



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

October 31, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Kleberg Bank, National Association
Charter Number 12968

100 E Kleberg
Kingsville, TX 78363

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

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

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Overall CRA Rating

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

The lending test is rated: Satisfactory

The community development test is rated: Satisfactory

The major factors that support this rating include:

- The bank's LTD ratio is more than reasonable
- A majority of the bank's loans are inside its assessment areas (AAs)
- The bank exhibits a reasonable geographic distribution of loans
- The bank exhibits a reasonable distribution of loans to individuals of different income levels and to businesses of different sizes
- The bank exhibits adequate responsiveness to community development (CD) needs within its AAs

Loan-to-Deposit Ratio

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

The bank's quarterly average LTD ratio calculated on a bank-wide basis since the last evaluation was 69 percent. The bank's LTD ratio ranged from a low of 60 percent on December 31, 2021, to a high of 78 percent on September 30, 2019. The bank's average quarterly ratio improved slightly from 67 percent during the prior evaluation period.

To assess the bank's performance, we compared its average quarterly LTD ratio to five similarly situated community banks in the local and surrounding areas with total assets ranging from \$305 million to \$619 million. The bank's quarterly average LTD ratio exceeded the quarterly average LTD ratio for the similarly situated institutions. The peer group average quarterly LTD was 61 percent, ranging from a low of 42 percent to a high of 79 percent.

Lending in Assessment Area

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

The bank originated and purchased 75 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. The bank does not have any affiliate lending included in this assessment.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	16	80	4	20	20	333	60	218	40	551
Consumer	29	73	11	27	40	587	62	367	38	954
Total	45	75	15	25	60	920	61	585	39	1,505

Description of Institution

Kleberg Bank, National Association (KBNA) is a full-service intrastate community bank headquartered in Kingsville, Texas. KBNA was chartered in 1926 and is solely owned by Kleberg and Company Bankers, Inc., a one-bank holding company. The bank does not have any affiliates. As of September 30, 2022, the bank reported total assets of \$688 million, tier one capital of \$59.5 million and a tier one leverage ratio of 8.6 percent.

KBNA operates four locations, one drive-in facility, six deposit taking image-enabled automated teller machines (ATMs), and one interactive teller machine in the cities of Corpus Christi and Kingsville. Over the evaluation period, KBNA closed one branch and relocated another branch to a new facility. The Ayers Street branch, located in a moderate-income census tract (CT) of Corpus Christi, relocated in 2019 to the newly built Crosstown branch in Corpus Christi which is also located in a moderate-income CT. The General Cavazos Boulevard branch, in a middle-income CT located within a Kingsville Wal-Mart Supercenter, was permanently closed in 2019. The bank did not have any merger or acquisition activities over the evaluation period. Refer to “Description of Institution’s Operations in Texas” in the State Rating section for additional information.

KBNA offers a variety of consumer, commercial, and deposit products for its customers as well as brokerage services through Kleberg Wealth Management. KBNA’s strategic focus involves enhancing the commercial and private banking experience while continuing to offer consumer and lending products and streamlining mortgage products available to consumers while remaining committed to their consumer auto lending products. Consumer products include mortgage loans, auto loans, and secured and unsecured personal loans. Commercial products include construction loans, business term loans, lines of credit, and real estate loans. Deposit products include a free student checking account, low-cost checking and interest earning checking accounts, saving accounts, and time deposits. The bank website provides detailed information on branch operating hours, account fees, account fee waivers, and overdraft protection. Online banking, mobile banking, and 24-hour support through Telephone Banking are available to customers.

As of December 31, 2021, net loans totaled \$360 million and represented 51 percent of total assets. The loan portfolio is composed of commercial loans (57 percent), residential real estate loans (23 percent), consumer loans (17 percent), and agricultural loans (3 percent).

In response to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established in 2020, KBNA participated in the Small Business Administrations’ (SBA) Paycheck Protection Program (PPP). These loans were designed to provide a direct incentive for small businesses to keep their workers on payroll during the COVID pandemic. The bank originated 961 loans totaling \$81.2 million during the evaluation period which allowed businesses to maintain approximately 10,600 employees on their respective payrolls.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AAs. The prior performance evaluation dated September 30, 2019, assigned an overall "Satisfactory" rating to KBNA's CRA performance.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We completed a review of KBNA's CRA activities under the Intermediate Small Bank (ISB) examination procedures, which includes the Lending and CD tests. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through qualified lending, investments, and services. The evaluation period for the lending and CD tests was January 1, 2019, through December 31, 2021. Qualifying lending activities performed in response to the Coronavirus pandemic during the evaluation period are included in this CRA evaluation.

