



PUBLIC DISCLOSURE

July 24, 2023

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 Outstanding.

The following table indicates the performance level of Lone Star National Bank (LSNB) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Lone Star National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			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 excellent level of lending activity in all of the bank's AAs, excellent geographic distribution of small business loans in all AAs, good borrower loan distributions, and a substantial number and dollar volume of loans within the bank's AAs.
- The Investment Test rating is based on the excellent level of qualified investments in the bank's AAs. The bank often takes a leadership position investing in local school and municipal bonds. The bank's donations have also demonstrated responsiveness to AA needs.
- The Service Test rating is based on the accessibility of branches to all areas of the bank's AAs, the utilization of alternative delivery systems expands banking services, and LSNB is a leader in providing CD services in its AAs.

Lending in Assessment Area

A substantial majority of the bank's loans are in its assessment areas (AAs).

The bank originated and purchased 95 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.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	803	94.2%	49	5.8%	852	243,063	93.3%	17,531	6.7%	260,594
Small Business	7,056	95.7%	320	4.3%	7,376	376,705	95.7%	17,047	4.3%	393,752
Small Farm	31	75.6%	10	24.4%	41	2916	66.3%	1482	33.7%	4398
Total	7,890	95.4%	379	4.6%	8,269	622,684	94.5%	36,060	5.5%	658,744

Description of Institution

Lone Star National Bank is a full service, locally owned single state community bank headquartered in Pharr, (Hidalgo County), 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 headquarter in Pharr, Texas. The bank has over 700 employees and thirty-eight banking locations, with thirty-three (33) in the Rio Grande Valley, and five (5) in the San Antonio market.

At year-end 2022, LSNB was listed by the FDIC as one of the top 20 largest minority owned depository financial institutions in the nation, and the second largest Hispanic American owned institution with over \$3 billion in total assets. Also at year-end 2022, LSNB reported \$341 million in Tier 1 Capital, which represented over 10 percent of average assets. In 2022, the bank's holding company was approved for \$215 million in funding through the Emergency Capital Investment Program (ECIP) which was established under the Consolidated Appropriations Act of 2021 to provide capital funding for minority owed depository institutions in support of small businesses, minority-owned businesses, and consumers, in low-and moderate-income communities. The holding company contributed a portion of these funds to LSNB, which the bank must utilize further meet the credit and community development needs of the bank's AAs. The bank's net loans at year-end 2022 totaled \$1.2 billion which is an increase of approximately \$64 million since the previous evaluation.

LSNB focuses primarily on commercial and small business lending, with a variety of products and services for business customers including commercial & industrial loans, construction loan, revolving lines of credit. commercial real estate loans, and small business loans, including loans guaranteed through the Small Business Administration (SBA). The majority of the bank's loan portfolio is comprised of business loans including commercial real estate loans at 57 percent, construction and development loans at 12 percent, commercial and industrial loans at 7 percent and multi-family loans at 4 percent. Residential mortgage loans represent 15 percent of the portfolio, followed by consumer loans at 1.7 percent, agricultural related loans at 1.3 percent, and other loans at 2 percent.

LSNB offers 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. In response to the Coronavirus Aid, Relief, and Economic Security Act or CARES Act established in 2020, LSNB also participated in the Small Business Administrations' Paycheck Protection Program (PPP). These loans were designed to provide direct incentives for small businesses to keep their workers on payroll during the COVID pandemic. The bank originated over 6 thousand PPP loans totaling \$275 million between 2020 and 2021.

The bank also offers a wide variety of consumer loan products, deposit products and services, including a low-cost e-Checking account for individuals and students, and savings programs for children. LSNB also offers a 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 offers residential mortgages, auto loans, lot and interim construction loans, and other consumer loan products. LSNB's mortgage department originates residential loans for sale in the secondary market. The bank also offers a long-term (25-year) fixed rate mortgage loan product for individuals who have low credit that cannot qualify for a conventional mortgage in the secondary market. During 2020 and 2021, in the early stages of the Covid-19 pandemic, the bank experienced increased turnover in the mortgage lending department and LSNB management began working with mortgage brokers to help meet customer needs for mortgage originations.

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 April 27, 2020. There have been no mergers or acquisitions during this evaluation period. There are no legal or financial factors impeding the bank's ability to meet the credit and CD needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This evaluation period covered lending, investment, and service activity from January 1, 2020, through December 31, 2022. The primary loan products included in this evaluation included small business and home mortgage loans. We also evaluated community development (CD) lending. The volume of farm loans was too small for a meaningful analysis, although we did consider these loans in our analysis of lending activity. In addition, we evaluated the bank's CD related investments, donations, services, and retail delivery services.

This evaluation period included two census periods. For mortgage lending activity in 2020-2021, we compared the bank's performance to the HMDA aggregate lender data as well as the 2015 American Community Survey (ACS) census data. For mortgage lending activity during 2022, we compared the bank's performance to the aggregate lender data and the 2020 census data, which the FFIEC released in 2022. Our analysis of small business lending in 2020-2021 focused on comparison of the bank's performance with 2021 data from Dunn & Bradstreet (D&B) and comparison to aggregate CRA (small business) data. In 2022, our analysis of small business lending focused on comparison with 2022 D&B data. The 2022 aggregate CRA lender data had not been published on the date of this evaluation.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AA(s) 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 the State Rating section for details regarding how full-scope AAs were selected. Also, refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

LSNB’s overall rating is based upon performance in all of the bank’s Texas AAs. 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 C.F.R. §25.28(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 Consumer Financial Protection Bureau, as applicable.

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

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

State Rating

State of Texas

CRA rating for the State of Texas: Outstanding

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: High Satisfactory

The major factors that support this rating include:

- CD lending in all of the bank's AA had a positive impact on lending performance
- The bank originated 95 percent of its loans within its AAs (by number and dollar volume)
- The geographic distribution of small business loans is excellent and mortgage loan distribution are good in most of the bank's AAs.
- The distribution of small business loans is good among borrowers of different income levels, while home mortgage loan distributions are adequate.
- The bank has an excellent level of qualified investments in all of its AAs. Investment activities and donations demonstrate responsiveness to AA needs.
- The bank's branches are accessible to all areas of their AAs, the utilization of alternative delivery systems expand banking services.
- The bank is a leader in providing CD services in its AAs

Description of Institution's Operations in Texas

LSNB operates in four counties or AAs in Texas. The majority of the bank's branches, deposits, and lending activity are in Hidalgo County, where the head-office is also located. Approximately 77 percent of bank deposits and 63% of bank lending activity is in the Hidalgo County AA, which comprises the McAllen-Edinburg-Mission MSA. The next largest AA from a deposit and lending perspective is Cameron County, which comprises the Brownsville-Harlingen MSA. Starr County is the bank's third AA in the Rio Grande Valley. Starr County is not in an MSA, and it has been designated by the federal banking agencies as a distressed area throughout the entire evaluation period. The US Census Bureau has designated all of the bank's Rio Grande Valley AAs as areas of persistent poverty. This designation is based upon poverty levels in excess of 20 percent over the past thirty years. The remaining AA is in Bexar County, which is part of the San Antonio -New Braunfels MSA.

As mentioned in the Description of Institution section of this performance evaluation, the bank's primary focus is commercial lending and 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.

We evaluated community credit needs in the full-scope AAs through a review of local demographic information, review of local economic development plans, and discussion with three community contacts which are involved in economic development. We also considered another community contact performed earlier in the evaluation period which was performed in conjunction with another examination. This organization was involved providing affordable housing needs for LMI individuals and families.

Community services for low-and moderate-income (LMI) individuals, families, financial literacy, small business financing, and small business training, and affordable housing were the most critical needs and opportunities identified from these sources. The community contacts all had positive comments regarding involvement by LSNB and other local banks. The following tables and additional narratives include a summary of demographic information for each of the three full-scope AAs.

Hidalgo County AA

As noted above, Hidalgo County is the bank's largest AA with 21 full-service branches and is the only county in the McAllen-Edinburg-Mission MSA. Hidalgo County is located in the South Texas Rio Grande Valley and includes the cities of Donna, Edinburg, McAllen, Mercedes, Mission, Pharr, San Juan, Alton, Weslaco, as well as several other small cities. The bank's head office is located in Pharr, ten branches are located in McAllen, three in Mission, two in Pharr, two in Edinburg, two in Weslaco, and one in Hidalgo and Alton.

According to the FDIC's Deposit Market Share Report on June 30, 2022, LSNB deposits in this AA approximated \$2.2 billion, or 77 percent of the bank's total deposits. LSNB deposits in this AA represent 15 percent of the total market share, which is the highest market share of all 20 insured financial institutions with offices in the AA. The bank competes in this market with many large banks that have a nationwide presence like JP Morgan Chase, PNC, Bank of America, and Wells Fargo. Other competitors in this AA include larger regional Texas banks, community banks, credit unions, mortgage companies, and alternative lenders.

During the 2020-2021 evaluation period there was only one low-income CT in this AA. Census data in 2015 reported 32 moderate-income CTs (28 percent), 46 middle-income (41 percent), and 31 upper-income CTs (27 percent), with 3 CTs reported as NA. During the 2022 evaluation period, we considered the 2020 census data, which shows 13 low-income CTs (6 percent), 47 moderate-income CTs (22 percent), 80 middle-income CTs (38 percent), and 63 upper-income CTs (29 percent), along with 9 CTs that were reported as NA.

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, Starr, and neighboring Willacy County are part of the South Texas region commonly known as the Rio Grande Valley. Local economic development information and reports from Moody's Analytics, reflect that the AA's primary economic drivers are the medical center, local colleges and universities, and tourism. Economic strengths include large residential and commercial centers along the US/Mexico border, ample supply of young unskilled labor, retail trade, a below average cost of living, and a tourist destination for Mexico.

