



## **PUBLIC DISCLOSURE**

April 27, 2020

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

Lone Star National Bank  
Charter Number: 17611

206 West Ferguson  
Pharr, TX 78577

Office of the Comptroller of the Currency  
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 following table indicates the performance level of **Lone Star National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Lone Star NB Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- The Lending Test rating is based on the excellent level of community development (CD) lending, the good lending activity in all assessment areas (AAs), and a substantial majority of the bank’s loans are in the AAs.
- The Investment Test rating is based on a significant level of investments in the bank’s AAs and good responsiveness to community economic development needs.
- The Service Test rating is based on the ready accessibility of bank branches and significant utilization of alternative mobile banking services by low- and moderate-income (LMI) individuals. The bank is also a leader in providing CD service activities in it’s AAs.

### Lending in Assessment Area

A substantial majority of the bank’s loans are in its AAs.

The bank originated and purchased 97 percent of its total loans inside the bank’s AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,853	97	48	3	1901	372,327	98	9,543	2	381,870
Small Business	1,109	96	42	4	1151	162,398	95	7,691	5	170,089
Small Farm	37	86	6	14	43	5,305	85	919	15	6,224
<b>Total</b>	<b>2,999</b>	<b>97</b>	<b>96</b>	<b>3</b>	<b>3095</b>	<b>540,030</b>	<b>97</b>	<b>18,153</b>	<b>3</b>	<b>558,183</b>

## Description of Institution

Lone Star National Bank (LSNB) is a full-service, intrastate, community bank headquartered in Pharr, Texas. LSNB was chartered on January 24, 1983. The bank is a wholly owned subsidiary of Lone Star National Bancshares – Texas, Inc., a one bank holding company also headquartered in Pharr, Texas. At year-end 2019, LSNB employed over 700 employees and had 33 banking centers, with 29 in the Rio Grande Valley and 4 in the San Antonio market. The bank also has 25 separate stand-alone ATMs as well as two mobile ATMs. The bank also offers investment services and insurance through an affiliated wholly-owned subsidiary, Lone Star Insurance Services, Inc. Affiliate activities were not considered in this Performance Evaluation (PE) nor did the activities of these affiliates impact the bank's ability to meet the credit needs of its communities.

At year-end 2019, LSNB reported total assets (TA) of \$2.4 billion and tier 1 capital of \$268 million, which represented 11.85 percent of TA. The bank's TA have increased slightly from \$2.1 billion in the last PE dated September 2016. The bank's loan-to-deposit ratio since the last evaluation period has averaged 62 percent, which is similar to the previous evaluation period. Net loans and leases at year-end 2019 totaled \$1.1 billion. Outstanding loans by category included commercial loans at 70 percent, one- to four-family residential real estate at 18 percent, multi-family real estate loans at eight percent, agricultural at two percent, and consumer at two percent.

LSNB's primary focus is commercial lending. The bank currently offers a variety of products and services for business customers including, commercial and industrial loans, construction loans, revolving lines of credit, commercial real estate loans, and small business loans, including loans guaranteed through the Small Business Administration (SBA). LSNB is a certified SBA Lender. LSNB also has deposit and cash management products and services designed for commercial and small business customers including ACH origination services, positive pay, merchant card services, and remote deposit capture.

The bank also offers a wide variety of consumer loan, deposit products and services, including a low-cost e-Checking account for individuals and students, and savings programs for children. The bank offers residential mortgages, auto loans, lot and interim construction loans, and other types consumer loans. LSNB's mortgage department originates residential loans for sale in the secondary market. The bank has a responsive first-time home buyer program and participates in nationwide first-time homebuyer programs with Fannie Mae and Freddie Mac, as well as FHA, VA, and USDA. LSNB is also an approved lender with The Texas State Affordable Housing Corporation (TSAHC) which provides grants for down payment assistance. The TSAHC program is designed to assist home buyers with income at or below 80 percent of the Area Median Family Income (MFI). In addition, the bank has developed a mortgage portfolio loan product such as 25-year fixed mortgages for individuals who have low credit that cannot qualify for a conventional mortgage in the secondary market.

LSNB also provides consumer and business access to banking services through online and mobile banking products. The mobile banking product allows customers to manage accounts and use the LSNB debt card manager to protect debit cards from fraud or misuse, pay bills and transfer money. Mobile banking services support Apple Pay and allow customers to submit consumer loan applications through the mobile application. The bank also provides an online mortgage application, and the mobile banking mortgage application (MortgageNow) allows customers to begin the home mortgage application process remotely, view application progress, securely upload documents, and message loan officers. The bank also offers online account opening for checking and savings accounts. All branch locations have deposit-taking ATMs onsite. In addition, LSNB has partnered with Allpoint ATM network, which is a surcharge-free ATM network, providing customers access to their deposit accounts through more than 55,000 ATMs nationwide. LSNB customers can use the mobile banking application to find the closest Allpoint ATM location, by entering their zip code.

In 2016, LSNB developed a new innovative deposit product referred to as the Customer Care Account, which is designed to assist customers who have had challenges managing past checking accounts. The account provides customers a second chance to establish good checking account relationships and to build and rebuild bank credit histories.

The bank has four AAs and one rating area, which is the State of Texas. The bank's AAs include Hidalgo County, Cameron County, Bexar County, and Starr County. All of the AAs are in metropolitan statistical areas (MSAs), except for Starr County, which is a non-MSA county. The AAs are described in more detail later within this PE. LSNB was rated "Satisfactory" in the last CRA evaluation as of September 26, 2016. There have been no mergers or acquisitions during the evaluation period of September 2016, through December 31, 2019. 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**

The evaluation period for lending is January 1, 2016 through December 31, 2019. The evaluation period for community development lending, services, and investments is September 27, 2016 through December 31, 2019. With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact of the coronavirus pandemic across the United States are not addressed in this evaluation. Bank qualifying activities will be considered in the subsequent evaluation.

This PE includes an evaluation of the bank's performance under the Lending, Investment, and Service Tests. In our evaluation the bank's lending performance, we reviewed one-to-four family mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA) and loans to small businesses as reported under the CRA. We also reviewed CD loans. The volume of farm loans was small and did not provide a meaningful analysis; however, we included these loans in analysis of lending activity within the bank's AAs and in the lending activity table which is detailed later in this PE. We also evaluated CD investments, including donations, retail services, and CD services.

For the geographic and borrower distribution analyses, we evaluated loans originating in 2016 in comparison to the 2010 United States (U.S.) Census data and we compared loans originating in 2017 through 2019 to the updated 2015 American Community Survey (ACS) census data effective January 1, 2017. During 2019, the Office of Management and Budget (OMB) revised geographic boundaries for

metropolitan areas. The OMB changes did not have a significant impact in the bank's AAs, so we combined analysis for the years 2017-2019. This PE provides a separate evaluation of the years by applicable census data.

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

In each state where the bank has an office, one or more AA(s) within that state are selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same MSA, were evaluated as a single AA. Similarly, the bank's delineated non-MSA AA was evaluated as a single area. The MSA and non-MSA AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under the State Rating section 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. This information is also detailed within the tables in Appendix D.

LSNB has designated four counties in Texas as their AAs. We selected the MSA AAs in Hidalgo and Cameron Counties for full scope reviews and performed limited scope reviews performed in Bexar and Starr Counties.

### **Ratings**

The bank's overall rating is based on the State of Texas rating, which is based on performance in all of the bank's AAs. In the Lending Test, small business and CD lending carried more weight in our analysis than home mortgage lending due to the bank's focus on commercial lending. Small farm and agriculture-related loans were not considered in the analysis due to the limited volume of these types of loans.

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

Pursuant to 12 C.F.R. §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 assessment area 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 Texas:** Satisfactory

**The Lending Test is rated:** High Satisfactory

**The Investment Test is rated:** High Satisfactory

**The Service Test is rated:** Outstanding

The major factors that support this rating include:

- Lending levels reflect a good responsiveness to meeting the credit needs of the bank's AA, given the performance context.
- A substantial majority of loans within the bank's AAs and adequate distributions by geography and borrower income, given performance context.
- An excellent level of CD loans that are responsive to community needs given the bank's capacity and opportunities in its AAs. The level of CD loans had a significant positive impact on the overall Lending Test conclusion.
- A significant level of qualified investments, including grant and donations.
- Retail delivery systems such as the bank's branches and alternative mobility banking delivery systems that are readily accessible to low-and moderate-income (LMI) families and geographies.
- The bank is also a leader in providing CD services.

### Description of Institution's Operations in Texas

The bank operates in four counties or AAs in Texas as described in the "Description of the Institution" and the "Scope of Evaluation" sections of this PE. The bank's primary focus is commercial business lending. The bank's competitors include other local community banks, credit unions, mortgage companies, large regional, and multi-national banks with a nationwide footprint. The bank also competes with nonbank financial entities and credit card companies for small business loans.