To evaluate lending performance, analysis was completed on random samples of consumer and commercial loans. Primary lending products for the bank were selected based on the dollar and number of loans originated and purchased over the evaluation period. Commercial loans and consumer loans were determined to be the bank's primary products during the evaluation period. Commercial loans represented 56 percent of loans by dollar amount and 35 percent by number of loans. Consumer loans represented 16 percent of loans by dollar amount and 55 percent by number of loans.

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

Selection of Areas for Full-Scope Review

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

Ratings

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

Discriminatory or Other Illegal Credit Practices Review

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

State Rating

State of Texas

CRA rating for the State of Texas: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The bank's LTD ratio is more than reasonable
- A majority of the bank's loans are inside its AAs
- The bank exhibits a reasonable geographic distribution of loans
- The bank exhibits a reasonable distribution of loans to individuals of different income levels and to businesses of different sizes
- The bank exhibits adequate responsiveness to CD needs within its AAs

Description of Institution's Operations in Texas

KBNA has two AAs in the state of Texas, Kleberg County and Nueces County. Nueces County is part of the Corpus Christi metropolitan statistical area (MSA), and the bank's AA includes all 82 CTs in Nueces County. The Kleberg County AA is not part of an MSA, and the bank's AA includes all 5 CTs within Kleberg County. The bank's head office is in Kingsville, TX, which is located within the Kleberg County AA. The branch locations in Corpus Christi are located within the bank's Nueces County AA. Both AAs form a contiguous banking region, meet the requirements of the regulation, and do not exclude any low- or moderate-income (LMI) geographies.

Kleberg County AA

Kleberg County is 881 square miles and located in the Texas Coastal Bend Region directly south of the Corpus Christi Metro area. Kleberg County is bordered by Nueces, Jim Wells, Kennedy, and Brooks Counties. Communities included in the Kleberg County AA include Kingsville, Ricardo, and Rivera. The AA consists of two moderate-income, two middle-income, and one upper-income CTs. There is one full-service branch located in the city of Kingsville within a moderate-income CT. KBNA also has a drive-in facility located in a middle-income CT in Kingsville which offers drive-thru services for customers. There are four ATMs within the Kleberg County AA, two located in moderate-income CTs and two located in middle-income CTs.

QuickFacts data from the United States Census Bureau (census) shows that Kleberg County had a total population of 31,040 as of April 1, 2020. This was a decline of about three percent from the 2015 American Community Survey (ACS) Census data reflected in the table below. More recent census estimates in July 2021 reflected an additional 1.3 percent decline in population since 2020. Kingsville, TX is the largest city in the county with an estimated population of 25,560.

Census data from 2020 reported that the AA median household income was \$49,986 (from 2017-2021). The 2020 census data reported a county-wide poverty rate of 25 percent, which significantly exceeded the

state-wide and national poverty rates of 14 percent and 12 percent, respectively. The 2016-2020 ACS 5-year census estimate reports that 19 percent of households receive Supplemental Nutrition Assistance Program (SNAP) benefits, with an estimated 60 percent of households that received SNAP having children under the age of 18. Information from the Texas Education Agency (TEA) provides additional perspective on low- and moderate-income populations in the AA through their reports on local school districts. TEA reports show that during 2020-2021, about 70 percent of the students in the county were economically disadvantaged or eligible for free or reduced lunch programs. This percentage was higher than the 60 percent for the overall state of Texas.

ACS 2015 census data, as reflected in the table below, shows AA median housing value at \$82,915. More recent third quarter 2022 data from the National Association of Realtors (NAR) reflects an increase in the median value to \$117,296. The NAR also estimated that due to higher mortgage rates and home prices, the typical mortgage payment is higher by \$242 as compared to third quarter 2021.

The U.S. Bureau of Labor Statistics (BLS) identified the 2021 annual average unemployment rate for Kleberg County as 7.1 percent, comparing unfavorably to state and national unemployment rates of 5.7 and 5.3 percent, respectively. The largest industry in the AA is education and health care services at 29 percent followed by retail trade and arts, entertainment, and recreation at 14 and 10 percent, respectively. Kingsville serves as the county seat for Kleberg County. Major employers in the area include Texas A&M University at Kingsville, the Naval Station, municipal and county government offices, HEB Food Stores, and the school district. Tourism plays a vital role in the economy of Kleberg County and Kingsville. With Kleberg County being in close proximity to Corpus Christi, Padre Island, and the Gulf of Mexico, fishing and boating are popular activities among tourists.

