



PUBLIC DISCLOSURE

October 21, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Mertzon
Charter Number # 9810
106 S. Broadway
Mertzon, TX 76941

Office of the Comptroller of the Currency
San Antonio Office
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 Test10

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: Outstanding.

The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of the bank's loans are inside its assessment area (AA).
- The bank exhibits a reasonable geographic distribution of loans.
- The bank exhibits an excellent distribution of loans to businesses of different sizes.
- The bank exhibits excellent responsiveness to CD needs within its AA.

Loan-to-Deposit Ratio

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

The First National Bank of Mertzons (FNB Mertzons, bank) quarterly average LTD ratio calculated on a bank-wide basis for the 12-quarter evaluation period was 14.61 percent. The LTD ratio ranged from a low of 11.87 percent at December 31, 2022 to a high of 19.33 percent at December 31, 2023. The quarterly average LTD of 14.61 percent is an increase from the previous CRA evaluation where the quarterly average LTD ratio was 13.25 percent.

The bank is headquartered in Mertzons, TX, Irion County and operates two branches in nearby San Angelo, TX, Tom Green County. Historically, the bank has had a low LTD ratio due to oil and gas activity related deposits. Utilization of oil fracking technology in the area has resulted in significant drilling activity resulting in a large number of depositors receiving oil and gas related royalties. Changes in oil prices will cause fluctuations in royalties which impact the level of deposits. A significant amount of the bank's deposits remains centered in shareholder- and insider-related deposits.

There is limited loan demand in Irion County which has an estimated population of 1,549 people as of July 1, 2023, and includes Mertzons as its only city and FNB Mertzons as its only bank. In Tom Green County, San Angelo makes up most of the county with an estimated population of 119,057 as of July 1, 2023. There is increased loan demand in San Angelo, however competition is much stronger as well, management estimates there are 14 banks and 5 credit unions operating multiple locations. Due to the amount of competition in the area, it is difficult to secure loans as FNB Mertzons can't always meet the lower rates being offered by competing banks. In addition to the overall softer loan demand and strong competition, the bank continues to have a larger number of loans paid off early because of customers benefitting from oil and gas activity income.

The bank has the deposits for the City of Mertzons, Irion County, and Irion County Independent School District (ICISD), which account for about \$37 million or 8 percent of all deposits, which totaled \$453 million at year end 2023. During the last CRA evaluation for the LTD analysis, examiners subtracted public funds due to the bank having to pledge investments which made them unavailable for funding

purposes and added in the bank's unfunded commitments. Using the same adjustment at this evaluation resulted in an adjusted average quarterly LTD of 19.29 percent.

FNB Mertzon's operational footprint and exposure to oil and gas activity provides for limited comparable institutions in the San Angelo MSA. Most banks within the MSA have other locations outside of the MSA, offer different loan products, and do not have similar oil and gas activity exposure. FNB Mertzon is more similarly situated to institutions with offices in areas that have significant oil and gas activity exposures. FNB Mertzon was compared to seven institutions with similar operational footprints that had oil and gas activity exposures. Two of the institutions operated within the San Angelo MSA and the other five did not. FNB Mertzon's quarterly LTD ratio is lower than the quarterly average LTD ratio for the seven similarly situated institutions. The similarly situated institutions' quarterly LTD ratio was 26.16 percent ranging from a low of 13.10 percent to a high of 57.20 percent. FNB Mertzon's LTD ratio of 14.61 percent most closely aligns with a similarly situated institution headquartered within the San Angelo MSA. This institution's quarterly LTD ratio was 13.10 percent with a low of 11.59 percent and a high of 15.01 percent.

