



PUBLIC DISCLOSURE

August 6, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Zapata National Bank
Charter Number 14955

703 Hidalgo Blvd.
Zapata, TX 78076

Office of the Comptroller of the Currency
San Antonio South Field 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	3
DEFINITIONS AND COMMON ABBREVIATIONS	4
DESCRIPTION OF INSTITUTION	8
SCOPE OF THE EVALUATION.....	9
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	11
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	12
LENDING TEST	12
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: COMMUNITY PROFILES FOR FULL-SCOPE AREAS.....	B-1
APPENDIX C: TABLES OF PERFORMANCE DATA	C-1

Overall CRA Rating: The bank is rated SATISFACTORY.

The Lending Test is rated: SATISFACTORY.

The bank has a satisfactory record of meeting community credit needs. The rating is based on the following findings:

- The bank's quarterly average loan-to-deposit (LTD) ratio is reasonable given its size, financial condition, and credit needs in the assessment area (AA).
- The bank originated a substantial majority of the loans inside its AA.
- The distribution of loans reflects reasonable dispersion across geographies of different income levels.
- The distribution of loans reflects reasonable penetration to borrowers of different income levels and to businesses of different sizes.

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): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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 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, 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 refinancings, 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): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. 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 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 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.

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) 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

Zapata National Bank (ZNB) is a full-service, single branch bank headquartered in Zapata, Texas. ZNB is a wholly owned subsidiary of Zapata Bancshares, Inc., a one-bank holding company based in Zapata, Texas. The location includes the main lobby, an onsite automated teller machine (ATM), and a drive-up facility. A standalone ATM is located on U.S. Highway 83 approximately one mile north of the main location.

In addition to a full range of consumer and commercial banking products and services, the bank offers online banking through www.zapatanationalbank.com. The website lets customers obtain up to the minute account activity, transfer funds between accounts, and manage payment of loans held at the bank. Online functions are limited to the above and do not allow customers to initiate wires, transfer funds to external accounts, or manage bill-pay. Customers also have the option of mobile banking with a personal smartphone device allowing customers the ability to check account balances, transfer funds between accounts, and make payments. The bank also offers 24-hour telephone access.

As of June 30, 2018, ZNB reported total assets of \$85.6 million and tier one capital of \$11.7 million, representing 14 percent of total assets. Net loans total \$33.2 million and represent 39 percent of total assets. ZNB's primary loan product is residential lending supplemented by smaller levels of commercial and consumer lending; the following chart reflects loan portfolio composition by loan type as of June 30, 2018.

Loan Portfolio Composition as June 30, 2018		
Loan Type	Volume (\$000)	% of Total Loans
Commercial Loans	9,664	29%
Home Mortgage Loans	17,811	54%
Agricultural Loans	1,562	5%
Consumer Loans	4,174	13%
Total Loans:	33,211	100%

Source: June 30, 2018 Call Report

ZNB faces modest competition from regional financial institutions operating in Zapata County. Primary competitors include state-chartered International Bank of Commerce (IBC) and Citizens State Bank. According to the FDIC's June 30, 2017 Deposit Market Share Reports, ZNB ranks second out of the three institutions in Zapata County with 34 percent of the total market share of deposits.

Based on its financial condition and size, there are no legal, financial, or other factors that inhibit ZNB's ability to meet the credit needs in its AA. ZNB prides itself in being the oldest bank in Zapata and strives to assist the citizens by offering competitive products and services with unequalled customer service. Their business strategy focuses on originating residential loans as the primary loan product. The prior CRA examination, dated October 28, 2013, assigned an overall "Satisfactory" rating to the lending performance of the bank.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The Office of the Comptroller of the Currency (OCC) evaluated ZNB's CRA performance using interagency small bank procedures, consistent with the provisions set forth in 12 CFR 25 Appendix A. The evaluation covers the period from January 1, 2015 to December 31, 2017. The evaluation period uses the most current 2010 U.S. Census data in the analysis. ZNB's performance under the CRA is satisfactory, and management has been successful in meeting the credit needs of the bank's AA.