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

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

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

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hidalgo County (McAllen MSA) 2020-2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	113	0.9	28.3	40.7	27.4	2.7
Population by Geography	819,217	1.7	27.6	41.2	28.8	0.7
Housing Units by Geography	258,126	1.2	25.5	41.8	31.2	0.2
Owner-Occupied Units by Geography	152,552	1.4	24.6	42.3	31.5	0.2
Occupied Rental Units by Geography	71,469	1.2	28.1	39.3	31.3	0.1
Vacant Units by Geography	34,105	0.7	24.3	45.2	29.3	0.4
Businesses by Geography	50,066	0.5	18.9	34.2	46.2	0.2
Farms by Geography	842	0.8	18.4	38.1	41.7	1.0
Family Distribution by Income Level	183,335	25.1	16.3	15.4	43.2	0.0
Household Distribution by Income Level	224,021	26.6	15.2	14.9	43.4	0.0
Median Family Income MSA - 32580 McAllen-Edinburg-Mission, TX MSA		\$37,529	Median Housing Value			\$84,918
			Median Gross Rent			\$662
			Families Below Poverty Level			29.9%
Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

Table A – Demographic Information of the Assessment Area						
Assessment Area: Hidalgo County (McAllen MSA) - 2022						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	212	6.1	22.2	37.7	29.7	4.2
Population by Geography	870,781	5.6	20.7	40.6	30.7	2.4
Housing Units by Geography	281,380	5.0	20.2	40.9	31.6	2.3
Owner-Occupied Units by Geography	165,793	5.1	19.0	40.6	33.0	2.2
Occupied Rental Units by Geography	78,085	5.7	22.8	38.1	30.7	2.7
Vacant Units by Geography	37,502	3.2	20.0	48.0	27.3	1.5
Businesses by Geography	68,599	3.1	14.8	36.6	42.0	3.6
Farms by Geography	1,076	2.0	15.8	39.1	40.7	2.3
Family Distribution by Income Level	195,687	26.1	15.2	16.2	42.5	0.0
Household Distribution by Income Level	243,878	26.5	14.8	15.6	43.0	0.0
Median Family Income MSA - 32580 McAllen-Edinburg-Mission, TX MSA		\$46,609	Median Housing Value			\$100,611
			Median Gross Rent			\$737
			Families Below Poverty Level			25.5%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

Cameron County AA

LSNB has eight branches in Cameron County, which comprises the entire Brownsville-Harlingen, TX MSA. Six branches are full service, and two branches are limited service. The bank has five branches in Brownsville, and one in Harlingen, Port Isabel, and South Padre Island. According to the FDIC's June 2022 Deposit Market Share Report, LSNB deposits in this AA approximated \$337 million, or 13 percent of the bank's total deposits. LSNB deposits account for 5.9 percent of the total market share. LSNB ranks 7th out of 18 insured financial institutions with offices in the AA. Other competitors in this area include International Bank of Commerce (IBC), Wells Fargo, Texas Regional Bank, as well as other larger banks with a nationwide presence, large regional banks in Texas, and other community banks.

During the 2020-2021 evaluation period there were no low-income CTs in this AA. The 2015 census data reported 35 moderate-income CTs (40 percent), 25 middle-income (29 percent), and 24 upper-income CTs (28 percent), with 3 CTs reported as NA. During the 2022 evaluation period, we considered the 2020 census data, which shows 3 low-income CTs (2.5 percent), 37 moderate-income CTs (30 percent), 45 middle-income CTs (37 percent), and 33 upper-income CTs (27 percent), along with 4 CTs that were reported as NA.

Data from the BLS shows that during the evaluation period, the unemployment rate in Cameron County ranged from a high of 15.6 percent in April of 2020 to a low of 5.1 percent in October of 2022. Unemployment rates in this AA exceed state and national levels. In May 2023, Moody's Analytics reported that the top employers in this AA include government (federal, state, and local), the Valley Baptist Medical Center, and HEB Grocery. According to the Moody's report economic strengths in this area include cross-border rail transport infrastructure, private and public investment in the region's

economy, and a young population. Economic weaknesses include extremely low per capita income, low labor force quality, negative net migration, and few jobs in tech and other higher-value-added industries. 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. Retail, state, national, and local government jobs drive the local economy.

We met with a community contact in this AA which is a local non-profit organization focused on economic development, education, and workforce development within a four-county region, including three of the counties in the bank's AA, including Cameron, Hidalgo, and Starr Counties. The contact noted that local banks are actively involved in supporting the objectives of this organization and financial institutions participate in various opportunities to educate small businesses. The contact identified additional opportunities for banks to sponsor training events, economic forums, and scholarship programs for LMI students in the Rio Grande Valley. The contact noted that the local economy is good, although the area faces significant challenges with low per-capita income levels and rising home costs. For example, data from the Texas A&M Real Estate Center shows that in Cameron County, the average home price has increased from \$174 thousand in 2019 to \$281 thousand in 2022. The contact noted there is also a need in the area for basic checking accounts, financial education, and mortgage related education for the un-banked population. This community contact also shared the information about the significance of Mexican nationals to the local economy from a retail perspective as well as commercial trade. Contact mentioned that expansion of the international bridge in Pharr will help to further support and expand commercial traffic, international trade, particularly in the produce industry. Expansion of the international bridge at Pharr-Reynosa and other commercial border crossings in the area is part of the 2021 Texas—Mexico Border Transportation Master Plan of the Texas Department of Transportation. Additional data on Cameron County AA demographics is shown below.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Cameron County (Brownsville MSA) 2020-2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	87	0.0	40.2	28.7	27.6	3.4
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	22,145	0.0	30.1	27.7	41.9	0.3
Farms by Geography	440	0.0	21.6	33.4	44.8	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 2021 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

Table A – Demographic Information of the Assessment Area						
Assessment Area: Cameron County (Brownsville MSA) 2022						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	122	2.5	30.3	36.9	27.0	3.3
Population by Geography	421,017	2.1	26.4	39.5	31.1	0.9
Housing Units by Geography	152,544	2.0	24.2	38.9	34.3	0.6
Owner-Occupied Units by Geography	84,054	1.2	20.3	41.5	36.3	0.7
Occupied Rental Units by Geography	42,914	3.7	35.3	37.9	22.3	0.8
Vacant Units by Geography	25,576	1.6	18.1	32.0	48.0	0.3
Businesses by Geography	30,293	2.7	26.2	35.5	34.3	1.2
Farms by Geography	575	1.6	16.3	42.6	39.0	0.5
Family Distribution by Income Level	98,120	24.3	17.1	17.0	41.6	0.0
Household Distribution by Income Level	126,968	26.2	15.3	15.1	43.4	0.0
Median Family Income MSA - 15180 Brownsville-Harlingen, TX MSA		\$47,332	Median Housing Value			\$109,784
			Median Gross Rent			\$725
			Families Below Poverty Level			23.6%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

Starr County AA

LSNB has four full-service branches in Starr County, which is a non-MSA county located in the Rio Grande Valley. The bank has three branches in Rio Grande City and one in Roma, TX. According to the FDIC's June 2022 Deposit Market Share Report, LSNB deposits in Starr County approximated \$203 million, or 7 percent of the bank's total deposits. LSNB is the market leader in this AA, with 37 percent of the deposit market share. There are 5 other insured financial institutions with offices in the AA. Other competitors in this area include IBC, PNC, Citizens State Bank, and Rio Bank.

The US BLS data shows that during the evaluation period, the unemployment rate in Starr County ranged from a high of 21 percent in April of 2020 to a low of 9 percent in October of 2022. Unemployment rates in this AA also exceeded state and national levels. This AA is comprised primarily of low and moderate-income CTs. During the 2020-2021 evaluation period only one CT was a middle-income area, and it was designated by the FFIEC banking agencies as distressed due to high poverty levels. The 2020 census identified three CTs as middle-income during the 2022 evaluation period; however, these CTs were also considered distressed areas due to high poverty rates.

Our community contact in the Starr County AA was a local nonprofit organization focused on economic development. The contact indicated that the local economy has vastly improved over the years. About 20 years ago, the unemployment rate was 40% which is now down to 9.2 percent. General banking needs and opportunities in the AA include financial literacy training, specifically education regarding credit scores, and credit availability. There are also needs and opportunities in this AA for cultivation of trust in the banking system. Additional data on Starr County demographics is shown below.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Starr County – (TX Non-MSA) 2020-2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	46.7	46.7	6.7	0.0	0.0
Population by Geography	62,648	49.6	45.1	5.3	0.0	0.0
Housing Units by Geography	19,590	48.9	46.4	4.8	0.0	0.0
Owner-Occupied Units by Geography	12,138	46.7	47.0	6.3	0.0	0.0
Occupied Rental Units by Geography	4,007	55.2	43.3	1.5	0.0	0.0
Vacant Units by Geography	3,445	49.2	47.8	3.0	0.0	0.0
Businesses by Geography	2,149	34.4	61.5	4.1	0.0	0.0
Farms by Geography	37	32.4	40.5	27.0	0.0	0.0
Family Distribution by Income Level	13,424	45.2	18.0	13.6	23.3	0.0
Household Distribution by Income Level	16,145	41.3	18.0	13.5	27.3	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$64,687
			Median Gross Rent			\$519
			Families Below Poverty Level			35.4%
Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

Table A – Demographic Information of the Assessment Area						
Assessment Area: Starr County (TX Non-MSA) 2022						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	41.2	41.2	17.6	0.0	0.0
Population by Geography	65,920	48.0	34.7	17.3	0.0	0.0
Housing Units by Geography	19,865	47.3	36.5	16.2	0.0	0.0
Owner-Occupied Units by Geography	12,177	44.8	36.2	19.0	0.0	0.0
Occupied Rental Units by Geography	4,104	55.9	31.5	12.5	0.0	0.0
Vacant Units by Geography	3,584	46.0	43.3	10.7	0.0	0.0
Businesses by Geography	2,855	47.3	36.4	16.3	0.0	0.0
Farms by Geography	44	29.5	34.1	36.4	0.0	0.0
Family Distribution by Income Level	12,836	43.6	21.8	13.3	21.3	0.0
Household Distribution by Income Level	16,281	42.6	19.2	13.6	24.7	0.0
Median Family Income Non-MSAs - TX		\$61,785	Median Housing Value			\$77,782
			Median Gross Rent			\$558
			Families Below Poverty Level			30.8%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

Scope of Evaluation in Texas

Our evaluation of the bank's performance in Texas included full-scope reviews in Hidalgo, Cameron, and Starr Counties. These areas were selected for full-scope review as the largest in terms of loans and deposits. These AAs are also all part of the Rio Grande Valley, with similar economic conditions, and AA needs. The full-scope reviews represent over 90% of lending activity and bank deposits. We weighted performance more heavily in the Hidalgo AA, where the bank has the most branches, deposits, and lending activity. We performed a limited-scope review of the bank's performance in Bexar County, which is part of the San Antonio-New Braunfels MSA. We also weighted the bank's small business lending activity more heavily since this is the bank's primary focus and mortgage lending activity was impacted by loan officer turnover during the evaluation period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

The bank's performance under the Lending 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, Cameron, and Starr full-scope AA(s) is excellent.