Lending in Assessment Area

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

The bank originated and purchased 63 percent of its total loans by number and 47 percent by dollar volume inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

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	25	62.5	15	37.5	40	1,977	47	2,226	53	4,203
Total	25	62.5	15	37.5	40	1,977	47	2,226	53	4,203

Source: Bank Data: 2021-2023 small business loan sample. Due to rounding, totals may not equal 100%

Description of Institution

FNB Mertzon, a full-service, intrastate community bank headquartered in Mertzon, Texas, is independently owned and has no holding company. FNB Mertzon operates three full-service locations, the main office in Mertzon, Texas and two branches in San Angelo, Texas. Each location has a drive-through facility, and one San Angelo branch has an onsite automatic teller machine (ATM). A bank-owned ATM is located near the other San Angelo branch and across the street from the main office in Mertzon. One San Angelo branch and its nearby ATM are in a low-income census tract (CT). FNB Mertzon has not opened or closed any branches since the previous evaluation. See the Description of Institution's Operations in Texas section for additional information.

FNB Mertzon reported total assets of \$509 million as of December 31, 2023. Tier 1 capital totaled \$55.6 million, and the tier 1 leverage ratio was 10.9 percent. Net loans totaled \$87.5 million and represented 17.2 percent of total assets and 19.3 percent of total deposits. FNB Mertzon's loan portfolio consisted of

commercial real estate and construction and development loans secured by real estate (39 percent), commercial and industrial loans (31 percent), farmland and farm-related (17 percent), residential real estate (8 percent), and consumer and other loans (5 percent). The loan portfolio breakdown reflects FNB Mertzon's primary lending focus is commercial loans, specifically commercial real estate loans and small business lending.

FNB Mertzon offers a full range of loan and deposit products and services, including alternative delivery systems such as online, mobile, and telephone banking. Online banking, accessible through the bank's website (www.fnbmertz.com), allows customers to pay bills, make loan payments, transfer funds and access secure messaging capabilities. The mobile banking application provides customers with the ability to view their accounts, initiate transfers, and make mobile deposits. Telephone banking services are available 24 hours a day and include balance inquiries, funds transfer capabilities, and hours of operation for each location.

FNB Mertzon identified its AA as the San Angelo MSA which includes Irion County, Tom Green County, and Sterling County. FNB Mertzon faces strong competition from local community banks, credit unions, regional banks, as well as some of the largest banks in the nation in Tom Green County. The FDIC Deposit Market Share Report as of June 30, 2023, reflects FNB Mertzon had a market share of 13.58 percent in the San Angelo MSA and ranked 3rd of 16 institutions. First Financial Bank, National Association ranked 1st with a market share of 30.61 percent. Wells Fargo Bank, National Association ranked 2nd with a market share of 13.95 percent. FNB Mertzon is the only institution in Irion County.

Based on the financial condition, size, product offerings, and branch network, there are no legal, financial, or other factors that inhibit FNB Mertzon's ability to help meet credit needs in its AA. The prior performance evaluation, dated October 25, 2021, assigned an overall Satisfactory rating to FNB Mertzon's CRA performance based on a lending test rating of Satisfactory and a community development test rating of Outstanding.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated CRA performance 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. Due to the change in census data during the examination, data was analyzed separately for loans originated in 2021 and loans originated in 2022 or 2023. The primary lending product included in this evaluation was small business loans (including commercial real estate). We selected 20 small business loans originated 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 40 loans. For the community development test we evaluated CD loans, investments (including donations), and CD services.

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 performance in the bank’s one AA. Refer to the “Scope” section under the State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

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

The OCC has not identified that this institution (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 Texas¹: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A majority of the bank's loans are inside its AA.
- The bank exhibits a reasonable geographic distribution of loans.
- The bank exhibits an excellent distribution of loans to businesses of different sizes.
- The bank exhibits excellent responsiveness to CD needs within its AA.

Description of Institution's Operations in Texas

The bank operates three locations, including its main office, in its one AA in Texas. The main office is in an upper-income CT in Mertzon, the county seat of Irion County. The two branches are in San Angelo, the county seat of Tom Green County. One branch is in a low-income CT and the other is in a middle-income CT. All three locations are readily accessible to the population of the AA. Each location has a drive-through facility and either an onsite ATM or a bank-owned ATM located nearby.