The table below shows the breakdown of all loans that ZNB originated or renewed over the evaluation period. As shown, the primary products are home mortgage and commercial loans by dollar volume, and consumer loans, by number originated.

Loan Originations and Purchases By Loan Type During the Evaluation Period		
Loan Type	% by Dollar of Loans	% by Number of Loans
Home Mortgage Loans	45%	21%
Commercial Loans	36%	22%
Consumer Loans	12%	56%
Agricultural Loans	7%	1%
Total	100%	100%

Source: Internal Bank Reports

Loans tested were sampled from all loans originated during the 2015, 2016, and 2017 calendar years. During this time frame, the Federal Financial Institutions Examination Council (FFIEC) issued a change to tract income level designations from 2016 to 2017 in Zapata County which altered the number of low- and moderate-income census tracts. Because of this change, testing was split into two time periods; loans originated or renewed during 2015-2016 and loans originated or renewed during 2017.

The OCC selected a sample of 20 loans for each primary product and for each evaluation period resulting in a total sample of 120 loans (60 loans for each evaluation period). Examiners used the original samples to determine lending inside the AA and then replaced loans that originated outside the AA with loans originating inside the AA to determine borrower distribution and geographic distribution.

Data Integrity

The sampling period for home mortgage, commercial, and consumer loans included all loans originated, purchased, or renewed from January 1, 2015 to December 31, 2017. As previously noted, examiners selected a sample of 20 loans per loan product and verified information reported to source documents. We found no discrepancies between bank reported and source document data.

Selection of Areas for Full-Scope Review

ZNB has designated Zapata County as its only AA. The AA meets regulatory requirements, as it consists of whole geographies and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. As this is ZNB's only AA, it received a full-scope review. Please refer to **Appendix A** for more information.

Ratings

The bank's overall rating is based on the full-scope review of its only AA. All three identified primary products (residential, commercial, and consumer) were given equal weighting in determining the Lending Test rating. By dollar volume, home mortgage loans and commercial lending made up 45 and 36 percent of lending in the bank's AA, respectively. By number of loans generated, consumer lending vastly outweighed the other two products and accounted for 56 percent of all loans made; home mortgages and commercial lending accounting for only 21 and 22 percent, respectively. Lending data obtained from testing was compared to demographic information and, in conjunction with considering ZNB's performance context, was utilized to develop conclusions for each product reviewed. When available, aggregate lending data for financial institutions that operate in Zapata County were also utilized to gauge ZNB's performance.

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 assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution 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.

Conclusions with Respect to Performance Tests

LENDING TEST

ZNB's performance under the lending test is **SATISFACTORY** and management has been successful in meeting the credit needs of its AA. ZNB has demonstrated satisfactory performance based on its reasonable average quarterly LTD ratio, the substantial majority of loans originated inside the AA, reasonable lending penetration to borrowers of various income levels and to businesses of different sizes, and reasonable lending dispersion to low- and moderate-income geographies.

Loan-to-Deposit Ratio

The quarterly average LTD ratio is reasonable and reflects satisfactory performance given the bank's capacity to lend, market competition, local demographic, economic factors, and lending opportunities available in the AA. The bank's average quarterly LTD ratio for the 19 quarters in the evaluation period was 48 percent and ranged from a low of 45 percent at December 31, 2013 to a high of 54 percent at September 30, 2015.

To assess ZNB's performance, examiners compared this average to two similarly situated institutions, Citizens State Bank, and First National Bank of Hebronville. These institutions were selected due to overall asset size, number of branches, and geographic location. The results compare favorably to these similarly situated institutions. The peer group's average quarterly LTD was 42 percent ranging from a low of 34 percent to a high of 47 percent. Please note banks in the following table are listed by LTD ratio, but no ranking is intended or implied. In addition, LTD ratios are calculated on a bank-wide basis.