Community credit needs in the full-scope AAs were determined through discussions with three community contacts that support economic development and affordable housing in the bank's AAs. We also reviewed recent housing, business and other demographic information, and CRA PEs from eight other bank's operating in LSNB's AAs. In addition, we reviewed four community contacts performed by regulatory agencies in other CRA evaluations of AA banks.

Community services for low- and moderate-income individuals and families, small business and start-up financing, community development and revitalization, and affordable housing were the most critical needs and opportunities identified from these sources. Contacts also identified needs and opportunities for financial literacy programs and small dollar unsecured loan products, particularly due to high poverty

levels and large populations of LMI individuals and families in the bank’s AAs. Community contacts also noted that the recent pandemic has increased the need for essential community services for LMI populations, which have experienced increased job losses. Further, contacts noted that with the pandemic, opportunities are developing for financial institutions to assist individuals and affordable housing organizations with flexible loan programs and loan modification programs. One contact also mentioned possible affordable housing and investment opportunities for institutions with three new approved tax credit developments that are currently in process. The community contacts that we made during this evaluation all had positive comments regarding participation by AA banks, including LSNB.

The following tables depict the demographic information for the two full-scope AAs in Texas.

## Hidalgo County

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hidalgo County AA 2019						
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	43,526	0.5	19.0	34.4	46.0	0.2
Farms by Geography	743	0.9	19.5	37.8	40.6	1.1
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 2019 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.

## Cameron County AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Cameron County AA 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	86	0.0	40.7	29.1	27.9	2.3
Population by Geography	417,947	0.0	34.5	30.9	34.7	0.0
Housing Units by Geography	145,194	0.0	30.1	30.2	39.7	0.0
Owner-Occupied Units by Geography	80,885	0.0	29.1	29.9	40.9	0.0
Occupied Rental Units by Geography	40,212	0.0	38.0	34.0	28.0	0.0
Vacant Units by Geography	24,097	0.0	20.2	24.6	55.2	0.0
Businesses by Geography	19,802	0.0	30.9	27.5	41.3	0.3
Farms by Geography	423	0.0	22.5	33.1	44.2	0.2
Family Distribution by Income Level	95,991	24.6	16.6	15.7	43.0	0.0
Household Distribution by Income Level	121,097	26.0	15.3	15.4	43.2	0.0
Median Family Income MSA - 15180 Brownsville-Harlingen, TX MSA		\$36,941	Median Housing Value			\$88,468
			Median Gross Rent			\$659
			Families Below Poverty Level			29.6%

Source: 2015 ACS and 2019 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.

## Hidalgo County

Hidalgo County is the bank's largest AA, with 19 branches. Hidalgo County is the only county in the McAllen-Edinburg-Mission MSA. The county seat is Edinburg and the largest city is McAllen. The bank has branches in the largest cities of this county, including eight branches in McAllen, and two branches in Edinburg, Pharr, Mission, and Weslaco. The bank also has branches in the smaller cities of Alton, Hidalgo, and Palmview.

According to the FDIC's Deposit Market Share Report in June 30, 2019, LSNB deposits in this AA approximated \$1.5 billion, or 79 percent of the bank's total deposits. The largest share of the bank's loan originations during the evaluation period were in Hidalgo County at 69 percent by number, which is near the percentage of deposits. According to the FDIC's June 2019 report, LSNB is the leader in deposit market share in this AA. LSNB ranked first with 15 percent of the deposit market out of 18 insured financial institutions with offices in Hidalgo County. The bank competes in this market with several large banks that have a nationwide presence, including BBVA, JP Morgan Chase Bank, NA, Wells Fargo, and Bank of America. Other competitors in this AA include larger regional Texas banks, community banks, credit unions, mortgage companies, and alternative lenders.

During the evaluation period, LSNB was also one of the top mortgage loan originators in Hidalgo County. Aggregate HMDA data in 2016, indicates that LSNB ranked fourth in Hidalgo County with four percent of the mortgage market, by number of loans, out of 344 institutions. In 2017, the bank ranked seventh with a similar market share, and twelfth in 2018 with three percent of the mortgage market share. Some

of the bank's top mortgage competitors in this market include institutions such as Wells Fargo Bank, NA, BBVA, Bank of America, Quicken Loans, and JP Morgan Chase.

In small business lending, as reported in 2016-2018 peer small business reports, LSNB competes well in this market ranking in the top 17 each year among over 85 institutions originating small business loans in Hidalgo County. LSNB competes for small business loans with the larger institutions such as American Express, Chase Bank, NA, Texas Capital Bank, Bank of America, Wells Fargo, Citibank, NA, Compass Bank, etc.

Hidalgo County is located in the southernmost tip of Texas along the border of the United States and Mexico. Hidalgo County is adjacent and between its two other South Texas AAs, Cameron and Starr Counties. Hidalgo County shares an international border with Reynosa, a point of entry into Mexico's State of Tamaulipas. Hidalgo, Cameron, and Starr Counties are part of the South Texas region commonly known as the Rio Grande Valley or more recently, the Borderplex, which also includes neighboring Willacy County, and northern Mexico border cities between Matamoros and Ciudad Mier. The bank's AA consists of all 113 CTs in Hidalgo County. During the evaluation period, there was only one low-income CT in this county. A report from the Economic Development Corporation in McAllen indicates there are also four CTs in the city of McAllen that are designated Opportunity Zones, which can provide tax benefits for investments and development in these areas

A variety of industries supports the local economy including manufacturing, aerospace, agriculture, including cold storage and processing, healthcare, medical training and research, customer contact centers, and data centers. A January 2020 report from Moody's Analytics indicates that the U.S. Border Patrol and port of entry workers also contribute to a growing government sector. The Moody's report further states that construction, healthcare, and leisure/hospitality are key areas for growth. Major employers in the area include: HEB, local school districts, city and county governments, local colleges and universities including the University of Texas Rio Grande Valley, McAllen Medical Center, Doctors Hospital at Renaissance, BBVA Compass, International Bank of Commerce, Teleperformance, Idea Public Schools, and WalMart.

The MSA has a below average cost of living, with median homes values of \$88 thousand according to ACS data, but the Moody's report indicates that median home prices have increased to about \$104 thousand. The report further indicates that builders are focusing on more profitable multi-family dwellings, resulting in short supply of single family homes, which is responsible for faster price appreciation. According to census data in 2019, the population in this AA is approximately 92 percent Hispanic, and young with a median age of 29. Also, census data indicates that the AA has an extremely low per capita income with a MFI of \$37 thousand. As reflected above in Table A, the percentage of families reporting incomes below poverty levels in this AA is very high. Updated 2018 ACS data estimates that the family poverty rate in Hidalgo county is 31 percent, which is higher than both state and national levels, which were reported at 15 and 13 percent respectively. Unemployment rates are also higher in this county than state and national levels. At the end of 2019, Bureau of Labor and Statistics (BLS) data reported an unemployment rate in Hidalgo County at 6.6 percent. By the end of March 2020, unemployment rates had increased to 8.8 percent, reflecting early job losses from the pandemic.

### **Cameron County**

LSNB has five branches in Cameron County, which is the only county in the Brownsville-Harlingen, TX MSA. Brownsville is the county seat and Harlingen is one of the larger cities in the MSA county. LSNB has three branches in Brownsville, one in Harlingen, and one on South Padre Island. According to the

FDIC's Deposit Market Share Report on June 30, 2019, total bank deposits in this AA approximated \$201 million or 10 percent of LSNB's deposits. The percentage of loan originations in Cameron County during the evaluation period was slightly higher than the percentage of AA deposits at 16 percent by number and 18 percent by dollar volume.

LSNB ranked ninth out of 17 insured financial institutions in this AA with 4.5 percent of the deposit market share on June 30, 2019. Major competitors in this area include local community banks, larger regional Texas banks, as well as larger banks with a nationwide presence such as Wells Fargo Bank, NA, BBVA USA, and JP Morgan Chase Bank, NA. LSNB also competes with credit unions, mortgage companies, and alternative lenders in this AA. In small business lending market, LSNB ranked in the top third each year out of over 70 small business lenders in this market. LSNB also competes for small business loans in this market with the same larger institutions such as American Express, Citibank, NA, Wells Fargo, and Chase. In the mortgage lending market, LSNB ranked in the top 20 each year out of over 300 mortgage lenders in this market.

Cameron county is adjacent and just east of Hidalgo County and is also part of the Rio Grande Valley region. Cameron County shares an international border with Matamoros, a city in Mexico. The bank's AA consists of all 86 CTs in Cameron County. Currently, there are no designated low-income CTs in Cameron county. In 2016, however, the county did have one low-income CT, but the income designation changed to moderate-income with the 2015 ACS census update, effective January 2017.