San Angelo Assessment Area

FNB Mertzon designated the San Angelo MSA (Irion County, Tom Green County, and Sterling County) as its AA. Prior to 2019, the MSA included just Irion County and Tom Green County. The 2019 OMB changes resulted in adding Sterling County to the San Angelo MSA, therefore the bank's AA. In 2023, the OMB issued updated changes removing Sterling County from the San Angelo MSA, this change will be evaluated as part of the next CRA evaluation period.

For 2021, the bank's AA includes a total of 27 CTs, 25 CTs in Tom Green County, one CT in Irion County, and one CT in Sterling County. Tom Green County has one low-income CT, eight moderate-income CTs, 12 middle-income CTs, three upper-income CTs, and one CT with no income designation (the San Angelo airport). Irion and Sterling Counties each have one upper-income CT.

For 2022/2023, the bank's AA includes a total of 29 CTs, 27 CTs in Tom Green County, one CT in Irion County, and one CT in Sterling County. Tom Green County has two low-income CTs, six moderate-income CTs, 11 middle-income CTs, 7 upper-income CT, and one CT with no income designation (the San Angelo airport). Irion and Sterling Counties each have one upper-income CT.

The bank's AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

The January 2024 Moody's Analytics report indicates that the AA's economic recovery is trending positively. The jobless rate has declined even as the labor force trends higher, indicating a stable job market. Sustained foreign demand for natural gas paints a brighter picture for the key energy industry, leading to above-average income growth in the short-term. Additionally, the report states that the AA's economy will advance steadily in the near term as payrolls grow at a faster clip than the nation's and sustained foreign demand will drive energy production/drillers to expand their workforce.

Government entities, healthcare, and education are the largest industries in San Angelo. Top employers include Goodfellow Air Force Base, Shannon Health System, Angelo State University, and San Angelo Community Medical Center. The Moody's report shows 98.7 percent of the population resides in Tom Green County and 1.3 percent in Irion County. Median commute to work is 30 minutes.

The U.S Bureau of Labor Statistics reflects an annual unemployment average of 3.6 percent at year-end 2023 for the San Angelo MSA (Irion County: 3.3 percent, Tom Green County: 3.5 percent, and Sterling County: 4.0 percent). The rate compares favorably to the reported rate of 3.9 percent for the State of Texas. To help identify needs and opportunities in the AA, we contacted a local economic development organization who stated that approximately 42 percent of individuals in the area are living paycheck to paycheck and expressed that the biggest credit need in the community continues to be affordable housing.

Table A – Demographic Information of the Assessment Area						
Assessment Area: San Angelo TX MSA 2021						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	3.7	29.6	44.4	18.5	3.7
Population by Geography	118,046	2.2	27.5	50.9	19.4	0.0
Housing Units by Geography	48,837	2.3	27.9	48.9	20.9	0.0
Owner-Occupied Units by Geography	27,313	1.4	24.4	49.1	25.0	0.0
Occupied Rental Units by Geography	16,621	3.5	28.1	53.7	14.7	0.0
Vacant Units by Geography	4,903	3.7	46.4	31.0	18.8	0.0
Businesses by Geography	8,608	10.8	20.2	44.1	24.6	0.3
Farms by Geography	484	5.4	8.7	33.3	52.7	0.0
Family Distribution by Income Level	28,254	21.4	18.1	20.7	39.8	0.0
Household Distribution by Income Level	43,934	23.2	16.9	17.0	42.9	0.0
Median Family Income MSA - 41660 San Angelo, TX MSA		\$59,960	Median Housing Value			\$118,233
			Median Gross Rent			\$785
			Families Below Poverty Level			10.7%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