Lending Activity

Lending levels reflect excellent responsiveness to AA credit needs.

Number of Loans* (000's)							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	%State Loans	%State Deposits**
Full Scope							
Hidalgo	498	3,783	11	64	4,356	54.6	77.0
Cameron	202	1,812	7	8	2,029	25.4	13.1
Starr	49	742	13	6	810	10.2	7.0
Limited Scope							
Bexar	54	719	0	9	782	9.8	2.9
Total	803	7,056	31	87	7,977	100.0	100.0

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

** State deposit percentages are based on the FDIC's Branch Deposit Report as of June 30, 2022.

Dollar Volume of Loans* (000's)							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	%State* Loans	%State Deposits**
Full Scope							
Hidalgo	\$145,656	\$212,584	\$1,411	\$185,570	\$545,221	63.3	77.0
Cameron	\$64,403	\$96,282	\$773	\$12,650	\$174,108	20.2	13.1
Starr	\$9,663	\$20,747	\$732	\$3,731	\$34,873	4.0	7.0
Limited Scope							
Bexar	\$23,341	\$47,092	\$0	\$37,045	\$107,478	12.5	2.9
Total	\$243,063	\$376,705	\$2,916	\$238,996	\$861,680	100.0	100.0

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

** State deposit percentages are based on the FDIC's Branch Deposit Report as of June 30, 2022.

Hidalgo County

The volume of lending in Hidalgo County reflects excellent responsiveness by LSNB to the credit needs in this AA, especially when considering AA needs for small business and community development lending. The percentage of lending activity in this AA by number and dollar volume is near to the percentage of bank deposits in this AA. The bank's performance is also excellent when considering the level of competition and economic conditions during the evaluation period. During the years 2020 and 2021 LSNB ranked second in the number of small business loan originations in this AA, only behind American Express National Bank, a much larger financial institution which also focuses on credit card lending for small businesses. Since the previous CRA evaluation period, LSNB increased the volume of small business lending in this AA by approximately \$87 million. Approximately 74 percent of these loans were PPP loans to small businesses during the pandemic which helped to stabilize local businesses and retain jobs in the AA. The bank has also significantly increased the volume of community development (CD) lending activity in this AA by approximately \$95 million. The bank's CD loans have provided a significantly positive impact on supporting AA affordable housing and economic development needs.

LSNB also competes well in the Hidalgo AA for mortgage lending. During 2020, LSNB ranked as high as 20th among 330 mortgage lenders in this AA. During the years 2020 – 2021, the bank's mortgage loan production volume was lower due to challenges associated with turnover in the bank's mortgage lending staff. However, during this period however, LSNB still ranked the highest of local institutions at 26th and 27th among over 300 mortgage lenders. Institutions with higher mortgage loan volumes were mortgage companies, credit unions and larger nationwide financial institutions. During 2022, LSNB hired and trained new mortgage lending officers to help increase mortgage lending activity; however, volumes were lower during this period due in part to rising interest rates. During 2021-2022, the bank also partnered with mortgage brokers to help originate loans for bank customers. These loans numbered 43 and totaled approximately \$9 million and are not reflected in the numbers above. Collectively, since the previous evaluation period, the dollar volume of mortgage, small business, farm, and community development loan originations in this AA increased by about \$93 million.

Cameron County

The volume of lending activity in Cameron County also reflects excellent responsiveness to the credit needs of this AA, particularly when considering the economic conditions, bank strategies, products, and services. The total dollar volume of lending activity Cameron County has increased by about \$50 million since the previous examination, with the majority of loan growth centered in small business lending. The majority of small business lending in this AA is also associated with PPP lending, which

represented about 63 percent of the dollar volume of small business loans during the evaluation period. The volume of CD lending in the Cameron AA also positively impacted lending performance, demonstrating the bank's responsiveness to AA needs for economic development, affordable housing, and essential community services. The percentage of lending activity (by number and by dollar volume) in Cameron County exceeds the percentage of bank deposits in this AA.

LSNB's market share of small business lending in Cameron County is similar to Hidalgo County. During 2021 LSNB ranked second in the number of small business loan originations in this AA, second only to American Express National Bank. In 2020, LSNB ranked 4th behind a large local competitor, and two larger nationwide financial institutions, American Express National Bank and Wells Fargo. Mortgage loan volume in this AA was lower than prior evaluation periods also due primarily to the turnover in mortgage lending staff, rising home values, and rising interest rates during the latter part of the evaluation period. Brokered mortgage loans in this AA are not reflected in the tables above and numbered 14 totaling \$4.2 million. The bank's mortgage market share in Cameron County was 31st to 35th respectively in the years 2020-2021 among over 300 mortgage lenders in the AA. In 2022, the bank's mortgage market share in Cameron County had improved to 24th among 333 mortgage lenders in this AA.

Starr County

The volume of lending activity in Starr County reflects excellent responsiveness to the credit needs of the AA, particularly when considering the AA demographics, economic conditions, bank strategies, products, and services. The total dollar volume of lending activity in this AA has increased by about \$13 million since the previous examination, with the majority of loan growth also centered in small business lending. PPP loans represented about 63 percent of small business loans in this AA, which helped to support small businesses and retain jobs during the pandemic. Although the percentage of lending activity (by dollar volume) is lower than the percentage of bank deposits in this AA, the number of loans in this AA more than doubled since our previous examination and the percentage of lending activity (by number) exceeds the percentage of bank deposits in the AA. The average loan size in this AA is small at \$43 thousand. The volume of CD lending in Starr County has also positively impacted the bank's lending performance demonstrating the bank's responsiveness to AA needs for economic development, affordable housing, and essential community services. LSNB was the market leader for small business lending in Starr County for both 2020 and 2021. The 2021 aggregate small business lending data shows that LSNB had 50 percent of the small business lending market share. Many of the bank's PPP loans in this AA were to smaller non-profit entities.

Mortgage lending activity in this AA was like performance in other AAs. Loan volume was lower than in prior evaluation periods due in part to rising home values, rising interest rates, and changes in bank personnel. Despite the lower volume of mortgage loans, aggregate HMDA data from 2020-2022 shows that LSNB was still in the top 4-6 lending institutions in this AA during the evaluation period.

Distribution of Loans by Income Level of the Geography

The bank exhibits an excellent geographic distribution of loans in its AA(s).

Home Mortgage Loans

Hidalgo County

The geographic distribution of home mortgage loans in Hidalgo County is good. Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases in this AA.

During 2020 – 2021, the percentage of LSNB's home mortgage loans in the one low-income CT of Hidalgo County was the same as all HMDA reportable lenders in this AA. Mortgage lending activity by the bank and aggregate lenders was slightly below the percentage of owner-occupied housing units in this area. This low-income CT was located in a rural part of the county, in Mercedes, TX and a large portion of the CT consists of vacant land, which presents fewer lending opportunities. Also, LSNB does not currently have a branch located in this part of the county. LSNB's mortgage lending activity in moderate-income CTs of the county was also equal to performance by aggregate HMDA lenders, although performance by both the bank and other mortgage lenders was below AA demographics.

During 2022, the number of low-income CTs in the county increased to thirteen. LSNB's mortgage lending activity in these recently identified low-income CTs exceeded performance by aggregate HMDA lenders. However, lending activity by both the bank and aggregate lenders was still below the percentage of owner-occupied housing units in the low-income CTs. The percentage of bank loans in moderate-income CTs exceeded performance by aggregate HMDA lenders and lending activity was near to the percentage of housing units in these areas. Additionally, during 2022 the bank brokered one additional loan in a low-income CT and two additional loans in moderate-income CTs totaling \$573 thousand. These brokered loans were not HMDA reportable by LSNB, as the bank did not fund these loans, but the LSNB helped facilitate origination of these loans for their customers.

Cameron County

The geographic distribution of home mortgage loans in Cameron County is good. Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases in this AA.

During 2020 – 2021, there were no low-income CTs in Cameron County, but the percentage of bank home loans in moderate-income CTs exceeded performance by aggregate HMDA lenders. Lending activity by both the bank and other mortgage lenders was below AA demographics.

During 2022, the bank's lending activity exceeded performance by other HMDA lenders in the three recently identified low-income CTs. LSNB's lending activity also exceeded AA demographics or the percentage of owner-occupied housing units in these areas. The bank's loan distributions in moderate-income CTs also exceeded performance by aggregate HMDA lenders, although lending activity by the bank and aggregate HMDA lenders was still below AA demographics. During 2022 the bank brokered three additional mortgage loans in moderate-income CTs totaling \$551 thousand.

LSNB did not fund these brokered loans, although bank officers helped facilitate origination of these loans for LSNB customers.

