



PUBLIC DISCLOSURE

September 26, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lone Star National Bank
Charter Number 17611

206 West Ferguson
Pharr, TX 78577

Office of the Comptroller of the Currency
10001 Reunion Place, Suite 250
San Antonio, TX 78216-4133

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

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General Information and Overall CRA Rating

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Lone Star National Bank (LSNB) issued by the OCC, the institution’s supervisory agency. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

The following table indicates the performance level of LSNB with respect to the Lending, Investment, and Service Tests:

Performance Levels	(LSNB) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

*The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- LSNB’s overall lending performance is rated Low Satisfactory. Lending activity reflects an adequate responsiveness to assessment area (AA) credit needs. A substantial majority of loans are made in the bank’s AAs. Borrower and geographic distribution is adequate.
- The bank’s overall level of qualified investments is rated High Satisfactory. LSNB has a significant level of community development (CD) investments and grants that exhibit good responsiveness to identified community needs.
- The bank’s performance under the service test is rated Low Satisfactory. Delivery systems are readily accessible to all portions of the AAs; services do not vary by location. LSNB provides good CD services through its financial literacy program - Cowboy Cash.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT) – 2010: Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

Community Development: 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize- Low- or moderate-income geographies; Designated disaster areas; or Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on- Rates of poverty, unemployment, and population loss; or Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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 do 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

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 MA/assessment area.

Median Family Income (MFI) – 2010: The median income derived from the United States Census Bureau's American Community Survey data every 5 years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Rated Area: A rated area is a state or multi-state metropolitan 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 area, the institution will receive a rating for the multi-state metropolitan 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) and the Thrift Financial Reporting (TFR) 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 One 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.

Description of Institution

LSNB is a full-service, an intrastate community bank headquartered in Pharr, Texas. LSNB is a wholly owned subsidiary of Lone Star National Bancshares - Texas, Inc., which is a one-bank holding company. As of June, 30, 2016, the bank reported assets of \$2.12 billion and tier 1 capital of \$240 million, representing 11.32 percent of total assets. LSNB has 32 full service branches, 38 full service automated teller machines (ATMs) (deposits/cash withdrawal) of which seven are at off-site locations, 12 limited service (cash withdrawal only) of which 11 are at off-site locations.

LSNB offers a wide variety of products and services. The bank originates residential and commercial real estate mortgages, as well as construction, commercial, agricultural, and consumer loans. LSNB has made strides to promote easy access for consumers and offers mobile banking to customers and the ability to submit consumer loan applications through the mobile banking app. The bank's average loan-to-deposit ratio since the last examination is 65.93 percent. As of the evaluation date, total loans were \$1.15 billion with the following composition: commercial (61 percent), residential real estate (29 percent), consumer (3 percent), and agricultural (4 percent). LSNB's mortgage department originates a large volume of residential loans for sale in the secondary market.

LSNB's overall business strategy is to become the premier, independent community bank in South Texas through continued improvement and flawless execution of quality sales and quality service. LSNB's mission is to be the respected leader in financial services committed to building customer relationships and helping them succeed financially. LSNB also offers alternate delivery channels including Internet/online banking at www.lonestarnationalbank.com, bank-by-phone, stored value cards, account messaging, and mobile banking (including mobile deposit capture).

LSNB has four AAs, of which three are located in the Rio Grande Valley of South Texas. Each AA consists of whole counties and includes every bank branch. No low- or moderate-income geographies have been arbitrarily excluded.

1. Hidalgo County AA – is the only county that comprises the McAllen-Edinburg-Mission MSA and consist of 113 census tracts. Most of the population for this AA is concentrated in the cities of Edinburg and McAllen, TX. This is the bank's primary AA located in the Rio Grande Valley.
2. Bexar County AA – this county is one of eight counties that compromises the San Antonio – New Braunfels MSA. This county consists of 366 census tracts. It is located approximately 240 miles north of McAllen, TX, with most of the population concentrated in the city of San Antonio, TX.
3. Cameron County AA – is one of two counties that make up the Brownsville-Harlingen MSA. This county consists of 86 census tracts and is located in the Rio Grande Valley. The principal city with the AA is Brownsville, TX.

4. Starr County AA – is the only county that comprises the Rio Grande City MSA. This county consist of 15 census tracts and is located in the Rio Grande Valley. Most of the population for this AA is concentrated in the city of Rio Grande City.

There are no legal or financial impediments hindering LSNB's ability to meet the credit, investment, and service needs of its AAs. The bank has not been involved in any mergers or acquisitions since the prior examination.