Kleberg County has a competitive banking environment, including offices of six local and national deposit-taking financial institutions. The FDIC's Deposit Market Share Report as of June 30, 2022, shows KBNA holding the largest share of the deposit market at 55 percent. Wells Fargo Bank, National Association holds the next largest market share at 23 percent. In addition to local, state, and national banks, the bank faces additional competition from credit unions.

To help identify the needs and opportunities in the AA we completed a community contact with a local organization which focuses on economic development in the AA. The contact indicated the community has seen an uptick in business growth and new business permits and a rebound following the COVID-19 pandemic. Housing prices continue to rise and are placing additional pressures on the LMI communities. The contact indicated a large need in the community is access to small business lending to help fund new ventures and existing business expansions. The contact had favorable opinions on local financial institutions' involvement in the community noting that financial institution representatives are visible in the community and serve on local non-profit boards.

Table A – Demographic Information of the Assessment Area						
Kleberg County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	40.0	40.0	20.0	0.0
Population by Geography	32,029	0.0	40.7	43.8	15.6	0.0
Housing Units by Geography	12,995	0.0	40.0	43.8	16.1	0.0
Owner-Occupied Units by Geography	5,769	0.0	34.4	42.2	23.5	0.0
Occupied Rental Units by Geography	5,137	0.0	43.2	51.8	5.1	0.0
Vacant Units by Geography	2,089	0.0	47.9	29.0	23.1	0.0
Businesses by Geography	1,555	0.0	31.4	48.6	20.0	0.0
Farms by Geography	55	0.0	21.8	27.3	50.9	0.0
Family Distribution by Income Level	6,981	28.0	18.6	15.7	37.7	0.0
Household Distribution by Income Level	10,906	30.2	14.5	15.8	39.5	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$82,915
			Median Gross Rent			\$761
			Families Below Poverty Level			19.7%
<i>Source: 2015 ACS Census and 2020 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>						

Nueces County AA

Nueces County is 1,166 square miles and is located in the Texas Coastal Bend Region directly north of Kleberg County. Nueces County is part of the Corpus Christi MSA and is bordered by San Patricio, Jim Wells, Kleberg, and Aransas County. Communities included in the Nueces County AA include Corpus Christi, Port Aransas, Robstown, and Driscoll. The Nueces County AA consists of all 82 CTs located within the county. The CTs include six low, 22 moderate, 27 middle, 24 upper, and three unknown income tracts. The bank operates three full-service branches within the Nueces County AA. All three branches are within the Corpus Christi city limits and are in moderate-income CTs. There are 2 ATMs within the Nueces County AA, both of which are also located in moderate-income CTs.

The county's population has remained relatively stable as compared to population estimates from the ACS 2015 census data reflected in the table below. QuickFacts data from the census shows that Nueces County had a total population of 353,178 as of April 1, 2020, and more recent census estimates in July 2021 reported a similar population estimate of 353,079. Corpus Christi, TX is the largest city in the county with an estimated population of 317,768.

Census data from 2020 reported that the AA median household income was \$59,477 (from 2017-2021). The 2020 census data reported a county-wide poverty rate of 18 percent, which exceeded state-wide and national poverty rates of 14 percent and 12 percent, respectively. The 2016-2020 ACS 5-year estimate reported that 17 percent of AA households received SNAP benefits with an estimated 60 percent of households that received SNAP having children under the age of 18. TEA reports show that during 2020-2021, about 66 percent of the students in the county were economically disadvantaged or eligible for free or reduced lunch programs. This percentage was slightly higher than the 60 percent for the overall state of Texas.

ACS 2015 census data, as reflected in the table below, shows the AA median housing value at \$126,756. NAR third quarter 2022 data reflects an increase in the median value to \$192,991. The NAR also estimated that due to higher mortgage rates and home prices, the typical mortgage payment is higher by \$368 as compared to third quarter 2021.

