



**PUBLIC DISCLOSURE**

July 15, 2024

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

The Karnes County National Bank of Karnes City  
Charter Number 5614

301 E Calvert Ave.  
Karnes City, TX 78118

Office of the Comptroller of the Currency

10001 Reunion Place, Suite 250  
San Antonio, TX 78216

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

## Table of Contents

Overall CRA Rating.....	2
Description of Institution.....	3
Scope of the Evaluation.....	4
Discriminatory or Other Illegal Credit Practices Review.....	5
State Rating.....	6
State of Texas.....	6
Community Development Test .....	11
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 community development test is rated: Satisfactory.**

The major factors that support this rating include:

- Considering the bank's size, financial condition, and credit needs of the assessment areas (AAs), the bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans by count are inside the bank's AA.
- The bank exhibits a poor geographic distribution of loans in its AA.
- The bank exhibits reasonable distribution of loans to households of different income levels and businesses of different sizes.
- The bank exhibits an adequate responsiveness to community development needs, considering the bank's capacity and the level of community development opportunities in the AA.

### Loan-to-Deposit Ratio

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

KCNB's average quarterly LTD ratio from March 31, 2021 to December 31, 2023 was 31.7 percent. The ratio ranged from a quarterly low of 21.8 percent as of March 31, 2021 to a high of 41.4 percent as of December 31, 2023. The influx of oil and gas activity continue to keep deposits elevated and loan activity limited. Additionally, increased interest rates during the evaluation period have also contributed to a limited loan demand. It is important to note that the bank's LTD has improved since the prior evaluation when the quarterly average was 17.4 percent.

We compared the bank's average quarterly LTD ratio with 4 similarly situated institutions within the AA and surrounding counties. The similarly situated institutions assets sizes ranged from \$88 million to \$570 million. The average LTD ratio of the other institutions was 39.2 percent ranging from a low of 17.4 percent to a high of 62.2 percent.

### Lending in Assessment Area

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

The bank originated and purchased 59 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.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	16	40	24	60	40	2,636	27	6,979	73	9,615
Consumer	31	77.5	9	22.5	40	527	91	50	9	527
Total	47	59	33	41	80	3,163	31	7,029	69	10,192

## Description of Institution

The Karnes County National Bank of Karnes City (KCNB or “The bank”) is a full-service community bank headquartered in Karnes City, TX. The bank does not have a holding company or any affiliates to be considered in this evaluation. As of December 2023, KCNB reported total assets of \$510 million and tier 1 capital of \$58 million for a leverage ratio of 11.24 percent.

KCNB was founded in 1900 and continues to operate solely in the state of Texas. The bank had two locations at the end of 2023; Karnes City and Kenedy. Both locations are full-service branches with a walk-in lobby, drive through motor bank, and automated teller machines (ATM). In addition to branch services the bank offers online banking services through its website [www.kcnb.com](http://www.kcnb.com). Online services include checking account statements, transfers between accounts at the bank, Billpay, and Zelle. The bank also provides 24/7 phone banking.

As of December 31, 2023, net loans totaled \$182 million equating to 36 percent of total assets and 45 percent of total deposits. The loan portfolio's breakdown segments include commercial real estate at 44 percent, construction and development at 23 percent, residential mortgage loans at 12 percent, farmland & agriculture at 9 percent, commercial and industrial at 8 percent, consumer loans and multifamily at 2 percent each. The bank had sufficient liquidity at year end with \$38 million in interest bearing bank balances and \$40 million in fed funds sold.

The bank has one rating area, the State of Texas and one AA, the Texas non-MSA that includes all of Karnes and Bee Counties. The AA is described in more detail later on in this PE. KCNB faces competition from local regional, and national financial institutions in its AA. According to the FDIC's June 30, 2023 Deposit Market Share Report, KCNB ranks 1st out of 10 institutions in their AA.

It is important to note that the bank elected to add all of Bee County to its AA in 2022, prior to opening a branch in the county in 2024. This resulted in the bank adding 9 new census tracts to their AA including 4 new moderate census tracts (CTs). The majority of the bank's lending during the evaluation period took place in Karnes County as the bank began establishing its operations in Bee County. This helps explain the geographic distribution results discussed later in this PE.

