

# **PUBLIC DISCLOSURE**

March 11, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

International Bank of Commerce  
Certificate Number: 19629

1200 San Bernardo Avenue  
Laredo, Texas 78040

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

1601 Bryan Street, Suite 1410  
Dallas, Texas 75201

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, nor should it 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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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
<i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i>			

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

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- An adequate percentage of loans are made in the institution's assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.
- The institution exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and/or very small businesses.
- The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution is a leader in making community development (CD) loans.

**The Investment Test is rated Outstanding.**

- The institution has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution makes extensive use of innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Outstanding.**

- Delivery systems are accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing CD services.

## **DESCRIPTION OF INSTITUTION**

International Bank of Commerce (IBC Laredo) began operations in 1966 in Laredo, Texas. The bank received an Outstanding rating at its previous September 11, 2017, Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation based on the Federal Financial Institutions Examination Council's (FFIEC) Large Institution CRA Examination Procedures.

International Bancshares Corporation, Laredo, Texas, wholly owns IBC Subsidiary Corporation, Laredo, Texas. In turn, IBC Subsidiary Corporation wholly owns IBC Laredo as well as Commerce Bank, Laredo, Texas; International Bank of Commerce, Zapata, Texas; International Bank of Commerce, Brownsville, Texas; and International Bank of Commerce, Oklahoma City, Oklahoma. This evaluation does not consider any affiliate or subsidiary lending or community development activities.

IBC Laredo functions as a retail bank operating 113 full-service offices in 11 assessment areas located throughout central and south Texas. Since the previous evaluation, the bank has not opened any branches and has closed only one. The bank did not participate in any merger or acquisition activity since the prior evaluation.

The bank focuses on residential and commercial lending, but also offers a variety of loan products

including construction, consumer, and agricultural loans. IBC Laredo's various deposit offerings consist of consumer and commercial checking and savings accounts, debit and gift cards, and merchant processing for commercial customers. Alternative delivery systems include remote deposit capture, online and mobile banking with bill pay capabilities, telephone banking, drive-thru facilities, and 174 automated teller machines (ATMs). Additionally, due to IBC Laredo's affiliation with its holding company, its customers also receive free access to all branch locations and ATMs that make up the International Bancshares Corporation network.

Since the previous evaluation, total assets, net loans, and total deposits reflected slight increases of 0.8, 3.3, and 1.3 percent, respectively. As of the December 31, 2020, Consolidated Reports of Condition and Income, the bank reported total assets of \$10.5 billion, total loans of \$5.7 billion, total deposits of \$7.5 billion, and total securities of \$2.0 billion. For the same time period, the bank reported a Return on Average Assets of 1.4 percent and a Tier 1 Leverage Capital Ratio of 13.1 percent.

As seen in the following table, the mix of outstanding loans as of December 31, 2020, shows that commercial loans (secured by commercial real estate and commercial and industrial) at 49.3 percent, construction and land development loans at 27.1 percent, and home mortgage loans (secured by 1-4 family residential and multi-family residential) at 20.1 percent represent the three largest loan categories.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	1,559,199	27.1
Secured by Farmland	138,820	2.4
Secured by 1-4 Family Residential Properties	804,079	14.0
Secured by Multifamily (5 or more) Residential Properties	347,746	6.1
Secured by Nonfarm Nonresidential Properties	1,576,557	27.4
<b>Total Real Estate Loans</b>	<b>4,426,401</b>	<b>77.0</b>
Commercial and Industrial Loans	1,256,191	21.9
Agricultural Production and Other Loans to Farmers	7,026	0.1
Consumer Loans	49,833	0.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	5,414	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>5,744,865</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

For the 14 quarters since the previous evaluation, the bank recorded an average, net loan-to-deposit ratio of 79.1 percent, thereby reflecting some capacity to respond to future assessment area credit needs. Further, based on the information discussed in this section, as well as other regulatory data, the institution's financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment areas' credit needs.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. IBC Laredo designated 11 assessment areas consisting of 23 counties in Texas: 1) Austin Metropolitan Statistical Area (MSA) Assessment Area (AA); 2) Corpus Christi MSA AA; 3) Houston MSA AA; 4) Laredo MSA AA; 5) McAllen MSA AA; 6) San Antonio MSA AA; 7) Victoria MSA AA; 8) Burnet Non-MSA AA; 9) Calhoun Non-MSA AA; 10) Maverick Non-MSA AA; and 11) Val Verde Non-MSA AA. For presentation purposes, examiners combined the four nonmetropolitan assessment areas into the Texas Non-MSA AA.

The combined assessment areas include a total of 2,075 census tracts that reflect the following income designations based on the 2015 American Community Survey (ACS) Census: 238 low-, 614 moderate-, 599 middle-, 593 upper-income census tracts, and 31 census tracts without income designations. The assessment areas conform to CRA regulatory requirements. The following table provides additional details regarding each assessment area. Refer to the individual assessment area sections of this evaluation for a detailed description of these areas.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Austin MSA AA	Bastrop, Caldwell, Hays, Travis, Williamson	350	13
Corpus Christi MSA AA	Nueces, San Patricio	98	8
Houston MSA AA	Brazoria, Fort Bend, Galveston, Harris	980	14
Laredo MSA AA	Webb	61	16
McAllen MSA AA	Hidalgo	113	29
San Antonio MSA AA	Bexar, Guadalupe	395	17
Texas Non-MSA AA	Aransas, Burnet, Calhoun, Matagorda, Maverick, Uvalde, Val Verde	55	15
Victoria MSA AA	Victoria	23	1
<i>Source: Bank Data</i>			

## SCOPE OF EVALUATION

### General Information

Examiners used the Interagency Large Institution CRA Examination Procedures to evaluate IBC Laredo's performance since the previous evaluation dated September 11, 2017, to the current evaluation date of March 11, 2021. The procedures consist of the Lending, Investment, and Service Tests. The Appendices include the performance criteria for each test.

Examiners used full-scope procedures to assess IBC Laredo's performance in its Laredo MSA and McAllen MSA AAs, as such assessment areas account for a comparatively higher proportion of the bank's lending, deposits, and branches. Examiners used limited-scope procedures for the bank's Austin MSA, Corpus Christi MSA, Houston MSA, San Antonio MSA, Texas Non-MSA, and

Victoria MSA AAs, as these areas account for a comparatively lower proportion of the institution's activity and operations.

The following table shows the distribution of the loan categories reviewed by assessment area based on the volume of loans originated inside the bank's assessment areas. Examiners weighed each area consistent with that area's overall lending level.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Austin MSA AA	60,329	16.3	358,385	5.1	13	11.5
Corpus Christi MSA AA	16,496	4.4	272,891	3.9	8	7.1
Houston MSA AA	77,821	21.0	683,574	9.7	14	12.4
Laredo MSA AA	75,116	20.3	2,210,887	31.4	16	14.2
McAllen MSA AA	63,228	17.1	1,746,124	24.8	29	25.6
San Antonio MSA AA	65,883	17.8	886,778	12.6	17	15.0
Texas Non-MSA AA	11,282	3.0	867,602	12.3	15	13.3
Victoria MSA AA	234	0.1	20,160	0.2	1	0.9
<b>Total</b>	<b>370,389</b>	<b>100.0</b>	<b>7,046,401</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>
<i>Source: Home Mortgage Disclosure Act (HMDA) Reported Data (2019); CRA Reported Data (2019); FDIC Summary of Deposits (06/30/2020); Bank Data</i>						

## **Activities Reviewed**

For the Lending Test, CRA Large Institution procedures require examiners to consider a bank's reported home mortgage, small business, and small farm loans, as well as all reported CD loans originated since the prior evaluation. Consequently, this evaluation considers the following loans, based on readily available information, reported either according to the HMDA or CRA data collection reporting requirements:

### **Home Mortgage Loans**

- 2018: 3,006 loans totaling \$315.6 million
- 2019: 2,594 loans totaling \$319.2 million

### **Small Business Loans**

- 2018: 1,146 loans totaling \$206.8 million
- 2019: 1,132 loans totaling \$178.1 million

### **Small Farm Loans**

- 2018: 68 loans totaling \$7.9 million
- 2019: 61 loans totaling \$7.1 million

### **Community Development Loans**

- September 11, 2017 – March 11, 2021: 303 loans totaling \$2.1 billion

Based on the data above, small farm loans only account for 1.5 percent of the dollar volume and 1.6 percent of the number of the total loans for the first three loan categories. Therefore, examiners did not analyze small farm loans since conclusions regarding them would not materially affect any conclusions or ratings, and given the very limited data for small farm loans in any one particular assessment area, this evaluation does not present that loan data. Additionally, since consumer loans do not represent a substantial majority of the bank's loans by dollar volume, representing only 0.9 percent of the dollar volume of loans originated during 2020, examiners did not consider them.