The U.S. BLS identified the 2021 annual average unemployment rate for Nueces County at 6.9 percent, comparing unfavorably to state and national unemployment rates of 5.7 and 5.3 percent, respectively. The largest industry in the AA is education and health care services at 24 percent followed by retail trade at 12 percent, arts, entertainment, and recreation at 11 percent and construction at 11 percent. The economy is largely based on education services, health care, and social service. Corpus Christi serves as the county seat for Nueces County. Major employers in the area include Texas A&M University at Corpus Christi, the Naval Air Station, municipal and county government offices, various oil and energy refineries, shipping companies, and the various school districts in the region. Tourism plays a vital role in the economy of Nueces County and the city of Corpus Christi which are popular spring break and summer vacation destinations due to the beaches and proximity to the Gulf of Mexico and Padre Island Seashore.

Nueces County has a very competitive banking environment. The FDIC June 30, 2022, deposit market share report shows 16 local and national FDIC-insured deposit-taking financial institutions in the AA. The financial institutions are located throughout Nueces County in the cities of Corpus Christi, Robstown, and Aransas Pass. The FDIC report shows KBNA ranking sixth in deposit market share at four percent. Frost Bank leads in deposit market share at 25 percent. In addition to local, state, and national banks, KBNA also faces competition from credit unions, mortgage companies, and non-bank lenders.

To help identify the needs and opportunities in the AA we completed two community contacts which focused on economic development and small business development in the county. Both contacts indicated extensive shortfall in affordable housing for LMI individuals and an inability for builders to meet the demand for affordable housing. One contact indicated several opportunities for financial institutions involvement in funding affordable housing development, first-time home buyer programs, and multifamily development. The other contact indicated that there are many finance opportunities in the county for small business lending. Both contacts had favorable opinions of participation by local financial institutions and stated that strong participation in the SBA paycheck protection program (PPP) helped to keep many local businesses afloat during the pandemic.

Table A – Demographic Information of the Assessment Area						
Nueces County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	82	7.3	26.8	32.9	29.3	3.7
Population by Geography	352,060	6.3	29.5	33.3	30.2	0.8
Housing Units by Geography	144,416	6.2	28.0	33.7	32.2	0.0
Owner-Occupied Units by Geography	72,680	4.2	25.6	34.2	35.9	0.0
Occupied Rental Units by Geography	54,220	8.0	32.2	31.9	27.8	0.0
Vacant Units by Geography	17,516	8.6	24.5	37.0	29.9	0.0
Businesses by Geography	26,547	3.5	29.7	33.5	33.0	0.3
Farms by Geography	698	2.9	22.2	32.1	42.7	0.1
Family Distribution by Income Level	87,112	22.6	17.2	17.8	42.4	0.0
Household Distribution by Income Level	126,900	25.1	16.1	16.6	42.1	0.0
Median Family Income MSA - 18580 Corpus Christi, TX MSA		\$58,364	Median Housing Value			\$126,756
			Median Gross Rent			\$900
			Families Below Poverty Level			13.8%
<i>Source: 2015 ACS Census and 2020 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>						

Scope of Evaluation in Texas

The bank has two designated AAs, the Kleberg County AA, and the Nueces County AA. Due to the opportunities for lending and community development, and the volume of loans and deposits in both AAs, we selected both areas for full-scope reviews during the evaluation period. We evaluated performance in each AA equally.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

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

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance in the Kleberg County and Nueces County AAs is reasonable.

Distribution of Loans by Income Level of the Geography

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

Small Loans to Businesses

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

Kleberg County AA

The geographic distribution of the bank's small loans to businesses is reasonable. The AA does not include any low-income geographies. The percentage of bank loans in moderate-income geographies is below the percentage of businesses within the geography but is in-line with aggregate data from other small business lenders in the area.

Nueces County AA

The geographic distribution of the bank's small loans to businesses is reasonable. The percentage of bank loans in low-income geographies exceeded both the percentage of businesses within the geography and aggregate data from other small business lenders in the area. The percentage of bank loans in moderate-income geographies is near to both the percentage of businesses within the geography and aggregate data from other small business lenders in the area.

Consumer Loans

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

Kleberg County AA

The geographic distribution of the bank's consumer loans is reasonable. The AA does not include any low-income geographies. The percentage of bank loans in moderate-income geographies aligns with the percentage of households within the geography.

Nueces County AA

The geographic distribution of the bank's consumer loans is reasonable. The percentage of bank loans in low-income geographies aligns with the percentage of households within the geography. The percentage of bank loans in moderate-income geographies is near to the percentage of households within the geography.