Starr County

The geographic distribution of home mortgage loans in Starr County is excellent. Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases in this AA.

During 2020 – 2021, the percentage of bank home loans in low-income CTs of Starr County was near performance by HMDA aggregate lenders, although loan distribution by both the bank and aggregate HMDA lenders was below AA demographics. The 2015 census data shows a significant percentage of owner-occupied housing units in low-income CTs at 46.7 percent. The percentage of bank home loans in moderate-income CTs slightly exceeded performance of aggregate HMDA lenders, and the percentage of bank loans also exceeded the AA demographics or the percentage of owner-occupied housing units, which was also high at 47 percent. The percentage of bank loans in the distressed middle-income CT was similar to aggregate HMDA lenders and exceeded AA demographics.

During 2022, the bank did not originate a sufficient volume of home loans in Starr County for meaningful analysis, however, the bank did originate eight home loans in low-income CTs, six in moderate-income CTs, and two in the middle-income distressed areas. Also, during 2022 the bank brokered three additional mortgage loans in low-income CTs, four in moderate-income CTs, and three in the distressed middle-income CT totaling \$3.7 million. LSNB did not fund the brokered loans, but the bank officers helped to facilitate origination of these loans for their customers.

Small Loans to Businesses

Hidalgo County

The geographic distribution of business loans in Hidalgo County is excellent. Refer to Table Q in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

During 2020 -2021, the bank's percentage of small business loans in the AA's one low-income CT, exceeded the percentage of AA businesses in this low-income area as well as performance by aggregate small business lenders in this AA. LSNB's small business loan distributions in moderate-income CTs also slightly exceeded the percentage of small businesses in these areas and distributions by aggregate lenders. During 2022, the percentage of bank loans was slightly below AA demographics in low-income CTs, while the percentage of loans in moderate income CTs was slightly higher.

Cameron County

The geographic distribution of business loans in Cameron County is excellent. Refer to Table Q in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

During 2020 -2021, there were no low-income geographies in Cameron County. The percentage of the bank's small business loans in the AA's moderate-income CTs, exceeded the percentage of AA

businesses in these areas as well as performance by aggregate lenders. During 2022, the percentage of loans in both low-income and moderate-income CTs exceeded the percentage of businesses in these areas.

Starr County

The geographic distribution of business loans in Starr County is excellent. Refer to Table Q in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

During 2020 -2021, the percentage of LSNB small business loans in low-income geographies of Starr County was the same as performance by aggregate small business lenders. The percentage of bank loans in low-income CTs also exceeded the AA demographics, or percentage of small businesses in low-income CTs. The percentage of LSNB small business loans in moderate-income CTs, exceeded lending performance by aggregate lenders, but the percentage of loans was slightly below AA demographics. LSNB did exceed the percentage of loans in the distressed middle-income CT as compared to aggregate lenders and the percentage of loans was the same as AA demographics.

During 2022, the percentage of LSNB small business loans in low-income CTs was below the AA demographics, but the percentage of loans in moderate-income CTs and in the distressed middle-income areas was higher than AA demographics.

Lending Gap Analysis

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

Distribution of Loans by Income Level of the Borrower

The distribution of loans among individuals of different income levels and businesses of different sizes is good given the product lines offered by the bank.

Home Mortgage Loans

Hidalgo County

The distribution of home loans to individuals of different income levels in the Hidalgo County AA is adequate. Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

During the 2020-2021 evaluation period and in 2022, the bank's percentage of home loans to low-income borrowers was significantly below the percentage of low-income families in this AA, but during 2020-2021 and in 2022, the percentage of bank loans exceeded performance of other lenders in this market as reported in the aggregate HMDA data. The number of bank loans to low-income borrowers in 2022 (5) was similar to performance in 2020-2021.

The percentage of bank loans to moderate-income borrowers was also below AA demographics during 2020-2021 and in 2022. The bank's performance among moderate-income borrowers was below other HMDA lenders during 2020-2021, but similar to performance of other lenders in 2022.

Aggregate lender data shows that all lenders in the bank's Rio Grande Valley AAs are below AA demographics, which is reflective of the challenges by all lenders in these AA with higher poverty levels, shortages in affordable housing, rising home prices, and rising interest rates beginning in 2022. Data from the Texas A&M Real Estate Center shows that during the evaluation period average home prices increased from about \$188 thousand to \$242 thousand.

Cameron County

The distribution of home loans to individuals of different income levels in the Cameron County AA is adequate. Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

During the 2020-2021 evaluation period and in 2022, the bank's percentage of home loans to low-income borrowers in Cameron County was significantly below the percentage of low-income families this AA, but during both periods the percentage of bank loans to low-income borrowers exceeded performance by other HMDA reporting lenders in this AA.

The percentage of bank home loans to moderate-income borrowers was also below the percentage of moderate-income families in this AA during both periods 2020-2021 and in 2022. However, the percentage of bank loans to moderate-income borrowers was similar to other HMDA aggregate lenders during 2020-2021. The bank's lending performance in 2022 was lower in comparison to other HMDA aggregate lenders.

Starr County

The distribution of home loans in Starr County also reflects an adequate distribution among individuals of different income levels. Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

During the 2020-2021 evaluation period, the percentage of LSNB home loans to both low-income and to moderate-income borrowers exceeded performance by other HMDA reporting lenders in this AA. However, the percentage of LSNB home loans was below the percentage of both low-income and moderate-income families this AA.

The bank did not have a sufficient number of mortgage loans in Starr County during 2022 to perform a meaningful analysis. Although the bank did report one loan a low-income borrower and one to a moderate-income borrower in this AA. Also, the bank brokered mortgage loans to an additional low-income borrower and three moderate-income borrowers totaling \$480 thousand.

Small Loans to Businesses

The distribution of small loans to businesses in the AA is good. Refer to Table R in Appendix D which includes the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

During the 2020-2021 evaluation period in all of the bank's AA, a significant percentage of loan originations were Small Business Administration (SBA) loans granted under the Paycheck Protection Program (PPP). This program helped to stabilize the local economy, support small businesses and their employees during early stages of the pandemic. During 2020, LSNB originated 2,382 PPP loans totaling \$154 million and in 2021 the bank originated 4,077 PPP loans totaling \$121 million. The majority of LSNB's PPP loans were to existing small business customers. The SBA did not request or require income information to participate in this program; however, the bank did collect and record a range of revenues for majority of these PPP loans during 2020-2021.

Hidalgo County

The bank's percentage of small business loans in the AA is good. During 2020-2021, LSNB reported a significant volume of PPP loans in this AA, approximately 87 percent by number and 85 percent (by dollar volume). As reflected in Table R, the bank did not report income information on over 90 percent of small business loan originations during this period. However, as noted above, the majority of these loans were to existing customers and the bank provided additional information demonstrating that 70 percent of the PPP loans were to businesses with revenues less than \$1 million. When considering the additional PPP revenue data, bank's performance exceeded performance by aggregate lenders and the percentage of AA businesses with revenues less than \$1 million as reported by D&B. The average size of all small business loans in this AA was small approximating about \$50 thousand. The smaller loan size and number of PPP originations reflects the bank's responsiveness to small businesses in the AA.

During 2022, over sixty percent of the bank's small business loans were to businesses with revenues less than \$1 million. The average size of small business loans during 2022 was still relatively small at \$162 thousand, which is another indicator of the bank's responsiveness to small business credit needs.

Cameron County

The bank's percentage of small business loans in the AA is good. During 2020-2021, LSNB reported a significant volume of PPP loans in this AA, approximately 89 percent by number and 73 percent (by dollar volume). Similar to Hidalgo County AA, the bank did not report income information on over 90 percent of small business loan originations during this period. However, the majority of these loans were to existing customers and the bank provided additional information regarding the range of revenues on the PPP loans and 78 percent were to businesses with revenues less than \$1 million. When considering the additional PPP revenue data, bank's performance exceeded aggregate lenders and the percentage of AA businesses with revenues less than \$1 million as reported by D&B. The average size of all small business loans in this AA was small approximating about \$49 thousand. The smaller loan size and number of PPP originations reflects the bank's responsiveness to small businesses in the AA.

During 2022, over fifty five percent of the bank's small business loans were to businesses with revenues less than \$1 million. This level of performance was below AA demographic information on the number of businesses reporting revenues less than \$1 million. The average size of small business loans in this AA during 2022 was \$112 thousand, which continues to reflect the bank's responsiveness to small business credit needs.

Starr County

The distribution of loans to small businesses in this AA is good. During 2020-2021, LSNB reported a significant volume of PPP loans in this AA, approximately 90 percent (by number) and 81 percent (by dollar volume). Similar to the other full-scope AAs and as reflected in Table R, the bank did not report income information on over 90 percent of small business loan originations during this period. However, the majority of these loans were to existing customers and additional information provided by the bank on PPP loans shows that 84 percent were to businesses with revenues less than \$1 million. When considering the additional PPP revenue data, the bank's performance exceeds performance by aggregate lenders as well as the percentage of AA businesses with revenues less than \$1 million as reported by D&B. The average size of small business loans in Starr County was very small approximating only \$23 thousand. The very small loan size and the number of PPP originations to businesses with revenues less than \$1 million demonstrates the bank's responsiveness to small businesses in the AA.

During 2022, the bank reported 36 percent of their small business loans to businesses with revenues less than \$1 million. This level of performance was well below AA demographic information based on the number of businesses reporting revenues less than \$1 million; however, the bank did not report revenues on a significant 62 percent of small loans to businesses. Most of these loans were to existing bank customers. The average small business loan size in the Starr County during 2022 was \$102 thousand, which is still relatively small and also reflects the bank's responsiveness to small business credit needs.