Since no trends exist between the different years' data that materially affect applicable conclusions or ratings, unless otherwise noted, this evaluation only presents 2019 data, the most recent year for which aggregate data exists as of this evaluation date. This evaluation presents demographic data based on 2015 ACS census data as well as 2019 D&B data while aggregate data served as the primary source of comparable data.

Examiners considered the universes of loans reviewed by number and dollar volume, as well as management's stated business strategy, to determine the weighting applied to the loan categories reviewed. As seen in the following table, home mortgage loans represent a majority of the loan categories reviewed. Therefore, home mortgage loans received more weight when arriving at overall conclusions. However, in the Corpus Christi MSA, Laredo MSA, McAllen MSA, Texas Non-MSA, and Victoria MSA AAs, small business lending represents the primary product of those reviewed and therefore, small business loans received more weight when arriving at applicable conclusions for these particular assessment areas.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage	2,594	319,150	2,594	319,150
Small Business	1,132	178,147	1,132	178,147
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019)</i>				

The CRA evaluation also reviewed the bank's qualified investments and CD services for the period since the previous CRA evaluation. Qualified investments included new investments and donations, as well as outstanding qualified investments from the prior evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**



IBC Laredo demonstrated a high satisfactory record for the bank as a whole under the Lending Test. Excellent lending activity, its leadership in community development lending, and extensive use of innovative or flexible lending practices, coupled with good borrower profile lending distribution somewhat lifted the adequate geographic loan distribution and an adequate percentage of loans made in the bank's assessment areas to support this conclusion. Conclusions regarding the institution's overall Lending Test performance is consistent in the Austin MSA, Houston MSA, Laredo MSA, McAllen MSA, and San Antonio MSA AAs and inconsistent in the Corpus Christi MSA and Texas Non-MSA AAs where Lending Test performance exceeds the institution's overall record as well as in the Victoria MSA AA where the performance lands below the institution's overall record.

### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs. Excellent home mortgage and small business lending performances support this conclusion. This performance is consistent in the Corpus Christi MSA, Houston MSA, Laredo MSA, McAllen MSA, San Antonio MSA, and Texas Non-MSA AAs, while inconsistent in the Austin MSA and Victoria MSA AAs where lending activity performance lands below the institution's overall record. Examiners considered the bank's size, business strategy, and capacity relative to the assessment areas' credit needs when arriving at this conclusion.

#### ***Home Mortgage Loans***

The level of home mortgage lending activity reflects excellent responsiveness to assessment area credit needs. Excellent overall market ranking primarily supports this conclusion. IBC Laredo's volume of home mortgage loans has remained steady since the previous evaluation. IBC Laredo captured a 0.4 percent market share of the total number of home mortgage loans and a 0.2 percent market share of the total dollar volume of loans. According to 2019 aggregate HMDA data, IBC Laredo ranked 60<sup>th</sup> out of 1,187 reporting lenders inside its assessment areas, reflecting excellent performance. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 5.1 percent of lenders reporting such loans in the assessment areas.

#### ***Small Business Loans***

The level of small business lending activity reflects excellent responsiveness to assessment area credit needs. Excellent overall market ranking primarily supports this conclusion. The bank's small business loan originations have remained steady since the previous evaluation. IBC Laredo captured a 0.4 percent market share of the total number of small business loans and a 1.6 percent market share of the total dollar volume of loans. According to 2019 aggregate CRA data, IBC Laredo ranked 26<sup>th</sup> out of 283 reporting lenders inside its assessment areas, reflecting excellent performance. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 9.2 percent of lenders reporting such loans in the assessment areas.

### **Assessment Area Concentration**

An adequate percentage of loans are made in the institution's assessment areas. An adequate percent of home mortgage loans originated inside the bank's assessment areas insufficiently lifted by a substantial majority of small business loans originated inside the bank's assessment areas supports this conclusion. Examiners considered the bank's asset size and office structure, as well as the loan categories reviewed relative to the areas' combined size and economy when arriving at this conclusion.

The following table shows that the bank originated an adequate percentage of its home mortgage loans, by number and dollar, and a substantial majority of its small business loans, by number and dollar, within the assessment areas.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	1,793	59.6	1,213	40.4	3,006	201,161	63.7	114,478	36.3	315,639
2019	1,517	58.5	1,077	41.5	2,594	204,268	64.0	114,882	36.0	319,150
Subtotal	3,310	59.1	2,290	40.9	5,600	405,429	63.9	229,360	36.1	634,789
Small Business										
2018	1,086	94.8	60	5.2	1,146	190,867	92.3	15,920	7.7	206,787
2019	1,077	95.1	55	4.9	1,132	166,121	93.2	12,026	6.8	178,147
Subtotal	2,163	95.0	115	5.0	2,278	356,988	92.7	27,946	7.3	384,934
Total	5,473	69.5	2,405	30.5	7,878	762,417	74.8	257,306	25.2	1,019,723
Source: HMDA Reported Data (2018 and 2019); CRA Reported Data (2018 and 2019) Due to rounding, totals may not equal 100.0										

## **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment areas. This performance is consistent in all assessment areas except for the Texas Non-MSA AA where performance exceeds the institution's overall record and the Victoria MSA AA where performance lands below the institution's overall record. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. Examiners focused on the percentage by number of loans originated when arriving at conclusions. This factor only considered loans originated inside the bank's assessment areas.

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size. This performance is consistent in the Victoria MSA AA and inconsistent in the Corpus Christi MSA, Laredo MSA, McAllen MSA, and Texas Non-MSA AAs where the bank's performance exceeds the institution's overall record as well as in the Austin MSA, Houston MSA, and San Antonio MSA AAs where the bank's performance lands below the institution's overall record. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. Examiners focused on the percentage by number of loans originated when arriving at conclusions. This factor only considered loans originated inside the bank's assessment areas.

### **Innovative or Flexible Lending Practices**

The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. These practices' excellent success, as primarily measured by the number and dollar volume of such loans, primarily supports this conclusion. Examiners analyzed performance for this criterion at the institution level only, as the bank offers all of its innovative or flexible lending programs throughout the assessment areas.

The following table shows that since the previous evaluation, the bank originated 3,629 innovative or flexible loans totaling more than \$327.4 million. This dollar figure equates to 3.7 percent of average total assets of \$8.9 billion since the last performance evaluation and 6.4 percent of average net loans of \$5.1 billion for the same period. These levels reflect increases over the 0.9 percent of average total assets and 1.8 percent of average net loans reported in the prior evaluation. The bank's current levels reflect excellent success based on the number and dollar volume of innovative or flexible loans.

Besides their level of success, the bank's innovative or flexible lending practices reflect a good degree of serving low- and moderate-income borrowers. Flexible lending practices include mortgage loan programs granted through the Federal Housing Administration (FHA) and the U.S. Department of Agriculture's (USDA) home mortgage program. These programs reflect some degree of serving low- and moderate-income individuals.

Additionally, in response to the COVID-19 pandemic, the bank originated 3,283 Small Business Administration Paycheck Protection Program (PPP) loans totaling nearly \$222.3 million, considered small business loans with loan amounts of \$1 million or less during the review period, and 30 PPP loans exceeding \$1 million in loan amount, totaling nearly \$57.9 million. The bank originated 1,010 PPP loans with loan amounts of \$1 million or less, totaling \$72.2 million in low- and moderate-income geographies. PPP loans were designed to help businesses retain workers and staff during the economic hardship resulting from the pandemic. The volume of PPP loans demonstrates the bank's responsiveness in helping to serve the credit needs, including those of small businesses, of its assessment areas in response to the COVID-19 pandemic.

<b>Innovative or Flexible Lending Programs</b>						
<b>Type of</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>YTD 2021</b>	<b>Totals</b>

<b>Program</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
FHA	91	12,983	76	10,915	88	13,057	40	6,549	8	1,692	<b>303</b>	<b>45,196</b>
USDA	3	273	2	311	4	638	4	755	0	0	<b>13</b>	<b>1,977</b>
PPP	0	0	0	0	0	0	3,310	275,474	3	4,687	<b>3,313</b>	<b>280,161</b>
<b>Totals</b>	<b>94</b>	<b>13,256</b>	<b>78</b>	<b>11,226</b>	<b>92</b>	<b>13,695</b>	<b>3,354</b>	<b>282,778</b>	<b>11</b>	<b>6,379</b>	<b>3,629</b>	<b>327,334</b>
<i>Source: Bank Data</i>												

### **Community Development Loans**

The institution is a leader in making CD loans. Its leadership regarding the dollar volume of CD loans and the CD loans' excellent responsiveness support this conclusion. This performance is consistent in the Austin MSA, Corpus Christi MSA, Houston MSA, San Antonio MSA, Texas Non-MSA, and Victoria MSA AAs, but inconsistent in the Laredo MSA and McAllen MSA AAs where performance falls below the institution's overall record.

