



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

July 12, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Karnes County National Bank of Karnes City
Charter Number 5614

301 E. Calvert Street
Karnes City, TX 78118

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

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

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Overall CRA Rating

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

The lending test is rated: Satisfactory.

The community development test is rated: Needs to Improve.

The major factors that support this rating include:

- The bank's loan-to-deposit ratio (LTD) is reasonable, considering the credit needs and lending opportunities within the assessment area (AA).
- A majority of the bank's loans are originated inside its AA, based on the number of loan originations.
- The bank exhibits excellent distribution of loans to households of different income levels and businesses of different sizes.
- Geographic distribution of loans is not meaningful, as there are no low- or moderate-income census tracts in the AA.
- The bank exhibits poor responsiveness to community development needs, considering the bank's capacity and the level of community development opportunities in the AA.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's LTD ratio is reasonable. Karnes County National Bank of Karnes City's (KCNB) quarterly average LTD ratio since the prior evaluation was 17.5 percent, ranging from a low of 14.8 percent to a recent high of 21.8 percent. Deposit levels continue to be elevated due to local oil and gas activity but have also increased from Payment Protection Program loans and other government stimulus proceeds during the COVID-19 pandemic. KCNB's LTD ratio is comparable with similarly situated institutions in the area. The quarterly LTD ratio for four similarly situated institutions averaged 42.9 percent, ranging from a low of 15.3 percent to a high of 65.3 percent. Two banks with significantly higher LTD ratios, have branches or loan production offices in locations with growing economies.

Lending in Assessment Area

A majority of the bank's loans are inside its AA. The bank originated and purchased 62 percent of its total loans by number inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. The disparity between dollar and number of loans originated in the AA is evidence of the limited opportunities within the AA and the support KCNB provides the community through small dollar consumer loans.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$ (000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Small Business	13	43	17	57	30	640	26	1,778	74	2,418
Consumer	24	80	6	20	30	109	83	23	17	132
Total	37	62	23	38	60	749	29	1,801	71	2,550

Description of Institution

KCNB is a single state community bank headquartered in Karnes City, Texas. The bank was chartered in 1900 and does not have a holding company or affiliates to be considered in our evaluation. KCNB has two offices, both located in Karnes County, Texas. As such, the bank has designated the entirety of Karnes County as its only AA. The main banking location is in Karnes City, with a branch five miles to the southeast, in Kenedy, Texas. Both locations are full service, with a walk-in lobby, a drive-through motor bank, an automated teller machine (ATM), and lending staff.

There have been no new locations, closed locations, or merger and acquisition activity since the prior evaluation. KCNB offers traditional residential and commercial banking products and services, and online banking through www.kcnb.com. Online capabilities include checking account statements, transactions within the institution, and bill pay. KCNB's local competition stems primarily from regional banks with competitive loan offerings and a nearby national bank that is located in the same AA. The bank's strategy during the evaluation period was to continue offering traditional products and services to the local market area. Going forward, the bank has planned growth in the loan portfolio, specifically commercial loans, both in and out of its AA.

As of December 31, 2020, the bank reported total assets of \$408 million, including net loans and leases of \$78 million, and tier 1 capital of \$47 million. The loan portfolio represents 19 percent of total assets and 22 percent of total deposits. The loan portfolio is composed of \$50.4 million in commercial, \$13.5 million in residential real estate, \$12.9 million in agriculture, and \$2.7 million in consumer loans. By percentage of total loans, the portfolio is 63 percent commercial, 17 percent residential real estate, 16 percent agriculture, and 3 percent consumer.

The Karnes County AA continues to face a unique economic situation posed by oil and gas activity within the Eagle Ford Shale formation. As oil and gas activity remains strong, the bank continues to experience an influx in deposits due to customer royalty checks and oil and gas related income. Likewise, local loan volume is suppressed by a strong oil economy as customers pay off their loans more quickly and demand for new loans weakens. These local market factors limit the bank's opportunities to provide credit to its AA and result in a lowered LTD ratio.

There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs in its AA. The bank received a CRA rating of Satisfactory at its prior CRA evaluation, dated July 9, 2018.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated KCNB's CRA performance using Intermediate Small Bank examination procedures, which include a lending test and a community development test. The evaluation period covered loans originated from January 1, 2018 to December 31, 2020. Our assessment considered consumer and small business loans as primary products. Loan origination reports reflect that 80 percent of the number of loans originated during the evaluation period were consumer loans. Small business loans represented the majority of loan originations by dollar volume at 47 percent, while consumer loans represent the second most at 25 percent.

