



PUBLIC DISCLOSURE

August 07, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lone Star Capital Bank, National Association
Charter Number: 23730

150 N Loop 1604 E
San Antonio, TX 78232

Office of the Comptroller of the Currency

Ross Tower
500 North Akard Street, Suite 1600
Dallas, TX 75201-3323

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

Table of Contents

Overall CRA Rating 1

Description of Institution 1

Scope of the Evaluation 2

Discriminatory or Other Illegal Credit Practices Review **Error! Bookmark not defined.**

State Rating 5

 State of Texas 5

Appendix A: Scope of Examination A-1

Appendix B: Summary of MMSA and State Ratings B-1

Appendix C: Definitions and Common Abbreviations C-1

Appendix D: Tables of Performance Data D-1

Overall CRA Rating

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

The lending test is rated: Satisfactory

The major factors that support this rating include:

- The bank's LTD ratio is reasonable
- A majority of the bank's loans are inside its assessment areas (AAs)
- The bank exhibits a reasonable geographic distribution of loans
- The bank exhibits a reasonable distribution of loans to individuals of different income levels and to businesses of different sizes

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is reasonable.

The bank's quarterly average LTD ratio calculated on a bank-wide basis since the last evaluation was 70 percent. The bank's LTD ratio ranged from a low of 61 percent on June 30, 2022, to a high of 85 percent on March 31, 2020.

To assess the bank's performance, we compared its average quarterly LTD ratio to five similarly situated institutions in the local and surrounding areas. The bank's quarterly average LTD ratio is in line with the quarterly average LTD ratio for similarly situated institutions. The peer group average quarterly LTD was 76.8 percent, ranging from a low of 70.2 percent to a high of 91.7 percent.

Lending in Assessment Area

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

The bank originated and purchased 80 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. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans (\$000s)				Total (\$000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	21	70	9	30	30	7,484	74	2,627	26	10,112
Consumer	27	90	3	10	30	15,937	92	1,379	8	17,316
Total	48	80	12	20	60	23,421	85	4,006	15	27,428

Description of Institution

LSCB is a full-service, intrastate bank, headquartered in San Antonio, Texas. It is independently owned institution and has no holding company. In 2021 the bank acquired and merged with Business Bank of Texas, Inc in the Austin AA into their assessment areas.

LSCB has delineated three AAs covering 10 full counties. LSCB operates 8 branches – the main office in San Antonio, two branches in San Antonio, one in Austin and four branches located in Blanco, Johnson City, Marble Falls, and Dripping Springs. Over the evaluation period, the bank converted the Business Bank of Texas branch in Austin into a bank branch and did not close any branches. Each of the eight locations has an onsite non-deposit taking automated teller machine (ATM) and a drive-up facility.

LSCB offers traditional loan and deposit products and services, including 24-hour bank-by-phone account access, a full suite of online banking products including BillPay, and mobile banking. As of December 31, 2021, the bank's assets totaled \$468 million and Tier 1 capital totaled \$27 million, for a leverage ratio of 11 percent. Net loans totaled \$261.5 million or 63.6 percent of total deposits and 55.8 percent to total assets. LSCB's loan portfolio consists primarily of commercial, commercial real estate, interim-construction and residential lot loans. Competition is very strong with many financial institution and credit union locations in the three AAs.

In response to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established in 2020, LSCB participated in the Small Business Administrations' (SBA) Paycheck Protection Program (PPP). These loans were designed to provide a direct incentive for small businesses to keep their workers on payroll during the COVID pandemic.

Based on its financial condition and size, there are no legal, financial, or other factors that inhibit LSCB's ability to meet credit needs in its AA. LSCB's current business strategy is to continue providing banking products and services to meet the needs of entrepreneurs, small businesses, professionals and executives, and real estate investors and operators. The prior CRA examination, dated June 11, 2020, assigned an overall Satisfactory rating to the lending performance of the bank.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated LSCB's lending activities using Small Bank Community Reinvestment Act (CRA) examination procedures. The examination scope covered loans originated from January 1, 2020, to December 31, 2021. Qualifying lending activities performed in response to the Coronavirus pandemic during the evaluation period are included in this CRA evaluation.