During the evaluation period, IBC Laredo originated 303 CD loans totaling \$2.1 billion. This level of activity represents 24.0 percent of average total assets of \$8.9 billion and 41.9 percent of average net loans of \$5.1 billion. This activity reflects an increase in both number and dollar from the previous evaluation when the bank originated 260 loans totaling \$1.4 billion, which represented 15.6 percent of average total assets and 29.8 percent of average net loans.

In addition to reflecting leadership based on their level, the CD loans reflect excellent responsiveness to the assessment areas' community development needs. As detailed in the following table, 63.2 percent of the dollar volume of all CD loans revitalize or stabilize qualifying geographies. In addition, another 29.2 percent promote economic development, as defined by the regulation. As later noted, activities that revitalize or stabilize qualifying geographies represent a primary community development need for some of the bank's assessment areas, while activities that benefit economic development also reflect a community development need in the assessment areas. The following tables show the bank's community development lending by assessment area, purpose, and year.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Austin MSA AA	5	92,800	0	0	13	247,811	30	235,562	48	576,173
Corpus Christi MSA AA	0	0	0	0	1	7,341	15	113,527	16	120,868
Houston MSA AA	0	0	0	0	11	130,954	57	368,295	68	499,249
Laredo MSA AA	0	0	0	0	1	1,275	34	82,920	35	84,195
McAllen MSA AA	1	2,941	0	0	7	35,510	24	50,360	32	88,811
San Antonio MSA AA	2	26,350	0	0	4	60,625	43	248,957	49	335,932
Texas Non-MSA AA	0	0	0	0	0	0	16	86,862	16	86,862
Victoria MSA AA	0	0	0	0	0	0	8	10,156	8	10,156
Statewide/Regional	2	39,500	0	0	10	140,718	19	152,742	31	332,960
<b>Total</b>	<b>10</b>	<b>161,591</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>624,234</b>	<b>246</b>	<b>1,349,381</b>	<b>303</b>	<b>2,135,206</b>
<i>Source: Bank Data</i>										

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	1	25,000	0	0	0	0	17	39,431	18	64,431
2018	3	34,441	0	0	12	193,325	60	278,403	75	506,169
2019	1	20,000	0	0	17	216,154	66	336,211	84	572,365
2020	5	82,150	0	0	14	200,637	87	627,423	106	910,210
YTD 2021	0	0	0	0	4	14,118	16	67,913	20	82,031
<b>Total</b>	<b>10</b>	<b>161,591</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>624,234</b>	<b>246</b>	<b>1,349,381</b>	<b>303</b>	<b>2,135,206</b>
<i>Source: Bank Data</i>										

The following is a notable example of a statewide/regional CD loan activity.

- **Revitalize or Stabilize** – The bank originated a loan for \$50.5 million to construct a 352-unit apartment complex in a moderate-income geography. The apartment complex attracts and retains businesses and residents to the area.

## INVESTMENT TEST

IBC Laredo demonstrated an outstanding record for the bank as a whole regarding the Investment Test. An excellent level of qualified community development investments and donations, excellent responsiveness to credit and community development needs, and extensive use of innovative and/or complex investments support this conclusion. Conclusions regarding the institution's overall Investment Test performance is consistent in the Austin MSA AA, but inconsistent in the Corpus Christi MSA, Houston MSA, Laredo MSA, McAllen MSA, San Antonio MSA, Texas Non-MSA, and Victoria MSA AAs where Investment Test performance falls below the institution's overall record.

## **Investment and Grant Activity**

The institution has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. The dollar volume of qualified investments primarily supports this conclusion. The bank made use of 1,483 qualified investments and donations totaling \$268.8 million. This represents 3.0 percent of average total assets of \$8.9 billion and 11.7 percent of average total securities of \$2.3 billion. These levels reflect increases over the 1.5 percent of average total assets and 4.3 percent of average total securities reported in the prior evaluation. The tables below summarize the bank's qualified investments and donations by assessment area, purpose, and year.

<b>Qualified Investments by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Austin MSA AA	9	119,397	207	873	8	82	2	2	226	120,354
Corpus Christi MSA AA	0	0	97	264	4	9	0	0	101	273
Houston MSA AA	0	0	87	247	17	49	13	44	117	340
Laredo MSA AA	6	13	274	1,254	10	36	17	170	307	1,473
McAllen MSA AA	2	8,356	293	829	50	104	14	65	359	9,354
San Antonio MSA AA	1	10,841	165	479	24	91	13	50	203	11,461
Texas Non-MSA AA	0	0	126	213	0	0	21	38	147	251
Victoria MSA AA	0	0	1	1	0	0	8	4	9	5
Statewide/Regional	14	125,249	0	0	0	0	0	0	14	125,249
<b>Total</b>	<b>32</b>	<b>263,856</b>	<b>1,250</b>	<b>4,160</b>	<b>113</b>	<b>371</b>	<b>88</b>	<b>373</b>	<b>1,483</b>	<b>268,760</b>
<i>Source: Bank Data</i>										

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	6	98,793	0	0	0	0	0	0	6	98,793
2017	2	37,959	0	0	0	0	0	0	2	37,959
2018	9	87,118	0	0	0	0	0	0	9	87,118
2019	4	39,932	0	0	0	0	0	0	4	39,932
2020	0	0	1	100	0	0	0	0	1	100
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>21</b>	<b>263,802</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>263,902</b>
Qualified Grants & Donations	11	54	1,249	4,060	113	371	88	373	1,461	4,858
<b>Total</b>	<b>32</b>	<b>263,856</b>	<b>1,250</b>	<b>4,160</b>	<b>113</b>	<b>371</b>	<b>88</b>	<b>373</b>	<b>1,483</b>	<b>268,760</b>
<i>Source: Bank Data</i>										

The following is a notable example of a statewide/regional qualified investment activity.

- ***Affordable Housing*** – The bank invested \$25.0 million in a bond used to construct a 272-unit senior apartment complex. All residential units, by designed expressed purpose, will provide affordable housing to seniors earning 30 to 60 percent of the areas' median family income.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits excellent responsiveness to credit and community development needs. As reflected in the above tables, a substantial majority of the qualified investments and donations funded community services and affordable housing needs, which are identified community development needs.

### **Community Development Initiatives**

The institution makes extensive use of innovative and/or complex investments to support community development initiatives. For example, the bank made equity investments into a proprietary fund established by IBC Laredo's Board of Directors to partner with various developers, city and state housing and development agencies, and builders to construct or refurbish affordable housing projects in Texas and Oklahoma. By using this proprietary fund as a general partner in the various projects, the bank leveraged low-income housing tax credits granted to developers as well as other tax incentives granted by municipalities to ensure the feasibility and sustainability of the various projects. IBC Laredo invested over \$243.9 million into this fund.

The establishment of this proprietary fund involved significant cost and expertise in various areas including real estate development, legal, tax, accounting, finance, zoning, and construction. This approach reflects a strong commitment to IBC Laredo's community development goals and exemplifies excellent responsiveness through extensive use of innovative and complex investments not routinely provided by private investors that directly address identified needs in the bank's assessment areas and throughout the state.

### **SERVICE TEST**

IBC Laredo demonstrated an outstanding record regarding the Service Test for the bank as a whole. Its leadership in providing CD services and tailored services to the needs of the assessment areas primarily support this conclusion. Additionally, delivery systems are accessible to essentially all portions of the assessment areas and the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems. Conclusions regarding the institution's overall Service Test performance is consistent in the Corpus Christi MSA, Laredo MSA, McAllen MSA, San Antonio MSA, and Texas Non-MSA AAs, while inconsistent in the Austin MSA, Houston MSA, and Victoria MSA AAs where Service Test performance falls below the institution's overall record.

## **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the institution's assessment areas. Readily accessible alternative delivery systems lifted the reasonably accessible branch distribution to support this conclusion. This performance is consistent in the Austin MSA, Corpus Christi MSA, and San Antonio MSA AAs, while inconsistent in the Laredo MSA and Texas Non-MSA AAs where performance exceeds the institution's overall record as well as in the Houston MSA, McAllen MSA, and Victoria MSA AAs where performance falls below the institution's overall record.

The following table illustrates the distribution of the bank's branches and ATMs by geography income level for 2020. The table shows that in low-income geographies, the percentages of branches and ATMs fall below, but within adequate ranges of, the percentage of the assessment areas' population residing in those areas, thereby reflecting reasonable accessibility. The table further shows that in moderate-income geographies, the percentages of branches and ATMs land within adequate ranges of the percentage of the assessment areas' population residing in those areas, thereby also reflecting reasonable accessibility.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	238	11.5	1,102,386	9.7	3	2.7	5	2.9
Moderate	614	29.6	3,114,330	27.4	31	27.4	53	30.5
Middle	599	28.8	3,511,654	30.9	35	31.0	59	33.9
Upper	593	28.6	3,586,344	31.6	44	38.9	57	32.8
NA	31	1.5	47,816	0.4	0	0.0	0	0.0
<b>Total</b>	<b>2,075</b>	<b>100.0</b>	<b>11,362,530</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>174</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0</i>								

The institution makes its alternative delivery systems readily accessible to all portions of the assessment areas. In addition to its ATMs, the bank offers a variety of alternative systems that prove effective in delivering retail banking services in low- and moderate-income geographies or to low- and moderate-income individuals. As noted previously, due to IBC Laredo's affiliation with its holding company, its customers also receive free access to all branch locations and ATMs that make up the International Bancshares Corporation network. As of March 11, 2021, this network includes 185 branch locations and 279 ATMs. Further, IBC Laredo offers free, 24-hour customer access to accounts via a local telephone number. This free service allows customers to access balance and deposit information, make account transfers, and obtain information on checks cleared by the bank. IBC Laredo provides this service in both English and Spanish. IBC Laredo's customers make extensive use of this service, logging an average of 585,549 calls per month.