Loan-to-Deposit Ratio		
Institution	Total Assets (\$000s)	Average Quarterly LTD Ratio
Citizens State Bank	82,673	54%
Zapata National Bank	84,673	48%
The First National Bank of Hebronville	100,570	30%

Source: Institution Reports of Condition from September 2013 to March 2018

Lending in Assessment Area

ZNB originated a substantial majority of loans, by number and dollar volume, inside its AA and exhibits outstanding performance. As the following table shows, 87 percent by number and 86 percent by dollar volume of the loans sampled originated inside the AA. Please note that the proportion of lending inside versus outside the bank's AA is calculated on a bank-wide basis.

Table 1 - Lending in Zapata County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$000s
	#	%	#	%		\$000s	%	\$000s	%	
Home Mortgage	33	83	7	17	40	2,409	78	699	22	3,108
Commercial	34	85	6	15	40	2,159	96	96	4	2,255
Consumer	37	93	3	7	40	414	92	34	8	448
Totals	104	87	16	13	120	4,982	86	829	14	5,811

Source: 01/01/2015-12/31/2017 Bank Data

Geographic Distribution of Loans

ZNB's geographic distribution of loans reflects reasonable dispersion and satisfactory performance throughout its AA in both evaluation periods given the bank's size, primary loan products, and demographics. Refer to **Table O (Home Mortgage)**, **Table Q (Business)**, and **Table U (Consumer)** in **Appendix C** for the facts and data used to evaluate the geographic distribution of the bank's loan originations and purchases.

2017 Evaluation Period

During this time period, Zapata County had three census tracts, two designated moderate-income and one designated middle-income. The FFIEC website reflects that the middle-income census tract was designated as distressed or underserved. Overall lending performance for this evaluation period was outstanding with excellent dispersion.

- The distribution of home mortgage loans in moderate-income geographies is outstanding and shows excellent dispersion. The proportion of loans was stronger than the proportion of owner-occupied housing units in those geographies and stronger than the aggregate distribution of loans made by other lenders in those geographies.
- The distribution of loans to businesses in moderate-income geographies is outstanding and shows excellent dispersion. The proportion of loans significantly exceeded the proportion of businesses in those geographies.
- The distribution of consumer loans in moderate-income geographies is satisfactory and shows reasonable dispersion. The proportion of loans was comparable to the proportion of households in those geographies.

2015 – 2016 Evaluation Period

During this time period, Zapata County had three census tracts, one designated low-income and two designated moderate-income. Overall lending performance for this evaluation period was satisfactory with reasonable dispersion.

- The distribution of home mortgage loans in low- and moderate-income geographies is satisfactory and shows reasonable dispersion. Bank originated home mortgage loans exceeded the proportion of owner-occupied housing units in the low-income tract and aggregate distribution of loans in that tract. Originations in the two moderate-income tracts were below demographic and aggregate lending metrics, but reasonably comparable to these ratios.
- The distribution of loans to businesses in low- and moderate-income geographies is outstanding and shows excellent dispersion. The proportion of loans matched the proportion of businesses in those geographies.
- The distribution of consumer loans in low- and moderate-income geographies is satisfactory and shows reasonable dispersion. The proportion of loans was generally comparable to the proportion of households in those geographies.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

ZNB's borrower distribution of loans reflects reasonable penetration and satisfactory performance throughout its AA in both evaluation periods. Though mortgage lending to low-income borrowers was significantly less than demographic data, when compared to aggregate data the bank performed significantly stronger. Additionally, ZNB exhibited overall reasonable penetration of low-income borrowers for consumer lending which helps to demonstrate and support that the bank does in fact lend to this class of borrower. Refer to **Table P (Home Mortgage)**, **Table R (Business)**, and **Table V (Consumer)** in **Appendix C** for the facts and data used to evaluate the borrower distribution of the bank's loan originations and purchases.