Table A – Demographic Information of the Assessment Area						
Assessment Area: San Angelo TX MSA 2022-2023						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	29	6.9	20.7	37.9	31.0	3.4
Population by Geography	122,888	5.5	16.2	37.1	41.2	0.0
Housing Units by Geography	50,244	6.0	15.9	38.7	39.5	0.0
Owner-Occupied Units by Geography	29,054	4.1	14.7	35.7	45.5	0.0
Occupied Rental Units by Geography	14,940	8.0	15.7	47.0	29.3	0.0
Vacant Units by Geography	6,250	9.6	21.4	32.8	36.1	0.0
Businesses by Geography	11,697	11.6	12.5	31.3	44.4	0.2
Farms by Geography	668	7.5	5.7	29.6	57.2	0.0
Family Distribution by Income Level	28,257	19.2	18.7	21.1	41.1	0.0
Household Distribution by Income Level	43,994	23.4	17.9	17.1	41.6	0.0
Median Family Income MSA - 41660 San Angelo, TX MSA		\$71,287	Median Housing Value			\$149,462
			Median Gross Rent			\$896
			Families Below Poverty Level			8.0%
Source: 2020 U.S. Census and 2023 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

As the bank's only AA, the San Angelo AA received a full-scope review.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

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

Conclusions for Area Receiving a Full-Scope Review

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

Distribution of Loans by Income Level of the Geography

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

Small Loans to Businesses

The bank's geographic distribution of small loans to businesses in the San Angelo MSA AA reflects a reasonable distribution throughout the AA. Refer to Table Q in appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

During 2021, the bank's percentage of small loans to businesses in low-income CTs was somewhat lower than aggregate lending data and lower than the percentage of businesses located in low-income tracts. The bank's lending in moderate-income geographies exceeded both the percentage of businesses located in moderate-income census tracts and aggregate lending data.

During 2022-2023, the bank's percentage of small loans to businesses in low-income CTs exceeded aggregate lending data and was near to the percentage of businesses located in low-income tracts. The bank's lending in moderate-income geographies exceeded both the percentage of businesses located in moderate-income census tracts and aggregate lending data.

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 an excellent distribution of loans to businesses of different sizes, given the product lines offered by the bank.

Small Loans to Businesses

The distribution of loans to businesses with revenues less than or equal to \$1 million is excellent in the San Angelo MSA AA. Refer to Table R in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's origination and purchase of small loans to businesses.

During 2021, the percentage of bank loans to businesses with revenues of \$1 million or less exceeded both the percent of AA businesses reporting revenues of \$1 million or less and the aggregate level of lending to these businesses.

During 2022-2023, the percentage of bank loans to businesses with revenues of \$1 million or less exceeded both the percent of AA businesses reporting revenues of \$1 million or less and the aggregate level of lending to these businesses.

Responses to Complaints

FNB Mertz on did not receive any complaints related to its CRA or fair lending performance during the evaluation period.

COMMUNITY DEVELOPMENT TEST

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

Conclusions for (Area/Areas) Receiving (a Full-Scope Review/Full-Scope Reviews)

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

Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information 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.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
San Angelo AA	61	100	3,562	100
Total	61	100	3,562	100
<i>Source: Bank Data 1/1/2021-12/31/2023</i>				

The bank originated six qualified loans located within the AAs that total \$1.1 million. Responsive to AA needs, the loans and credit cards focused on businesses and organizations offering community services and essential needs within the AA. In addition, the bank originated 55 qualifying PPP loans totaling \$2.4 million for 2021. The addition of the PPP loans significantly improved the number of qualifying CD loans. Thus, it is recommended to continue focusing on originating CD qualifying loans within the AAs. Examples of the CD loans and credit cards include the following:

- A \$365,000 loan that provided funding for the construction of rental properties in San Angelo that provides ADA compliant managed-care homes to low-to-moderate income individuals who can't afford nursing homes or assisted living.
- Credit cards that total \$12,500 issued to purchase items such as clothes, food, hygiene essentials, etc. for a shelter that house young girls who are removed from their homes due to abuse or neglect.

Broader Area

FNB Mertzon originated 18 CD loans totaling \$20.8 million outside of its AA. The loans were centered in providing financing for SBA guaranteed loans.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
San Angelo AA	0	0	66	\$62	66	100	\$62	100	0	0
Total	0	0	66	\$62	66	100	\$62	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 investments, including prior period investments that remain outstanding as of the examination date.