In addition, IBC Laredo provides an internet website that allows customers to view products, locate branches and ATMs, access their accounts, and pay bills free of charge 24 hours a day. The site averages approximately 28,600 visits per day from its 243,651 registered customers. Of the site's



users, 34.1 percent reside in low- or moderate-income geographies. Additionally, 45,209 of the bank's business customers utilize the online banking services, with 25.2 percent of these companies conducting business from low- or moderate-income geographies.

Further, IBC Laredo's IBC Link offers a cash management service for business customers that allows customers to access account information. Business customers may transfer funds between accounts, reconcile account balances, and perform wire transfers. Likewise, the bank's IBC Mobile allows the bank's online banking customers to check balances, pay bills, make transfers, and find branch and ATM locations from cellular phones or personal electronic devices. Corporate-wide, mobile deposit transactions grew significantly in 2020, by 136.4 percentage points, from the prior year. This is attributed to the COVID-19 pandemic and ensured customers could deposit checks, as necessary.

Finally, IBC Laredo's branch locations remained open and operating under normal business hours during the COVID-19 pandemic. Staying open during the pandemic ensured bank customers had access to all regular bank functions.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The bank did not open or close any branches in low- or moderate-income geographies, thus not affecting the accessibility of its delivery systems in those areas. The bank closed only one branch in the San Antonio MSA AA during the review period in a middle-income census tract.

### **Reasonableness of Business Hours and Services**

Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment areas, particularly low- and moderate-income geographies and/or individuals. Extended hours and tailored services support this conclusion.

The institution maintains extended hours relative to the areas served and the industry. Most locations maintain at least 8-hour lobby hours Monday thru Friday, Saturday lobby hours, and Sunday hours at 50 offices throughout the bank's assessment areas. All motor facilities provide extended hours, as well. Hours of operation did not materially vary for offices in low- and moderate-income census tracts compared with those in middle- and upper-income tracts.

As previously discussed, the bank provides many services designed to meet the needs of low- and moderate-income areas and individuals as well as smaller sized businesses. The range of services covers a wide variety of products and services including consumer checking, savings, money market, certificates of deposit, and individual retirement accounts as well as prepaid, debit, and credit cards, currency exchange, and home equity, consumer, and mortgage loans.

The presence of Spanish-speaking personnel in many offices helps ensure the provision of the bank's services to its served areas. For its Spanish-speaking customer base, IBC Laredo offers product brochures and disclosures translated into Spanish. For businesses, the bank provides products and services including checking and savings accounts, Treasury Management and merchant services, business credit cards, positive pay, and lockbox services.

### **Community Development Services**

The institution is a leader in providing CD services. The extent, or number, of CD services primarily supports this conclusion. The bank's directors, officers, and employees provided 2,484 CD services since the last evaluation. This number equates to an average of 6.8 CD services, per office, per year, since the last evaluation. Although still reflective of leader performance, the average figure decreased when compared to the average of 9.4 CD services, per office, per year, recorded at the prior evaluation. The services all involve bank personnel's use of their technical expertise to benefit organizations or projects with a primary purpose of community development, as defined by the CRA regulation.

The CD services exhibit excellent responsiveness to community development needs. As reflected in the below tables, a substantial majority of the CD services benefitted projects or organizations that provide community services targeted to low- and moderate-income individuals, which is an identified community development need. The following tables show the number of CD services by assessment area, purpose, and year.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Austin MSA AA	6	104	7	0	<b>117</b>
Corpus Christi MSA AA	0	166	6	0	<b>172</b>
Houston MSA AA	0	192	6	0	<b>198</b>
Laredo MSA AA	1	269	30	0	<b>300</b>
McAllen MSA AA	0	606	18	0	<b>624</b>
San Antonio MSA AA	0	509	20	0	<b>529</b>
Texas Non-MSA AA	1	535	8	0	<b>544</b>
Victoria MSA AA	0	0	0	0	<b>0</b>
<b>Total</b>	<b>8</b>	<b>2,381</b>	<b>95</b>	<b>0</b>	<b>2,484</b>
<i>Source: Bank Data</i>					

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	0	356	29	0	<b>385</b>
2018	0	806	1	0	<b>807</b>
2019	2	920	27	0	<b>949</b>
2020	5	291	34	0	<b>330</b>
YTD 2021	1	8	4	0	<b>13</b>
<b>Total</b>	<b>8</b>	<b>2,381</b>	<b>95</b>	<b>0</b>	<b>2,484</b>
<i>Source: Bank Data</i>					

The following are notable examples of the bank’s qualified CD services for the bank as a whole.

- **Community Services** – The bank developed a proprietary program entitled Minitropolis® that targets elementary school students in schools where a majority of student populations qualify for free or reduced lunch programs. IBC Laredo first established the Minitropolis® concept as an interactive way to teach important financial concepts that participants can utilize throughout their lives.

Today, each “mini city” in the bank’s 19 participating schools provides a fully functioning, real-life community with business, governmental, and community sponsors, in addition to IBC Laredo sponsors, that create an engaging academic learning experience with a goal of helping students understand the value of leadership and responsibility that helps set them up for success as adults. In addition, the financial services learning environments at each “mini city” allow students to apply learned banking and saving principles that foster their knowledge of financial concepts. Thus, the program provides community services in the form of financial education targeted to low- and moderate-income individuals.

- **Community Services** – Bank staff presented FDIC’s Money Smart program at events targeting low- and moderate-income areas or individuals as well as unbanked individuals. The bank also presented its own version of Money Smart, called Money Buzz for children ages 5 through 9 and their parents. Money Buzz is a free, child-friendly lesson on personal finance that IBC Laredo and its affiliated institutions created to fill a void in personal finance education among America’s youth. Thus, the program provides community services in the form of financial education targeted to low- and moderate-income individuals.
- **Community Services** – In a leadership role, IBC Laredo and its affiliated institutions developed the We Do More Rx Card. The card, targeted to low- and moderate-income bank customers, provides discounts on all Food and Drug Administration-approved prescription drugs that amount to an average savings of 15.0 percent off the cash price for brand name drugs and 40.0 percent off for generic drugs. The activity provides community services by addressing health matters targeted to low- and moderate-income individuals.

- **Community Services** – Bank staff presented product and service information to businesses that employ individuals who are unbanked throughout the bank’s assessment areas. During the review period, the bank conducted numerous presentations to businesses located in low- and moderate-income geographies. Thus, the program provides community services in the form of financial education targeted to low- and moderate-income individuals.

## DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

### LAREDO MSA AA – Full-Scope Review

#### DESCRIPTION OF INSTITUTION’S OPERATIONS IN LAREDO MSA AA

This assessment area includes Webb County, the sole county that comprises the Laredo, TX MSA. This assessment area is located in South Texas on the border with Mexico. The following table shows that IBC Laredo operates 16 branch offices in this assessment area along with 34 ATMs.

