonable distribution of loans to businesses of different sizes, given the product lines offered by the bank.
- The bank exhibits excellent responsiveness to community development needs in the state through community development loans.
- The bank exhibits excellent responsiveness to community development needs in the state through qualified investments and community development services. These community development activities had a positive effect on the bank's overall CRA rating and increased its satisfactory performance to outstanding.

Description of Institution's Operations in Texas

Texas National Bank (TNB) is a locally owned single state community bank established in 1920 and headquartered in Mercedes, Texas. The corporate office is located in Edinburg, Texas. TNB is wholly owned by TNB BancShares Inc; a single bank holding company also headquartered in Mercedes, Texas.

TNB has seven full-service branches located in Hidalgo County. In September 2021, TNB opened an eighth full-service branch in Brownsville, Texas located in Cameron County. All locations have a walk-in teller lobby, drive up motor bank, and automated teller machine (ATM). The bank has seven additional deposit taking ATMs located throughout its AAs, two at EZ Clean Car Washes in Weslaco and one at EZ Clean Car Wash in San Benito, and one at each of the following: the bank's corporate office, the Mission Convention Center, the City of Edinburg Municipal Building, and City of Edinburg City Hall.

In response to the Coronavirus Aid, Relief, and Economic Security Act or CARES Act established in 2020, TNB participated in the Small Business Administrations' Paycheck Protection Program. These loans were designed to provide direct incentives for small businesses to keep their workers on payroll during the COVID pandemic. The bank originated over 15 thousand PPP loans totaling \$370 million between 2020 and 2021. Some of these loans qualified for CRA credit.

Hidalgo County AA

The Hidalgo County AA is the bank's largest AA with seven full-service branches and is the only county in the McAllen-Edinburg- Mission MSA. Hidalgo County is located in the South Texas Rio Grande Valley and includes the cities of Donna, Edinburg, McAllen, Mercedes, Mission, Pharr, San Juan, Alton, Weslaco, as well as several other small cities. The bank's corporate and mortgage offices are located in

Edinburg, along with one branch in Edinburg, one in Elsa, one in McAllen, one in Mercedes, one in Mission, one in Weslaco, and one in San Juan.

According to the FDIC's Deposit Market Share Report on June 30, 2022, TNB deposits in this AA approximated \$620 million, or 99.9 percent of the bank's total deposits. TNB deposits in this AA represent 4.27 percent of the total market share, which ranks as the 12th highest market share of all 20 insured financial institutions with offices in the AA. The bank competes in this market with many large banks that have a nationwide presence like JP Morgan Chase, PNC, Bank of America, and Wells Fargo. Other competitors in this AA include larger regional Texas banks, community banks, credit unions, mortgage companies, and alternative lenders.

Hidalgo County is located in the southernmost tip of Texas along the border of the United States and Mexico. Hidalgo County shares an international border with Reynosa, a point of entry into Mexico's State of Tamaulipas. Local economic development information and reports from Moody's Analytics, reflect that the AA's primary economic drivers are the medical center, local colleges and universities, and tourism. Economic strengths include large residential and commercial centers along the US/Mexico border, ample supply of young unskilled labor, retail trade, a below average cost of living, and a tourist destination for Mexico.

International trade in the Rio Grande Valley with Mexico also contributes significantly to the local and Texas economy. The Texas-Mexico Border Transportation Master Plan of 2021 reflects thirteen border crossings in the Rio Grande Valley, with five international bridges in Hidalgo County. Reports from the Texas Comptroller in 2018 and 2020 state that the five Hidalgo County border crossings contribute over \$33 billion to the local and Texas economy with over 71 thousand jobs affected. The top commodities through the Hidalgo County international bridges include electronics, machinery, fruit, nuts, petroleum products, medical equipment, and automobiles.