2017 Evaluation Period

Overall lending performance for this evaluation period was satisfactory with reasonable penetration.

- The distribution of home mortgage loans to low- and moderate-income borrowers is satisfactory and shows reasonable dispersion. The proportion of loans is stronger than both the proportion of moderate-income families and aggregate distribution of loans to those borrowers. The proportion of loans to low-income borrowers was significantly less than the percentage of low-income families; however, the bank's lending to these borrowers was stronger than aggregate lending data. The combination of lower income levels and median housing values constrains lending opportunities to low-income borrowers, as the proportion of affordable properties is limited.
- The distribution of commercial loans reflects excellent penetration and outstanding performance to small businesses. The proportion of loans to small businesses is higher than the percentage of small businesses in the AA.

- The distribution of consumer loans to borrowers of different income levels reflects reasonable penetration and satisfactory performance. Although the proportion of ZNB's loans to low- and moderate- income borrowers was slightly below the proportion of households in those categories, 50 percent of the loans sampled did not have available income information. Loans to low- and moderate- income borrowers accounted for 70 percent of sampled loans with available income information, significantly exceeding the proportion of low- and moderate- income households in the AA.

2015 – 2016 Evaluation Period

Overall lending performance for this evaluation period was satisfactory with reasonable penetration.

- The distribution of home mortgage loans to low- and moderate-income borrowers is satisfactory and shows reasonable dispersion. The proportion of loans is comparable to the proportion of moderate-income families and was generally in-line with the aggregate distribution of loans. The proportion of loans to low-income borrowers was significantly less than the percentage of low-income families; however, the bank's lending to these borrowers was significantly stronger than aggregate lending data for financial institutions operating in Zapata County. For the timeframe, the percentage of families classified as low-income totaled 47 percent with the proportion of bank loans made to these borrowers totaling 10 percent. Comparatively, aggregate lending data shows only one percent of home mortgage loans were made to this class of borrowers. Limited affordable housing in the AA explains the proportion of loans originated by ZNB and aggregate lenders in the area falling below the proportion of low-income borrowers.
- The distribution of commercial loans reflects excellent penetration and outstanding performance to small businesses. The proportion of loans to small businesses is significantly higher than the percentage of small businesses in the AA.
- The distribution of consumer loans to borrowers of different income levels reflects reasonable penetration and satisfactory performance to low- and moderate-income borrowers. The bank's performance was comparable to the proportion of households in those categories.

Responses to Complaints

ZNB did not receive any complaints related to its CRA performance during the evaluation period. This has a neutral impact on the bank's overall performance.

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): (1/1/2015 to 12/31/2017)	
Financial Institution	Products Reviewed	
Zapata National Bank (ZNB) Zapata, TX	Home mortgage, small business, and consumer loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Zapata County	Full Scope	Non-MSA; income designation of census tracts changed from 2015/16 to 2017.

Appendix B: Community Profiles for Full-Scope Areas

Table A – Demographic Information of the Assessment Area						
Assessment Area: Zapata County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0	67	33	0	0
Population by Geography	14,308	0	74	26	0	0
Housing Units by Geography	6,223	0	66	34	0	0
Owner-Occupied Units by Geography	3,399	0	67	33	0	0
Occupied Rental Units by Geography	1,118	0	62	38	0	0
Vacant Units by Geography	1,706	0	66	34	0	0
Businesses by Geography	495	0	51	49	0	0
Farms by Geography	13	0	85	14	0	0
Family Distribution by Income Level	3,651	34	22	15	29	0
Household Distribution by Income Level	4,517	34	17	18	31	0
Median Family Income Non-MSAs - TX	54,200	Median Housing Value				\$56,075
		Median Gross Rent				\$484
		Families Below Poverty Level				33%
<i>Source: 2015 ACS Census and 2017 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Zapata County Description