The last evaluation of LSNB's CRA performance as of October 15, 2012 resulted in a "Satisfactory" rating. A review of the bank's CRA Public File and OCC records did not identify any complaints relating to CRA performance since the prior evaluation.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation is based on the bank's performance since the last evaluation in October 2012 through September 2016. Conclusions regarding the Lending Test are based on HMDA reportable loans and small business loans from 2014-2015. Performance Tables in Appendix C include only data covered by the 2010 Census and the Office of Management and Budget (OMB) Metropolitan Area (MA) geographic boundary revisions that became effective for January 2014 (2014-2015). We evaluated data from 2013-2014 covered by the 2000 Census; however, it is only presented as needed in the applicable narrative sections of the evaluation.

For CD loans and the Investment and Service Tests, the evaluation period is from October 15, 2012 through September 26, 2016. The Investment Test includes a review of qualified investments and donations originated in LSNB AAs. The Service Test includes a review of retail and CD services provided in LSNB AAs.

Data Integrity

We performed a data integrity review in June 2016 to determine the accuracy of the loan data provided by the bank for use at this evaluation. We sampled HMDA and CRA small business loans made by the bank from January 2013 through December 2015. Information reported on HMDA and CRA loan data was determined to be substantially accurate after management completed a scrub of all data.

Selection of Areas for Full-Scope Review

LSNB has four AAs: the Hidalgo County AA, the Bexar County AA, the Starr County AA, and the Cameron County AA. For this evaluation period, we performed a full-scope review of the Hidalgo County AA. The bank maintains a substantial share of its business in this AA. Approximately 77 percent of deposits and 76 percent of CRA/HMDA reportable loans are located in the Hidalgo County AA. We conducted a limited-scope review for the other three AAs due to their significantly lower volumes of loans and deposits. Please see the table in Appendix A: Scope of the Examination for additional information.

Ratings

Our overall rating for the bank is primarily based on the area that received a full-scope review. Small business lending carried more weight than mortgage products in the overall conclusions, because the bank's primary focus and highest volume is in commercial lending. Multi-family loans and small farm loans received limited weight due to the low volume of those types of loans.

Other

We conducted one community contact in the Hidalgo County AA. Our objective was to discuss credit needs and CD opportunities in the bank's primary market. Our contact was an economic development corporation that provides counseling and financing for small start-up businesses. The community contact noted the need for small business financing, to revitalize low- and moderate-income areas, and the continued need for affordable housing for low- and moderate-income families.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Low Satisfactory." Based on a full-scope review, the bank's performance in the Hidalgo County AA is adequate. Lending activity and income distribution are good. Geographic distribution is adequate, with no lending gaps identified. CD lending is good and has a positive effect on the Lending Test rating.

Lending Activity

Please refer to Table 1: Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity. For purposes of this review, we used deposit information as of June 30, 2016.

LSNB's overall lending activity during this evaluation period is adequate. The bank has an average 65 percent loan-to-deposit ratio since the prior CRA evaluation in 2012. The bank's primary lending products are home mortgage loans followed by small business loans. As of June 30, 2016, LSNB ranked third in deposit market share in Hidalgo County at 13.94 percent among 21 depository institutions.

Our evaluation focused on lending performance in the full-scope AA for small business loan and home mortgage loan products, with an emphasis on small loans to businesses. Small business lending comprises approximately 25.48 percent of lending in the bank's AAs, and over 96.10 percent of those loans are located in the bank's AAs. Total home loans comprise 73.41 percent of the lending in the bank's AAs, and over 96.75 percent are located in the bank's AAs.

Distribution of Loans by Income Level of the Geography

LSNB's overall distribution of loans by income level of geography is adequate. Geographic distribution of loans to small businesses and home purchase loans overall is adequate. Geographic distribution of home improvement loans is good. We did not identify any lending gaps. A substantial majority of small loans to businesses and a high percentage of home mortgage loans were originated within the bank's AAs. Performance in 2013 was not inconsistent with performance in 2014 and 2015.

Small Loans to Businesses

Please refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination of small loans to businesses.

The geographic distribution of LSNB's small loans to businesses is good. The distribution of small loans to businesses is lower than the level of businesses in low-income geographies. However, the Hidalgo County AA has less than 1 percent of businesses in low-income geographies. The distribution in moderate-income geographies is excellent and slightly exceeds the market share. Despite LSNB's business strategy of being a large commercial lender, more efforts have been made in all AAs to improve market share of small business loans. Limited review AAs have excellent distribution in both low- and moderate-income

geographies. The improvement in small business market share, primarily in the Bexar County AA is representative of LSNB's business strategy and performance in the AA.

Home Mortgage Loans

Tables 2, 3, 4, and 5 in Appendix C provide the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. Home Mortgage Refinance and Multifamily loan volumes are not significant and were excluded from our analysis.