Lending Gap Analysis

We reviewed geographic distribution reports for small loans to businesses and consumer loans in the AAs and did not identify any unexplained conspicuous gaps in lending activity.

Distribution of Loans by Income Level of the Borrower

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

Small Loans to Businesses

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

Kleberg County AA

The distribution of small loans to businesses is excellent. The percentage of bank loans to businesses with annual revenues of \$1 million or less exceeds the reported percentage of small businesses in the AA and significantly exceeds the aggregate percentage reported by other business lenders in the AA.

Nueces County AA

The distribution of small loans to businesses in this AA is also excellent. The percentage of bank loans to businesses with annual revenues of \$1 million or less aligns with the reported percentage of small businesses in the AA and significantly exceeds the aggregate percentage reported by other business lenders in the AA.

Consumer Loans

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

Kleberg County AA

The distribution of consumer loans to borrowers of different income levels is reasonable. The percentage of bank loans to low-income borrowers is below the percentage of low-income households in the AA. The percentage of bank loans to moderate-income borrowers exceeded the percentage of moderate-income households in the AA. The lower penetration to low-income borrowers can be attributed to higher levels of poverty and unemployment in the AA.

Nueces County AA

The distribution of consumer loans to borrowers of different income levels is reasonable. The percentage of bank loans to low-income borrowers is below the percentage of low-income households in the AA. The percentage of bank loans to moderate-income borrowers is near to the percentage of moderate-income households in the AA. The lower penetration to low-income borrowers in this AA can also be attributed to higher levels of poverty and unemployment in the AA.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

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

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank exhibits adequate responsiveness to CD needs in the state of Texas through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities in the bank's AAs.

Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Kleberg County AA	1	33.3	500	15.4
Nueces County AA	2	66.7	2,754	84.6
Total CD Loans	3	100.0	3,254	100.0

Kleberg County AA

The bank's responsiveness to the AAs needs through CD lending is adequate. During the evaluation period, KBNA originated one qualified loan in this AA totaling \$500 thousand. The loan was originated to build affordable housing in a moderate-income census tract in the Kleberg County AA.

Nueces County AA

The bank's responsiveness to the AAs needs through CD lend is adequate. During the evaluation period, KBNA originated two qualified loans in the AA totaling \$2.7 million. Both loans were made to fund the purchase and renovation of a hotel located in the Nueces County AA. \$1 million of the funds were guaranteed by the SBA under the 504-loan program. The entire project was approved to meet SBA 504 requirements which requires the project to promote business growth and job creation.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Kleberg County AA	0	0	2	51	2	6.5	51	35.4	-	-
Nueces County AA	0	0	29	93	29	93.5	93	64.6	-	-
Total	0	0	31	144	31	100	144	100	-	-

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Kleberg County AA

The bank's responsiveness to the AA's needs through CD investments is adequate. During the evaluation period, KBNA made two qualified CD investment in the AA totaling \$51 thousand. Highlights include:

- \$46 thousand to an Independent Bankers Capital Fund which is part of a government-sponsored investment fund to provide capital to small businesses. Investments into these funds are matched 2 to 1 by the SBA.
- \$5 thousand to the Dream Come True Foundation. The foundation assists people in poverty in South Texas with education, mentoring, and financial support.

Nueces County AA

The bank's responsiveness to AAs needs through CD investments is adequate. During the evaluation period, KBNA's qualified investments in this AA included 29 qualified donations totaling \$93 thousand. The donations provided funding for LMI services including youth programs, small business finance, and scholarships that target LMI individuals. Highlights are summarized below.

- \$14,250 to a local Boys & Girls Club to fund afterschool programs which provide financial skills and management courses to LMI youth
- \$14,500 to fund college scholarships for GED recipients, most of which have low- and moderate-incomes. Scholarship funds are matched by local colleges.
- \$11,500 to United Way of the Coastal Bend which assists people in poverty in South Texas with education, mentoring, and financial support.
- \$10 thousand to Del Mar College Foundation, Inc, which is part of a \$50 thousand commitment to create a need-based scholarship fund at a local college.