Data from the US Bureau of Labor Statistics (BLS) shows that during the evaluation period, the unemployment rate in Hidalgo County ranged from a high of 16.8 percent in April of 2020 to a low of 5.6 percent in October of 2022. These unemployment rates exceeded the state average high of 7.4 percent in 2020 and low of 3.9 percent in 2022. Similarly, unemployment rates in this AA exceeded national averages which ranged from a high of 8.1 percent in 2020 to low of 3.6 percent in 2022. In May 2023, Moody's Analytics reported top employers in this AA include government (federal, state, and local), HEB Stores, University of Texas Rio Grande Valley (UTRGV), and McAllen Medical Center.

To better understand the market, demographics, and lending opportunities within the Hidalgo County AA, we considered two community contacts performed earlier in the evaluation period which were performed in conjunction with other examinations. One contact was with a local community organization focused on economic development and job growth in McAllen. We also considered information shared by another community organization which focuses on affordable housing in this AA. Contacts indicated that the local economy is generally performing well. Businesses are retaining employees and seeking to hire more employees. The workforce in McAllen is very young and the area has recently had more success retaining college graduates as more high skill level jobs move into the community. The contacts shared that the most prevalent banking need in this AA is financial literacy and the integration of non-US citizens into the US banking system; with low-cost banking services, and assistance in establishing credit. Additional demographic data on the Hidalgo County AA is reflected in the tables below.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hidalgo County 2020-2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	113	0.9	28.3	40.7	27.4	2.7
Population by Geography	819,217	1.7	27.6	41.2	28.8	0.7
Housing Units by Geography	258,126	1.2	25.5	41.8	31.2	0.2
Owner-Occupied Units by Geography	152,552	1.4	24.6	42.3	31.5	0.2
Occupied Rental Units by Geography	71,469	1.2	28.1	39.3	31.3	0.1
Vacant Units by Geography	34,105	0.7	24.3	45.2	29.3	0.4
Businesses by Geography	50,066	0.5	18.9	34.2	46.2	0.2
Farms by Geography	842	0.8	18.4	38.1	41.7	1.0
Family Distribution by Income Level	183,335	25.1	16.3	15.4	43.2	0.0
Household Distribution by Income Level	224,021	26.6	15.2	14.9	43.4	0.0
Median Family Income MSA - 32580 McAllen-Edinburg-Mission, TX MSA		\$37,529	Median Housing Value			\$84,918
			Median Gross Rent			\$662
			Families Below Poverty Level			29.9%

Source: 2015 ACS and 2021 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.*

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hidalgo County 2022						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	212	6.1	22.2	37.7	29.7	4.2
Population by Geography	870,781	5.6	20.7	40.6	30.7	2.4
Housing Units by Geography	281,380	5.0	20.2	40.9	31.6	2.3
Owner-Occupied Units by Geography	165,793	5.1	19.0	40.6	33.0	2.2
Occupied Rental Units by Geography	78,085	5.7	22.8	38.1	30.7	2.7
Vacant Units by Geography	37,502	3.2	20.0	48.0	27.3	1.5
Businesses by Geography	68,599	3.1	14.8	36.6	42.0	3.6
Farms by Geography	1,076	2.0	15.8	39.1	40.7	2.3
Family Distribution by Income Level	195,687	26.1	15.2	16.2	42.5	0.0
Household Distribution by Income Level	243,878	26.5	14.8	15.6	43.0	0.0
Median Family Income MSA - 32580 McAllen-Edinburg-Mission, TX MSA		\$46,609	Median Housing Value			\$100,611
			Median Gross Rent			\$737
			Families Below Poverty Level			25.5%

Source: 2020 U.S. Census and 2022 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.*

Scope of Evaluation in Texas

The Hidalgo County AA represented 99.9 percent of total deposits and 87.5 percent of their total branching network and was selected for a full-scope review. Conversely, we selected Cameron County AA for a limited scope review as the AA only comprised 0.1 percent of total deposits and 12.5 percent of their branches. For performance context, more weight was given to performance in 2020-2021 due to it representing a larger portion of activity. Refer to the table in Appendix A “Scope of Examination” for a list of all AAs under review.