Geographic distribution for home mortgage lending is adequate. The market for mortgage products for LSNB is not particularly strong in Hidalgo County. Given the large poverty levels within the Hidalgo County AA, poor geographic distribution of home purchase and home improvement loans is substantiated. Market share for home improvement loans for LSNB exceeds the bank overall market share for moderate-income tracts. LSNB is meeting home improvement needs to low- and moderate-income tracts, while home purchase and home mortgage refinance loans may be less available to the populations of borrowers that make up these tracks.

Home Purchase Loans

Geographic distribution of home purchase loans is poor. No home purchase loans were represented in the low-income geographies in Hidalgo County AA. This performance is consistent with the high level of poverty (31 percent) in Hidalgo County AA. LSNB's performance in moderate-income geographies is somewhat lower than the demographic comparators, but better representative of the percentages of the percent of owner occupied units. LSNB's overall market share of home purchased loans is low for Hidalgo County AA.

Home Improvement Loans

Geographic distribution of home improvement loans is adequate for low- and moderate-income tracts and is slightly below the demographic comparators. The market share of loans in low-income (100 percent) and moderate-income (22 percent) tracts substantially exceeds the bank's overall market share (22 percent) of home improvement loans in the AA.

Lending Gap Analysis

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in LSNB's lending patterns in the AA. Loans were made to borrowers in all low- and moderate-income tracts.

Inside/Outside Ratio

We performed an analysis of LSNB's lending, within its AAs, at the bank level. LSNB originated a substantial majority of its small loans to businesses within the AAs, reflecting excellent performance. For small businesses, 96 percent of loans originated were within the bank's AAs. For home mortgage loans, 96 percent of loans originated were within the bank's AAs. This strong performance had a positive impact on the overall conclusion of good geographic distribution of lending by income level of geography.

Distribution of Loans by Income Level of the Borrower

LSNB's overall distribution of lending by income levels is adequate. Loans to small business with income below \$100 thousand or less is excellent for a large commercial bank such as

LSNB. Low market share of home purchase and home improvements loans leads to the adequate distribution levels of these loan products. Performance in 2013 was not inconsistent with performance in 2014 and 2015.

Small Loans to Businesses

Please refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination of small loans to businesses.

The borrower distribution of small loans to businesses is good. The distribution of loans by size shows that a high volume of loan originations (66 percent) are for \$100 thousand or less, which reflects favorably on the bank's level of making small loans to businesses. LSNB's market share of loans with revenues of \$1 million or less is somewhat below the percentage of businesses within Hidalgo County AA.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. LSNB's borrower distribution for home mortgage lending is adequate. Home Mortgage Refinance and Multifamily loan volumes is not significant and was excluded from our analysis.

Home Purchase Loans

Borrower distribution for home purchase loans is poor. The bank's market share for both low-income and moderate-income loans is well below the overall market share. This is reasonable given that about 32 percent of families live below the poverty level, making it very difficult for them to qualify for home ownership. After considering this, LSNB's performance for low-income borrowers is adequate when considering overall market share of home purchased loans of peers.

Home Improvement Loans

Borrower distribution of home improvement loans is adequate. The bank's market share for low-income loans is well below the overall market share. However, LSNB's percentage of loans to moderate-income borrowers is slightly below the percentage of moderate-income families in the Hidalgo County AA.

Community Development Lending

LSNB's CD lending reflects a good level of responsiveness to the credit needs of the Hidalgo County AA, and positively on the bank's lending performance rating. LSNB is responsive to CD lending needs both inside and outside the bank's AAs. Over the assessment period, the bank made 24 CD loans totaling \$36 million in the Hidalgo County AA.

The loans in the bank's AAs included those for affordable housing, community services for low- and moderate-income individuals, economic development, and revitalization and stabilization. The bank led the effort to provide for a huge need for affordable housing not only in Hidalgo County but the entire Rio Grande Valley.

CD lending was reviewed and evaluated initially on LSNB's activities in its Hidalgo County AA. Revitalization and stabilization efforts have been especially favorable outside of the Hidalgo County AA in the Bexar County AA. The majority of these loans finance an Airforce Base

(Brooks City Base) to provide new infrastructure, affordable base housing and new schools. Total CD lending for Bexar County resulted in six loans totaling \$25 million in financing to borrowers in low-to-moderate-income areas.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, LSNB's performance in the Cameron and Star AAs is inconsistent with the satisfactory performance of the Hidalgo County AA. Very limited CD opportunities were noted in both AAs.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

LSNB's performance under the investment test is rated "High Satisfactory" when considering the total amount of investments made including those in the limited scope review AAs, primarily the Bexar County AA. Based on the full-scope review of the Hidalgo County AA, the bank's performance is good, with many investments specifically meeting AA needs for business lending and affordable housing.