The bank's AA continues to be heavily reliant on oil and gas activity from the Eagle Ford Shale formation. As oil and gas activity has increased, bank deposits have also increased as bank customers receive royalty checks that they then deposit into the bank. Likewise, as oil and gas activity increases, loan volume generally declines as customers begin to pay off their loans more quickly and demand for new loans weakens. In addition to oil and gas activity, increased interest rates over the evaluation period

have softened the lending demand in the AA. These local market factors limit opportunities to provide credit to its AA.

The Bank received a “Satisfactory” rating during its prior CRA Performance Evaluation dated July 12, 2021. Based on its financial condition, local economic conditions, product offerings, and competition, there are no legal, financial, or other factors that inhibit the bank’s ability to help meet the credit needs in its AAs.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated the CRA performance of KCNB using Intermediate Small Bank performance criteria, which includes a lending test and community development test. The evaluation period covered loans originated from January 1, 2021, to December 31, 2023. Examiners determined the primary products for the lending test by determining the highest concentration of loans originated by number and dollar volume during the evaluation period. The primary lending products included in this evaluation are small business loans (including commercial real estate) and consumer loans. We selected 20 loans of each primary product type for each year, combining the years 2022 and 2023 as census data for the bank’s AA did not change during those years. This resulted in a total sample of 80 loans.

### **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.

The bank has elected to take all of Karnes County as its AA for 2021. In 2022, the bank added Bee County to its AA. These counties are contiguous and not part of an MSA so we will combine them into one AA for the purpose of this evaluation.

### **Ratings**

The bank’s overall rating is based on the performance in the state of Texas. The state ratings are based on performance in all bank AAs. Refer to the “Scope” section 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 Texas:** Satisfactory.

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

**The Community Development Test is rated:** Satisfactory.

The major factors that support this rating include:

- Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans by count are inside the bank's AA.
- The bank exhibits a poor geographic distribution of loans in its AA.
- The bank exhibits reasonable distribution of loans to households of different income levels and businesses of different sizes.
- The bank exhibits an adequate responsiveness to community development needs, considering the bank's capacity and the level of community development opportunities in the AA.

### Description of Institution's Operations in Texas

Karnes County National Bank of Karnes City (KCNB or "The bank") is a full-service community bank headquartered in Karnes City, TX. The bank does not have a holding company or any affiliates to be considered in this evaluation. The bank had two locations at the end of 2023; Karnes City and Kenedy. Both locations are full-service branches with a walk-in lobby, drive through motor bank, and automated teller machines (ATMs). In addition to branch services the bank offers online banking services through its website [www.kcnb.com](http://www.kcnb.com). Online services include checking account statements, transfers between accounts at the bank, Billpay, and Zelle. The bank also provides 24/7 phone banking.

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

### Texas Non-MSA AA

The bank has one rating area, the State of Texas and one AA, the Texas non-MSA that includes all of Karnes and Bee Counties. KCNB faces competition from local regional, and national financial institutions in its AA. Primary competitors in the bank's AA include The Falls City National Bank, Texas Champion Bank, Prosperity Bank, and Simmons Bank. According to the FDIC's June 30, 2023 Deposit Market Share Report, KCNB ranks 1st out of 10 institutions in their AA.

It is important to note that the bank elected to add all of Bee County to its AA in 2022, prior to opening a branch in the county in 2024. This resulted in the bank's adding 9 new census tracts to their AA including 4 new moderate CTs. The majority of the bank's lending during the evaluation period took

place in Karnes County as the bank began establishing its operations in Bee County. This helps explain the geographic distribution results discussed later in this PE.

The bank's AA continues to be heavily reliant on oil and gas activity from the Eagle Ford Shale formation. As oil and gas activity has increased, bank deposits have also increased as bank customers receive royalty checks that they then deposit into the bank. Likewise, as oil and gas activity increases, loan volume generally declines as customers begin to pay off their loans more quickly and demand for new loans weakens. In addition to oil and gas activity, increased interest rates over the evaluation period have softened lending demand in the AA. These local market factors limit opportunities to provide credit to its AA.

We made two community contacts during our evaluation. One in Karnes County and one in Bee County. The contacts had differing opinions on the economic outlook of their counties with the contact in Karnes County stating the economy is declining and still dependent on oil and gas while the contact in Bee County stated the economy there is improving and has begun to diversify. Both contacts stated that there is sufficient access to financial services and that the credit needs of the community were being met by financial institutions. Opportunities for development in the communities discussed include funding more construction of housing and funding of new business through the state's Small Business Credit Initiative. Both contacts stated specifically that KCNB has a good standing in the community and did not know of any complaints against the bank.