Brownsville's economy is primarily driven by international trade with Mexico and is home to one of the fastest growing manufacturing sectors in the nation. The Port of Brownsville, a deep-water seaport, remains an important pillar of the city's economy and provides a link between the road networks of nearby Mexico and the Gulf Intracoastal Waterway of Texas. The Brownsville Economic Development Council notes that in recent years, the Port of Brownsville has become a desirable location for companies in the energy sector, in large part because it represents a logistical advantage for importing and exporting goods. The Space X South Texas launch site, near Brownsville attracts visitors which supports that leisure/hospitality industry. Some of the major employers in the area include the Valley Baptist Medical Center, the University of Texas Rio Grande Valley, Keppel AmFELS (Off-shore Marine), and Walmart, Inc.

Prior to the pandemic, January 2020 economic reports from Moody's Analytics noted that expansion in the Brownsville-Harlingen MSA had slowed in recent quarters. Leisure/hospitality and business/professional service industries were maintaining growth momentum, while goods providers were contracting. A lull in hiring, had resulted in increased unemployment to approximately 6 percent at year-end 2019 from a multi-decade low of 5 percent mid-year 2019. By the end of March 2020, unemployment rates in this County had increased to 7.6 percent, reflecting early job losses from the pandemic. In 2019, wage growth was still strong, but hourly earnings in this AA were nearly 40 percent below the U.S. Average. The median family income for Cameron County, as noted in Table A above, was \$37 thousand and 30 percent of families in the AA reported income levels below poverty levels. Poverty levels in this AA were just slightly lower than in Hidalgo County. Moody's noted strengths in this AA, such as cross-border transport infrastructure, private, and public investment in the region's economy, and strong population growth. Extremely low per capita income, low educational attainment, and weak migration patterns were noted weaknesses. Education and healthcare industries were expected to dominate the economy in coming years. Investment in the Port of Brownsville was also expected to provide for longer term growth and expansion. In Moody's January report, new home building was providing a boost to construction industries, which was expected to bring on about 2,000 new housing units over the next year.

## **Scope of Evaluation in Texas**

As discussed previously, the bank's AAs in Hidalgo and Cameron Counties were selected for full-scope reviews, primarily due to the significance of these two AAs on the bank's overall financial condition and the level of lending, deposit activities in these areas. Hidalgo County represents the entire McAllen-Edinburg-Mission MSA, while Cameron County represents all of the Brownsville-Harlingen MSA.

We selected the full-scope AAs after considering the number of loans originated or purchased in each area, the volume of deposits in each area, the number of branch offices in each area, and the length of time branch offices have operating in the respective markets. The two full-scope AAs represented 89 percent of the bank's deposits as of June 30, 2019 and 85 percent of the total number of loans.

We performed limited-scope reviews in Bexar and Starr Counties. Bexar County is part of the San Antonio-New Braunfels, MSA, and Starr County is a rural non-MSA AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

### LENDING TEST

The bank's performance under the Lending Test in Texas is rated High Satisfactory. CD lending activity had a significantly positive impact.

### Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance in the Hidalgo and Cameron County AAs is good. We place more weight upon performance in Hidalgo County since most of the bank's offices and deposits are in this AA.

### Lending Activity

Lending levels reflect good responsiveness to AA credit needs.

<b>Number of Loans*</b>							
Assessment Area	# Home Mortgage	# Small Business	# Small Farm	# Community Development	# Total	% State Loans	% State** Deposits
Full-Scope							
Hidalgo	1208	823	29	44	2104	69%	79%
Cameron	313	159	2	12	486	16%	10%
Limited-Scope							
Bexar	86	61	0	7	154	5%	2%
Starr	246	66	6	6	324	11%	8%
<b>Total</b>	<b>1853</b>	<b>1109</b>	<b>37</b>	<b>69</b>	<b>3068</b>	<b>100%</b>	<b>100%</b>

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

\*\* State Deposit percentages are based on the FDIC's Deposit Market Share Reports as of 6/30/2019

<b>Dollar Volume of Loans* (000's)</b>							
Assessment Area	\$ Home Mortgage	\$ Small Business	\$ Small Farm	\$ Community Development	\$ Total	% State* Loans	% State** Deposits
Full-Scope							
Hidalgo	\$231,068	\$125,752	\$4,173	\$91,074	\$452,067	66%	79%
Cameron	\$82,764	\$22,360	\$451	\$18,387	\$123,962	18%	10%
Limited-Scope							
Bexar	\$46,124	\$9,331	\$0	\$31,090	\$86,545	13%	2%
Starr	\$12,373	\$4,955	\$681	\$3,513	\$21,522	3%	8%
<b>Total</b>	<b>\$372,329</b>	<b>\$162,398</b>	<b>\$5,305</b>	<b>\$144,064</b>	<b>\$684,096</b>	<b>100%</b>	<b>100%</b>

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

\*\* State Deposit percentages are based on the FDIC's Deposit Market Share Reports as of 6/30/2019

### Hidalgo County

The volume of lending activity in Hidalgo County is good, reflecting responsiveness to the credits needs of the AA when considering the considering the number and amount of home mortgage, small business, and community development loans in this AA. The percentage of lending activity in this AA is near the percentage of deposits. The bank's performance is also good when considering the level of competition in this AA and economic conditions. As mentioned above in the AA description, during the evaluation period, LSNB was one of the top home mortgage originators in Hidalgo County, ranking as high as fourth

by number of loans in 2016, out of 344 mortgage lenders originating loans in this AA. The bank's performance was also good subsequent years, ranking seventh in 2017, and twelfth in 2018. Aggregate data from 2019 was not available at the start of this evaluation. LSNB also competes well in Hidalgo County for small business loans, ranking in the top 17 during the evaluation period among over 85 institutions originating small business loans in Hidalgo County. When analyzed on an annual basis, the total dollar volume of mortgage, small business, farm, and community development loan originations in this AA were about \$42 million higher than in the previous evaluation period.

The FDIC's June 30, 2019 Deposit Market Share Report ranks LSNB as the market leader with 15 percent of the deposit market among 18 state and national banking institutions. Although LSNB ranks higher in deposit market share than their loan market share, the bank's lending performance is good when considering the significant number of larger competitors and other institutions in the lending market.

The dollar volume of the bank's CD loans in this AA have also increased since the last evaluation period. The bank's CD loans have provided a significantly positive impact on performance, supporting AA needs for affordable housing and economic development. More information on lending activities in Hidalgo County can be found in other sections of this evaluation titled, "Distribution of Loans by Income Level of the Geography", "Distribution of Loans by Income Level of the Borrower sections of this PE, and "Community Development Lending".

### **Cameron County**

The volume of lending activity in Cameron County also reflects a good responsiveness to the credit needs of the AA, particularly when considering the bank's strategies, products, services, economic conditions, competition, and the number and dollar volume of loans in relationship to deposits in this AA. The percentage of LSNB's lending activity in this AA is higher than the percentage of bank deposits in the AA. The total dollar volume of loan originations in this AA has increased by about \$6 million when comparing performance annually to the previous evaluation period. This level of performance is good when considering the strong competition in this AA and the bank's deposit market share, which was 4.75 percent of the market, according to the FDIC in June 2019. This deposit market share is significantly lower than in Hidalgo County. As mentioned earlier, LSNB competes in this AA with several of the nation's largest banks including Wells Fargo, BBVA, JPMorgan Chase, as well as the larger regional and community banks, credit unions, mortgage companies, and alternate lenders.

Small business peer reports from 2016-2018 indicated that the dollar volume of small business loans originated by LSNB represented two – four percent of the market share, which is near the bank's deposit share in this market.

The number and dollar volume of CD loans in this AA have also increased during the evaluation period, supporting AA needs for affordable housing, economic development, and revitalization or stabilization of moderate-income areas. More information on lending activities in Hidalgo County can be found in other sections of this evaluation titled, "Distribution of Loans by Income Level of the Geography", "Distribution of Loans by Income Level of the Borrower sections of this PE, and "Community Development Lending".

## **Distribution of Loans by Income Level of the Geography**

The geographic distribution of loans in LSNB's AAs is adequate. We placed more weight on small business loan distributions and considered CD lending, which positively affected performance in the AAs.

### **Hidalgo County**

#### *Home Mortgage Loans*

The geographic distribution of home mortgage loans in Hidalgo County is adequate. Table O in Appendix D includes facts and data used to evaluate the geographic distribution of mortgage loan originations and purchases in the bank's AAs.