Qualified investments in the Hidalgo County AA during the assessment period totaled \$28.2 million, consisting of equity investments, grants, and donations. Investments made in prior periods continue to have a positive impact on the AA. In aggregate, qualified investments for the other three limited scope AAs investments and donations totaled \$36.6 million. Investments for all four AAs combined total \$65 million, representing 27 percent of tier 1 capital.

Investments

During the review period, LSNB purchased 22 qualifying equity investments in the Hidalgo County AA that promoted and supports the school districts of Edinburg, McAllen, and Pharr, TX. In addition, LSNB also purchased 14 other qualifying county investments in Hidalgo County that improved and acquired equipment for health and education facilities that provide services to low-to-moderate income families. One out of every three persons living in Hidalgo County is considered to be living in poverty.

Grants and Donations

Other qualified investments include donations and grants to organizations that support LMI individuals and geographic areas. Donations to organizations in the Hidalgo County AA totaled \$270 thousand.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, LSNB's performance in the Bexar County AA is excellent and stronger than performance in the Hidalgo County AA. San Antonio is a larger market and provides additional opportunities for CD investments. The overwhelming majority of investments in the Bexar County AA include investments for affordable and low-income housing. The following is a summary of these investments:

Westcreek Townhomes

Investment in apartment complex that will provide affordable housing to LMI individuals. Townhomes at Westcreek is an affordable rental property in Bexar County, Texas. The property was allocated low-income housing tax credits with at least 75 percent of the property's 220 units restricted to residents with incomes at or below 60 percent of area median income. In addition, per the project's Land Use Restriction Agreement, Townhomes at West Creek must set aside 10 percent of the units for persons with physical or mental disabilities.

Cheyenne Village Apartments

Investment in apartment complex. Cheyenne Village Apartments provide affordable housing to LMI individuals. Cheyenne Village Apartments was developed and operates with Federal housing financing. The property utilizes the Project Based Section 8 Federal housing program to make rent affordable to lower income tenants. All 60 units at the property receive Section 8 assistance. This means that 100 percent of the renter households in the property pay no more than 30 percent of their adjusted income for rent.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, LSNB performance in the Cameron and Star Counties AA is good and consistent with performance in the Hidalgo County AA.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Low Satisfactory." The rating is based on the geographic distribution of full-service banking offices and ATMs, and the commitment to CD services in the Hidalgo County AA. Please refer to Table 15: Distribution of Branch Delivery Systems, ATM Delivery Systems and Branch Openings/Closings.

Branch Delivery System and Branch Opening and Closings

The primary distribution systems for banking products are full-service banking offices. These offices are reasonably accessible to all income geographies and individuals. LSNB has 12 branches and 15 ATMs located in moderate-income tracts. In addition, two branches and two ATMs are located in low-income geographies. Branch penetration is adequate when compared with the percentage of the population in the four AAs income levels. Thirty-seven percent of the bank's branches are located in moderate-income tracts and six percent are located in low-income tracts. This is satisfactory penetration in moderate-income tracts and adequate penetration in low-income tracts when considering the amount of low-income tracts throughout the bank's four AAs. Branch openings and closings within the evaluation period has generally not adversely affected the accessibility of its delivery systems.

Alternative delivery channels are effective, and include Internet/online banking at www.lonestarnationalbank.com, bank-by-phone, stored value cards, account messaging, and mobile banking (including mobile deposit capture).

Reasonableness of Business Hours and Services

Banking hours do not vary in a way that inconveniences certain portions of the AA. In the Hidalgo County AA, there are no material differences in the full-service branches regarding hours of operations and services available within different geographies. All branch locations have standard banking hours Monday-Friday with extended evening hours on Friday.

Community Development Services

During the evaluation period, LSNB provided an adequate level of community development services and responsiveness to the CD service needs in the Hidalgo County AA with respect to the number of contributed hours, the number of employees actively involved, and the number and diversity of the type of non-profits they serve. The bank has met this need primarily by providing financial services that take advantage of bank employees' financial expertise. CD activities are responsive to the needs of low- and moderate-income individuals. LSNB provided CD services to 35 organizations engaged in CD activity. The following activities were identified that were of high impact and demonstrated strong leadership by the bank in the AA.

Cowboy Cash

Since 2011, LSNB has made efforts to promote financial literacy in their communities. The bank's Community Relations Office works with local schools, libraries, and community centers to put on various seminars that promote financial literacy and contain age-relevant information from the ABA's Personal Finance Training Manual. Presentations aimed at elementary school students utilize Cowboy Cash, the bank's mascot, to teach children the importance of saving through various relatable topics.