Office Locations Laredo MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b>Webb County:</b>				
Laredo - 1200 San Bernardo Ave	Main Office	0019.00	Moderate	No
Laredo - 4501 San Bernardo Ave	Branch	0014.01	Moderate	No
Laredo - 5610 San Bernardo Ave	Branch	0017.17	Moderate	No
Laredo - 7002 San Bernardo Ave	Branch	0017.17	Moderate	No
Laredo - Bob Bullock Loop 20	Branch	0017.13	Upper	No
Laredo - Guadalupe St	Branch	0002.00	Moderate	No
Laredo - Hwy 83 S	Branch	0018.06	Moderate	No
Laredo - Jacaman Rd	Branch	0016.02	Upper	No
Laredo - Matamoros St	Branch	0019.00	Moderate	No
Laredo - McPherson Ave	Branch	0017.22	Upper	No
Laredo - Mines Rd	Branch	0017.16	Middle	No
Laredo - S Zapata Hwy	Branch	0001.09	Moderate	No
Laredo - San Dario Suite 202	Branch	0017.18	Upper	No
Laredo - San Dario Suite 440D	Branch	0017.18	Upper	No
Laredo - San Isidro Pkwy	Branch	0017.13	Upper	No
Laredo - Water St	Branch	0019.00	Moderate	No
<i>Source: Bank Data; 2015 ACS Data</i>				

## **Economic and Demographic Data**

Based on 2015 ACS data, the assessment area's 61 census tracts reflect the following income designations: 2 low-, 31 moderate-, 16 middle-, 11 upper-income, and 1 census tract with no income designation. FEMA issued a disaster declaration for Webb County due to severe winter storms on February 19, 2021, and a disaster declaration for the entire state due to the COVID-19 pandemic on March 25, 2020. The following table provides select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area Laredo MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	61	3.3	50.8	26.2	18.0	1.6
Population by Geography	263,251	2.2	40.4	31.4	26.0	0.0
Housing Units by Geography	76,731	2.3	42.6	28.2	27.0	0.0
Owner-Occupied Units by Geography	43,933	1.1	33.8	31.7	33.3	0.0
Occupied Rental Units by Geography	25,735	4.0	51.8	24.6	19.6	0.0
Vacant Units by Geography	7,063	2.7	64.0	19.0	14.3	0.0
Businesses by Geography	15,446	0.8	32.8	17.6	48.4	0.5
Farms by Geography	201	1.0	30.3	19.9	48.3	0.5
Family Distribution by Income Level	56,626	25.6	15.4	16.8	42.3	0.0
Household Distribution by Income Level	69,668	27.4	13.7	16.2	42.7	0.0
Median Family Income MSA - 29700 Laredo, TX MSA		\$41,922	Median Housing Value Median Gross Rent Families Below Poverty Level			\$114,206 \$781 27.5%
Source: 2015 ACS Data; 2019 D&B Data Due to rounding, totals may not equal 100.0 (* ) The NA category consists of geographies that have not been assigned an income classification						

International trade with Mexico serves as a primary driver of Laredo's economy. The Laredo Development Foundation indicates that the Port of Laredo is the number one inland port on the U.S.-Mexico border generating more than \$200 billion in trade. Laredo's economy also benefits from commercial and industrial warehousing, education, and health care.

The area's major employers include the Wal-Mart Stores Inc., H-E-B grocery, McDonald's, Laredo Medical Center, and Texas A&M International University, along with local school and government offices. Service industries represent the largest portion of the area's businesses at 28.0 percent, followed by transportation and communications at 19.1 percent, and non-classifiable establishments at 17.1 percent.

Examiners use the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2019 FFIEC-updated median family income of \$40,600.

<b>Laredo, TX MSA Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2019 (\$40,600)	<\$20,300	\$20,300 to <\$32,480	\$32,480 to <\$48,720	≥\$48,720
<i>Source: FFIEC</i>				

The Texas Labor Market in conjunction with the U.S. Bureau of Labor Statistics recorded an unemployment rate of 8.1 percent as of December 2020 for Webb County. Such rate is above both the State of Texas' rate and the national rate of 7.1 and 6.5, respectively, for the same time period. This above average rate directly correlates to the COVID-19 pandemic. As of December 2019, the unemployment rate for Webb County was 3.6 percent.

### **Competition**

According to the FDIC Deposit Market Share report as of June 30, 2020, 10 financial institutions operated 58 offices within the bank's assessment area, reflecting a somewhat competitive market for financial services. Of these institutions, IBC Laredo ranked 1<sup>st</sup> with a 29.4 percent deposit market share. Additionally, a strong level of competition exists for home mortgage and small business loans in the assessment area. According to 2019 aggregate HMDA and CRA data, 230 lenders reported 6,413 home mortgage loans and 77 lenders reported 6,512 small business loans.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community needs. This information helps determine financial institutions' responsiveness to these needs and shows available credit opportunities.

A community contact knowledgeable of the area's economic, demographic, and business environments conducted in late 2020 noted that the area's economic conditions are stable and local institutions are meeting credit needs. However, with the pandemic, the community contact stated that inventory levels at retail establishments have been slow to re-stock. Other industries such as health care, transportation, trucking, import and export along with trade between the United States and Mexico, appear to remain on a constant level.

The contact indicated that the PPP offered by local banks did assist a number of small businesses, as well as banks working with organizations and builders to maintain affordable housing for the area. Overall, the contact noted that financial institutions have been responsive to the credit and community development needs of the area.

### **Credit and Community Development Needs and Opportunities**

The assessment area created varied loan demand for various loan types, including commercial, residential real estate, construction, and consumer loans. The area's economy also supports credit growth and opportunities for various loan types. Considering information from the community

contact, bank management, and demographic and economic data, examiners determined that the area's primary credit needs include commercial, residential real estate, construction, and consumer loans.

With respect to the area's community development needs, the information discussed herein, including the number of low- and moderate-income geographies, individuals, and poverty levels, indicates needs for community services activities, activities that revitalize and stabilize low- and moderate-income areas, and affordable housing.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN LAREDO MSA AA**

### **LENDING TEST**

IBC Laredo demonstrated a high satisfactory record under the Lending Test in the Laredo MSA AA. Excellent lending levels coupled with an excellent borrower profile lending distribution somewhat lifted adequate records regarding the bank's CD loan performance and geographic lending distribution performance to support this conclusion.

#### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs in the Laredo MSA AA. Excellent performances regarding small business and home mortgage lending support this conclusion. As previously noted, small business lending received more weight when arriving at applicable conclusions in this assessment area.

#### ***Small Business Loans***

Small business lending levels reflect excellent responsiveness to the assessment area credit needs in the Laredo MSA AA. Excellent overall market ranking and share supports this conclusion. IBC Laredo captured a 7.0 percent market share of the total number of small business loans and a 15.1 percent market share of the total dollar volume of loans. IBC Laredo ranked 4<sup>th</sup> out of 77 reporting lenders inside the assessment area, based on 2019 aggregate CRA data. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 5.2 percent of lenders reporting such loans in the assessment area.

#### ***Home Mortgage Loans***

Home mortgage lending levels reflect excellent responsiveness to the assessment area credit needs in the Laredo MSA AA. Excellent overall market ranking and share supports this conclusion. IBC Laredo captured a 3.2 percent market share of the total number of home mortgage loans and a 2.7 percent market share of the total dollar volume of loans. According to 2019 aggregate HMDA data, the bank ranked 6<sup>th</sup> out of 230 lenders inside the assessment area. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 2.6 percent of lenders reporting such loans in the assessment area.

## **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the Laredo MSA AA. Adequate performances regarding small business and home mortgage lending support this conclusion.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Adequate performances in low- and moderate-income census tracts support this conclusion. According to the following table, the bank's performance in low-income census tracts falls only 0.3 percentage points below aggregate data, reflecting adequate performance. In moderate-income census tracts, the bank's performance lands slightly below aggregate data by 1.3 percentage points, also reflecting adequate performance. Further, the table shows that in both low- and moderate-income geographies, the bank's levels fall below, but within adequate ranges of available D&B data.

<b>Geographic Distribution of Small Business Loans Laredo MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.8	0.7	2	0.4	244	0.5
Moderate	32.8	31.3	133	30.0	17,780	33.4
Middle	17.6	15.0	52	11.7	6,125	11.5
Upper	48.4	52.7	254	57.2	28,860	54.3
Not Available	0.5	0.3	3	0.7	178	0.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>444</b>	<b>100.0</b>	<b>53,187</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Adequate performances in both low- and moderate-income census tracts support this conclusion. According to the following table, the bank did not originate any loans in low-income census tracts; however, the bank's level falls only 0.1 percentage points below aggregate data, thereby reflecting adequate performance. The bank's performance in moderate-income census tracts lands slightly below aggregate data by 1.7 percentage points, also reflecting adequate performance.



Geographic Distribution of Home Mortgage Loans Laredo MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.1	0.1	0	0.0	0	0.0
Moderate	33.8	19.9	22	18.2	2,196	10.0
Middle	31.7	29.3	45	37.2	6,619	30.2
Upper	33.3	50.7	54	44.6	13,114	59.8
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>	<b>21,929</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size in the Laredo MSA AA. Excellent performance regarding small business loans lifted the adequate performance regarding home mortgage loans to support this conclusion.