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

Extent to Which the Bank Provides Community Development Services

Kleberg County AA

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

- Kiwanis Club of Kingsville – One employee serves as treasurer and uses their financial skills to assist with budgeting and disbursement of funds. The club serves the needs of local children, fighting hunger, and improving literacy.
- Kingsville Education Foundation- One employee serves on a fundraising committee which provides grants to teachers for computers, books, and other classroom necessities in schools where the majority of students are economically disadvantaged.
- Dream Come True Foundation of South Texas – One employee is president and a founding member of the program. The employee also sits on the investment committee and uses her financial skills to help with budgeting and disbursement of funds. The foundation assists people in poverty in South Texas with education, mentoring, and financial support.
- Texas A & M University Kingsville – KBNA employees provided a financial literacy presentation on understanding debt, building credit, and credit scores to first generation low-income students as part of the Student Support Services offered by the university.

Nueces County AA

The bank's responsiveness to the AAs needs through CD services is adequate. Bank officers and staff provide CD services to the local community through volunteer efforts at local community organizations or events. Activities include providing leadership and technical expertise through board and committee memberships. Examples of CD services conducted during the evaluation period included:

- United Way of the Coastal Bend – One employee serves as Secretary and Chair of the investment committee and uses their financial skills to assist with budgeting and disbursement of funds. The organization is a non-profit which focuses on education, health, and financial stability, primarily for LMI individuals and families.
- Charlie's Place – One employee is a board member of the organization and sits on the finance committee. The organization primarily services LMI individuals and provides detoxification and rehabilitation programs in the Nueces County AA.
- Workforce Solutions – Employee serves on the board of directors responsible for monitoring all activities associated with the delivery of programs through the business and career centers. The organization provides adult education, literacy, workforce relevant educational training for youth, and disability employment services.

KBNA's physical locations and online services are reasonably accessible to the entire community, including LMI individuals. All four branches are located in moderate-income CTs, four ATMs are in moderate-income CTs, and 2 ATMs are in middle-income CTs.

Appendix A: Scope of Examination

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

Time Period Reviewed:	Lending Test - 01/01/2019 to 12/31/2021 CD Test – 01/01/2019 to 12/31/2021	
Bank Products Reviewed:	Small business and consumer loans Qualified loans, investments, and community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	Not Applicable	Not applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
State of Texas		
Kleberg County AA	Full-Scope	Includes all five census tracts within the county.
Nueces County AA	Full-Scope	Includes all 82 census tracts within the county.

Appendix B: Summary of MMSA and State Ratings

RATINGS: Kleberg Bank, National Association			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State Rating
Kleberg Bank, National Association	Satisfactory	Satisfactory	Satisfactory
State: Texas	Satisfactory	Satisfactory	Satisfactory

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

Appendix C: Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

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

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

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

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

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2019-2021	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Kleberg County AA	20	807	47.8	409	0.0	0.0	0.0	31.4	20.0	26.2	48.6	55.0	49.6	20.0	25.0	24.2	0.0	0.0	0.0	
Nueces County AA	20	882	52.2	8,081	3.5	5.0	2.6	29.7	25.0	30.0	33.5	40.0	34.8	33.0	30.0	32.4	0.3	0.0	0.1	
Total	40	1,689	100	8,490	3.3	2.5	2.5	29.8	22.5	29.8	34.3	47.5	35.5	32.2	27.5	32.0	0.3	0.0	0.1	

Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2019-2021	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Kleberg County AA	20	807	47.8	409	76.8	85.0	26.2	3.5	15.0	19.6	0.0		
Nueces County AA	20	882	52.2	8,081	83.3	80.0	30.3	4.3	15.0	12.4	5.0		
Total	40	1,689	100	8,490	82.9	82.5	30.1	4.3	15.0	12.8	2.5		

Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0%

Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography													2019-2021	
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	
Kleberg County AA	40	907	55.2	0.0	0.0	38.5	37.5	46.7	32.5	14.8	30.0	0.0	0.0	
Nueces County AA	40	737	44.8	5.8	5.0	28.4	25.0	33.3	35.0	32.5	35.0	0.0	0.0	
Total	80	1,644	100.0	5.4	2.5	29.2	31.3	34.3	33.8	31.1	32.5	0.0	0.0	

Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0%

Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower													2019-2021	
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	
Kleberg County AA	40	907	55.2	30.2	20.0	14.5	20.0	15.8	7.5	39.5	52.5	0.0	5.0	
Nueces County AA	40	737	44.8	25.1	18.0	16.1	13.0	16.6	18.0	42.1	53.0	0.0	0.0	
Total	80	1,644	100	25.5	19.0	16.0	16.5	16.6	12.8	41.9	52.8	0.0	0.0	

Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data.
Due to rounding, totals may not equal 100.0%