Community Development Lending

The institution is a leader in community development (CD) loans. LSNB's level of CD lending had a significantly positive impact on the overall Lending Test performance in its AAs. During the evaluation period, LSNB originated 87 CD loans totaling \$239 million in its AAs. These loans represented 70 percent of the bank's Tier 1 Capital. LSNB also originated 5 CD loans totaling \$10 million in areas outside of the bank's AAs. These loans are in adjoining, or nearby counties and also potentially benefit the bank's AAs.

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

LSNB originated 64 CD loans totaling \$186 million in the Hidalgo County AA during the evaluation period. These loans reflect excellent responsiveness to identified needs in the AA. CD loans in this AA are comprised of 23 loans which support economic development and the creation of jobs for low-and moderate-income individuals, 10 loans support affordable housing, 25 loans support revitalization, stabilization efforts, and 6 loans support essential community services. Twenty-five of the bank's PPP loans during 2020-2021, qualified as CD loans which helped local businesses and non-profits retain over seven thousand employees. Examples of CD loans originated during the evaluation period include the following:

- Two PPP loans totaling \$3.7 million to a minority owned emergency medical services company, which provides 24x7 911 services to critical patients in Hidalgo County. The bank's loan funds assisted the business in retaining 287 jobs by covering payroll costs.

- Four PPP loans during 2020-2021 totaling \$8.8 million to four home health care companies which provide essential medical services Hidalgo County residents. Hidalgo County has been designated by the US Census Bureau and the US Department of Health & Human Services as medically underserved for primary care. The bank's loan funds assisted in the retention of 3,013 jobs in the home health care industry during the pandemic.
- \$4.4 million loan to purchase apartments in Pharr, Texas. The apartment provides affordable housing options through the low-income housing tax credit program for 121 low-and moderate-income individuals.
- \$51 million loan to build a children's hospital. The health care facility is expected to bring advanced specialized medical care to the region which is currently only available outside of the AA in places like Corpus Christi, which is over 150 miles away from the bank's Rio Grande Valley AAs. The facility will provide services to a medically underserved area and services will be available to patients regardless of their ability to pay. The facility operates under the Texas Medicaid program and offers financial assistance to individuals who meet eligibility requirements. Information provided by the hospital reflects that the expectation is that over 70 percent of children served will be Medicaid eligible.

Cameron County

LSNB originated eight CD loans totaling \$12.7 million in Cameron County during the evaluation period. These loans reflect excellent responsiveness to identified needs in the AA. CD loans are comprised of three loans which support economic development and the creation of jobs for LMI individuals, two loans which support affordable housing, two loans which support revitalization, stabilization efforts, and one loan which supports essential community services. Two of the bank's PPP loans in Cameron County qualified as CD loans which helped Cameron County non-profits retain thirteen employees. Examples of other CD loans originated during the evaluation period include:

- \$5 million loan to construct affordable housing units in Brownsville, TX. A Community Development Block Grant was also expected to help fund this project which provided at least 24 affordable housing units. The construction project was part of the County's initiative to rehabilitate, reconstruct, or replace affordable housing infrastructure damaged by Hurricane Harvey in 2018.
- \$4.8 million loan to renovate a retail shopping center in a low-income CT, also adjacent to moderate- and middle-income areas. The bank's loan helped to revitalize and stabilize the area which may also bring additional job opportunities for LMI individuals.

Starr County

LSNB originated six CD loans totaling \$3.7 million in Starr County during the evaluation period. These loans reflect excellent responsiveness to identified needs in the AA. CD loans are comprised of three loans which support economic development and the creation of jobs for LMI individuals, two CD loans support affordable housing, and one loan supports essential community services. Examples of CD loans originated during the evaluation period include:

- One PPP loan totaling \$1.7 million which helped a home health care agency in Starr County retain about 665 employees. The agency is 100% minority owned and located in a distressed middle-income CT of Starr County. The bank's loan helped to provide support for the provision of essential medical services in a medically underserved area.
- A \$265 thousand loan to purchase a commercial property in a moderate-income CT and to construct improvements that will allow small business owner, barber, to expand the business. Upon completion of the project the business owner plans to create seven new jobs for LMI individuals.
- \$579 thousand loan to purchase a multi-family property in a low-income CT of Roma, TX, a rural area of Starr County. The bank's loan provides 14 affordable housing units to LMI individuals and families. The property also provides units to individuals and families receiving housing assistance.

Product Innovation and Flexibility

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

LSNB participates in SBA loan programs, including the aforementioned PPP loan program and the SBA 7a loan program which is SBA's program for providing financial assistance to small businesses. As noted previously, during this evaluation period LSNB processed and originated 6,444 PPP loans totaling \$275 million. LSNB also originated 16 loans under the 7a program totaling \$4.4 million.

LSNB also originates VA, FHA mortgage loan products, which have more flexible loan terms. During the evaluation period, the bank originated 16 FHA loans totaling \$3.6 million and 2 VA loans totaling \$921 thousand. The volume of VA, FHA loans was lower during the evaluation period primarily due to staff turnover; however, LSNB also facilitated 31 additional FHA loans totaling \$5.7 million through mortgage broker relationships.

LSNB also offered two-month payment deferrals for consumer and mortgage loans during throughout the evaluation period, but primarily during the pandemic in 2020 and 2021. In 2020, the bank provided two-month payment deferrals to at least 98 customers, 11 customers in 2021, and nine in 2022.

Conclusions for Area Receiving a Limited-Scope Review

Based on a limited-scope review, the bank's performance under the Lending Test in the Bexar County AA is weaker than the bank's overall performance under the Lending Test in the full-scope area(s). Mortgage loan distributions by geography and borrower income are weaker in Bexar County than in the full 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 Outstanding.

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance in all full scope AAs is excellent.

The institution has an excellent level of qualified CD investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The institution occasionally uses innovative or complex investments in support of CD initiatives. During the entire evaluation period, LSNB made \$120 million in current period investments in its AAs, which represents 35 percent of Tier 1 Capital.

LSNB also made at least 177 qualified donations totaling \$610 thousand in its AAs. LSNB also offered an award winning "Secret Teller" program during 2021-2022 which provided \$250 in surprise cash gifts to randomly selected customers in need. The goal of this program was to give back and make a small difference in someone's life. This program provided over \$137 thousand to customers, primarily LMI individuals. The number and amount of qualified investments by AA is summarized in the table below and the following descriptions of investment activity by AA.

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)
Full Scope										
Hidalgo	25	22,877	11	37,170	36	51%	60,047	40%	0	0
Cameron	4	3185	10	27,945	14	20%	31,130	21%	0	0
Starr	4	3517	3	3515	7	10%	7,032	5%	0	0
Limited Scope										
Bexar County	1	1094	13	51,082	14	20%	52,176	35%	0	0
Total	34	30,672	37	119,713	71	100%	150,386	100%	0	0
Outside AA		-	19	27,645	19	100%	27,645	100%	0	0

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

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

Hidalgo County

LSNB has an excellent level of qualified investments in the Hidalgo County AA. The number of new investments in this AA was slightly lower than reported in the previous CRA evaluation, but the dollar volume is over two times the volume in the previous CRA evaluation. The dollar volume of new investments also exceeds prior period investments which continue to provide a benefit to the AA. New qualified CRA investments totaling \$37 million in this AA represent 14 percent of the bank's allocated Tier 1 Capital, while prior period investments represent an additional 9 percent.

New investments in this AA include local municipal school bonds and bonds that support county and city infrastructure needs in McAllen, Pharr, Weslaco. The school bonds predominantly serve LMI students and families and the city, county bonds focus on revitalization of the AA's infrastructure which helps promote economic growth for the county and local municipalities. Hidalgo County has been designated as a county of persistent poverty by the Census Bureau and economic growth and revitalization of the AA are essential for increasing job and small business opportunities to help improve income levels and the quality of life in the AA.

During the evaluation period, LSNB also made at least 115 in qualified CD donations in this AA totaling \$519 thousand. These donations have supported organizations focused on economic development, organizations that provide affordable housing, educational opportunities, and financial literacy programs for LMI individuals and families. Bank donations have also supported organizations that provide essential needs, including health care for LMI individuals and families. For example, LSNB donations have supported organizations such as the local food bank, economic development corporations, the local housing authority, local Boy's and Girl's clubs, and a free health care center. Examples of other noteworthy investments and donations are highlighted below.

- LSNB made a \$100 thousand contribution to the foundation in support of a new community center, in a moderate-income CT of the rural city of Donna, Texas. The community center is a public/private partnership designed to benefit LMI individuals and families. The project will include a health care clinic, education center, retail stores, a farming field, farmer's market, and a community garden. The project aims to create a self-sustaining space where area residents can learn, play, and find essential low-cost health care services. The center will also serve the growing number of individuals and families living in nearby Colonias.
- During the evaluation period, LSNB supported a local non-profit family health clinic with three donations, totaling \$17.5 thousand. The clinic has two locations in Hidalgo County and provides free health services primarily to LMI individuals and families and those without access to healthcare or medical insurance.
- LSNB has continue to support a local non-profit organization which focuses on providing support, resources, mentorship, and scholarships to college bound youth in Hidalgo, Starr, and Cameron County AAs. The programs offered by the organization focus on students from LMI families with exceptional financial need. LSNB has supported this organization through donations and service activities. During this evaluation period, the bank donated \$168 thousand in support of programs and scholarships.
- During the evaluation period, LSNB invested in six local school district bonds within Hidalgo County totaling \$7.6 million. The majority of students (51 to 93 percent) within these school districts are economically disadvantaged or on government subsidized lunch programs. The bank's investments have help to improve the local schools for LMI students.

Cameron County

LSNB also has an excellent level of qualified investments in the Cameron County AA, particularly when considering the bank's resources in this AA, opportunities, and the responsiveness of the bank's investment activities. The number and dollar volume of new investments in this AA is higher than in the previous CRA evaluation. The dollar volume has doubled since in the previous evaluation. The dollar

volume of new investments also exceeds prior period investments which continue to provide a benefit to the AA. New investments in this AA totaling \$28 million represent 63 percent of the bank's allocated Tier 1 Capital, while prior period investments represent an additional 7 percent.