LENDING TEST

The bank’s performance under the Lending Test in Texas is rated Outstanding.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank’s performance in the Hidalgo County AA is good.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the State.

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.

Hidalgo County

2020-2021

The bank exhibits reasonable geographic distribution of loans in the State. There was only one low-income geography in the AA which is not enough for a meaningful analysis. The distribution of loans to small businesses in moderate-income CTs is near to the percentage of businesses and the aggregate lending data.

2022

The bank exhibits reasonable geographic distribution of loans in the State. The distribution of loans to small businesses in both low-income and moderate-income CTs is near to the percentage of businesses and the aggregate lending data.

Lending Gap Analysis

Our review of the geographic distribution of loans did not identify any conspicuous, unexplained gaps in the bank’s lending patterns in the AAs.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a 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.

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.

Hidalgo County

2020-2021

The bank exhibits a 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. The percentage of bank loans to businesses with annual revenues of \$1 million or less was significantly below the reported percentage of small businesses in the AA and was below the aggregate percentage reported by other business lenders in the AA. For 71 percent of small loans to businesses in the AA borrower revenue information was not available. The majority of the loans with unknown revenues (54 percent) were PPP loans which did not require the bank to collect or consider gross annual revenues.

2022

The bank exhibits a poor distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank. The percentage of bank loans to businesses with annual revenues of \$1 million or less was significantly below the reported percentage of small businesses in the AA and was near to the aggregate percentage reported by other business lenders in the AA.

Community Development Loans

CD loans exhibited excellent responsiveness to the CD needs and opportunities in the bank's AA during the evaluation period. Performance related to CD loans had a positive impact on the bank's lending test during the evaluation period.

Over the evaluation period, TNB originated four loans that benefitted a variety of CD organizations in the bank's AA, totaling \$6.1 million. The bank also originated 11 qualifying PPP loans totaling \$17.7 million. Combined CD lending activity represents 31.3 percent of Tier 1 Capital. A few meaningful examples follow:

- Two loans totaling \$2.4 million to a non-profit organization that promotes housing for persons of low and moderate income. The funds were used to construct a three tri-plex senior development complex where a substantial majority of the complex is leased to low-to-moderate income individuals.
- A \$1.8 million loan to a non-profit organization that operates for the purpose of meeting growing capital improvements of the City of Mercedes's public housing. The funds were used to purchase a 72-unit apartment complex located in Mercedes, Texas where rent is restricted to 50% and 60% of the median income.

Responses to Complaints

TNB and the OCC did not receive any complaints regarding CRA performance over the evaluation period.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the Lending Test in the Cameron County AA is consistent with the bank's overall performance under the Lending Test in the full scope area. There were not enough loans made in the Cameron County AA for a meaningful analysis.

COMMUNITY DEVELOPMENT

Based on a full-scope review of Hidalgo County, and limited-scope review of Cameron County, the bank exhibits excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s). Performance related to community development activities had a positive effect on the bank's rating in the state.

Number and Amount of Qualified Investments

Refer to the Qualified Investments table below for the facts and data used to evaluate the bank's level of CD investing. The table includes all CD investments and donations, including qualified investments in areas outside of the bank's established AAs, but which were made to entities that service the greater state-wide area of Texas.

Over the evaluation period, TNB had excellent responsiveness to AAs needs through qualified investments. TNB made six qualified investments within its AAs which totaled \$2.6 million or 3.4% of Tier 1 Capital. Noteworthy investments included \$400 thousand in capital injections to the bank's subsidiary, De Valle CDC, to fund construction of 1-4 Family homes sold at cost to LMI families. In addition, TNB made at least 92 qualified donations totaling \$132 thousand in its AAs. Noteworthy donations included \$10 thousand to a charitable foundation that serves the RGV in crisis response and serve those in need, particularly in the colonia communities. The bank also donated \$10 thousand to provide scholarships to local Rio Grande Valley students of low-to-moderate income families.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Hidalgo County	0	0	6	2,636	6	46	2,636	61	0	0
Outside AA	3	750	4	945	7	54	1,695	39	0	0
Total	3	750	10	3,581	13	100%	4,331	100%	0	0

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

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

Extent to Which the Bank Provides Community Development Services

The bank and its employees demonstrate significant community involvement and provide services to promote financial literacy and assistance to the community. Notable financial literacy initiatives are programs aimed at building important money management skills at a young age. TNB helps to meet this need through financial literacy training and workshops offered at local career fairs, colleges, and universities.