The Bureau of Labor Statistics reflects an annual unemployment rate of 3.1 percent for Karnes County in 2023, and 5.1 percent for Bee County in 2023. Karnes County compares favorably with the state and national average unemployment for year end 2023 which were 3.9 percent and 3.6 percent, respectively. Bee County compared unfavorably with the state and national averages.

The tables on the following page show other pertinent demographic information about the Texas non-MSA AA.



<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: 2021 Karnes County</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	14,879	0.0	0.0	83.5	16.5	0.0
Housing Units by Geography	5,773	0.0	0.0	77.9	22.1	0.0
Owner-Occupied Units by Geography	3,243	0.0	0.0	75.8	24.2	0.0
Occupied Rental Units by Geography	1,066	0.0	0.0	88.9	11.1	0.0
Vacant Units by Geography	1,464	0.0	0.0	74.7	25.3	0.0
Businesses by Geography	1,035	0.0	0.0	83.2	16.8	0.0
Farms by Geography	89	0.0	0.0	58.4	41.6	0.0
Family Distribution by Income Level	2,931	23.8	13.5	16.0	46.6	0.0
Household Distribution by Income Level	4,309	27.7	12.8	14.1	45.4	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$88,450
			Median Gross Rent			\$618
			Families Below Poverty Level			19.6%
<i>Source: 2015 ACS and 2021 D&amp;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>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: 2023 Karnes and Bee Counties</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	14	0.0	35.7	28.6	35.7	0.0
Population by Geography	45,757	0.0	33.4	23.8	42.7	0.0
Housing Units by Geography	16,786	0.0	41.2	26.9	31.9	0.0
Owner-Occupied Units by Geography	8,843	0.0	35.6	27.4	37.0	0.0
Occupied Rental Units by Geography	4,208	0.0	59.9	18.6	21.5	0.0
Vacant Units by Geography	3,735	0.0	33.3	35.2	31.6	0.0
Businesses by Geography	3,230	0.0	38.5	24.6	37.0	0.0
Farms by Geography	235	0.0	19.6	34.5	46.0	0.0
Family Distribution by Income Level	8,849	25.5	19.1	16.4	39.0	0.0
Household Distribution by Income Level	13,051	27.3	16.5	17.3	38.9	0.0
Median Family Income Non-MSAs - TX		\$61,785	Median Housing Value			\$100,343
			Median Gross Rent			\$766
			Families Below Poverty Level			16.9%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **Scope of Evaluation in Texas**

KCNB has delineated two AAs in the state of Texas. Karnes County and Bee Counties. Both AAs are contiguous, non-MSAs and were combined into one AA for the purpose of this CRA evaluation. We performed a full-scope evaluation of the bank's AA. Our analysis of lending focused on small business loans (including commercial real estate) and consumer loans as these represent the bank's primary products during the evaluation period.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS**

### **LENDING TEST**

The bank's performance under the Lending Test in the state of Texas is rated satisfactory.

Based on a full-scope review, the bank's performance in the state of Texas is reasonable.

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

The bank exhibits poor geographic distribution of loans in the state of Texas.

#### ***Small Loans to Businesses***

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.

#### **2021**

A meaningful analysis of the geographic distribution of small business loans in the AA could not be performed as there are no low- or moderate-income CTs in the AA. The bank did exhibit an excellent distribution of loans in distressed middle-income tracts.

#### **2022-2023**

The geographic distribution of small business loans is poor. The percentage of bank loans to small business in moderate income geographies is below the percentage of small businesses in these areas and is below the lending performance of other lenders in the area. The percentage of loans to small businesses in upper income geographies exceeds both the percentage of small businesses and aggregate lending performance of other lenders in these tracts.

#### ***Consumer Loans***

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

2021

A meaningful analysis of the geographic distribution of consumer loans in the AA could not be performed as there are no low- or moderate-income CTs in the AA. The bank did exhibit an excellent distribution of loans in distressed middle-income tracts.

2022-2023

The geographic distribution of consumer loans is poor. The percentage of bank loans to consumers in moderate income geographies is below the percentage of households in these geographies within the bank's AA. The majority of loans sampled were in middle-income tracts, a portion of which were designated as a distressed middle-income tract.

***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 AA.

**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 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.

2021

The distribution of loans to small businesses is reasonable. The percentage of bank loans to businesses with revenues of \$1 million or less is near-to the percentage of small businesses with revenues of \$1 million or less within the AA. The bank's lending performance exceeds the aggregate percentage reported by other business lenders in the AA.