Current and prior period investments in this AA are focused on affordable housing, economic development, revitalization of the AA, improving and increasing capacity of AA schools. During the evaluation period, LSNB made at least 35 qualified CD donations in this AA totaling \$40 thousand. These donations have supported organizations focused on economic development and organizations that provide financial literacy programs, and essential services for LMI individuals and families. Examples of noteworthy investments and donations are highlighted below.

- LSNB purchased \$8 million in a Freddie Mac SPCs which provided funding for an affordable mobile home housing complex in San Benito, TX. This investment provided 135 housing units for the area, with 95 percent of the units set aside for individuals and families earning low or moderate-income.
- LSNB supported a local non-profit organization of local businesswomen which focuses on providing resources to individuals and families on how to manage their personal and small business finances. The bank has supported this organization through investments as well as through leadership service activities. During the evaluation period, LSNB contributed \$2 thousand to this organization.

Starr County

LSNB also has an excellent volume of qualified investments in the Starr County AA, particularly when considering the bank's resources in this AA, limited opportunities, and AA needs. The number and dollar volume of new investments in this AA is higher than in the previous CRA evaluation. The dollar volume of new investments is similar to the volume of prior period investments which continue to provide a benefit to the AA. New investments of \$3.5 million in this AA represent approximately 15 percent of the bank's allocated Tier 1 Capital, while prior period investments also represent an additional 15 percent.

Current and prior period investments in this AA are focused on improving and equipping AA schools and increasing capacity in schools where the majority of students are LMI or economically disadvantaged. Investments during the evaluation period also focused on improving the infrastructure of Rio Grande City, which consists solely of LMI or distressed middle-income CTs.

During the evaluation period, LSNB also made at least 16 qualified CD donations in this AA totaling \$26 thousand. These donations have supported organizations focused on providing essential needs to LMI individuals and families, as well as affordable housing needs. The bank's donations have supported local organizations and non-profits that aid and shelter victims of domestic violence, support funding for new library equipment, and financial literacy programs. The bank's donations have also directly supported local school scholarship programs for LMI students. Examples of noteworthy investments and donations are highlighted below.

- LSNB invested \$1.3 million in a municipal bond for the Rio Grande Grulla ISD. Funds were used to improve local schools, where over 94 percent of the student body is economically disadvantaged.

- LSNB also supported the school district's scholarship programs during the evaluation period with three donations totaling \$13 thousand.

Statewide, Regional Area Bonds

LSNB also invested in 19 other out-of- area bonds totaling \$28 million. These bonds primarily supported schools in Texas that provide educational services primarily to LMI individuals and students.

Conclusions for Area Receiving a Limited-Scope Review

Based on a limited-scope review, the bank's performance under the Investment Test in the Bexar County AA is consistent with the bank's overall performance under the Investment Test in the full-scope areas.

SERVICE TEST

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

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance in the Cameron, Hidalgo, and Starr County AA(s) is good.

Retail Banking Services

Service delivery systems are accessible to geographies and individuals of different income levels in the institution's AA. This assessment is based upon branch distributions as reflected in the tables 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 (2020-2021)											
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
Full Scope											
Hidalgo	78	20	55.6	0.0	15.0	25.0	60.0	1.7	27.6	41.2	28.8
Cameron	12	7	19.4	0	28.6	28.6	42.9	0.0	34.5	30.9	34.7
Starr	7	4	11.1	25.0	75.0	0	0	49.6	45.1	5.3	0.0
Limited Scope											
Bexar	3	5	13.8	0.0	40.0	0.0	60.0	7.4	34.0	27.8	30.9
Total	100	36	100.0	2.8	27.8	19.4	50.0	5.8	32.6	31.2	30.2

Source: 2021 FDIC Branch & Deposit Data, 2015 ACS Census Data. Due to rounding, totals may not equal 100.0.

Distribution of Branch Delivery System (2022)											
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
Full Scope											
Hidalgo	77	21	55.2	0.0	9.5	42.9	47.6	5.6	20.7	40.6	30.7
Cameron	13	8	21.1	0.0	12.5	25.0	62.5	2.1	26.4	39.5	31.1
Starr	7	4	10.5	50.0	25.0	25.0	0.0	48.0	34.7	17.3	0.0
Limited Scope											
Bexar	3	5	13.2	0.0	40.0	0.0	60.0	7.0	32.3	29.4	31.3
Total	100	38	100.0	5.3	15.8	31.6	47.4	6.8	28.6	33.3	30.5

Source: 2022 FDIC Branch & Deposit Data, 2020 Census Data. Due to rounding, totals may not equal 100.0.

Hidalgo County

LSNB branch distributions in Hidalgo County AA are accessible to all areas of the AA. LSNB has 21 full-service branches in this county. Branches are located in the cities of Alton, Edinburg, Hidalgo, McAllen, Mercedes, Mission, Pharr, and Weslaco.

The 2020 census update resulted in the reclassification of five CTs where the bank has branches in Hidalgo County. As a result of the 2020 census update, and a new branch in 2022, the bank's geographic distribution of branches changed in 2022 from the 2020-2021 evaluation period. Due to demographic changes as reported in the 2020 census, the location of three bank branches changed from moderate-income CTs to middle-and upper-income CTs. Also, the location of two branches changed from middle and upper-income CTs to moderate-income CTs. The changes in branch distribution from 2020-2021 and in 2022 are reflected in the tables above.

At year-end 2022, two of the bank's branches in this AA were located in moderate-income CTs, nine were in middle-income CTs, and 10 were located in upper-income CTs. LSNB did not have any branches in low-income CTs, during the entire evaluation period, although for most of the evaluation period (2020-2021), there was only one designated low-income CT in this AA. A large portion of this area is rural with vacant land. The percentage of AA population in this area was very low at 1.7 percent and there were very few businesses in this low-income geography. The 2020 census no longer separately recognizes this particular low-income CT and it designated 13 new low-income CTs.

During the entire evaluation period, the percentage of bank branches in moderate-income CTs of Hidalgo County was lower than the percentage of AA population in these areas. However, additional information provided by bank management shows that in 2022 four of the bank's 10 branches in upper-income areas of McAllen, Edinburg, and Mission are within one to two miles of eight moderate-income CTs and one low-income CT. Also, in McAllen, five of the seven branches in upper-income CTs are within a mile or less of the local mass transit bus stops.

Management expands the availability of bank services through alternative delivery systems, such as ATMs, online, and mobile banking. LSNB has two mobile ATMs, called Silver, which are designed to take banking services to customers of all demographics in all geographies. During the weekdays, Silver ATMs provide banking services to LMI areas of the Hidalgo County, allowing customers to make deposits and withdrawals. LSNB also uses Silver ATMs at other locations on the weekends to provide ATM services at special events within the bank's AAs. In addition, LSNB uses Silver ATMs for disaster recovery needs, providing access to banking services in areas impacted by flooding and other disasters. All branches in this AA have deposit taking ATMs, and the bank has 19 additional stand-alone ATMs in this AA, 37 percent of which take deposits.

LSNB provided additional information demonstrating utilization of their mobile banking application by LMI individuals and in LMI areas. The data demonstrates enhanced accessibility of banking services to LMI individuals and LMI areas in the Hidalgo County AA. On a bank wide basis, approximately 35 percent of customers utilize mobile banking services. Bank reports reflect that approximately 18 thousand customers in the Hidalgo County AA, also utilize mobile banking services, and roughly 4 percent of these customers reside in low-income CTs, and 19 percent reside in moderate-income CTs. Approximately 79 percent of the bank's mobile banking customers in this AA have either low-or moderate income.

Cameron County

LSNB has six full-service branches in Cameron County and two limited-service motor bank branches. Branches in this AA are located in the cities of Brownsville, Harlingen, Port Isabel, and South Padre Island. The bank's branch distributions in this AA are accessible to all areas

The 2020 census update resulted in the reclassification of two CTs where the bank has branches in Cameron County. As a result of the 2020 census update, and a new branch in 2022, the bank's geographic distribution of branches changed in 2022 from the 2020-2021 evaluation period. The changes in branch distributions from 2020-2021 and in 2022 are reflected in the tables above. Due to changes reported in the 2020 census, the location of one bank branch in Brownsville changed from a moderate-income CT to an upper-income CT. Also, the location of another branch in a middle-income CT of Brownsville; was re-designated as an upper-income CT.

At year-end 2022, one of the eight branches was located in a moderate-income CT, two were located in middle-income CTs, and five were located in upper-income CTs. The branch located in a moderate-income CT is a limited-service motor bank branch in Brownsville, while the other limited-service branch is located in a middle-income CT of Port Isabel. During 2020-2021 period, there were no low-income CTs in Cameron County; however, the 2020 census designated three new low-income CTs in this AA. LSNB did not have any branches in the three low-income CTs, during the 2022 evaluation period. The percentage of the population in these low-income CTs in 2022 is low at 2.1 percent and there were also few businesses in these geographies.

During 2020-2021, the bank's distribution of branches in moderate-income CTs of the AA was near to AA population demographics in these geographies. However, as a result of the 2020 census changes, in 2022, the bank only had one limited-service branch located in a moderate-income CT. The percentage of branches in moderate-income CTs was lower than AA populations in these areas. Additional information provided by bank management shows that there are nine moderate-income CTs and one low-income CT near to or within 1.6 to 3 miles of four branches located in upper-income CTs and one other branch located in a middle-income CT.

Management also expands the availability of bank services in this AA through alternative delivery systems, such as ATMs, online, and mobile banking. The two mobile ATMs, Silver, are also available as needed in the Cameron County AA. All branches in this AA have deposit taking ATMs, and the bank has 3 additional stand-alone ATMs in this AA, two of which take deposits. All of the stand-alone ATMs were located in moderate income geographies during 2020-2021. In 2022, due to census changes the location of one stand-alone ATMs moved from a moderate-income CT to a middle-income CT.