To evaluate lending performance, analysis was completed on random samples of Commercial and Consumer- other secured construction loans. Primary lending products for the bank were selected based on the dollar and number of loans originated and purchased over the evaluation period. Commercial loans represent 50 percent by number of loans and 39 percent by dollar volume. Consumer- other secured construction loans represent 26 percent by number of loans and 46 percent by dollar volume.

For the geographic and borrower distribution analyses, we compared lending performance data to updated 2015 American Community Survey (ACS) census data effective January 2017 and 2020 Dun and Bradstreet commercial business data.

Selection of Areas for Full-Scope Review

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

Ratings

The bank’s overall rating is based on performance in the State of Texas. The state rating is based on the bank’s three AAs in the state. Small business lending was weighted heavier when concluding on the lending test due to commercial lending representing a significant portion of the loan portfolio, the largest volume of loans originated during the evaluation period and one of the largest dollar volumes originated during the evaluation period. Refer to the “Scope” section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

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

The OCC has not identified that this institution (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: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The bank exhibits reasonable distribution of loans to geographies of different income levels, considering the demographics with the AAs
- The bank exhibits reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank
- There were no Fair Lending or CRA-related complaints during the evaluation period

Description of Institution's Operations in Texas

As noted previously, LSCB only operates in the state of Texas. LSCB has delineated three AAs, the San Antonio AA (San Antonio MSA AA), Austin AA (Austin MSA AA), and Hill Country AA (Non-MSA AA). We selected the three AAs for Full Scope evaluation.

There is no difference in lending focuses among the AAs. Business loans and residential construction loans are the bank's primary products among all AAs. However, the San Antonio MSA AA is the most populous and accounted for the majority of loans among our sample. Additionally, although competition is present in all AAs, the San Antonio MSA AA is the most banked and very competitive.

San Antonio MSA AA

The San Antonio MSA AA includes 396 CTs. Only 8.3 percent of the CTs in the AA is designated as low-income, 33.8 percent moderate-income, 26 percent are middle-income, 30.8 percent are upper, and 1.0 percent have no income designation. LSCB has its main office and two branches in this AA. The main office and one branch are both located in upper-income CTs, and the third branch is located in a moderate CT.

Major employers include the military, HEB Grocery, USAA, CPS Energy, and Valero Corporation. Based on Bureau of Labor Statistics (BLS) data, the December 2021 unemployment rate for the San Antonio MSA was 3.8 percent, which is consistent with the national average of 3.9 percent for the same period.

The FDIC December 31, 2021, Deposit Market Share Reports reflects 61 financial institutions in this AA. LSCB ranks 33rd with a deposit market share of 0.08 percent. USAA Federal Savings Bank is first with a deposit market share of 59.7 percent and Citibank ranks second with a deposit market share of 12.5 percent. The AA is heavily banked.

Examiners spoke with three community contacts to understand area needs and opportunities. The contact represented organizations focused on affordable housing and economic development. The contact said there has been a lot of economic activity in the area with increases in commercial real estate and residential development. The contacts noted the need for financial institutions to partner with builders of affordable housing, with a significant need for affordable housing in the inner city of San Antonio. There are a lot of low- and moderate- income tracts in this area, that are in need of revitalization and stabilization. One contact commented that banks can participate in lending small dollar loans to small businesses and start-ups that struggle due to the lack of credit history.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	396	8.3	33.8	26.0	30.8	1.0
Population by Geography	1,982,495	6.8	32.0	28.0	33.2	0.0
Housing Units by Geography	740,250	6.5	31.6	28.6	33.4	0.0
Owner-Occupied Units by Geography	405,058	4.7	25.4	27.6	42.2	0.0
Occupied Rental Units by Geography	271,276	8.2	39.5	29.9	22.4	0.0
Vacant Units by Geography	63,916	10.0	37.2	29.0	23.8	0.0
Businesses by Geography	176,781	4.2	20.6	28.3	46.7	0.2
Farms by Geography	3,782	2.0	14.8	26.2	57.1	0.1
Family Distribution by Income Level	462,075	23.2	17.4	19.0	40.4	0.0
Household Distribution by Income Level	676,334	24.9	16.2	17.8	41.2	0.0
Median Family Income MSA - 41700 San Antonio-New Braunfels, TX MSA		\$62,228	Median Housing Value			\$153,698
			Median Gross Rent			\$898
			Families Below Poverty Level			13.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Austin MSA Assessment Area:

The Austin MSA AA includes 332 counties in the Austin-Round Rock-Georgetown MSA. It includes 8.3 percent of the CTs are designated as low income, 33.8 percent designated moderate income, 26 percent designated middle income and 30.8 percent designated upper income census tracts. Major employers in the Austin-Round Rock-Georgetown MSA includes Amazon, Apple, Ascension Seton, Austin Independent School District, City of Austin, Dell Technologies, Federal Government, H-E-B, IBM, Round Rock ISD, Samsung, St. David's HealthCare, State of Texas, and University of Texas at Austin. Based on BLS Data, the December 2021 unemployment rate for the Austin-Round Rock-Georgetown MSA was 2.9 percent, which is below the national average of 3.9 percent.

The FDIC's June 30, 2021, Deposit Market Share Report reflect 68 financial institutions in this AA. LSCB ranks 42nd with a deposit market share of 0.22 percent. Wells Fargo leads the market with a deposit market share of 18.7 percent, followed by JPMorgan Chase at 18.7%, and Bank of America at 3rd at 13.3 percent.

Examiners spoke with one community contact to understand area needs and opportunities. The contact represented organizations focused on economic development. The contact identified a need for additional home mortgage and commercial lending, particularly as related to commercial office space. The contacted stated that overall, the local banking institutions are doing a good job of monitoring the needs of the community.

Table A – Demographic Information of the Assessment Area

Assessment Area: Austin MSA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	332	11.1	20.2	36.4	30.4	1.8
Population by Geography	1,772,799	10.7	20.4	36.6	31.1	1.2
Housing Units by Geography	703,773	10.7	18.7	37.7	32.0	0.9
Owner-Occupied Units by Geography	371,405	4.1	15.8	39.5	40.5	0.2
Occupied Rental Units by Geography	279,968	19.1	22.5	35.4	21.2	1.8
Vacant Units by Geography	52,400	13.2	19.2	36.5	29.4	1.7
Businesses by Geography	247,638	6.4	11.6	33.5	47.2	1.2
Farms by Geography	4,850	4.9	13.2	38.5	43.0	0.4
Family Distribution by Income Level	401,265	22.1	16.5	19.7	41.7	0.0
Household Distribution by Income Level	651,373	23.3	16.4	18.0	42.3	0.0
Median Family Income MSA - 12420 Austin-Round Rock-Georgetown, TX MSA		\$78,997	Median Housing Value			\$240,486
			Median Gross Rent			\$1,074
			Families Below Poverty Level			9.4%

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.

Non-MSA Assessment Area:

The Non-MSA AA includes 21 CTs. The AA does not have any low-income CTs, 4.8 percent are designated moderate income CTs, 52.4 percent are designated middle CTs, and 42.9 percent are designated upper CTs. The Non-MSA AA consists of the entirety of Blanco, Burnet, Gillespie, Hays and Llano counties located in west central Texas, north of San Antonio and West/Southwest of Austin. The major employers in these counties include county governments and ISDs.

The FDIC June 30, 2021, Deposit Market Share report reflects 25 financial institutions in this AA. LSCB ranks 13th with a deposit market share of 3.01 percent. Security State Bank & Trust lead the market with 17.4 percent of deposit market share, followed by First United Bank and Trust Company at 16.8 percent, and JPMorgan Chase Bank, National Association at 8.3 percent.