Several TNB employees play active roles in the community and hold Board seats and management positions in various community groups and organizations which are aimed at supporting LMI individuals or generating economic development. Limited information was available regarding the number of service hours and the specific nature of services provided, but information indicates a culture of service within the financial institution.

TNB staff also work with the Federal Home Loan Bank (FHLB) Homebuyer Equity Leverage Partnership (HELP) program to facilitate applications and loan processing for down payment assistance for first time, LMI homebuyers. During the evaluation period, the bank facilitated down payment assistance for eight borrowers in Hidalgo County.

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:	01/01/2020 to 12/31/2022	
Bank Products Reviewed:	Small business Community development loans, qualified investments, community development services	
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		
Hidalgo County AA	Full-Scope	McAllen-Edinburg-Mission, TX MSA - 32580
Cameron County AA	Limited-Scope	Brownsville-Harlingen, TX MSA - 15180

Appendix B: Summary of MMSA and State Ratings

RATINGS	Texas National Bank
Overall Bank:	Lending Test Rating
Texas National Bank	Outstanding
MMSA or State:	
Texas	Outstanding

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 U. Assessment Area Distribution of Consumer 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 households in those geographies.
- Table V. Assessment Area Distribution of Consumer 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 households by income level in each MMSA/assessment area.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2020-21
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	
Full Scope																				
Hidalgo	35	6,404	100	17,577	0.5	0	0.6	18.9	14.3	19.2	34.2	40	35.4	46.2	45.7	44.5	0.2	0	0.3	
Limited Scope																				
Cameron	--	--	--	7,641	0.0	--	0.0	30.1	--	29.8	27.7	--	29.1	41.9	--	40.9	0.3	--	0.2	
Total	35	6,404	100	26,403	0.3	0	0.4	22.3	14.3	22.7	32.2	40	33.3	44.9	45.7	43.3	0.2	0	0.3	

Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA 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																				2022
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	
Full Scope																				
Hidalgo	66	7,998	85.7	17,266	3.1	1.5	1.8	14.8	10.6	25.5	36.6	42.4	36.4	42.0	45.5	41.2	3.6	0	0.9	
Limited Scope																				
Cameron	11	1,450	14.3	7,856	2.7	9.1	3.0	26.2	18.2	15.6	35.5	54.6	36.8	34.3	18.2	35.4	1.2	0	3.5	
Total	77	9,448	100	25,122	3.0	2.6	2.6	18.3	11.7	18.7	36.2	44.2	36.6	39.6	41.6	39.3	2.9	0	2.7	

Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 Bank Data; 2022 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2020-21
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	
Full Scope												
Hidalgo	35	6,404	100	17,577	87.0	20	37.9	3.3	8.6	9.8	71.4	
Limited Scope												
Cameron	--	--	--	8,826	84.1	--	37.8	3.7	--	12.2	--	
Total	35	6,404	100	26,403	86.1	20	37.9	3.4	8.6	10.5	71.4	
<i>Source: 2020 D&B Data; 01/01/2020 - 12/31/2020 Bank Data; 2020 CRA Aggregate Data, "--" data not available.</i>												

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2022
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	
Full Scope												
Hidalgo	66	7,998	85.7	17,266	90.2	40.9	45.5	2.3	28.8	7.5	30.3	
Limited Scope												
Cameron	11	1,450	14.3	7,856	88.1	72.7	49.5	2.6	27.3	9.2	0	
Total	77	9,448	100	25,122	89.5	45.5	46.8	2.4	28.6	8	26.0	
<i>Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 Bank Data; "--" data not available.</i>												