Lone Star National Bank has also created an activity coloring book which it distributes to children in grades Pre-K to 5th grade. The coloring book has different activities regarding allowance, places to save money, smart choices in saving your money versus spending, and saving for college. LSNB realizes financial literacy affects all income levels and the bank provides programs to anyone that requests them.

In addition to the programs aimed towards students, LSNB has also held several seminars to the public regarding current fraud trends, first time home buyers, and small business financing. From June 30th 2012 to June 30th 2016, LSNB made 85 presentations to over 21,000 students/individuals. Thirty-five of these presentations were given to schools in low- to moderate-income geographies, 40 were given to middle- and upper- income geographies, and 10 were given in mixed settings that included all levels of income geographies.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews and prior periods, LSNB's performance in their other three AAs is adequate and weaker than performance in the Hidalgo County AA. More dedicated efforts for services should be provided in limited-scope review AAs.

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 metropolitan and nonmetropolitan areas 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	Lending Test (excludes CD Loans): (01/01/2014 to 12/31/2015) Investment and Service Test and CD Loans: (11/15/2012 to 09/26/2016)	
Financial Institution		Products Reviewed
Lone Star National Bank (LSNB) 206 West Ferguson, Pharr, Texas		Small Loans to Businesses, Home Mortgages, CD Loans
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Hidalgo County AA Bexar County AA Cameron County AA Star County AA	Full Scope Limited Scope Limited Scope Limited Scope	

Appendix B: Market Profiles for Full-Scope Areas

Hidalgo County Assessment Area

Demographic Information for Full Scope Area: Lone Star - Hidalgo						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	113	0.88	30.97	42.48	23.89	1.77
Population by Geography	774,769	0.68	32.44	41.25	25.24	0.38
Owner-Occupied Housing by Geography	145,896	0.59	28.50	42.22	28.69	0.00
Business by Geography	39,833	0.41	22.72	36.21	40.54	0.12
Farms by Geography	768	1.04	29.43	32.42	37.11	0.00
Family Distribution by Income Level	170,503	25.27	15.52	16.77	42.44	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	69,554	1.19	41.13	43.14	14.54	0.00
Median Family Income		34,106	Median Housing Value	76,926		
FFIEC Adjusted Median Family Income for 2015		37,500	Unemployment Rate	3.80%		
Households Below Poverty Level		32%	(2010 US Census)			

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 US Census and 2015 FFIEC updated MFI

This AA includes Hidalgo County, which is LSNB’s only full scope AA. Edinburg is the county seat of Hidalgo County, however McAllen is the most populated city. Hidalgo County borders the Rio Grande across from the city of Reynosa, which is the main point of entry into Mexico’s State of Tamaulipas. The designation of this county as the bank’s AA does not arbitrarily exclude any low- or moderate-income tracts.

LSNB has 16 full-service branches and one motor bank in Hidalgo County providing a standard line of loan and deposit products. There are 34 ATMs in the Hidalgo County AA. Alternative delivery systems that provide readily available access to banking products include ATM/Visa Check Cards, online banking, online bill pay, and telephone banking. LSNB ranks third in deposit market share with 14 percent of deposits in the AA, based on the FDIC Summary of Deposits report for June 30, 2016.

The level of competition for loans, deposits, and investments in the AA continues to increase from large regional banks and smaller community banks which have branched into the AA. A number of local credit unions also provide competition to the banking institutions in the AA. Major local competitors include IBC and International NB.

The economy has become diversified between agriculture and retail as the Rio Grande Valley continues to grow. Retail development and consumption is supported by the border crossing. The Foreign Trade Zone located in McAllen, Texas provides various avenues for US companies to do business and trade with factories located in Mexico. Medical services are prominent in the area with a medical school located at University of Texas – Rio Grande Valley. Fifty-eight percent of the population in Hidalgo County is non-English speaking. Poverty levels are very high at 32 percent.

We conducted one community contact in conjunction with this examination. The community contact noted the need for capital funding for small businesses and the need for additional decent affordable housing for low- or moderate-income families.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

Table 1. Lending Volume - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As __.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

Table 2. Geographic Distribution of Home Purchase Loans - 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 market share information based on the most recent aggregate market data available.

Table 3. Geographic Distribution of Home Improvement Loans - See Table 2.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans - See Table 2.

Table 5. Geographic Distribution of Multifamily Loans - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

Table 6. Geographic Distribution of Small Loans to Businesses - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses 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) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business 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 7. Geographic Distribution of Small Loans to Farms - 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 market share information based on the most recent aggregate market data available. Because 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 8. Borrower Distribution of Home Purchase Loans - 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 MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.