Examiners spoke with one community contact to understand area needs and opportunities. The contact represented organizations focused on economic development. The contact identified a need for additional housing in the area for student populations. Additionally, the contact stated that many local businesses continue to face pressure from larger entities that have expanded in the local community. The contacted stated that overall, the local banking institutions are doing a good job of meeting the needs of the community.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	0.0	4.8	52.4	42.9	0.0
Population by Geography	99,588	0.0	6.3	53.1	40.7	0.0
Housing Units by Geography	54,493	0.0	6.1	50.1	43.8	0.0
Owner-Occupied Units by Geography	30,341	0.0	5.7	49.6	44.7	0.0
Occupied Rental Units by Geography	9,994	0.0	3.7	60.8	35.6	0.0
Vacant Units by Geography	14,158	0.0	8.5	43.8	47.6	0.0
Businesses by Geography	11,947	0.0	2.8	54.1	43.1	0.0
Farms by Geography	752	0.0	1.3	47.9	50.8	0.0
Family Distribution by Income Level	27,979	17.3	14.5	17.3	50.8	0.0
Household Distribution by Income Level	40,335	18.4	15.7	15.6	50.3	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$185,102
			Median Gross Rent			\$823
			Families Below Poverty Level			9.3%

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.

Scope of Evaluation in Texas

We selected all three AAs for full scope review in Texas. Business and consumer other secured products were identified as the primary products, per the bank's originations. These products were equally weighted in all AAs as there was no difference lending focus among AAs. Small loans to businesses were given more weight in our overall conclusions due to the significant portion these loans accounted for both by dollar volume and number of originations during the evaluation period.

LENDING TEST

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

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance in the San Antonio MSA AA, Austin MSA AA, and non-MSA AA are adequate.

Distribution of Loans by Income Level of the Geography

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

Small Loans to Businesses

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

The geographic distributions of the bank's small loans to businesses is reasonable. The percentage of bank loans to low-income geographies exceeds both the percentage of businesses within the San Antonio MSA geography and aggregated data from other small business lenders, is in line with peer in the Non-MSA, and is below peer in the Austin MSA. The percentage of bank loans in moderate income geographies exceeds business in the geography and aggregate data from peer in the Non-MSA, is near to the geography and aggregate peer data in the San Antonio MSA, and is below geography and peer in the Austin MSA.

San Antonio MSA AA

The distributions of business loans among geographies of different income levels reflects reasonable dispersion to low and moderate-income CTs in the San Antonio MSA AA. Loans to business in low-income CTs totaled 5 percent and compared favorable to demographic data indicating 4.2 percent of businesses in the AA reside in low-income CTs. Loans to business in moderate-income CTs totaled 15 percent near to the demographic data indicating 20.6 percent of businesses in the AA reside in moderate-income CTs.

Austin MSA AA

The distributions of business loans among geographies of different income levels reflects poor dispersion to low and moderate-income CTs in the Austin MSA AA. Loans to business in low-income CTs totaled 0 percent and compared to demographic data indicating 6.2 percent of businesses in the AA

reside in low-income CTs. Loans to business in moderate-income CTs totaled 5 percent below the demographic data indicating 11.6 percent of business in the AA reside in moderate-income CTs. The poor performance is a result of the acquisition of Business Bank of Texas and the limited ability for LSCB to originate business loans in the Austin MSA AA during the evaluation period.

Non-MSA AA

The distributions of business loans among geographies of different income levels reflects reasonable dispersion to low and moderate-income CTs in the Non-MSA AA. This AA does not have any low-income CTs. Loans to business in moderate-income CTs totaled 5 percent and compares favorably to demographic data indicating 2.8 percent of business in the AA reside in moderate-income CTs.

Consumer Loans

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

The geographic distribution of the bank's consumer loans is reasonable. The percentage of bank loans in low-income geographies is below the percentage of households within the geography. The percentage of bank loans in moderate-income geographies exceeds percentage of households in the Non-MSA AA and is near to the percentage of households within the geography of the Austin MSA and San Antonio MSA AA.

San Antonio MSA AA

The distribution of consumer loans among geographies of different income levels reflects reasonable dispersion to low and moderate-income CTs in the San Antonio MSA AA. Consumer loans in moderate-income CTs totaled 10 percent, which compares poorly to demographic data indicating 31.1 percent of borrowers reside in moderate-income CTs. Consumer loans in low-income CTs totaled 0 percent, which compares poorly to demographic data indicating 6.1 percent of borrowers reside in low-income CTs. This is reasonable considering the bank's consumer loans are only short-term new home construction loans.