### ***Small Business Loans***

The distribution of borrowers reflects excellent penetration of small business loans among businesses of different sizes. An excellent record of lending to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. As shown in the following table, the bank's level of lending to businesses with gross annual revenues of \$1 million or less is lower than business demographic data but exceeds aggregate performance by 19.5 percent, reflecting excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Laredo MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
≤ \$1,000,000	82.6	44.7	285	64.2	29,467	55.4
>1,000,000	6.2	--	159	35.8	23,720	44.6
Revenue Not Available	11.2	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>444</b>	<b>100.0</b>	<b>53,187</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The bank's distribution of home mortgage loans reflects adequate penetration among borrowers of different income levels. Adequate records of lending to both low- and moderate-income borrowers support this conclusion. As shown in the following table, the bank's level of lending to low-income borrowers exceeds aggregate data by 4.3 percentage points, reflecting adequate performance. The table further shows that the bank's level of lending to moderate-income borrowers is comparable to aggregate data, falling only 0.5 percentage points below, also reflecting adequate performance.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Laredo MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	25.6	1.5	7	5.8	300	1.4
Moderate	15.4	4.6	5	4.1	399	1.8
Middle	16.8	13.1	21	17.4	2,520	11.5
Upper	42.3	58.6	70	57.9	12,120	55.3
Not Available	0.0	22.3	18	14.9	6,590	30.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>	<b>21,929</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

### **Community Development Loans**

The institution has made an adequate level of CD loans in the Laredo MSA AA. Specifically, the institution granted 35 CD loans totaling \$84.2 million during the evaluation period. The level of community development lending increased since the previous evaluation where the bank granted 18 loans totaling \$75.3 million. The current dollar amount equates to 4.7 percent of the bank's CD loans inside its assessment areas. As noted, the Laredo MSA AA contributed 20.3 percent of reviewed loans. A significant majority of the CD loans by dollar volume supported efforts to revitalize and stabilize the area, which demonstrates the bank's responsiveness to an identified community development need. The following table displays the bank's community development lending activity in this assessment area by year and purpose.

Community Development Lending Laredo MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	8	19,593	8	19,593
2019	0	0	0	0	1	1,275	9	17,220	10	18,495
2020	0	0	0	0	0	0	16	44,707	16	44,707
YTD 2021	0	0	0	0	0	0	1	1,400	1	1,400
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,275</b>	<b>34</b>	<b>82,920</b>	<b>35</b>	<b>84,195</b>
<i>Source: Bank Data</i>										

The following is a notable example of a CD loan originated within the Laredo MSA AA.

- **Revitalize or Stabilize** – The bank originated a loan totaling \$14.5 million to finance the construction of a retail space located adjacent to low- and moderate-income geographies. This loan supports efforts to revitalize or stabilize qualified geographies by providing retail services and helping to attract new, or retain existing, businesses or residents to the areas.

## INVESTMENT TEST

IBC Laredo demonstrated a need to improve record under the Investment Test within the Laredo MSA AA. A poor level of qualified community development investments and donation activity, coupled with poor responsiveness to the assessment area's needs and rare use of innovative and/or complex investments support this conclusion.

### Investment and Grant Activity

The institution has a poor level of qualified community development investments and grants, but not in a leadership position, particularly those that are not routinely provided by private investors in the Laredo MSA AA. The bank made use of 307 qualified donations totaling \$1.5 million within the assessment area. Although this is an increase from the 114 qualified investments totaling \$990,000 noted at the previous evaluation, the current dollar amount represents only 1.0 percent of the bank's qualified investments inside its assessment areas. As noted, the Laredo MSA AA accounted for 31.4 percent of the bank's deposits. The table below summarizes the bank's donation activity within this assessment area by year and purpose.

Qualified Investments Laredo MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Qualified Grants & Donations	6	13	274	1,254	10	36	17	170	307	1,473
<b>Total</b>	<b>6</b>	<b>13</b>	<b>274</b>	<b>1,254</b>	<b>10</b>	<b>36</b>	<b>17</b>	<b>170</b>	<b>307</b>	<b>1,473</b>
<i>Source: Bank Data</i>										

The following details examples of the bank's donations within the assessment area.

- **Community Services** – The bank made numerous donations totaling over \$1.2 million to organizations that provide services to low-and moderate-income individuals, including nutrition and health care services.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits poor responsiveness to credit and community development needs in the Laredo MSA AA. Although, as reflected in the above table, some of the donations addressed identified needs by supporting affordable housing, community services, and revitalization or stabilization efforts, the limited volume exhibits poor responsiveness to community development needs.

### **Community Development Initiatives**

The institution rarely uses innovative and/or complex investments to support community development initiatives in the Laredo MSA AA. The limited volume of donations granted within the assessment area did not reflect innovative or complex characteristics.

### **SERVICE TEST**

IBC Laredo demonstrated an outstanding record regarding the Service Test in the Laredo MSA AA. Its leadership in providing CD services, readily accessible delivery systems, and tailored services to the needs of the assessment area primarily support this conclusion. Additionally, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems.

### **Accessibility of Delivery Systems**

Delivery systems are readily accessible to all portions of the institution's Laredo MSA AA. A readily accessible branch distribution as well as readily accessible alternative delivery systems support this conclusion.

The following table illustrates the distribution of the bank's branches and ATMs by geography income level for 2020. The table shows that the bank does not operate any branches or ATMs in low-income geographies; however, only 2.2 percent of the assessment area's population resides in such areas, thereby reflecting reasonable accessibility. In moderate-income geographies, the percentage of branches and ATMs exceeds the percentage of the assessment area's population residing in those areas. The bank's branch and ATM levels rise 15.9 and 12.5 percentage points, respectively, above the population percentage, thereby reflecting a readily accessible distribution.

<b>Branch and ATM Distribution by Geography Income Level Laredo MSA AA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2	3.3	5,814	2.2	0	0.0	0	0.0
Moderate	31	50.8	106,247	40.4	9	56.3	18	52.9
Middle	16	26.2	82,675	31.4	1	6.3	5	14.7
Upper	11	18.0	68,515	26.0	6	37.5	11	32.4
NA	1	1.6	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>61</b>	<b>100.0</b>	<b>263,251</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0</i>								

Further, the institution makes its alternative delivery systems readily accessible to all portions of the assessment area. As previously noted, in addition to its ATMs, the bank offers other alternative delivery systems including online banking, remote deposit capture, telephone banking, and mobile banking services, with consistent services offered bank-wide.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the Laredo MSA AA. IBC Laredo did not open or close any branches in this assessment area since the prior evaluation.

### **Reasonableness of Business Hours and Services**

Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and/or individuals in the Laredo MSA AA. The bank's business hours and services within the Laredo MSA AA are consistent with the bank's overall conclusion, including the extended drive-thru hours and Sunday branch availability.

## **Community Development Services**

The institution is a leader in providing CD services in the Laredo MSA AA. The bank's directors, officers, and employees provided 300 CD services since the previous evaluation, reflective of leader performance when considering the number of offices in the assessment area. This is a decrease from the 411 CD services provided at the prior evaluation. The following table shows that a significant majority of the services benefited organizations providing community services that serve low- and moderate-income individuals in the assessment area, which demonstrates the bank's responsiveness to an identified need. The following table summarizes the bank's CD services by purpose and year.

<b>Community Development Services Laredo MSA AA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2017	0	36	10	0	<b>46</b>
2018	0	101	1	0	<b>102</b>
2019	0	104	6	0	<b>110</b>
2020	1	28	13	0	<b>42</b>
YTD 2021	0	0	0	0	<b>0</b>
<b>Total</b>	<b>1</b>	<b>269</b>	<b>30</b>	<b>0</b>	<b>300</b>
<i>Source: Bank Data</i>					

The following points provide notable examples of the bank's CD services within the assessment area.

- ***Affordable Housing*** – A senior officer serves on the board of an organization that supports affordable housing needs of low- and moderate-income individuals.
- ***Community Services*** – Senior officers serve on the board of an organization that provides support to low- and moderate-income individuals through afterschool care, homework assistance, and life skills training.

## **MCALLEN MSA AA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MCALLEN MSA AA**

This assessment area includes Hidalgo County, which comprises the entire McAllen-Edinburg-Mission, TX MSA. This assessment area is located in the Rio Grande Valley region of South Texas on the border with Mexico. The following table shows that IBC Laredo operates 29 branch offices in this assessment area along with 31 ATMs.