To evaluate business and consumer loans, we selected a random sample of 30 loans for each type to assess lending inside and outside of the AA. We replaced business and consumer loans that were outside the AA with business and consumer loans made inside the AA, resulting in a minimum of 20 loans to assess borrower and geographic distributions.

Selection of Areas for Full-Scope Review

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

KCNB only has one AA, comprised solely of Karnes County, Texas; therefore, combination of AAs was not required. The Karnes County AA was evaluated as full-scope review.

Ratings

The bank's overall rating is based on performance in the State of Texas. The state rating is based on performance on a full-scope review of KCNB's only AA, the Karnes County AA. Refer to the "Scope" section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

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

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

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

State Rating

State of Texas

CRA rating for the State of Texas: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Needs to Improve

The major factors that support this rating include:

- The bank's LTD is reasonable, considering credit needs of the AA.
- A majority of the bank's loans are originated inside its AA, based on the number of loan originations.
- The bank exhibits excellent distribution of loans to households of different income levels and businesses of different sizes.
- Geographic distribution of loans was not meaningful, as there are no low- or moderate-income census tracts the AA.
- The bank exhibits poor responsiveness to community development needs, considering the bank's capacity and the level of community development opportunities in the AA.

Description of Institution's Operations in Texas

Karnes County AA

The Karnes County AA includes the entirety of Karnes County, Texas. Both of KCNB's banking locations and ATMs reside within Karnes County, with a primary business focus to serve the local community through deposit and loan services. The 2020 Karnes County FDIC Market Share report includes five financial institutions and a total of \$908 million in deposits. KCNB ranks first in the deposit market share report and accounts for 40 percent of market share with \$364 million in AA deposits. Approximately 92 percent of KCNB depositors reside in the Karnes County AA.

KCNB faces competition from several regional community banks and one large national bank. In addition to market competition, commercial and retail loan demand continues to be suppressed by a strong oil and gas economy. As a non-HMDA reporter, KCNB is not included in the peer mortgage data, which includes 255 institutions originating \$39 million in mortgage loans during 2019, in Karnes County. 21st Mortgage and Randolph Brooks Federal Credit Union are the primary mortgage competitors with 18.8 percent and 8.6 percent market share, respectively.

The local economy is largely oil and gas related due to the proximity of the Eagle Ford Shale play. Based on the 2015 ACS US Census, the primary industries are services, at 31 percent, and retail trade, at 13 percent. Many of the local businesses are small, with 77 percent having annual revenues less than \$500,000 and 64 percent with less than five employees. Farming activity is low in the AA at only 7.8 percent of businesses by number and 9.7 percent by dollar revenue. As such, the economy is heavily influenced by energy prices and oil and gas activity.

The AA does not include any low- or moderate-income census tracts, but 27.7 percent of households are considered low-income and 12.8 percent of households are moderate-income. Three of the four census tracts are classified distressed due to poverty, and 19.6 percent of families in the AA live below the poverty level. Despite the elevated poverty level, the unemployment rate remains low at 2.2 percent. KCNB remains committed to providing small dollar consumer loans and home mortgages to lower income families in the AA.

We reached out to a local community contact to gain perspective on credit needs and opportunities in the AA. The contact noted a stressed local economy due to the COVID-19 pandemic and the state of the oil and gas industry, with some local businesses moving out of the area, struggling restaurants, and limited business opportunities. The primary community need is reliable and affordable internet infrastructure to support local businesses and teleworking. The contact noted that the local financial institutions do a good job of supporting the community, and there were no complaints about KCNB or other local financial institutions.

The following table shows other pertinent demographic information about the Karnes County AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Karnes County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	14,879	0.0	0.0	83.5	16.5	0.0
Housing Units by Geography	5,773	0.0	0.0	77.9	22.1	0.0
Owner-Occupied Units by Geography	3,243	0.0	0.0	75.8	24.2	0.0
Occupied Rental Units by Geography	1,066	0.0	0.0	88.9	11.1	0.0
Vacant Units by Geography	1,464	0.0	0.0	74.7	25.3	0.0
Businesses by Geography	965	0.0	0.0	85.2	14.8	0.0
Farms by Geography	82	0.0	0.0	61.0	39.0	0.0
Family Distribution by Income Level	2,931	23.8	13.5	16.0	46.6	0.0
Household Distribution by Income Level	4,309	27.7	12.8	14.1	45.4	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$88,450
			Median Gross Rent			\$618
			Families Below Poverty Level			19.6%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Texas

We performed a full-scope review of the Karnes County AA, which is the only AA identified by KCNB. Our analysis of lending activity focused on small business and consumer loans as they represent the

primary lending products by number and dollar of loan originations during the evaluation period. Both loan types were weighted equally.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

The bank's performance under the Lending Test in Texas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review of the Karnes County AA, the bank's lending performance in the state of Texas is reasonable. The bank originated a minimal number and dollar of residential mortgage and small farm loans during the evaluation period; thus, not allowing for a meaningful analysis. These product types were excluded from the review.