During the evaluation period, FNB Mertzon's investments included donations totaling approximately \$61,650. The donations and investments provided funding for LMI services and for rehabilitating and expanding schools within the AA. Examples of the donations and investments include:

- Donations totaling \$1,573 to the Lake View High School in San Angelo to provide hotspots for 11 LMI students.
- Donations totaling \$2,103 to the Irion County ISD to provide computers and internet hotspots for five LMI seniors.
- Donations totaling \$8,000 to the Habitat for Humanity of San Angelo to help construct homes for families on the brink of homelessness.

Broader Area

The bank did not make any new debt investments outside of the AA during the evaluation. But did donate \$100 to a charity outside the AA that provide food to LMI individuals. The bank had \$725,000 in qualified prior period municipal investments. Additionally, during the evaluation period the bank invested \$485,000 in minority owned depository institutions.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, bank officers and staff provided 851 hours to 13 organizations that provide CD services in the AA. Activities included providing leadership and technical expertise through board and committee membership and providing financial education to LMI individuals. Examples of CD services conducted during the evaluation period in the AA include:

- United Way of Concho Valley – Four bank employees provided 44 hours of service as a board member and members of the Community Impact Panel that helped to determine organizations that would receive funding and how much from the United Way.

- Concho Valley Food Bank – One employee provided 180 hours as a board member, assisting in determining how funds will be allocated.
- West Texas Boys Ranch – One employee provided 31 hours of service as a board member and Chairman assisting in making financial decisions.

Broader Area

During the evaluation period, bank officers and staff did not provide service hours to organizations outside of the AA.

Appendix A: Scope of Examination

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

Time Period Reviewed:	1/1/2021-12/31/2023	
Bank Products Reviewed:	Small business, community development loans, qualified investments, community development services.	
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 Angelo AA	Full Scope	<p>Irion County- The entire county is made up of one census tract that is designated upper income.</p> <p>Sterling County- The entire county is made up of one census tract that is designated upper income.</p> <p>Tom Green County- 25-27 census tracts that vary across all income levels, depending on census period.</p>

Appendix B: Summary of MMSA and State Ratings

RATINGS FIRST NATIONAL BANK OF MERTZON			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
FNB Mertzon	Satisfactory	Outstanding	Satisfactory
MMSA or State:			
Texas	Satisfactory	Outstanding	Satisfactory

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

Appendix C: Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

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

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

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

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.

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2021**

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
San Angelo TX MSA	20	4,825	100	2,038	10.8	5.0	7.2	20.2	30.0	20.1	44.1	30.0	43.5	24.6	35.0	27.2	0.3	0	2.1
Total	20	4,825	100	2,038	10.8	5.0	7.2	20.2	30.0	20.1	44.1	30.0	43.5	24.6	35.0	27.2	0.3	0	2.1

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%

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2022-2023**

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
San Angelo TX MSA	20	2,364	100	2,058	12.2	10.0	9.7	12.3	20.0	14.9	31.4	35.0	28.7	43.9	35.0	45.5	0.2	0.0	1.3
Total	20	2,364	100	2,058	12.2	10.0	9.7	12.3	20.0	14.9	31.4	35.0	28.7	43.9	35.0	45.5	0.2	0.0	1.3

Source: 2023 D&B Data; 01/01/2022 - 12/31/2022 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.

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2021**

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
San Angelo TX MSA	20	4,825	100	2,038	82.4	100	44.9	4.6	0	13.1	0
Total	20	4,825	100	2,038	82.4	100	44.9	4.6	0	13.1	0
<i>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%</i>											

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2022-2023**

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
San Angelo TX MSA	20	2,364	100	2,058	85.9	100	49.5	3.4	0	10.7	0
Total	20	2,364	100	2,058	85.9	100	49.5	3.4	0	10.7	0
<i>Source: 2022 D&B Data; 01/01/2022 - 12/31/2022 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.