LSNB provided additional information demonstrating utilization of their mobile banking application by LMI individuals and in LMI CTs. The data demonstrates enhanced accessibility of banking services to LMI individuals and LMI CTs in the Cameron County AA. On a bank wide basis, approximately 35 percent of customers utilize mobile banking services. Bank reports reflect that approximately 3,500 customers in the Cameron County AA also utilize mobile banking services, and roughly 2 percent of these customers reside in low-income CTs, and 25 percent reside in moderate-income CTs. Approximately 75 percent of the bank's mobile banking customers in this AA have either low-or moderate income.

Starr County

LSNB has four full-service branches in Starr County. Three of the bank's branches in this AA are located in Rio Grande City, and one is located in Roma, TX. During the evaluation period LSNB opened one new branch in this AA in a middle-income distressed CT of Rio Grande City. The branch distributions in this AA are readily accessible to the AA population in these areas.

Census changes during the evaluation period and a new branch in 2021 also affected the bank's branch distributions in this AA, but throughout the entire 2020-2022 evaluation period, the geographic distribution of branches was consistent with AA populations. The 2020 census changes resulted in the reclassification of two CTs in this AA, one moderate-income CT in Rio Grande City was reclassified as a low-income CT and another moderate-income CT in Rio Grande City was reclassified as a distressed middle-income CT.

During 2022, two of the bank's branches or 50 percent were located in low-income CTs of Rio Grande City and Roma. One of the four branches or 25 percent was located in a moderate-income CT and the remaining branch was located in the distressed middle-income CT of Rio Grande City. During the 2020 – 2021 evaluation period, 25 percent of the bank's branches were located in low-income geographies and 75 percent located in moderate income geographies.

The bank also has 7 ATMs in this AA. Four of which are deposit taking ATMs located at branch facilities and the bank has 3 stand-alone ATMs. Two of the standalone ATMs are located in low-income geographies, both of which take deposits. The other is located in a moderate-income geography and does not take deposits.

LSNB provided additional information demonstrating utilization of their mobile banking application by LMI individuals and in LMI CTs. The data demonstrates enhanced accessibility of banking services to LMI individuals and LMI CTs in the Starr County AA. On a bank wide basis, approximately 35 percent of customers utilize mobile banking services. Bank reports reflect that approximately 5,600 customers in the Cameron County AA also utilize mobile banking services, and roughly 51 percent of these customers reside in low-income CTs, and 31 percent reside in moderate-income CTs. Approximately 84 percent of the bank's mobile banking customers in this AA have either low-or moderate income.

Branch Openings and Closings

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of the bank's delivery systems, particularly in LMI geographies or to LMI individuals. There have been no branch closures over the evaluation period. LSNB opened 3 new branches in the Hidalgo, Cameron, and Starr AAs. The Hidalgo branch was opened in McAllen, TX in an upper-income CT. The Cameron branch was opened in Brownsville, TX in a middle-income CT. In Starr County, the bank opened a new branch in a distressed middle-income CT of Rio Grande City. Branch openings in Texas are summarized in the table below.

Distribution of Branch Openings/Closings						
	Branch Openings/Closings					
Assessment Area	# Of Branch Openings	# Of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Full Scope						
Hidalgo	1	-	-	-	-	1
Cameron	1	-	-	-	1	-
Starr	1	-	-	-	1	-
Limited Scope						
Bexar	-	-	-	-	-	-
Total	3	0	-	0	2	1

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

LSNB offers a variety of loan and deposit services at all full-service branch locations. New checking account, savings account, and mortgage loan applications are available through the LSNB website 24 hours a day. LSNB also offers a checking account product called the Customer Care Account which is designed for customers that have had challenges managing past checking accounts. During 2020 through 2022, LSNB opened 1,371 Customer Care Accounts which has allowed customer to rebuild their bank deposit relationships. The Customer Care Account demonstrates a product specifically tailored to meet the needs of the community, as several community contacts indicated there is a need in the Rio Grande Valley AAs for building trust of banking institutions. The bank also offers low-cost student checking accounts and youth savings programs to help support financial literacy needs in the bank's AAs.

Community Development Services

The institution is a leader in providing CD services.

The bank's community development services provide a significantly positive impact on the overall Services Test rating. LSNB's CD services in the full scope Hidalgo, Cameron, and Starr County AAs demonstrate responsiveness to AA needs. The bank's commitment and responsiveness are demonstrated by the number of hours served, the diversity of organizations served, and the number of employees actively involved in organizations that support affordable housing, economic development, and community services.

LSNB identified financial literacy as a primary need for its AAs in Texas. To meet this need, the bank has responded by providing approximately 155 thousand students and 2,600 adults with 566 hours of financial education over the three-year evaluation period. LSNB has developed a library of presentations, each tailored to specific audiences in the community. The Cowboy Cash Savings program is a financial education presentation tailored to grade school students. LSNB employees provide presentations to local schools free of charge, and volunteer time to present the information to student bodies. Topics in the presentation include how to count money, how to save money, establishing saving habits, where money comes from, and how to open a savings account. During the COVID-19 pandemic, LSNB demonstrated an innovative solution by developing videos presentations for students to ensure students still received the information even when physically presenting in person was not an option. LSNB also developed the Money Management Basics program, which is a financial education presentation tailored to adults with limited financial literacy knowledge. Topics include information on how to choose a budgeting plan, setting financial goals, tools on how to lower debt, and how to prevent fraud and identity theft. The bank's First Time Homebuyers Seminar is a financial education presentation tailored to first time homebuyers. Topics include information on down payment assistance, fixed vs variable interest rates, determining eligibility for affordable housing programs, and saving for homeownership. LSNB's Credit Repair School is a financial education presentation tailored to individuals with low credit scores. Topics in the presentation include information on FICO scores, managing interest rates on loans, how to establish credit, myths vs facts about that affects credit scores, and how to make credit decisions. Additional CD services in each AA are further discussed below.

Hidalgo County

LSNB is a leader in providing CD services that are responsive to the needs of the Hidalgo County AA. During the evaluation period, 19 bank officers devoted approximately 2,735 community service hours to at least 30 different qualifying organizations in the AA. Bank officers provided leadership and financial expertise through various positions as board members and officers with organizations supporting community development needs. The majority of organizations served in this AA focus on providing essential services to LMI individuals and promoting economic development. Bank officers have been involved with organizations such as CASA, the local Boys and Girls Club groups, and economic development corporations. Bank officers and employees have also participated in approximately 329 programs supporting financial literacy. LSNB presented financial literacy training to many audiences, covering topics such as credit repair, Cowboy Cash Savings, First Time Homebuyers, and Money Management Basics. In this AA, bank officers provided 340 hours of financial literacy training to about 99 thousand students and over 1700 adults. The majority of participants in these training sessions have low-or moderate-income. Other examples of CD services are summarized below:

- A bank officer has provided leadership and financial expertise by serving as an advisory member of the board of a local community based non-profit organization dedicated to enhancing the quality of life by providing affordable housing and related services to eligible families in the bank's South Texas AAs. For 43 years, this organization has provided affordable housing opportunities to low-income, working families who would otherwise not qualify for conventional home financing. In 2022, the organization originated \$7.2 million in loans in the bank's South Texas AA. This organization also services the loans it originates and provides pre-purchase counseling. The organization works with the cities of McAllen, Pharr and the FHLB to administer home rehab and repair programs. In 2022, repairs were completed for 16 homes in the bank's AA. Emergency repair grants are also awarded to eligible homeowners up to \$300 to help make small repairs. The organization also provided financial assistance in 2021 and 2022 to renters and homeowners who

were still feeling the impact of Covid-19 pandemic. Further, this organization also subcontracts construction work on an annual basis each year which created 188 construction jobs in 2022.

- Five bank officers have provided approximately 344 hours of service, leadership, and financial expertise by serving on the board and as committee members of a local non-profit organization which focuses on “making the dream of a college education a reality”. The organization offers financial support to college-bound high school graduates of LMI families who might not otherwise be able to afford higher education. The organization also provides support to scholarship recipients through its mentoring programs which include, workshops, and periodic face-to-face meetings to help support student financial well-being.

Cameron County

LSNB is also a leader in providing CD services that are responsive to the needs of the Cameron County AA. During the evaluation period, nine officers devoted approximately 1,350 community service hours to 11 different qualifying organizations in the AA. Bank officers provided leadership and financial expertise through various positions as board members and officers. The majority of organizations served in this AA focus on providing essential services to LMI individuals and promoting economic development. Bank officers were also involved in such as the Community Lending Center, and the Rio Grande Valley Multibank. The community lending center promotes economic development through their small loan program, and the RGV multibank is a Community Development Financial Institution (CDFI) that focuses on providing affordable housing for LMI individuals and families. Bank officers and employees in this AA also participated in approximately 162 programs providing financial literacy training for 47 thousand students and adults in this AA. Other examples of CD services are further summarized below:

- A bank officer has provided leadership and financial expertise by serving as the President for a local county housing finance corporation, contributing at least 72 hours of service over 2020-2022. The corporation’s housing initiatives help low-income families and other underrepresented groups in Cameron County that lack access to sustainable housing through traditional financial avenues by offering first-time home buyer grants and down payment assistance programs.
- Four bank officers provided leadership and financial expertise in their service to Proyecto Juan Diego, contributing 493 hours of service over 2020-2022. PJD is a nonprofit organization that provides free assistance to low-income families with services focusing on education, healthcare, immigration services, and civic engagement. In 2021 alone, PJD assisted over 27,000 individuals and performed over 3,900 home visits.