Distribution of Loans by Income Level of the Geography

An analysis of distribution of loans by income level of the geography was deemed not meaningful and therefore, was not performed. The AA does not include any low- or moderate-income census tracts. The bank exhibits excellent distribution of loans to distressed census tracts, with 100 percent of consumer loans and 90 percent of small business loans in the lending test sample originated in distressed census tracts.

Lending Gap Analysis

There were no unexplained conspicuous lending gaps identified during the lending test. We performed a Fair Lending Examination, as of March 31, 2021, that identified no lending gaps or evidence of disparate treatment.

Distribution of Loans by Income Level of the Borrower

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

Small Loans to Businesses

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

Based on the commercial sample, the distribution of small loans to businesses in the Karnes County AA is excellent. The percentage of bank loans to businesses with annual revenues of \$1 million or less exceeds the reported percentage of small businesses in the AA. The bank's percentage significantly exceeds the aggregate percentage reported by other lenders in the AA.

Consumer Loans

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

Based on the consumer loan sample, the distribution of consumer loans in the Karnes County AA is excellent. The percentage of bank loans to borrowers with low income exceeds the percentage of low-income households in the AA. The percentage of bank loans to borrowers with moderate-income exceeds the percentage of moderate-income borrowers in the AA.

Responses to Complaints

KCNB did not receive any complaints related to its CRA performance within the Karnes County AA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in the state of Texas is rated Needs to Improve.

Conclusions for Area Receiving a Full-Scope Review

Based on full-scope review, the bank exhibits poor responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AA.

Number and Amount of Community Development Loans

The bank did not make any community development loans during the evaluation period. Current economic conditions within the banks AA have led to low loan demand. Economic condition paired with significant local competition has led to limited opportunities for KCNBN to originate community development loans.

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)
Karnes County	2	301	4	409	6	100.0	710	100.0	0	0

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

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

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

During the evaluation period the bank's investments within the AA consisted of donations and investments that totaled approximately \$408,646. The donations and investments help to provide funding for scholarships to students in schools within the AA, where the majority of the student body is economically disadvantaged, and to revitalize an underserved nonmetropolitan middle-income geography. Examples of the donations and investments include:

- A bond issued by the city of Kenedy, TX totaling \$370,000 to construct a new sports complex to be used by the local schools, as well as, host tournaments and invitationals.
- Three donations totaling \$38,636 for the Karnes County National Bank Scholarship Program from 2018 through 2020, which provides an annual scholarship to a senior from each high school within the AA.

Additionally, although not identified at the prior evaluation, the bank had two qualified investments totaling \$301,000 that remained outstanding during the current evaluation period.

Extent to Which the Bank Provides Community Development Services

The bank did not provide any community development services during the evaluation period. Community development services were impacted in 2020 by the COVID-19 pandemic and limited volunteer opportunities.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	1/1/2018 to 12/31/2020	
Bank Products Reviewed:	Small business loans, consumer loans Community development loans, qualified investments, community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable	Not Applicable	Not applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
MMSA(s)		
Karnes County AA	Full-scope	<i>The AA includes the entirety of Karnes County, Texas. This includes the cities of Karnes City, Falls City, Kenedy, and Runge.</i>

Appendix B: Summary of MMSA and State Ratings

RATINGS		The Karnes County National Bank of Karnes City	
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
KCNB	Satisfactory	Needs to Improve	Satisfactory
State:			
Texas	Satisfactory	Needs to Improve	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight 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 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

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

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

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

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

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

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

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

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

Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income

geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2018-20	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Karnes County	20	2,267	100	189	78.4	85.0	38.1	3.0	15.0	18.5	0.0		
Total	20	2,267	100	189	78.4	85.0	38.1	3.0	15.0	18.5	0.0		

*Source: 2020 D&B Data; 01/01/2018 - 12/21/2020 Bank Data; 2019 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2018-20	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$ (000s)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Karnes County	22	78	100	27.7	36.4	12.8	22.7	14.1	22.7	45.4	18.2	0.0	0.0	
Total	22	78	100	27.7	36.4	12.8	22.7	14.1	22.7	45.4	18.2	0.0	0.0	

*Source: 2015 ACS Census; 01/01/2018 - 12/21/2020 Bank Data.
Due to rounding, totals may not equal 100.0%*