During 2016, LSNB's distribution of home loans in the low-income CT of Hidalgo County was slightly below the percentage of owner-occupied housing in this low-income geography, but the percentage of bank loans in this area exceeded aggregate lender performance. As mentioned in the Description of Institution's Operations in Texas, there is only one low-income CT, in Hidalgo County. During 2016, the low-income CT was located in the Southeast portion of the county near Mercedes, TX, and the bank did not have any branches in this area. The percentage of bank mortgage loans in moderate-income areas was also below the percentage of owner-occupied homes in these areas, but LSNB's performance in the moderate-income geographies exceeded performance by aggregate lenders. Loan distributions during 2017-2019 were similar to 2016, with distributions in both low- and moderate-income CTs below AA demographics for owner-occupied housing, but slightly exceeding performance of aggregate lenders.

Table P in Appendix D groups all types of mortgage loans reported pursuant to HMDA requirements, including home purchase, refinance, multi-family loans, and certain home improvement loans. The bank makes unsecured home improvement loans, which were reported as HMDA loans during 2016 – 2017, but beginning 2018-2019, the reporting requirements changed, and the bank no longer reported these loans for HMDA purposes. When unsecured home improvement loans are considered in the years 2018-2019, the bank's geographic loan distributions in low-and moderate-income CTs improve, but overall performance is still slightly below AA demographics, and exceeds aggregate lenders.

The bank's CD lending performance in this AA had a positive impact on performance. During the evaluation period, LSNB made 10 affordable housing related loans, totaling \$7.6 million, in moderate-income areas of the AA.

#### *Small Loans to Businesses*

The geographic distribution of business loans in the AA is adequate. Refer to Table Q in the Appendix D section for facts and data used to evaluate the geographic distribution of the bank's small business loans.

During 2016, LSNB did not make any small business loans in the one low-income CT of this AA. The bank did not have any branches in this area, and there fewer opportunities in this rural area, with only 0.36 percent of AA businesses. Aggregate lenders reported business loans in this CT, but the percentage by aggregate lenders was also slightly below AA demographics. The bank's percentage of small business loans in moderate-income geographies was better at 15 percent of loans, but the distribution was still below AA demographics and other aggregate lenders. During 2017-2019, LSNB's performance was good in both low-and moderate-income geographies. Small business loan distributions in low-income CTs exceeded AA demographics and performance by aggregate lenders. The distribution of business loans in

moderate-income geographies increased to 18 percent was near AA demographics and performance of aggregate lenders.

LSNB's CD lending activities in this AA also focused on economic development and job creation with two CD loans in moderate-income CTs of Hidalgo County. These loans totaled \$2.5 million and had a positive impact on small business lending performance in this AA.

## **Cameron County**

### *Home Mortgage Loans*

The geographic distribution of home loans in the Cameron County AA is adequate. Table O in Appendix D includes facts and data used to evaluate the geographic distribution of LSNB's home mortgage loans in Cameron County.

During 2016, LSNB reported 1.5 percent of home loans in low-income CTs, which is slightly higher than percentage of owner occupied housing units in low-income areas of this AA. The bank's performance in low-income CTs, significantly exceeded performance by aggregate lenders. Home loan distributions in moderate-income geographies was below the percentage of owner occupied housing, but still exceeded loan distributions by aggregate lenders. During 2017-2019 there were no low-income CTs in Cameron County, and the bank's loan distribution in moderate-income CTs was similar to 2016, below AA demographics, but slightly exceeding performance of aggregate lenders.

The bank's CD lending in this AA also supported affordable housing needs in both low- and moderate-income geographies with three CD loans totaling \$502 thousand.

### *Small Loans to Businesses*

The geographic distribution of business loans in the AA is adequate. Table Q in Appendix D includes facts and data used to evaluate the geographic distribution of the bank's small business loans.

During 2016, the bank had no small business loans in the one low-income CTs, but loan distributions in moderate income CTs, were reasonable and approximated 21 percent. The bank's performance in moderate-income CTs was slightly below AA demographics and performance of aggregate lenders. In 2017-2019, there were no low-income CTs in Cameron County, and the bank's percentage of loans in moderate income CTs was higher than in 2016 at 28 percent, which was near AA demographics and performance of other lenders. One of the bank's CD loans in Cameron County totaling \$272 thousand helped to stabilize and revitalize one of the moderate-income CTs in this AA.

### *Lending Gap Analysis*

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

## **Distribution of Loans by Income Level of the Borrower**

The distribution of loans to individuals of different income levels and to businesses of different sizes is adequate given the product lines offered by the bank. We placed more weight on small business loan distributions and considered CD lending, which positively affected performance in the AAs.

## **Hidalgo County**

### *Home Mortgage Loans*

The distribution of home loans to low- and moderate-income individuals in the AA is poor. Table P in Appendix D includes the facts and data used to evaluate borrower distribution of home mortgage loan originations and purchases.

In 2016, the distribution of the bank's home mortgage lending to low-income borrowers in Hidalgo County was only 1.3 percent, which was significantly below the percent of families reporting low-income in the AA (25 percent). The percentage of bank loans to low-income borrowers, was just slightly higher than the percentage of loans by aggregate lenders in the AA. The percentage of bank loans in 2016 to moderate-income borrowers was slightly better at 6 percent, which is the same percentage reported by aggregate lenders, but significantly lower than the percent of families identified as moderate-income (16 percent). The bank's mortgage loan distributions in 2017-2019 were similar to distributions in 2016, but aggregate lenders slightly exceeded the bank's loan distributions to both low- and moderate-income borrowers.

The bank provided additional information on unsecured home improvement loans in the years 2018-2019 slightly increased the percentage of loans to low-income borrowers from one to four percent. This level of performance was closer to aggregate levels during the 2017-2019 period. The percentage of loans to moderate-income borrowers also increased from 4 to 8 percent with unsecured home improvement loans during this same period. This level of lending to moderate-income borrowers exceeds levels reported by aggregate lenders but is still significantly below AA demographics.

High poverty levels, unemployment rates in excess of 6 percent, and down payment requirements present challenges in this AA for consumers seeking mortgage loans. The bank made 25 affordable housing related CD loans in this AA totaling \$16 million during the evaluation period, which also helped support the needs of LMI individuals and families in this AA. As further discussed below these loans provided a significant positive impact to the bank's overall lending performance. The bank's flexible loan programs with the TSAHC and the bank's 25 year fixed rate product are designed to provide additional assistance to borrowers in qualifying for mortgage loans. During the evaluation period, the bank made 50 loans with loan amounts totaling \$8.6 million, which received down payment assistance.

### *Small Loans to Businesses*

The distribution of loans to small businesses in the AA is adequate. Table R in Appendix D includes the facts and data used to evaluate the bank's originations and purchase of loans to small businesses.

In 2016, LSNB's distribution of loans to businesses with revenues less than or equal to \$1 million was 64 percent. This distribution was lower than the percentage of businesses in the AA with revenues less than or equal to \$1 million, but the bank's distribution of loans exceeds aggregate lenders. During 2017-2019, the percentage of bank loans to businesses with revenues less than or equal to \$1 million was slightly higher at 68 percent. This distribution also exceeded performance by aggregate lenders, but the percentage of bank loans was still lower than the percentage of AA businesses reporting revenues less than or equal to \$1 million. The bank faces challenges in small business lending with larger competitors in this market. As mentioned earlier, aggregate lender data indicates that there at least 85 lenders making small business loans in this AA. During the evaluation period, the bank originated 17 loans totaling \$3.5 million under SBA loan programs, some of these loans have revenues greater than \$1 million.

## **Cameron County**

### *Home Mortgage Loans*

The distribution of home loans to low- and moderate-income individuals in Cameron County is poor. Table P in Appendix D includes the facts and data used to evaluate borrower distribution of home mortgage loan originations and purchases

In 2016, the percentage of bank home mortgage loans to low-income borrowers was only 1.5 percent, which is significantly below the percentage of families reporting low-incomes (24 percent) in the AA, but the same percentage as aggregate lenders in Cameron County. Loan distributions to moderate-income borrowers in 2016 was also poor at only 1.5 percent and was significantly lower than the percentage of moderate-income families in the AA (16 percent), and below performance of aggregate lenders. The percentage of home loans to low-income borrowers during 2017-2019 was less than in 2016, at 0.4 percent. This percentage of loans to low-income borrowers was significantly below the percentage of low-income families in the AA, and below loan distributions by aggregated lenders. The percentage of home loans in 2017-2019 to moderate-income borrowers improved from four to eight percent, slightly exceeding distributions by aggregate lenders, but the bank's performance was still significantly below the percentage of moderate-income families in the AA.

When considering the bank's unsecured home improvement loans in this AA during 2018-2019, the percentage of bank loans to low-income borrowers increased to 2.5 percent, but this level is still significantly below the AA demographics and below aggregate lenders. The percentage of loans to moderate-income borrower increased slightly to 9 percent, which is a more reasonable level, exceeding aggregate lenders, but still below AA demographics.