ZNB designated Zapata County, a non-metropolitan statistical area, as its only AA. Demographic data reflected Zapata County had three census tracts at the 2015 ACS Census; however, income-level designations changed from 2016 to 2017. The county consists of 3 CTs, 9504.00, 9303.01, and 9503.02. For the 2015-2016 period, CT 9503.01 was low-income while 9503.02 and 9054.00 were classified as moderate-income. For the 2017 period, CT 9503.02 was reclassified as a middle-income CT and given the distressed/underserved designation; 9503.01 was reclassified as moderate-income and 9504.00 remained moderate.

Zapata, the largest city in the County, is an unincorporated community whose major employers include the local school district, health and social services, agriculture/fishing/hunting, and retail trade industries. In Zapata County, the economy centers on natural gas production, ranching, and tourism. Tourism is centered in fishing, hunting, and birding activities. Tourism has seen an uptick in activity and has brought additional revenues to local businesses thanks to the reintroduction of fishing tournaments held at Falcon International Reservoir, commonly called Falcon Lake.

The OCC conducted a community contact with a local organization that operates in the county. The contact indicated that a large portion of the population is on food stamps and that the cost of healthy fresh food is higher at the grocery store in Zapata than compared to other areas, given the lack of larger chains such as Wal-Mart or HEB. Opportunities for economic development in the area are limited as the county does not offer tax incentives for larger companies to move into the area. Despite this, the cost of living is generally low. Opportunities for individuals to obtain housing are minimal as homes are priced well above market and stay on the market for extended periods of time. In 2007, the maximum annual income in order for a borrower to fall into the low-income category was \$27,000. Additionally, 33 percent of all households in the AA lived below the federal poverty line which further lowers this income level. For 2017, the poverty line for a household of four was \$24,600 and gradually lowers to \$12,060 for a household of one. Census data for this time period places the median housing value at \$56,075.

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; (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Deposit data is compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE. Tables are identified by both letters and numbers, which results from how they are generated in supervisory analytical systems.

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 MA/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 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. Because small business data is 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 (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. The table also presents aggregate peer 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 throughout those geographies.

Table V. 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 to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MA/assessment area.

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2017**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Zapata AA	20	1,661	100	92	0	0	0	67	70	69	33	30	32	0	0	0	0	0	0

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2015-16**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Zapata AA	20	1,627	100	69	26	40	25	74	60	75	0	0	0	0	0	0	0	0	0

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Zapata AA	20	1,661	100	92	34	5	3	22	25	7	15	30	27	29	40	40	0	0	23
<i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																			

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2015-16
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Zapata AA	20	1,627	100	69	47	10	1	15	10	15	11	25	20	27	55	38	0	0	26
<i>Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>																			

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2017**

Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Total	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Zapata AA	20	701	100	0	0	51	65	49	35	0	0	0	0

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank 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 **2015-16**

Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts	
	#	\$	% of Total	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Zapata AA	20	1,296	100	20	20	81	80	0	0	0	0	0	0

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2017	
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	
Zapata AA	20	701	100	--	78	82	--	5	18	17	0	
<i>Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank 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											2015-16	
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	
Zapata AA	20	1,296	100	--	73	95	--	4	5	23	0	
<i>Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>												

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2017	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Zapata AA	20	267	100	0	0	66	65	34	35	0	0	0	0	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data.
Due to rounding, totals may not equal 100.0

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2015-16	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Zapata AA	20	192	100	26	20	75	80	0	0	0	0	0	0	

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data.
Due to rounding, totals may not equal 100.0

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2017	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Zapata AA	20	267	100	34	25	17	10	18	5	31	10	0	50	
<i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data. Due to rounding, totals may not equal 100.0</i>														

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2015-16	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
Zapata AA	20	192	100	39	35	18	15	14	10	29	15	0	25	
<i>Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data. Due to rounding, totals may not equal 100.0</i>														