2022-23

The distribution of loans to small businesses is reasonable. The percentage of bank loans to businesses with revenues of \$1 million or less exceeds the percentage of small businesses with revenues of \$1 million or less within the AA. The bank's lending performance exceeds the aggregate percentage reported by other business lenders in the AA.

### ***Consumer Loans***

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

#### 2021

The bank exhibits reasonable distribution of consumer loans to borrowers of different income levels. The percentage of loans to low-income borrowers is in line with the percentage of low-income households in the AA. The percentage of loans to moderate-income borrowers is in line with the percentage of moderate-income households in the area.

#### 2022-2023

The bank exhibits reasonable distribution of consumer loans to borrowers of different income levels. The percentage of loans to low-income borrowers is in line with the percentage of low-income households in the AA. The percentage of loans to moderate-income borrowers exceeds the percentage of moderate-income households in the area.

### **Responses to Complaints**

The Karnes County National Bank did not receive any complaints related to its CRA performance during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the State of Texas is rated satisfactory.

Based on a full-scope the review, the bank exhibits adequate responsiveness to community development needs in the MMSA through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area(s).

### **Number and Amount of Community Development Loans**

The bank's responsiveness to the community's needs through CD lending is adequate. The bank originated 6 qualifying loans for a total of \$5.1 million. Examples of loans that qualify include 2 affordable housing loans totaling \$1.9 million, and a loan for \$477,000 for renovating an old building into an oil change facility which was not previously available in the community.

Refer to the Community Development Loan table below for the facts and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Karnes/Bee Counties	6	100	5,107	100

### Number and Amount of Qualified Investments

During the evaluation period the bank's investments within the AA consisted of donations and investments that totaled approximately \$954,391. The donations and investments help to provide funding for scholarships to students who are economically disadvantaged, build schools for school districts where the majority of the student body is economically disadvantaged, repair sewer line and water works for the city, and provided food and resources for low- moderate- income families.

Examples of investments and donations include:

- \$37,000 to the Karnes County National Bank Scholarship Program, a scholarship program established by the bank that is awarded to high school seniors in need of financial aid each year.
- \$3,700 to a youth organization located in Beeville.
- \$1,500 to a food pantry located in Karnes County.
- Bond issued by Karnes ISD to improve current schools and construct a new elementary school where the majority of students qualify for free/reduced lunch program.
- Bond issued by Beeville to improve city waterworks and sewer system.

Additionally, the bank had two qualified investments totaling \$660,000 that remained outstanding during the current evaluation period.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000s)	#	\$(000s)	#	% of Total #	\$(000s)	% of Total \$	#	\$(000s)
Karnes & Bee Counties	2	660	22	954	24	100	1,614	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.

The Qualified Investment Table, shown above, set forth the information and data used to evaluate the bank's level of qualified CD investments. These tables include all CD investment, including prior period investments that remain outstanding as of the examination date.

### Extent to Which the Bank Provides Community Development Services

Bank officers and staff provide CD services to the local community through volunteer efforts at local community organizations or events. Activities included providing leadership and technical expertise through board and committee memberships, as well as providing financial literacy through Karnes ISD. Examples of CD services conducted during the evaluation period include:

- Karnes Primary School- A bank employee taught students about the different types of financial products at a school where the majority of students qualify for free or reduced lunch programs.
- Karnes High School- A bank employee taught students about the different types of financial products and careers in the banking industry at a school where the majority of students qualify for free or reduced lunch programs.
- Boys and Girls Club of Beeville- An employee serves on the board of directors and finance committee.
- Sunny Glen Children's Home- An employee serves on the board of directors and finance and governance committee. Sunny Glen Children's Home provides a home for abused and neglected children. It additionally provides care for undocumented alien children of all ages and unites them with family members in the U.S. This is a regional activity but qualifies as the bank is meeting the needs of its community.

## Appendix A: Scope of Examination

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

<b>Time Period Reviewed:</b>	January 1, 2021-December 31, 2023	
<b>Bank Products Reviewed:</b>	Small Business, Consumer	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A	N/A	N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
Texas Non-MSA	Full Scope	Includes Karnes and Bee Counties.

## Appendix B: Summary of MMSA and State Ratings

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

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.



## Appendix C: Definitions and Common Abbreviations

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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

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased 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 30<sup>th</sup> of each year. Tables without data are not included in this PE.