Austin MSA AA

The distribution of consumer loans among geographies of different income levels reflects reasonable dispersion to low and moderate-income CTs in the Austin MSA AA. Consumer loans in moderate-income CTs totaled 15 percent, which is near to demographic data indicating 18.7 percent of borrowers reside in moderate-income CTs. Consumer loans in low-income CTs totaled 0 percent, which compares poorly to demographic data indicating 10.5 percent of borrowers reside in low-income CTs. This is reasonable considering the bank's consumer loans are only short-term new home construction loans.

Non-MSA AA

The distribution of consumer loans among geographies of different income levels reflects reasonable dispersion to low and moderate-income CTs in the Non-MSA AA. Consumer loans in moderate-income CTs totaled 10 percent, which exceeds demographic data indicating 5.2 percent of borrowers reside in moderate-income CTs. The Non-MSA AA has no low income CTs. This is reasonable considering the bank's consumer loans are only short-term new home construction loans.

Distribution of Loans by Income Level of the Borrower

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

Small Loans to Businesses

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

The distribution of small loans to businesses is excellent. The percentage of bank loans to businesses with annual revenues of \$1 million or less exceeds the reported aggregate peer data in the San Antonio AA and is in-line with the aggregate peer data in the Austin MSA and Non-MSA.

San Antonio MSA AA

The distribution of loans to businesses within the San Antonio MSA AA reflects reasonable dispersion to businesses of different sizes. Loans to business with revenues less than or equal to \$1 million represented 50 percent of our sample for this AA. This compares adequately to demographic data indicating 87.3 percent of business had revenues less than or equal to \$1 million, but exceeds aggregated data of 43.9 percent, reflecting excellent dispersion.

Austin MSA AA

The distribution of loans to businesses within the Austin MSA AA reflects reasonable dispersion to businesses of different sizes. Loans to business with revenues less than or equal to \$1 million represented 45 percent of our sample for this AA. This compares favorably to demographic data indicating 89.4 percent of business had revenues less than or equal to \$1 million, and is in line with aggregated data of 45.3 percent, reflecting reasonable dispersion.

Non-MSA AA

The distribution of loans to businesses within the Non-MSA AA reflects reasonable dispersion to businesses of different sizes. Loans to business with revenues less than or equal to \$1 million represented 50 percent of our sample for this AA. This compares favorably to demographic data indicating 89.1 percent of business had revenues less than or equal to \$1 million, and is in line with aggregated data of 50.3 percent, reflecting reasonable dispersion.

Consumer Loans

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

The distribution of consumer loans to borrowers of different income levels is poor. The bank did not make any loans to low-income products and made only one loan, in the Austin MSA AA, to moderate income borrowers. This is primarily due to the bank's main consumer product being construction and development loans for residential property. LSCB receives referrals for these loans primarily through SWBC.

San Antonio MSA AA

The distribution of consumer loans to individuals of different income levels reflects poor dispersion to low and moderate-income borrowers in the San Antonio MSA AA. There were no loans made to borrowers of low or moderate-income, which compares poorly to demographic data indicating 24.9 percent and 16.2 percent of borrowers were of low or moderate income, respectively. However, demographics in the AA can help explain the poor dispersion. The AA's demographic data reflects a median housing value of \$153,698 which, coupled with a median family income of \$62,228, makes it difficult for low and moderate-income borrowers to qualify for short term new home construction loans.

Austin MSA AA

The distribution of consumer loans to individuals of different income levels reflects poor dispersion to low and moderate-income borrowers in the Austin MSA AA. There were no loans made to borrowers of low income and only 5 percent of loans made moderate-income borrowers, which compares poorly to demographic data indicating 23.3 percent and 16.4 percent of borrowers were of low or moderate income, respectively. However, demographics in the AA can help explain the poor dispersion. The AA's demographic data reflects a median housing value of \$240,486 which, coupled with a median family income of \$78,997, makes it difficult for low and moderate-income borrowers to qualify for short term new home construction loans.