Starr County

LSNB provides a relatively high level of CD services in Starr County that are responsive to the needs of the AA. During the evaluation period, three officers devoted approximately 264 hours of community service to six different qualifying organizations in the AA. Bank officers provided leadership and financial expertise through various positions as board members and officers. The majority of organizations served in this AA focus on providing essential services to LMI individuals and promoting economic development. Examples of organizations the bank frequently provides CD services to include:

- A bank officer provided leadership and financial expertise to a development council which serves a four-county region in South Texas, including Starr County. The bank officer served as the chairman of the community services advisory committee, contributing 54 hours of service over 2020-2022. The organization provides regional planning for this area and provides cost effective implementation strategies to improve the health, safety, and general welfare of the community. The organization plans and coordinates initiatives for improving elderly assistance, health services outreach/assistance, infrastructure development, transportation and economic development.
- A bank officer contributed 36 hours of service from 2020-2022 as a participating member of the Starr County Industrial Foundation. The foundation is a non-profit organization founded and supported by local government and business leaders that are committed to further develop and diversify the local economy through sound, controlled economic growth.

Conclusions for Area Receiving a Limited-Scope Review

Based on limited-scope reviews, the bank's performance under the Service Test in the Bexar County AA is consistent with the bank's overall performance under the Service Test in the full-scope areas.

Appendix A: Scope of Examination

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

Time Period Reviewed:	January 1, 2020 – December 31, 2022	
Bank Products Reviewed:	Home mortgage, small business, community development loans, qualified investments, community development services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	N/A	N/A
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Texas		
Hidalgo County	Full Scope	McAllen-Edinburg-Mission, TX MSA - 32580
Cameron County	Full Scope	Brownsville-Harlingen, TX MSA - 15180
Starr County	Full Scope	TX – Non-MSA
Bexar County	Limited Scope	Part of the San Antonio-New Braunfels, TX MSA – 41700

Appendix B: Summary of State Ratings

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	Outstanding	Outstanding	High Satisfactory	Outstanding
State:				
Texas	Outstanding	Outstanding	High Satisfactory	Outstanding

(*) 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

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 30th of each year. 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.

The total loan amount presented in the tables for each assessment area may differ from the total loan amount reported in the aggregate table due to how the underlying loan data is rounded in each table.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2020-21
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% Of Total	Overall Market	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Full Scope																			
Hidalgo	368	94,116	65.0	15,736	1.4	0.3	0.3	24.6	12.0	12.7	42.3	32.1	37.4	31.5	55.4	49.4	0.2	0.3	0.2
Cameron	132	36,333	23.3	8,268	0.0	0.0	0.0	29.1	14.4	13.1	29.9	19.7	25.0	40.9	65.9	61.9	0.0	0.0	0.0
Starr	33	5,973	5.8	387	46.7	24.2	28.7	47.0	66.7	61.5	6.3	9.1	9.8	0.0	0.0	0.0	0.0	0.0	0.0
Limited Scope																			
Bexar	33	7,816	5.8	93,832	5.3	9.1	1.7	27.8	30.3	14.5	27.5	18.2	31.8	39.4	42.4	52.0	0.0	0.0	0.0
Total	566	144,238	100.0	118,223	4.4	2.1	1.5	27.6	16.8	14.3	31.1	27.0	32.0	36.8	53.9	52.2	0.1	0.2	0.0
Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																			

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2022
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% Of Total	Overall Market	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% Of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Full Scope																			
Hidalgo	130	51,540	54.9	11,764	5.1	3.1	1.6	19.0	13.1	9.7	40.6	33.1	39.7	33.0	46.9	45.3	2.2	3.8	3.8
Cameron	70	28,070	29.5	5,796	1.2	1.4	0.7	20.3	14.3	13.0	41.5	25.7	35.8	36.3	58.6	50.0	0.7	0.0	0.4
Starr	16	3,690	6.8	351	44.8	50.0	38.7	36.2	37.5	29.6	19.0	12.5	31.6	0.0	0.0	0.0	0.0	0.0	0.0
Limited Scope																			
Bexar	21	15,525	8.9	59,917	4.9	4.8	2.4	29.8	33.3	19.3	30.6	28.6	34.1	34.7	33.3	44.3	0.0	0.0	0.0
Total	237	98,825	100.0	77,828	5.3	5.9	2.3	25.8	16.9	17.4	34.4	29.1	35.0	33.8	46.0	44.7	0.7	2.1	0.6
Source: 2020 U.S. Census; 01/01/2022 - 12/31/2022 Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																			

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2020-21
	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
Assessment Area:	#	\$	% Of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Full Scope																			
Hidalgo	368	94,116	65.0	15,736	25.1	1.6	0.6	16.3	2.4	4.2	15.4	8.2	11.8	43.2	68.8	51.1	0.0	19.0	32.3
Cameron	132	36,333	23.3	8,268	24.6	0.8	0.5	16.6	4.5	5.1	15.7	8.3	13.3	43.0	58.3	53.3	0.0	28.0	27.9
Starr	33	5,973	5.8	387	45.2	6.1	4.9	18.0	12.1	10.1	13.6	18.2	21.7	23.3	60.6	33.1	0.0	3.0	30.2
Limited Scope																			
Bexar	33	7,816	5.8	93,832	24.1	0.0	2.9	17.7	9.1	12.7	19.3	9.1	19.2	39.0	36.4	33.3	0.0	45.5	31.9
Total	566	144,238	100.0	118,223	24.8	1.6	2.4	17.2	3.9	11.1	17.7	8.8	17.8	40.3	64.0	37.1	0.0	21.7	31.7
Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																			

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2022
	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
Assessment Area:	#	\$	% Of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Full Scope																			
Hidalgo	130	51,540	54.9	11,764	26.1	3.8	0.8	15.2	4.6	5.0	16.2	10.8	14.5	42.5	51.5	51.0	0.0	29.2	28.6
Cameron	70	28,070	29.5	5,796	24.3	4.3	1.2	17.1	2.9	6.3	17.0	7.1	15.9	41.6	45.7	52.7	0.0	40.0	23.9
Starr	16	3,690	6.8	351	43.6	6.3	5.4	21.8	6.3	15.4	13.3	18.8	25.1	21.3	43.8	30.5	0.0	25.0	23.6
Limited Scope																			
Bexar	21	15,525	8.9	59,917	23.9	0.0	3.5	17.9	0.0	15.3	19.6	0.0	21.0	38.6	14.3	35.3	0.0	85.7	24.9
Total	237	98,825	100.0	77,828	24.9	3.8	2.9	17.1	3.8	13.1	18.2	9.3	19.7	39.8	46.0	39.0	0.0	37.1	25.4
Source: 2020 U.S. Census; 01/01/2022 - 12/31/2022 Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																			

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2020-21
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% Of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Full Scope																			
Hidalgo	3,586	180,542	53.8	17,577	0.5	0.8	0.6	18.9	19.7	19.2	34.2	30.9	35.4	46.2	48.4	44.5	0.2	0.3	0.3
Cameron	1,682	81,684	25.2	8,826	0.0	0.0	0.0	30.1	34.2	29.8	27.7	31.1	29.1	41.9	34.7	40.9	0.3	0.0	0.2
Starr	695	15,955	10.4	1,053	34.4	40.7	40.5	61.5	53.0	52.5	4.1	6.3	7.0	0.0	0.0	0.0	0.0	0.0	0.0
Limited Scope																			
Bexar	700	41,150	10.5	42,038	4.8	6.1	4.5	22.9	24.4	22.8	27.6	27.4	26.2	44.4	42.0	46.1	0.3	0.0	0.3
Total	6,663	319,331	100.0	69,494	3.7	5.3	3.5	23.1	27.3	23.2	28.8	28.0	28.6	44.1	39.2	44.4	0.3	0.2	0.3
Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%																			

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography													2022
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% Of Total	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Full Scope													
Hidalgo	197	32,042	50.1	3.1	2.0	14.8	18.8	36.6	34.5	42.0	42.6	3.6	2.0
Cameron	130	14,598	33.1	2.7	3.1	26.2	30.0	35.5	36.9	34.3	28.5	1.2	1.5
Starr	47	4,792	12.0	47.3	40.4	36.4	42.6	16.3	17.0	0.0	0.0	0.0	0.0
Limited Scope													
Bexar	19	5,942	4.8	6.0	15.8	25.4	42.1	24.9	15.8	43.5	26.3	0.2	0.0
Total	393	57,374	100.0	5.4	7.6	23.3	26.5	28.5	32.3	41.8	32.1	1.1	1.5
Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 Bank Data; "--" data not available. 2022 Aggregate HMDA was not available. Due to rounding, totals may not equal 100.0%													

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2020-21
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% Of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Full Scope											
Hidalgo	3,586	180,542	53.8	17,577	87.0	5.6	37.9	3.3	1.5	9.8	92.9
Cameron	1,682	81,684	25.2	8,826	84.1	5.1	37.8	3.7	1.2	12.2	93.7
Starr	695	15,955	10.4	1,053	83.3	4.7	24.6	2.4	0.4	14.3	94.8
Limited Scope											
Bexar	700	41,150	10.5	42,038	87.0	3.4	43.7	3.6	1.6	9.5	95.0
Total	6,663	319,331	100.0	69,494	86.6	5.1	41.2	3.5	1.4	9.8	93.5
Source: 2021 D&B Data; 01/01/2020 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%											

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2022
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% Of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Full Scope											
Hidalgo	197	32,042	50.1	--	90.2	64.5	--	2.3	16.2	7.5	19.3
Cameron	130	14,598	33.1	--	88.1	55.4	--	2.6	10.8	9.2	33.8
Starr	47	4,792	12.0	--	87.2	36.2	--	1.8	2.1	11.0	61.7
Limited Scope											
Bexar	19	5,942	4.8	--	90.0	26.3	--	2.6	52.6	7.4	21.1
Total	393	57,374	100.0	--	89.9	56.2	--	2.5	14.5	7.6	29.3
Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 Bank Data; "--" data not available. 2022 CRA Aggregate Data not available as of July 24, 2023. Due to rounding, totals may not equal 100.0%											