Table 9. Borrower Distribution of Home Improvement Loans - See Table 8.

Table 10. Borrower Distribution of Refinance Loans - See Table 8.

Table 11. Borrower Distribution of Small Loans to Businesses - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 12. Borrower Distribution of Small Loans to Farms - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches and ATMs in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Institution ID: LONE STAR NATIONAL BANK (10000017611)

Table 1. Lending Volume

LENDING VOLUME		Geography: TEXAS				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015						
Assessment Area (2015):	% of Rated Area Loans (#) in MA/AA [*]	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans ^{**}		Total Reported Loans		% of Rated Area Deposits in MA/AA ^{***}
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review: *												
Lone Star - Bexar County	6.01	67	43,133	34	7,334	0	0	6	25,804	101	50,467	1.98
Lone Star - Cameron	12.91	127	16,574	88	13,760	2	545	3	1,001	217	30,879	12.17
* Lone Star - Hidalgo	62.58	575	81,860	461	59,303	16	1,189	24	36,177	1,052	142,352	77.45
Lone Star - Starr	18.50	243	5,249	58	2,402	10	451	0	0	311	8,102	8.40

^{*} Loan Data as of December 31, 2015. Rated area refers to either state or multi-state MA rating area.

^{**} The evaluation period for Community Development Loans is from January 01, 2014 to December 31, 2015.

^{***} Deposit Data as of January 06, 2017. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: LONE STAR NATIONAL BANK (10000017611)

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: TEXAS				Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015					Market Share (%) by Geography [*]				
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp
	#	% of Total ^{**}	% Owner Occ Units ^{***}	% BANK Loans ^{****}	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans					
Full Review: *															
Lone Star - Bexar County	49	10.36	5.31	8.16	26.57	14.29	32.30	36.73	35.82	40.82	0.11	0.45	0.05	0.14	0.10
Lone Star - Cameron	83	17.55	0.98	0.00	23.63	10.84	47.56	25.30	27.84	63.86	1.53	0.00	1.24	0.61	2.62
*Lone Star - Hidalgo	326	68.92	0.59	0.00	28.50	12.27	42.22	32.52	28.69	55.21	3.15	0.00	3.59	2.60	3.38
Lone Star - Starr	15	3.17	27.48	20.00	56.26	60.00	16.26	20.00	0.00	0.00	6.48	5.56	7.84	5.13	0.00

^{*} Based on 2014 Peer Mortgage Data -- US and PR

^{**} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

^{***} Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

^{****} Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT															Geography: TEXAS					Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015								
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*																	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp													
Full Review:*																												
Lone Star - Bexar County	8	1.79	5.31	37.50	26.57	12.50	32.30	25.00	35.82	25.00	0.28	2.67	0.28	0.19	0.12													
Lone Star - Cameron	29	6.50	0.98	0.00	23.63	24.14	47.56	31.03	27.84	44.83	4.44	0.00	5.00	2.65	6.76													
*Lone Star - Hidalgo	186	41.70	0.59	0.54	28.50	25.81	42.22	31.18	28.69	42.47	22.27	100.00	21.88	17.91	25.60													
Lone Star - Starr	223	50.00	27.48	25.11	56.26	54.71	16.26	20.18	0.00	0.00	84.30	81.82	82.86	94.44	0.00													

* Based on 2014 Peer Mortgage Data -- US and PR

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE Geography: TEXAS Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015															
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:*															
Lone Star - Bexar County	6	9.52	5.31	33.33	26.57	0.00	32.30	50.00	35.82	16.67	0.03	0.40	0.00	0.04	0.02
Lone Star - Cameron	10	15.87	0.98	0.00	23.63	20.00	47.56	30.00	27.84	50.00	0.36	0.00	0.73	0.16	0.48
*Lone Star - Hidalgo	44	69.84	0.59	0.00	28.50	6.82	42.22	40.91	28.69	52.27	1.17	0.00	0.29	1.77	1.06
Lone Star - Starr	3	4.76	27.48	0.00	56.26	66.67	16.26	33.33	0.00	0.00	2.63	0.00	5.71	0.00	0.00

* Based on 2014 Peer Mortgage Data -- US and PR

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2010 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: TEXAS		Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015											
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:*															
Lone Star - Bexar County	4	13.33	7.41	0.00	35.94	50.00	31.38	50.00	25.27	0.00	0.00	0.00	0.00	0.00	0.00
Lone Star - Cameron	5	16.67	2.73	0.00	20.10	60.00	35.34	0.00	41.83	40.00	17.24	0.00	28.57	0.00	16.67
*Lone Star - Hidalgo	19	63.33	0.90	0.00	19.04	5.26	36.51	68.42	43.55	26.32	23.33	0.00	8.33	32.00	21.74
Lone Star - Starr	2	6.67	17.16	0.00	67.99	100.00	14.85	0.00	0.00	0.00	100.00	0.00	100.00	0.00	0.00