Similar to Hidalgo County, high poverty levels, unemployment rates in excess of 6 percent, and down payment requirements present challenges in this AA for consumers seeking mortgage loans. The bank's affordable housing CD also helped support low- and moderate-income families in this AA. During the evaluation period, the bank made five CD loans in this AA totaling \$6.8 million in support of affordable housing. The bank's flexible lending programs are also available to assist customers in this AA.

### *Small Loans to Businesses*

The distribution of loans to small businesses in the AA is adequate. Table R in Appendix D includes the facts and data used to evaluate the bank's originations and purchase of loans to small businesses.

In 2016, LSNB's distribution of loans to businesses with revenues less than or equal to \$1 million was 65 percent. This distribution was lower than the percentage of businesses in the AA with revenues less than or equal to \$1 million, but this distribution significantly exceeded aggregate lending to these businesses. During 2017-2019, the percentage of the bank's loan distributions to businesses with revenues less than or equal to \$1 million was slightly higher at 66 percent and significantly exceeded performance by aggregate lenders. The percentage of bank loans was lower than the percentage of businesses in this AA reporting revenues less than or equal to \$1 million. The bank also faces strong competition in this market for small business lending. As mentioned earlier, aggregate lender data indicates that there at least 78 lenders making small business loans in this AA. During the evaluation period, the bank originated three loans totaling \$829 thousand under SBA loan programs.

## **Community Development Lending**

The institution is a leader in making CD loans in Texas. The bank originated 69 CD related loans totaling \$144 million during the evaluation period.

The Lending Activity Tables, shown above, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

### **Hidalgo County**

The level of CD lending in Hidalgo County had a significantly positive impact on the overall conclusion. The level of lending reflects the bank's responsiveness to the CD needs of the AA.

The bank made 44 CD loans in this AA totaling \$91 million during the evaluation period. These loans were made to various non-profit organizations and other entities that provide and support affordable housing and housing assistance, youth programs, and community services for low- and moderate-income individuals. Twenty five of the CD loans in Hidalgo County, helped support needs for affordable housing of low- and moderate income individuals. An additional 13 loans supported economic development, or stabilization and revitalization of low-and moderate-income areas, and six loans provided essential services for low- and moderate-income individuals. The following are examples of CD loans originated by the bank.

- A \$200 thousand line of credit to a local non-profit self-help construction company which serves low-income families in the colonias and other rural areas of Hidalgo County. Qualifying families develop skills in home construction and financing.
- A \$4.8 million loan to build 22 four-plex homes in Alamo, Texas. The project provided will make housing available to moderate-income individuals.
- A \$9.9 million to local non-profit economic development corporation in support of economic development and job creation.
- A \$60 thousand line of credit to purchase computers and recreational vehicle that will serve as at technology bus that provides access to computers and internet service in rural areas of the County.
- A \$8 million loan to finance the purchase of a skilled nursing and rehabilitation facility in a moderate income area of the county. The majority of individuals served have low- and moderate-incomes.

### **Cameron County**

The bank had a relatively high level of CD lending in Cameron County, which had a positive impact on the overall conclusion. The level of lending reflects the bank's responsiveness to the CD needs of the AA.

The bank made 12 CD loans in this AA totaling \$18 million during the evaluation period. These loans were made to various non-profit organizations and other entities that provide and support affordable housing and housing assistance, economic development, and community services for low- and moderate-income individuals. Five of the CD loans in Cameron County, helped support affordable housing needs

of low- and moderate income individuals. Four loans supported economic development, or stabilization and revitalization of low-and moderate-income areas, and three loans provided essential services for low-and moderate-income individuals. The following are examples of CD loans originated by the bank.

- A \$5.8 million loan for the purchase and renovation of a 171 unit apartment complex in Harlingen, TX. The complex will be transferred to Section 8 housing and will be affordable to low-and moderate-income individuals.
- An \$8 million loan to expand a tuition free public charter school
- Two loans totaling \$231 thousand to refinance and renovate a day care facility in a moderate-income CT. The majority of parents at the facility have been accepted for Child Care Management Services, which helps parents with the cost of child care.

### **Product Innovation and Flexibility**

The institution makes limited use of, innovative and/or flexible lending practices in order to serve AA credit needs.

The bank participates in nationwide government sponsored first time homebuyer programs with Fannie Mae and Freddie Mac, as well as FHA, VA, and USDA. During the evaluation period, LSNB made 50 loans under these programs in the bank's AAs totaling \$8 million. All of these loans included down payment assistance. LSNB also offers mortgage loans through other bank programs when customers cannot qualify for secondary market loans. The bank provides a 25-year fixed mortgage product for individuals who have low credit that cannot qualify for a conventional mortgage in the secondary market. During the review period, the bank made five of these loans totaling \$580 thousand.

The bank's approved lender status with the TSAHC allows them to offer down payment assistance programs and grants to borrowers that can be used to fund up to 100 percent cash closing requirements, including the down payment, closing costs, pre-paid items, and reimbursement of earnest money deposit. Neither the bank or TSAHC take a second lien against the home and there is no requirement to repay the assistance grant. The program is designed to assist home buyers with income at or below 80 percent of the area MFI. As mentioned above, the bank made at least 50 loans through various programs, including TSAHC, during the evaluation period totaling \$8.6 million.

LSNB's innovative new Customer Care Account, is designed to assist customers who have had challenges managing past checking accounts. The account provides customers a second chance to open a checking account with the understanding that they will pay any charge-off balances at other institutions. When the customer pays off prior charged-off deposit balances, and their accounts remain in good standing, the account is converted into a standard checking account. This new account allows customers to build and rebuild bank credit histories. The bank opened 1600 new Customer Care Accounts during the evaluation period. Approximately 153 customers have successfully converted to standard accounts.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Lending Test in the Bexar and Starr County AAs is stronger than the bank's overall performance under the Lending Test in the full-scope areas. The geographic distribution of loans in the limited-scope AAs was stronger than in the full-scope AAs. The bank was also a leader in CD Lending in the limited-scope AAs.

Refer to Tables O through R in Appendix D for the facts and data that support these conclusions.

## INVESTMENT TEST

The bank’s performance under the Investment Test in Texas is rated High Satisfactory.

### Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, LSNB’s performance in the Hidalgo and Cameron County AAs is good. The institution has a significant level of qualified CD investments, grants, and donations occasionally takes a leadership position, particularly in those investments that are not routinely provided by private investors. The institution exhibits good responsiveness to credit and community economic development needs. The institution occasionally uses innovative and/or complex investments to support CD initiatives.

### Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
<b>Full-Scope</b>										
Hidalgo	25	22,688	16	11,086	41	64%	33,774	49%	0	0
Cameron	8	4,696	3	11,241	11	17%	15,937	23%	0	0
<b>Limited-Scope</b>										
Bexar	6	14,596	1	500	7	11%	15,096	22%	0	0
Starr	4	3,430	1	856	5	13%	4,286	6%	0	0
<b>Total</b>	<b>43</b>	<b>45,410</b>	<b>21</b>	<b>23,683</b>	<b>64</b>	<b>100%</b>	<b>69,093</b>	<b>100%</b>	<b>0</b>	<b>0</b>

\* 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.

### Hidalgo County

Qualified investments in the Hidalgo County AA were good considering the bank’s resources, responsiveness of current and prior period investments, and performance by other banks in this AA. The number and volume of new investments were less than prior period investments, but the 16 new investments in this AA have been responsive to AA affordable housing needs, schools, economic development, and revitalization of the low and moderate-income areas of communities in the bank’s AA. New investments in this AA totaling \$ 11 million represented approximately 5 percent of the AA allocated portion of tier 1 capital. Prior period investments represented an additional 10 percent of allocated capital and continue to provide a positive impact and benefit to the bank’s AA.

LSNB has also made numerous charitable donations in this AA to organizations that support affordable housing, economic development and community service related initiatives. During the evaluation period, LSNB made at least 219 donations totaling \$423 thousand. Donations supported organizations such as local economic development corporations, schools, flood and disaster relief funds, non-profit

organizations providing local food banks, and other charitable services. Examples of investments and donations in this AA are summarized below.