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

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

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 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.

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.

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2021</b>		
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		
Karnes County	20	1,860,183	100	196	0.0	0	0.0	0.0	5	0.0	83.2	85	81.6	16.8	10	18.4	0.0	0	0.0		
<b>Total</b>	<b>20</b>	<b>1,860,183</b>	<b>100</b>	<b>196</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>5</b>	<b>0.0</b>	<b>83.2</b>	<b>85</b>	<b>81.6</b>	<b>16.8</b>	<b>10</b>	<b>18.4</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>		

Source: 2021 D&B Data; 01/01/2021 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2022-2023</b>		
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		
Karnes and Bee Counties	20	2,029,904	100	522	0.0	0	0.0	38.5	5	37.7	24.6	45	27.4	37.0	50	34.9	0.0	0	0.0		
<b>Total</b>	<b>20</b>	<b>2,029,904</b>	<b>100</b>	<b>522</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>38.5</b>	<b>5</b>	<b>37.7</b>	<b>24.6</b>	<b>45</b>	<b>27.4</b>	<b>37.0</b>	<b>50</b>	<b>34.9</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>		

Source: 2023 D&B Data; 01/01/2022 - 12/01/2023 Bank Data; 2022 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

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.

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2021</b>											
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
Karnes County	20	1,860,183	100	196	79.4	80	35.2	2.9	0	17.7	20
<b>Total</b>	<b>20</b>	<b>1,860,183</b>	<b>100</b>	<b>196</b>	<b>79.4</b>	<b>80</b>	<b>35.2</b>	<b>2.9</b>	<b>0</b>	<b>17.7</b>	<b>20</b>
<i>Source: 2021 D&amp;B Data; 01/01/2021 - 12/31/2021 Bank Data; 2021 CRA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0%</i>											

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues 2022-2023</b>											
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
Karnes and Bee Counties	20	2,029,904	100	522	83.6	100	44.4	2.4	0	14.0	0
<b>Total</b>	<b>20</b>	<b>2,029,904</b>	<b>100</b>	<b>522</b>	<b>83.6</b>	<b>100</b>	<b>44.4</b>	<b>2.4</b>	<b>0</b>	<b>14.0</b>	<b>0</b>
<i>Source: 2023 D&amp;B Data; 01/01/2022 - 12/01/2023 Bank Data; 2022 CRA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0%</i>											

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.



<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>														<b>2021</b>
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	
Karnes County	20	260,389	100	0.0	0.0	0.0	0.0	79.0	100	21.0	0.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>260,389</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>79.0</b>	<b>100</b>	<b>21.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<i>Source: 2015 ACS; 01/01/2021 - 12/31/2021 Bank Data.                      Due to rounding, totals may not equal 100.0%</i>														

<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>														<b>2022-23</b>
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	
Karnes and Bee Counties	20	375,722	100	0.0	0.0	43.5	10	24.6	65	32.0	25	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>375,722</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>	<b>43.5</b>	<b>10</b>	<b>24.6</b>	<b>65</b>	<b>32.0</b>	<b>25</b>	<b>0.0</b>	<b>0.0</b>	
<i>Source: 2020 U.S. Census; 01/01/2022 - 12/31/2023 Bank Data.                      Due to rounding, totals may not equal 100.0%</i>														

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.

<b>Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower</b>													<b>2021</b>	
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	
Karnes County	20	260,389	100	27.7	25	12.8	15	14.1	20	45.4	25	0.0	15	
<b>Total</b>	<b>20</b>	<b>260,389</b>	<b>100</b>	<b>27.7</b>	<b>25</b>	<b>12.8</b>	<b>15</b>	<b>14.1</b>	<b>20</b>	<b>45.4</b>	<b>25</b>	<b>0.0</b>	<b>15</b>	

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

<b>Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower</b>													<b>2022-23</b>	
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	
Karnes and Bee Counties	20	375,722	100	27.3	25	16.5	30	17.3	15	38.9	15	0.0	15	
<b>Total</b>	<b>20</b>	<b>375,722</b>	<b>100</b>	<b>27.3</b>	<b>25</b>	<b>16.5</b>	<b>30</b>	<b>17.3</b>	<b>15</b>	<b>38.9</b>	<b>15</b>	<b>0.0</b>	<b>15</b>	

*Source: 2020 U.S. Census; 01/01/2022 - 12/31/2023 Bank Data.  
Due to rounding, totals may not equal 100.0%*

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.