* Based on 2014 Peer Mortgage Data -- US and PR

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of multifamily Units is the number of multifamily units in a particular geography divided by the number of multifamily housing units in the area based on 2010 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Institution ID: LONE STAR NATIONAL BANK (10000017611)

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES Geography: TEXAS Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015															
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography [*]				
	#	% of Total ^{**}	% of Business ^{***}	% BANK Loans	% of Business ^{***}	% BANK Loans	% of Business ^{***}	% BANK Loans	% of Business ^{***}	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:[*]															
Lone Star - Bexar County	34	5.30	5.68	8.82	23.64	38.24	29.75	20.59	40.64	32.35	0.00	0.00	0.00	0.00	0.00
Lone Star - Cameron	88	13.73	3.83	4.55	27.51	19.32	36.97	40.91	31.38	35.23	0.00	0.00	0.00	0.00	0.00
*Lone Star - Hidalgo	461	71.92	0.41	0.00	22.72	22.78	36.21	31.67	40.54	45.55	0.00	0.00	0.00	0.00	0.00
Lone Star - Starr	58	9.05	20.03	20.69	65.16	67.24	14.80	12.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00

^{*} Based on 2014 Peer Small Business Data -- US and PR

^{**} Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

^{***} Source Data - Dun and Bradstreet (2015).

Institution ID: LONE STAR NATIONAL BANK (10000017611)

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS															
Geography: TEXAS					Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015										
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:*															
Lone Star - Bexar County	0	0.00	4.49	0.00	18.11	0.00	30.94	0.00	46.42	0.00	0.00	0.00	0.00	0.00	0.00
Lone Star - Cameron	2	7.14	1.07	0.00	15.78	0.00	49.68	100.00	33.48	0.00	0.00	0.00	0.00	0.00	0.00
*Lone Star - Hidalgo	16	57.14	1.04	0.00	29.43	50.00	32.42	43.75	37.11	6.25	0.00	0.00	0.00	0.00	0.00
Lone Star - Starr	10	35.71	8.70	0.00	45.65	30.00	45.65	70.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2014 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2015).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: TEXAS					Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015					Market Share*				
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans**	% Families ¹	% BANK Loans*	% Families**	% BANK Loans*	% Families**	% BANK Loans*						
Full Review:*																
Lone Star - Bexar County	49	10.36	24.03	10.20	17.32	20.41	19.23	18.37	39.43	51.02	0.14	0.23	0.13	0.08	0.16	
Lone Star - Cameron	83	17.55	24.34	0.00	15.96	2.74	17.55	8.22	42.14	89.04	1.72	3.85	0.00	0.54	2.13	
*Lone Star - Hidalgo	326	68.92	25.27	1.71	15.52	3.77	16.77	9.59	42.44	84.93	3.85	17.65	3.19	1.62	4.19	
Lone Star - Starr	15	3.17	43.19	0.00	18.30	7.14	16.75	28.57	21.76	64.29	7.78	0.00	6.67	3.03	12.20	

* Based on 2014 Peer Mortgage Data -- US and PR

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2010 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 9.5% of loans originated and purchased by bank.

¹ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT															
Geography: TEXAS															
Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015															
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share [†]				
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ²	% BANK Loans [*] ***	% Families ^{***}	% BANK Loans [*] ***	% Families ^{***}	% BANK Loans [*] ***	Overall	Low	Mod	Mid	Upp
Full Review: *															
Lone Star - Bexar County	8	1.79	24.03	0.00	17.32	0.00	19.23	25.00	39.43	75.00	0.24	0.00	0.00	0.35	0.33
Lone Star - Cameron	29	6.50	24.34	5.56	15.96	5.56	17.55	27.78	42.14	61.11	2.97	5.88	5.00	0.00	3.13
*Lone Star - Hidalgo	186	41.70	25.27	0.93	15.52	14.81	16.77	10.19	42.44	74.07	15.47	6.67	18.75	8.47	17.00
Lone Star - Starr	223	50.00	43.19	11.69	18.30	22.08	16.75	16.88	21.76	49.35	65.45	77.78	62.50	37.50	70.00

[†] Based on 2014 Peer Mortgage Data -- US and PR

^{**} Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

^{***} Percentage of Families is based on the 2010 Census information.

^{****} As a percentage of loans with borrower income information available. No information was available for 53.6% of loans originated and purchased by bank.

² Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE															
Geography: TEXAS															
Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015															
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share [*]				
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{***}	% Families ³	% BANK Loans ^{***}	% Families ^{**}	% BANK Loans ^{***}	% Families ^{**}	% BANK Loans ^{***}	Overall	Low	Mod	Mid	Upp
Full Review: *															
Lone Star - Bexar County	6	9.52	24.03	0.00	17.32	0.00	19.23	50.00	39.43	50.00	0.03	0.00	0.00	0.05	0.04
Lone Star - Cameron	10	15.87	24.34	0.00	15.96	0.00	17.55	0.00	42.14	100.00	0.36	0.00	0.00	0.00	0.46
*Lone Star - Hidalgo	44	69.84	25.27	2.63	15.52	2.63	16.77	10.53	42.44	84.21	1.25	0.00	2.35	0.47	1.32
Lone Star - Starr NonMSA	3	4.76	43.19	0.00	18.30	0.00	16.75	33.33	21.76	66.67	3.13	0.00	0.00	0.00	5.88

^{*} Based on 2014 Peer Mortgage Data -- US and PR

^{**} Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

^{***} Percentage of Families is based on the 2010 Census information.

^{****} As a percentage of loans with borrower income information available. No information was available for 14.3% of loans originated and purchased by bank.

³ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: LONE STAR NATIONAL BANK (10000017611) (Included)

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES Geography: TEXAS Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015									
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share [*]	
	#	% of Total ^{**}	% of Businesses ^{***}	% BANK Loans ^{**}	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review: *									
Lone Star - Bexar County	34	5.30	78.09	58.82	41.18	26.47	32.35	0.00	0.00
Lone Star - Cameron	88	13.73	74.68	67.05	53.41	26.14	20.45	0.00	0.00
*Lone Star - Hidalgo	461	71.92	77.76	59.87	65.94	19.96	14.10	0.00	0.00
Lone Star - Starr	58	9.05	72.90	48.28	94.83	5.17	0.00	0.00	0.00

^{*} Based on 2014 Peer Small Business Data -- US and PR

^{**} Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

^{***} Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2015).

^{****} Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 29.02% of small loans to businesses originated and purchased by the bank.

Institution ID: LONE STAR NATIONAL BANK (10000017611) (Included)

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS									
		Geography: TEXAS			Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2015				
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
Full Review: *									
Lone Star - Bexar County	0	0.00	96.32	0.00	0.00	0.00	0.00	0.00	0.00
Lone Star - Cameron	2	7.14	95.52	50.00	0.00	50.00	50.00	0.00	0.00
*Lone Star - Hidalgo	16	57.14	94.53	50.00	81.25	18.75	0.00	0.00	0.00
Lone Star - Starr	10	35.71	95.65	60.00	80.00	20.00	0.00	0.00	0.00

* Based on 2014 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2015).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 46.43% of small loans to farms originated and purchased by the bank.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

Distribution of Branch Delivery System & Branch Openings/Closings																	
Geography: TEXAS																	
Evaluation Period: October 15, 2012 TO September 26, 2016																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review: * Only																	
Lone Star - Bexar County	1.98	5	0.00	0.00	20.00	40.00	40.00	2	1	0	0	-1	+2	7.73	31.87	30.81	29.58
Lone Star - Cameron County	12.17	4	0.00	0.00	33.00	33.00	33.00	0	0	0	0	0	0	1.86	28.20	47.90	22.03
* Lone Star - Hidalgo County	77.45	16	0.00	0.00	25.00	31.00	44.00	0	0	0	0	0	0	0.68	32.44	41.25	25.24
Lone Star - Starr County	8.40	3	0.00	0.00	100.00	0.00	0.00	0	0	0	0	0	0	27.06	60.10	12.84	0.00

Distribution of ATM Delivery System

Distribution of ATM Delivery System											
		Geography: TEXAS		Evaluation Period: October 15, 2012 TO September 26, 2016							
MA/Assessment Area:	Deposits		ATMs					Population			
	% of Rated Area Deposits in AA	# of BANK ATMs	% of Rated Area ATMs in AA	Location of ATMs by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review: *											
Lone Star - Bexar County	1.98	5	10.64	0.00	20.00	40.00	40.00	7.73	31.87	30.81	29.58
Lone Star - Cameron County	12.17	4	8.51	0.00	33.00	33.00	33.00	1.86	28.20	47.90	22.03
* Lone Star - Hidalgo County	77.45	34	72.34	0.00	23.52	35.29	41.17	0.68	32.44	41.25	25.24
Lone Star - Starr County	8.40	4	8.51	25.00	75.00	0.00	0.00	27.06	60.10	12.84	0.00