- IDEA Public Schools  
During the evaluation period, the bank invested \$1.4 million in revenue bonds that benefit IDEA Public Schools, which provide tuition free charter schools in various Texas and Louisiana locations. Prior period investments in this organization totaled \$2.4 million. The bank's investment benefited several campuses in this AA as well as other bank AAs, and communities in the Rio Grande Valley, including existing and proposed school campuses in Alamo, Brownsville, Donna, Edinburg, Elsa, McAllen, Mission, North Mission, Owassa, Pharr, San Benito, San Juan, Weslaco, and Quest. The bank's investments have also benefitted schools in the Bexar County AA. The public charter school focuses on college preparation for all children. Approximately 89 percent of IDEA's students in Hidalgo County are economically disadvantaged. For the past 14 years, IDEA has maintained a 100 percent college acceptance rate of its high school graduates. During the evaluation period, LSNB also made two donations in support of IDEA public schools totaling \$4 thousand. The bank has also supported this organization through service activities, which are summarized in the Service Test section of this evaluation.
- Valley Island Palms Apartments  
The bank invested \$1.5 million in a FNMA bond which financed a 250-unit affordable housing apartment complex in a moderate-income tract in Edinburg, TX.
- Valley Alliance of Mentors for Opportunities and Scholarships (VAMOS)  
LSNB has supported VAMOS through service activities as well as donations. During the evaluation period, LSNB donated \$79,500 to this nonprofit organization, which awards scholarships and provides mentoring to college-bound youth in the Hidalgo, Starr, and Cameron County AAs. The program focuses on students with exceptional financial needs and LMI in Hidalgo, Starr, and Cameron County. The organization focus is on "making the dream of a college education a reality" by offering financial support to those who might not otherwise be able to pursue higher education. VAMOS provides "a continual, community-based network of support, information and resources to VAMOS scholars and their families" through the VAMOS Mentoring Program. Donations to this organization totaled \$79,500.
- The Boys & Girls Club  
LSNB has supported The Boys & Girls Club organization in all AAs through donations as well service activities. Donations during the evaluation period in this AA totaled \$24,150. The organization provides after-school programs to help children of low and moderate income families focus on academics, health, and leadership. The bank made donations to Boys & Girls Clubs across all of their AAs.

## **Cameron County**

Qualified investments in the Cameron County AA were also good considering the bank's resources, responsiveness of current and prior period investments, and performance by other banks in this AA. The dollar volume of new investments in this AA was significantly greater than the volume of prior period investments, but this was attributed to one large new investment which is further detailed below.

During the evaluation period, LSNB made three new investments in this AA totaling \$11 million. These investments represented 37 percent of AA allocated capital. Eight prior period investments totaled \$4.7

million, representing an additional 16 percent of allocated capital. The prior period investments continue to provide a positive impact and benefit to the bank's AA. The bank's investment activity in this AA has focused primarily on economic development, revitalization of moderate-income areas, and improvements to local schools. Bank investments have also been responsive to AA affordable housing needs.

LSNB also made at least 49 charitable donations in this AA totaling \$59 thousand to organizations that support affordable housing, economic development and community service related initiatives. Donations have supported local Community Development Corporations (CDCs), organizations providing financial literacy programs, medial services for low- and moderate-income individuals and families, after school programs, shelter and crisis centers, as well as local schools where the majority of students have low- and moderate-incomes. An example of investment activity in this AA is summarized below.

- Harlingen Consolidated Independent School District (CISD)  
The bank invested \$10 million in a private placement for a school bond to fund campus improvements and equipment for the Cameron County school district. The district serves about 18 thousand students, of which, 78 percent are economically disadvantaged or on free and reduced lunch programs.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, LSNB's investment performance in the Bexar and Starr County AA is consistent with performance in the full-scope AAs.

## **SERVICE TEST**

The bank's performance under the Service Test in Texas is rated Outstanding.

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank's performance in the Hidalgo and Cameron County AAs is excellent.

## **Retail Banking Services**

Service delivery systems are readily accessible to geographies and individuals of different income levels in both Hidalgo and Cameron County. This assessment was based upon branch distributions as reflected in the table below, reasonableness of business hours and services, utilization of alternative delivery systems, and the bank's record of opening, closing branches.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full-Scope</b>											
Hidalgo	79.0	19	61.3	0	26.3	31.5	42.1	1.7	27.6	41.2	28.8
Cameron	10.0	5	16.1	0	20.0	20.0	60.0	0.0	34.5	30.9	34.7
<b>Limited-Scope</b>											
Bexar	2.0	4	12.9	0	25.0	25.0	50.0	7.4	34.0	27.7	30.9
Starr	8.0	3	9.7	0	100.0	0.0	0.0	49.6	45.1	5.3	0.0
<b>Total</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>0</b>	<b>32.3</b>	<b>25.8</b>	<b>41.9</b>	<b>5.8</b>	<b>32.6</b>	<b>31.2</b>	<b>30.2</b>

### Hidalgo County

LSNB has 19 full services branches in Hidalgo County, with 5 branches or 26 percent located in moderate-income geographies. The distribution of branches in moderate-income areas is near the population distribution in these areas. All branches in this AA have deposit taking ATMs. The bank also has 20 stand-alone ATMs in this AA, with four or 20 percent located in moderate-income geographies. Nine of stand-alone ATMs, also accept deposits, one of which is a moderate-income area. The bank's relationship with the Allpoint ATM network provides additional surcharge free access to 55,000 ATMs worldwide, including ATMs in retail locations like 7-11, Walgreens, Target, CVS/pharmacy.

The bank also has two mobile ATMs, called Silver, which are designed to take banking services to customers of all demographics in all geographies. The locations are determined by management based upon security and safety precautions, but during the weekdays, Silver ATMs service low and moderate-income areas of the County, allowing customers to make deposits and withdrawals. LSNB uses Silver ATMs at other locations on the weekends to provide ATM services at special events within the bank's AAs. Further LSNB uses Silver ATMs for disaster recovery needs, providing access to banking services in areas impacted by flooding and other disasters.

The bank has no branches in the one low-income area of the Hidalgo AA, but a large portion of this area is rural with vacant land, and the percentage of population in this geography is low at only 2 percent. There are very few businesses in this low-income geography at 0.50 percent of non-farm businesses.

LSNB provided additional information in Hidalgo County demonstrating that its mobile and online banking delivery systems are readily accessible to individuals of different income levels. LSNB's information shows that a significant percentage of the bank's mobile banking customers have low- or moderate- income. In this AA, 39 percent of customers using mobile banking services reported low-incomes, while 21 percent of mobile banking users reported moderate-income levels. These percentages exceed the percentages of low- and moderate- income families and households in this AA, as reflected in the demographic information in Table A and helps demonstrate the bank's ability to reach LMI individuals and families in the Hidalgo County AA.

### Cameron County

LSNB has five full-service branches in this AA, with one branch or 20 percent located in a moderate-income geography of Brownsville. All branches in this AA have deposit taking ATMs. The bank has two

additional stand-alone deposit-taking ATMs in Cameron County, one in a moderate-income area of Brownsville, and one in Harlingen. Further LSNB has two motor bank facilities in moderate-income areas of Port Isabel and Brownsville. The Harlingen ATM is located in the CT, that was previously designated as low-income in 2016, prior to census data changes. The percentage of full service branches in moderate-income areas is slightly below the percentage of the population in these areas, but when considering the additional motor bank facilities and stand-alone ATMs, the distribution of the banking services is more in line with population demographics.

LSNB also provided information in Cameron County demonstrating that its mobile and online banking delivery systems are readily accessible to individuals of different income levels. LSNB’s information shows that a significant percentage of the bank’s mobile banking customers have low- or moderate-income. In this AA, 34 percent of customers using mobile banking services reported low-incomes, while 21 percent of mobile banking users reported moderate-income levels. These percentages exceed the percentages of low- and moderate- income families and households in this AA, as reflected in the demographic information in Table A and helps demonstrate the bank’s ability to reach LMI individuals and families in the Cameron County AA.

**Branch Openings/Closings**

The opening and closing of branches have not adversely affected the accessibility of the bank’s delivery systems, particularly in LMI geographies and/or to LMI individuals. The branch closure in Cameron County was a limited service motor bank, but the bank still has a deposit taking ATM in this location. Branch openings and closing in Texas are summarized in the table below:

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Branch Openings/Closings			
			Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
<b>Full-Scope</b>						
Hidalgo	3	1	-	1	1	-
Cameron	1	1	-	(1)	-	1
<b>Limited-Scope</b>						
Bexar		1	-	(1)	-	-
Starr			-		-	-
<b>Total</b>	<b>4</b>	<b>3</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>1</b>

Services and business hours are tailored to the convenience and needs of the bank’s AAs, particularly low- and moderate-income geographies and/or individuals. LSNB locations offer lobby hours of 9:00am – 4:30pm Monday through Thursday, with Friday hours of 9:00am – 6:00pm, and Saturday of 9:00am – 12:00pm. The bank also provides extended motor bank hours Monday through Friday 7:30am – 6:30pm, and Saturday of 8:00am – 1:00pm. LSNB’s participation in the Allpoint ATM network, provides additional access to deposit services in various retail locations through Allpoint’s 55,000 ATM network.

LSNB offers a variety of loan and deposit services in all full service branch locations. New deposit and mortgage loan applications also available to customers on the bank’s website at any time of the day. In

addition, mortgage loan applications can also be accessed through the MortgageNow app downloaded on smartphones. Loan applicants can also apply for personal signature loans using the LSNB Mobile app. The bank's new Customer Care account is designed to provide a second chance for low- and moderate-income customers to establish or rebuild deposit relationships and to improve their bank deposit credit history. The bank also offers flexible mortgage loan products suitable for low- and moderate-income individuals.