Office Locations McAllen MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b>Hidalgo County:</b>				
Alamo - W Frontage Rd	Branch	0219.03	Middle	No
Alton - W Main Ave	Branch	0241.13	Moderate	No
Edinburg - 1724 W University Dr	Branch	0239.04	Upper	No
Edinburg - 2205 W University Dr	Branch	0240.00	Middle	No
Edinburg - McColl	Branch	0239.02	Upper	No
Edinburg - S Closner	Branch	0237.00	Moderate	No
Hidalgo - S Bridge	Branch	0213.04	Upper	No
McAllen - 23 <sup>rd</sup> & Trenton	Branch	0235.09	Upper	No
McAllen - 2900 W Expressway 83	Branch	0205.01	Middle	No
McAllen - E Jackson	Branch	0212.02	Upper	No
McAllen - N 10 <sup>th</sup> St.	Branch	0209.04	Upper	No
McAllen - 2800 Nolana	Branch	0207.21	Upper	No
McAllen - 2225 Nolana	Branch	0208.02	Upper	No
McAllen - S 10 <sup>th</sup> St	Branch	0212.01	Upper	No
McAllen - S 10 <sup>th</sup> St East	Branch	0205.04	Middle	No
McAllen - S 10 <sup>th</sup> St West	Branch	0205.04	Middle	No
McAllen - S Broadway St	Branch	0211.00	Moderate	No
McAllen - S Jackson Rd	Branch	0212.01	Upper	No
Mission - Bryan Rd	Branch	0203.02	Upper	No
Mission - E Griffin Pkwy	Branch	0203.02	Upper	No
Mission - E Hwy 83	Branch	0205.04	Middle	No
Mission - S Shary Road	Branch	0204.04	Middle	No
Palmhurst - E Mile 3 Rd	Branch	0241.06	Upper	No
Penitas - 1705 Expressway 83	Branch	0242.03	Middle	No
Pharr - N I Rd	Branch	0217.02	Upper	No
Pharr - S Cage Blvd	Branch	0214.01	Moderate	No
San Juan - E 495	Branch	0218.03	Middle	No
Weslaco - 1310 N Texas Blvd	Branch	0225.02	Moderate	No
Weslaco - S Texas Ave	Branch	0223.00	Upper	No
Source: Bank Data; 2015 ACS Data				

### **Economic and Demographic Data**

Based on 2015 ACS data, the assessment area's 113 census tracts include the following income designations: 1 low-, 32 moderate-, 46 middle-, and 31 upper-income tracts, as well as 3 tracts with no income designation. FEMA issued a disaster declaration for Hidalgo County due to severe winter storms on February 19, 2021, and a disaster declaration for the entire state due to the COVID-19 pandemic on March 25, 2020. The following table provides select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area McAllen MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	113	0.9	28.3	40.7	27.4	2.7
Population by Geography	819,217	1.7	27.6	41.2	28.8	0.7
Housing Units by Geography	258,126	1.2	25.5	41.8	31.2	0.2
Owner-Occupied Units by Geography	152,552	1.4	24.6	42.3	31.5	0.2
Occupied Rental Units by Geography	71,469	1.2	28.1	39.3	31.3	0.1
Vacant Units by Geography	34,105	0.7	24.3	45.2	29.3	0.4
Businesses by Geography	43,526	0.5	19.0	34.4	46.0	0.2
Farms by Geography	743	0.9	19.5	37.8	40.6	1.1
Family Distribution by Income Level	183,335	25.1	16.3	15.4	43.2	0.0
Household Distribution by Income Level	224,021	26.6	15.2	14.9	43.4	0.0
Median Family Income MSA - 32580 McAllen-Edinburg-Mission, TX MSA		\$37,529	Median Housing Value Median Gross Rent Families Below Poverty Level			\$84,918 \$662 29.9%
Source: 2015 ACS Data; 2019 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification						

The area's largest employers include H-E-B grocery stores, McAllen Independent School District (ISD), Edinburg ISD, University of Texas Rio Grande Valley, Hidalgo County, McAllen Medical Center and Doctors Hospital at Renaissance along with other city and government entities. Service industries represent the largest portion of the area's businesses at 36.1 percent, followed by non-classifiable establishments at 16.0, and retail trade at 14.8 percent.

As previously noted, examiners use the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2019 FFIEC-updated median family income of \$41,900.

<b>McAllen-Edinburg-Mission, TX MSA Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2019 (\$41,900)	<\$20,950	\$20,950 to <\$33,520	\$33,520 to <\$50,280	≥\$50,280
<i>Source: FFIEC</i>				

The Texas Labor Market in conjunction with the U.S. Bureau of Labor Statistics recorded an unemployment rate of 11.7 percent as of December 2020 for Hidalgo County. Such rate is above both the State of Texas' rate and the national rate of 7.1 and 6.5, respectively, for the same time period. This above average rate directly correlates to the COVID-19 pandemic. As of December 2019, the unemployment rate for Hidalgo County was 7.0 percent.



## **Competition**

According to the FDIC Deposit Market Share report as of June 30, 2020, 19 financial institutions operated 146 offices within the bank's assessment area, reflecting a competitive market for financial services. Of these institutions, IBC Laredo ranked 2<sup>nd</sup> with a 14.6 percent deposit market share. Additionally, a strong level of competition exists for home mortgage and small business loans in the assessment area. According to 2019 aggregate HMDA and CRA data, 346 lenders reported 16,942 home mortgage loans and 96 lenders reported 14,115 small business loans.

## **Credit and Community Development Needs and Opportunities**

The assessment area created varied loan demand for various loan types, including commercial, residential real estate, construction, and consumer loans. The area's economy also supports credit growth and opportunities for various loan types, although the competition is high. Considering information from bank management and demographic and economic data, examiners determined that the area's primary credit needs include commercial, residential real estate, construction, and consumer loans.

With respect to the area's community development needs, the information discussed herein, including the recorded unemployment rates and number of low- and moderate-income geographies and individuals, indicates needs for economic development activities, revitalizing and stabilizing low- and moderate-income areas, and affordable housing.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MCALLEN MSA AA**

### **LENDING TEST**

IBC Laredo demonstrated a high satisfactory record under the Lending Test in the McAllen MSA AA. Excellent lending levels coupled with an excellent borrower profile lending distribution somewhat lifted adequate records regarding the bank's CD loan performance and geographic lending distribution performance to support this conclusion.

### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs in the McAllen MSA AA. Good performance regarding small business lending lifted by excellent performance regarding home mortgage lending supports this conclusion. As previously noted, small business lending received more weight when arriving at applicable conclusions in this assessment area.

### ***Small Business Loans***

Small business lending levels reflect good responsiveness to the assessment area credit needs in the McAllen MSA AA. Good overall market ranking and share supports this conclusion. IBC Laredo captured a 2.2 percent market share of the total number of small business loans and a 9.5 percent market share of the total dollar volume of loans. IBC Laredo ranked 12<sup>th</sup> out of 96 reporting

lenders, based on 2019 aggregate CRA data, reflecting good performance. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 12.5 percent of lenders reporting such loans in the assessment area.

### ***Home Mortgage Loans***

Home mortgage lending levels reflect excellent responsiveness to the assessment area credit needs in the McAllen MSA AA. Excellent overall market ranking and share supports this conclusion. IBC Laredo captured a 1.5 percent market share of the total number of home mortgage loans and a 1.2 percent market share of the total dollar volume of loans. According to 2019 aggregate HMDA data, the bank ranked 20<sup>th</sup> out of 346 lenders inside the assessment area, reflecting excellent performance. This ranking, which considers the total number and dollar volume of loans made by each institution, lands the bank in the top 5.8 percent of lenders reporting such loans in the assessment area.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the McAllen MSA AA. Adequate performances regarding small business and home mortgage lending support this conclusion.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Adequate performances in low- and moderate-income census tracts support this conclusion. The following table shows that the bank's level of lending in the one low-income census tract trails aggregate data by 0.2 percentage points, reflecting adequate performance. The table further shows that the bank's level of lending in moderate-income census tracts rises 7.0 percentage points above aggregate data, reflecting adequate performance. Further, the table shows that in both low- and moderate-income geographies, the bank's levels land within adequate ranges of available D&B data.

<b>Geographic Distribution of Small Business Loans McAllen MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.5	0.5	1	0.3	17	<0.1
Moderate	19.0	18.6	78	25.6	13,076	28.6
Middle	34.4	34.8	56	18.4	8,635	18.9
Upper	46.0	45.9	170	55.7	23,982	52.5
Not Available	0.2	0.2	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>305</b>	<b>100.0</b>	<b>45,710</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Adequate performances in low- and moderate-income geographies support this conclusion. According to the following table, the bank's level of lending in the low-income census tract slightly exceeds aggregate data by 0.5 percentage points, reflecting adequate performance. The table further shows that the bank's lending performance in moderate-income census tracts lands slightly below aggregate data by 1.6 percentage points, also reflecting adequate performance.

<b>Geographic Distribution of Home Mortgage Loans McAllen MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	1.4	0.4	1	0.9	60	0.3
Moderate	24.6	13.6	13	12.0	1,035	5.9
Middle	42.3	36.6	34	31.5	5,881	33.6
Upper	31.5	49.2	60	55.6	10,542	60.2
Not Available	0.2	0.2	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>17,518</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size in the McAllen MSA AA. Excellent performance regarding small business loans lifted adequate performance regarding home mortgage loans to support this conclusion.

### ***Small Business Loans***

The distribution of borrowers reflects excellent penetration of small business loans among businesses of different sizes. An excellent record of lending to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. As shown in the following table, the bank's level of lending to businesses with gross annual revenues of \$1 million or less trails business demographics but exceeds aggregate performance by 29.9 percent, reflecting excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category McAllen MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
≤ \$1,000,000	86.2	39.0	210	68.9	27,363	59.9
>1,000,000	3.9	--	95	31.1	18,347	40.1
Revenue Not Available	9.9	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>305</b>	<b>100.0</b>	<b>45,710</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects adequate penetration among borrowers of different income levels. Adequate records of lending to low- and moderate-income borrowers support this conclusion. As shown in the following table, the bank's level of lending to low-income borrowers rises 2.2 percentage points above aggregate data, reflecting adequate performance. The table further shows that the bank's level of lending to moderate-income borrowers rises 6.0 percentage points above aggregate data, also reflecting adequate performance.