Non-MSA AA

The distribution of consumer loans to individuals of different income levels reflects poor dispersion to low and moderate-income borrowers in the Non-MSA AA. There were no loans made to borrowers of low or moderate-income, which compares poorly to demographic data indicating 18.4 percent and 15.7 percent of borrowers were of low or moderate income, respectively. However, demographics in the AA can help explain the poor dispersion. The AA's demographic data reflects a median housing value of \$185,102 which, coupled with a median family income of \$52,198, makes it difficult for low and moderate-income borrowers to qualify for short term new home construction loans.

Responses to Complaints

There were no consumer complaints regarding the bank's CRA performance or complaints indicating illegal or discriminatory lending practices during the evaluation period.

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 to December 31, 2021	
Bank Products Reviewed:	Small Business and Consumer – Other Secured Construction and Development	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
State of Texas		
San Antonio MSA AA	Full-Scope	Includes all CTs in Bexar, Comal, and Kendall Counties
Austin MSA AA	Full-Scope	Includes all CTs in Travis and Williamson Counties
Hill Country Non-MSA AA	Full-Scope	Includes all CTs in Blanco, Burnet, Gillespie, Hays, and Llano Counties

Appendix B: Summary of MMSA and State Ratings

RATINGS	Lone Star Capital Bank
Overall Bank:	Lending Test Rating
Lone Star Capital Bank	Satisfactory
State:	
Texas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

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

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

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

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

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

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

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2020-21
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Austin MSA	20	2,756	33.3	70,992	6.4	0.0	7.0	11.6	5.0	13.1	33.5	35.0	34.8	47.2	55.0	44.2	1.2	5.0	0.9
Non-MSA	20	2,022	33.3	4,161	0.0	0.0	0.0	2.8	5.0	3.6	54.1	50.0	49.5	43.1	45.0	47.0	0.0	--	0.0
San Antonio MSA	20	4,064	33.3	49,350	4.2	5.0	3.9	20.6	15.0	20.3	28.3	10.0	26.8	46.7	70.0	48.8	0.2	--	0.2
Total	60	--	100	124,503	5.3	--	5.5	15.0	--	15.6	32.0	--	32.1	46.9	--	46.1	0.8	--	0.6

*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												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	
Austin MSA	20	2,756	33.3	70,992	89.4	45.0	45.3	3.0	55.0	7.6	0.0	
Non-MSA	20	2,022	33.3	4,161	89.1	50.0	50.3	3.0	45.0	7.9	5.0	
San Antonio MSA	20	4,064	33.3	49,350	87.3	50.0	43.9	3.5	50.0	9.2	0.0	
Total	60	8,842	100	124,503	88.6	48.3	44.9	3.2	50.0	8.2	1.67	

*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 U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography														2020-21	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts			
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans		
Austin MSA	20	9,194	33.3	10.5	0.0	18.7	15.0	37.7	30	32.2	55	0.9	0.0		
Non-MSA	20	7,014	33.3	0.0	0.0	5.2	10.0	52.4	45.0	42.4	45.0	0.0	0.0		
San Antonio	20	8,106	33.3	6.1	0.0	31.1	10.0	28.5	5.0	34.3	85.0	0.0	0.0		
Total	60	24,314	100	8.0	0.0	24.4	11.67	33.6	26.67	33.5	61.67	0.4	0.0		

*Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0%*

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower														2020-21	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers			
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans		
Austin MSA	20	9,194	33.3	23.3	0.0	16.4	5.0	18.0	10.0	42.3	85.0	0.0	0.0		
Non-MSA	20	7,015	33.3	18.4	0.0	15.7	0.0	15.6	5.0	50.3	95.0	0.0	0.0		
San Antonio	20	8,106	33.3	24.9	0.0	16.2	0.0	17.8	0.0	41.2	100.0	0.0	0.0		
Total	60	24,315	100.0	24.0	0.0	16.3	1.67	17.8	5.0	42.0	93.33	0.0	0.0		

*Source: 2015 ACS; 01/01/2020 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0%*