## **Community Development Services**

The institution is a leader in providing CD services.

Community development services have provided a positive impact on the overall Services Test rating. The bank's CD services in the full-scope Hidalgo and Cameron County AAs have been responsive to AA needs. The bank's responsiveness is reflected in the number of hours served, the diversity of organizations served, and the number of employees actively involved, providing financial expertise and taking leadership roles in various organizations that support affordable housing, economic development, and community services in the bank's AAs.

LSNB identified financial literacy as a need within Texas. LSNB has responded in a significant way by providing more than 385 hours of financial education to over 33,000 student participants in Texas. LSNB uses a library of educational material pulled from various sources including FFIEC educational material, and tailors each presentation to the individual audiences. LSNB provides presentations to local schools free of charge and employees volunteer their time to present the information to student bodies. Examples of the presentations include: The Money Smart program, which is a comprehensive financial education curriculum designed to help low- and moderate-income individuals enhance their financial skills. LSNB uses several modules in the Money Smart curriculum which covers topics like deposit products, budgeting, credit cards, and other related banking services. The bank's Credit Management, Budgeting and Scams program was developed to provide financial literacy on several topics. The curriculum is designed to help students understand ways to strengthen and build credit, understand budgeting, and common credit scams.

The bank's curriculum on savings is designed for younger students to encourage good savings habits, to educate students about money and the importance of saving at a young age to set the foundation of future success. Topics covering the basics of how to save and the reasons for saving, like the importance of saving money for college. The bank uses their creative Cowboy Cash mascot and his horse Penny to communicate important educational topics in person, through videos on the bank's website, and the bank's social media platforms. The bank also promotes a Cowboy Cash Savings account for children with incentives to encourage savings.

## **Hidalgo County**

LSNB provides an excellent level of CD services that are responsive to the needs of the AA. During the evaluation period, 19 officers devoted approximately 2,048 community service hours to 40 different qualifying organizations in the AA. Bank officers provided leadership and financial expertise in their positions with various organizations by serving as board members, officers, and on committees. The majority of organizations served in this AA focus on providing essential services to LMI individuals and families and promoting economic development in the AA. Bank management and officers were also involved with organizations that help support affordable housing, revitalization and stabilization of designated areas. LSNB officers and employees also participated in approximately 119 events or school programs, as teachers or facilitators in support of financial literacy. LSNB employees provided literacy

and financial educational programs to over 20 thousand students in schools where the majority of students were economically disadvantaged or where the majority of students were on free and reduced lunch programs. Student parents and teachers also attended many of these sessions. Examples of organizations for which the bank frequently provides CD services include:

Valley Alliance of Mentors for Opportunities and Scholarships (VAMOS)

Four bank officers have provided leadership and technical expertise for this organization by serving as Board and committee members during the entire CRA evaluation period, 2016-2019. The organization's focus is on "making the dream of a college education a reality" by offering financial support to college-bound high school graduates of low- and moderate-income families who might not otherwise be able to afford higher education. VAMOS's stated goal is to provide better educational and economic opportunities through its scholarship programs. VAMOS also provides support to scholarship recipients through its mentoring programs which include, workshops, and periodic face-to-face meetings to help support financial well-being.

Community Development Council for McAllen

A bank officer has provided leadership and technical expertise by serving as the Chairperson and Vice Chairperson for this organization during 2016 -2018. The council works with the City of McAllen to evaluate community needs and determine grant allocations from various state, federal, local and foundation entities. The City of McAllen's Grant Administration Office has managed at least \$62 million in grant funds to enhance and develop the community and quality of life for low- to moderate-income individuals. Grants have included funding from HUD's Community Development Block Grant (CDBG) program and Home Investment Partnership Program.

Lower Rio Grande Valley Development Council (LRGVDC)

Two bank officers have provided provide leadership and technical expertise during the evaluation period by serving as Board and Advisory Board members for this organization. The LRGVDC promotes cooperation among local governments and provides forums and opportunities to work with the economic interests and citizen groups in order to improve the region's health, safety, and general welfare and to plan for future development. The State of Texas has designated this organization as a regional planning organization and they facilitate, plan and prepare a five-year comprehensive "Regional Strategic Plan" with updates every two years. The organization focuses on regional economic development for the Rio Grande Valley, including Hidalgo, Cameron, and adjacent Willacy County.

IDEA Public Schools

A LSNB bank officer has provided leadership and financial expertise as a Board member for the organization in Hidalgo County. Bank employees have also provided educational programs on savings and careers on three occasions to over 900 students at campuses in Pharr and San Juan.

**Cameron County**

LSNB provides a significant level of CD services that are responsive to the needs of the AA. Five bank officers have devoted approximately 692 community service hours to 13 different CD related organizations in the AA. All 5 bank officers volunteered in leadership positions within various organizations throughout the AA. The majority of organizations served focused on economic development and providing community services to low- and moderate-income individuals and families. Bank officers also served in one organization that supports affordable housing needs. Bank officers shared their financial expertise by serving as Board members and officers. Examples of organizations for which the bank frequently provided community development services include:

Rio Grande Valley Multibank

A bank employee provided leadership and technical expertise as a Board member for this organization during 2017-2019. This organization is a Community Development Financial Institution (CDFI) that focuses on providing affordable housing to low-and moderate-income individuals and families. The CDFI also provides micro consumer loans as an alternative to payday lenders. In addition, LSNB is one of the original shareholders in this organization.

Business Development Fund of Texas

Two bank officers have provided leadership and technical expertise to this certified development company (CDC) during 2016 – 2019 as Board and Trustee members. The organization’s mission is to promote economic development by assisting the growth and expansion of the small business community. The CDC is a private, non-profit entity certified by the U.S. Small Business Administration to participate in the SBA’s 504 program. The organization originally served just the city of Brownsville, but it now serves the broader Rio Grande Valley market and the state of Texas.

**Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank’s performance under the Service Test in the Bexar and Starr County AAs is consistent with the bank’s overall excellent performance under the Service Test in the full-scope areas.

## Appendix A: Scope of Examination

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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”.

<b>Time Period Reviewed:</b>	Lending Test – (01/01/2016 - 12/31/2019) CD, Investments, Services – (09/27/2016 to 12/31/2019)	
<b>Bank Products Reviewed:</b>	Home mortgage loans, small business loans, community development loans, qualified investments, community development services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>Texas</b>		
Hidalgo County - 32580	Full-Scope	McAllen-Edinburg-Mission, TX MSA
Cameron County - 15180	Full-Scope	Brownsville-Harlingen, TX MSA
Bexar County - 41700	Limited-Scope	Part of the San Antonio-New Braunfels, TXMSA
Starr County - 427	Limited-Scope	Non-MSA County, TX

## Appendix B: Summary of MMSA and State Ratings

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RATINGS Lone Star National Bank				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Lone Star National Bank	High Satisfactory	High Satisfactory	Outstanding	Satisfactory
MMSA or State:				
Texas	High Satisfactory	High Satisfactory	Outstanding	Satisfactory

(\*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

## 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 §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

**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.

**MMSA (state):** Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

**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

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### 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 loans are treated the same 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 30<sup>th</sup> 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.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2016</b>
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total By #	Overall Market By #	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	
<b>Full Scope</b>																				
Hidalgo	384	50,595	63.4	9,840	0.6	0.3	0.1	28.5	19.0	14.7	42.2	39.3	34.6	28.7	41.4	50.6	0.0	0.0	0.0	
Cameron	65	16,267	10.7	5,164	1.0	1.5	0.2	23.6	12.3	11.4	47.5	40.0	45.2	27.8	46.2	43.2	0.0	0.0	0.0	
<b>Limited Scope</b>																				
Bexar	30	34,431	4.9	58,742	5.3	13.3	1.8	26.6	26.7	12.6	32.3	33.3	34.1	35.8	26.7	51.5	0.0	0.0	0.0	
Starr	127	3,644	21.0	325	27.5	25.2	20.0	56.3	56.7	57.5	16.3	18.1	22.5	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>606</b>	<b>104,937</b>	<b>100.0</b>	<b>74,071</b>	<b>4.1</b>	<b>6.3</b>	<b>1.6</b>	<b>27.3</b>	<b>26.6</b>	<b>13.0</b>	<b>36.4</b>	<b>34.7</b>	<b>34.9</b>	<b>32.3</b>	<b>32.5</b>	<b>50.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0*

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2017 -2019</b>
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total By #	Overall Market By #	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	% of Owner-Occupied HUs	% Bank Loans	Aggregate Lenders	
<b>Full Scope</b>																				
Hidalgo	824	180,473	66.1	9,422	1.4	0.5	0.3	24.6	14.3	13.3	42.3	35.4	37.9	31.5	49.6	48.3	0.2	0.1	0.1	
Cameron	248	66,496	19.9	5,046	0.0	0.0	0.0	29.1	12.1	12.9	29.9	19.4	26.8	40.9	68.5	60.2	0.0	0.0	0.0	
<b>Limited Scope</b>																				
Bexar	56	11,692	4.5	53,256	5.3	1.8	1.7	27.8	23.2	16.5	27.5	30.4	32.4	39.4	44.6	49.3	0.0	0.0	0.0	
Starr	119	8,729	9.5	279	46.7	28.6	30.8	47.0	59.7	57.7	6.3	11.8	11.5	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>1,247</b>	<b>267,390</b>	<b>100.0</b>	<b>68,003</b>	<b>4.4</b>	<b>3.1</b>	<b>1.5</b>	<b>27.6</b>	<b>18.6</b>	<b>16.0</b>	<b>31.1</b>	<b>29.8</b>	<b>32.7</b>	<b>36.8</b>	<b>48.4</b>	<b>49.8</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	

*Source: 2015 ACS Census; 01/01/2019 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0%*

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total By #	Overall Market By #	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders
<b>Full Scope</b>																			
Hidalgo	384	50,595	63.4	9,840	25.3	1.3	1.2	15.5	5.5	5.5	16.8	9.4	11.3	42.4	53.6	54.6	0.0	30.2	27.4
Cameron	65	16,267	10.7	5,164	24.3	1.5	1.5	16.0	1.5	6.2	17.6	10.8	12.0	42.1	70.8	54.9	0.0	15.4	25.5
<b>Limited Scope</b>																			
Bexar	30	34,431	4.9	58,742	24.0	10.0	3.1	17.3	26.7	9.9	19.2	10.0	19.4	39.4	26.7	41.6	0.0	26.7	25.9
Starr	127	3,644	21.0	325	43.2	3.9	5.5	18.3	5.5	8.0	16.7	12.6	16.3	21.8	17.3	34.5	0.0	60.6	35.7
<b>Total</b>	<b>606</b>	<b>104,937</b>	<b>100.0</b>	<b>74,071</b>	<b>24.8</b>	<b>2.3</b>	<b>2.8</b>	<b>16.7</b>	<b>6.1</b>	<b>9.1</b>	<b>18.3</b>	<b>10.2</b>	<b>17.8</b>	<b>40.2</b>	<b>46.5</b>	<b>44.3</b>	<b>0.0</b>	<b>34.8</b>	<b>26.1</b>

*Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0*

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total By #	Overall Market By #	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders	% Families	% Bank Loans	Aggregate Lenders
<b>Full Scope</b>																			
Hidalgo	824	180,473	66.1	9,422	25.1	1.2	3.7	16.3	4.1	4.4	15.4	10.1	11.5	43.2	65.2	55.7	0.0	19.4	24.7
Cameron	248	66,496	19.9	5,046	24.6	0.4	3.6	16.6	7.7	6.2	15.7	8.9	11.1	43.0	69.0	55.1	0.0	14.1	24.0
<b>Limited Scope</b>																			
Bexar	56	11,692	4.5	53,256	24.1	8.9	3.7	17.7	17.9	13.3	19.3	12.5	21.9	39.0	42.9	39.3	0.0	17.9	21.8
Starr	119	8,729	9.5	279	45.2	7.6	8.6	18.0	10.9	9.3	13.6	16.8	26.2	23.3	37.0	31.9	0.0	27.7	24.0
<b>Total</b>	<b>1,247</b>	<b>267,390</b>	<b>100.0</b>	<b>68,003</b>	<b>24.8</b>	<b>2.0</b>	<b>3.7</b>	<b>17.2</b>	<b>6.1</b>	<b>11.5</b>	<b>17.7</b>	<b>10.6</b>	<b>19.7</b>	<b>40.3</b>	<b>62.2</b>	<b>42.7</b>	<b>0.0</b>	<b>19.1</b>	<b>22.3</b>

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data.  
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																			2016
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 By #	Overall Market By #	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders
<b>Full Scope</b>																			
Hidalgo	203	30,345	75.2	12,024	0.4	0.0	0.3	22.7	15.3	21.9	36.1	34.5	36.3	40.7	50.2	41.4	0.1	0.0	0.1
Cameron	43	6,590	15.9	5,783	3.7	0.0	4.0	27.6	20.9	26.4	38.5	41.9	38.2	29.9	37.2	31.3	0.3	0.0	0.2
<b>Limited Scope</b>																			
Bexar	6	1,313	2.2	31,723	5.7	16.7	5.9	23.5	16.7	21.7	29.6	16.7	26.8	41.0	50.0	45.4	0.3	0.0	0.3
Starr	18	980	6.7	370	19.0	38.9	21.6	67.3	50.0	60.8	13.7	11.1	17.6	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>270</b>	<b>39,228</b>	<b>100.0</b>	<b>49,900</b>	<b>4.4</b>	<b>3.0</b>	<b>4.4</b>	<b>24.2</b>	<b>18.5</b>	<b>22.6</b>	<b>31.8</b>	<b>33.7</b>	<b>30.3</b>	<b>39.3</b>	<b>44.8</b>	<b>42.5</b>	<b>0.2</b>	<b>0.0</b>	<b>0.2</b>
Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data. 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																			2017-2019
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 By #	Overall Market By #	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	Aggregate Lenders
<b>Full Scope</b>																			
Hidalgo	620	95,407	73.9	11,401	0.5	1.1	0.5	19.0	18.4	18.8	34.4	27.4	35.3	46.0	53.1	45.2	0.2	0.0	0.2
Cameron	116	15,770	13.8	5,802	0.0	0.0	0.0	30.9	28.4	29.6	27.5	25.0	30.1	41.3	46.6	39.9	0.3	0.0	0.3
<b>Limited Scope</b>																			
Bexar	55	8,018	6.6	29,002	5.0	0.0	4.8	23.5	27.3	23.0	27.9	45.5	26.5	43.3	27.3	45.4	0.3	0.0	0.3
Starr	48	3,975	5.7	407	34.6	41.7	33.7	61.5	47.9	58.7	3.9	10.4	7.6	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>839</b>	<b>123,170</b>	<b>100.0</b>	<b>46,612</b>	<b>3.8</b>	<b>3.2</b>	<b>3.4</b>	<b>23.6</b>	<b>22.1</b>	<b>23.1</b>	<b>29.0</b>	<b>27.3</b>	<b>29.0</b>	<b>43.3</b>	<b>47.4</b>	<b>44.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.3</b>
Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data. Due to rounding, totals may not equal 100.0%																			

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2016
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total Bank Loans	Overall Market By #	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
<b>Full Scope</b>												
Hidalgo	203	30,345	75.2	12,024	84.5	63.5	38.0	4.4	22.7	11.2	13.8	
Cameron	43	6,590	15.9	5,783	81.3	65.1	39.7	5.0	23.3	13.8	11.6	
<b>Limited Scope</b>												
Bexar	6	1,313	2.2	31,723	83.9	50.0	40.4	5.2	33.3	10.9	16.7	
Starr	18	980	6.7	370	80.6	72.2	45.1	2.7	0.0	16.8	27.8	
<b>Total</b>	<b>270</b>	<b>39,228</b>	<b>100.0</b>	<b>49,900</b>	<b>83.7</b>	<b>64.1</b>	<b>39.8</b>	<b>4.9</b>	<b>21.5</b>	<b>11.3</b>	<b>14.4</b>	
<i>Source: 2016 D&amp;B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data.                      Due to rounding, totals may not equal 100.0</i>												

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2017-2019
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total Bank Loans	Overall Market By #	% Businesses	% Bank Loans	Aggregate Lenders	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
<b>Full Scope</b>												
Hidalgo	620	95,407	73.9	11,401	86.2	68.2	38.0	3.9	21.0	9.9	10.8	
Cameron	116	15,770	13.8	5,802	83.2	65.5	40.4	4.3	27.6	12.5	6.9	
<b>Limited Scope</b>												
Bexar	55	8,018	6.6	29,002	85.8	41.8	43.1	4.3	27.3	9.9	30.9	
Starr	48	3,975	5.7	407	82.4	56.3	39.6	2.7	8.3	15.0	35.4	
<b>Total</b>	<b>839</b>	<b>123,170</b>	<b>100.0</b>	<b>46,612</b>	<b>85.6</b>	<b>65.4</b>	<b>41.5</b>	<b>4.2</b>	<b>21.6</b>	<b>10.2</b>	<b>13.0</b>	
<i>Source: 2019 D&amp;B Data; 01/01/2017 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data.                      Due to rounding, totals may not equal 100.0%</i>												