Distribution of Home Mortgage Loans by Borrower Income Level McAllen MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	25.1	0.6	3	2.8	90	0.5
Moderate	16.3	4.2	11	10.2	914	5.2
Middle	15.4	12.8	20	18.5	1,960	11.2
Upper	43.2	60.2	61	56.5	9,430	53.8
Not Available	0.0	22.3	13	12.0	5,124	29.2
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>17,518</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### **Community Development Loans**

The institution has made an adequate level of CD loans in the McAllen MSA AA. Specifically, the institution granted 32 CD loans totaling \$88.8 million during the evaluation period. The level of community development lending increased since the previous evaluation where the bank granted 22 loans totaling \$62.1 million. The current dollar amount equates to 4.9 percent of the bank's CD loans inside its assessment areas. As noted, the McAllen MSA AA contributed 17.1 percent of reviewed loans. A majority of the CD loans benefitted efforts that revitalize or stabilize the area, which demonstrates the bank's responsiveness to an identified community development need. The

following table displays the bank’s community development lending activity in this assessment area by year and purpose.

Community Development Lending McAllen MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	0	0	0	0	0	0	0	0	0	0
2018	1	2,941	0	0	0	0	5	12,151	6	15,092
2019	0	0	0	0	3	11,560	8	15,709	11	27,269
2020	0	0	0	0	2	12,997	8	15,533	10	28,530
YTD 2021	0	0	0	0	2	10,953	3	6,967	5	17,920
<b>Total</b>	<b>1</b>	<b>2,941</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>35,510</b>	<b>24</b>	<b>50,360</b>	<b>32</b>	<b>88,811</b>
<i>Source: Bank Data</i>										

The following is a notable example of a CD loan originated within the McAllen MSA AA.

- ***Economic Development*** – The bank originated a \$12.9 million loan to finance the construction of a hotel which supports permanent job creation for low- and moderate-income individuals.

## INVESTMENT TEST

IBC Laredo demonstrated a low satisfactory record under the Investment Test within the McAllen MSA AA. An adequate level of qualified community development investments and donation activity, coupled with an adequate responsiveness to the assessment area’s needs and occasional use of innovative and/or complex investments supports this conclusion.

### Investment and Grant Activity

The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors in the McAllen MSA AA. The bank made use of 359 qualified investments and donations totaling \$9.4 million. This is a significant increase from the \$1.1 million invested in this assessment area at the previous evaluation. The current dollar amount represents 6.5 percent of the bank’s qualified investments inside its assessment areas. As noted, the McAllen MSA AA accounted for 24.8 percent of the bank’s deposits. The table below summarizes the bank’s qualified investments and donations within this assessment area by year and purpose.

Qualified Investments McAllen MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	1	8,355	0	0	0	0	0	0	1	8,355
2020	0	0	1	100	0	0	0	0	1	100
YTD 2021	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>8,355</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>8,455</b>
Qualified Grants & Donations	1	1	292	729	50	104	14	65	357	899
<b>Total</b>	<b>2</b>	<b>8,356</b>	<b>293</b>	<b>829</b>	<b>50</b>	<b>104</b>	<b>14</b>	<b>65</b>	<b>359</b>	<b>9,354</b>
<i>Source: Bank Data</i>										

The following is a notable example of a qualified investment within the assessment area.

- **Affordable Housing** – The bank invested in the rehabilitation of an apartment complex within the assessment area. The total project cost \$32.7 million, while the bank provided an equity investment of over \$8.3 million. All units, by designed expressed purpose, will provide affordable housing to families earning less than 60.0 percent of area’s median income, thus providing affordable housing to low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits adequate responsiveness to credit and community development needs in the McAllen MSA AA. The bank’s qualified investments primarily helped to provide affordable housing, which demonstrates the bank’s responsiveness to an identified community development need.

### **Community Development Initiatives**

The institution occasionally uses innovative and/or complex investments to support community development initiatives. Specifically, the bank made occasional use of complex qualified investments, particularly related to affordable housing. As previously noted, the bank makes equity investments into a proprietary fund established by IBC Laredo’s Board of Directors to partner with various developers, city and state housing and development agencies, and builders to construct or refurbish affordable housing projects. Such fund was used to provide funding for a large project in the McAllen MSA AA.

## SERVICE TEST

IBC Laredo demonstrated an outstanding record regarding the Service Test in the McAllen MSA AA. Its leadership in providing CD services and tailored services to the needs of the assessment area primarily support this conclusion. Additionally, the bank's delivery systems are reasonably accessible to essentially all portions of the assessment area and its opening and closing of branches has not adversely affected the accessibility of its delivery systems.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institution's McAllen MSA AA. Limited accessibility of branch distributions somewhat lifted by readily accessible alternative delivery systems support this conclusion.

The following table illustrates the distribution of the bank's branches and ATMs by geography income level for 2020. The table shows that in the one low-income geography, the bank does not operate any offices or ATMs; however, only 1.7 percent of the assessment area's population resides in such area, thereby reflecting reasonable accessibility. The table further shows that in moderate-income geographies, the percentages of the number of branches and ATMs fall below the percentage of the assessment area's population residing in those areas. Specifically, the branch level falls 10.4 percentage points lower than the population percentage, while the ATM level falls 11.5 percentage points below, reflecting limited accessibility.

<b>Branch and ATM Distribution by Geography Income Level McAllen MSA AA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1	0.9	14,188	1.7	0	0.0	0	0.0
Moderate	32	28.3	226,121	27.6	5	17.2	5	16.1
Middle	46	40.7	337,536	41.2	9	31.0	9	29.0
Upper	31	27.4	235,761	28.8	15	51.8	17	54.8
NA	3	2.7	5,611	0.7	0	0.0	0	0.0
<b>Total</b>	<b>113</b>	<b>100.0</b>	<b>819,217</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; Bank Data Due to rounding, totals may not equal 100.0</i>								

Further, the institution makes its alternative delivery systems readily accessible to all portions of the assessment area. As previously noted, in addition to its ATMs, the bank offers other alternative delivery systems including online banking, remote deposit capture, telephone banking, and mobile banking services, with consistent services offered bank-wide.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the McAllen MSA AA. IBC Laredo did not open or close any branches in this assessment area since the prior evaluation.

### **Reasonableness of Business Hours and Services**

Services (including where appropriate, business hours) are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and/or individuals in the McAllen MSA AA. The bank's business hours and services within the McAllen MSA AA are consistent with the bank's overall conclusion, including the extended drive-thru hours and Sunday branch availability.

### **Community Development Services**

The institution is a leader in providing CD services in the McAllen MSA AA. During the evaluation period, bank employees engaged in 624 instances of community development activities in this assessment area, reflective of leader performance when considering the number of offices in the assessment area. This is a decrease from the 721 CD services provided at the prior evaluation. The activities included some economic development service activity, which reflects some responsiveness to an identified community development need. The following table summarizes the bank's CD services by purpose and year.

<b>Community Development Services McAllen MSA AA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2017	0	156	5	0	<b>161</b>
2018	0	190	0	0	<b>190</b>
2019	0	194	8	0	<b>202</b>
2020	0	66	4	0	<b>70</b>
YTD 2021	0	0	1	0	<b>1</b>
<b>Total</b>	<b>0</b>	<b>606</b>	<b>18</b>	<b>0</b>	<b>624</b>
<i>Source: Bank Data</i>					

The following is a notable example of the bank's CD service activity within the assessment area.

- **Community Services** – Numerous bank employees teach financial literacy classes in schools throughout the assessment area. A majority of the students' families in the schools served reflect low- or moderate-incomes and are recipients of the government's free or reduced lunch programs.



## OTHER ASSESSMENT AREAS – Limited-Scope Review

### CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE REVIEW ASSESSMENT AREAS

The following table identifies whether conclusions regarding the applicable tests for the noted assessment areas for which examiners performed a limited-scope review either exceed, are consistent with, or fall below the performance of the institution. Examiners made these determinations through a review of available facts and data, aggregate lending data comparisons, and demographic information. The conclusions from the limited-scope reviews contributed to the institution's overall performance.

Assessment Area	Lending Test	Investment Test	Service Test
Austin MSA AA	Consistent	Consistent	Below
Corpus Christi MSA AA	Exceeds	Below	Consistent
Houston MSA AA	Consistent	Below	Below
San Antonio MSA AA	Consistent	Below	Consistent
Texas Non-MSA AA	Exceeds	Below	Consistent
Victoria MSA AA	Below	Below	Below

Facts and data supporting conclusions for each limited-scope assessment area follow, beginning with a summary of the institution's operations and activities, followed by geographic distribution and borrower profile performances. The Appendix includes demographic data for the limited-scope assessment areas.

#### Austin MSA AA

The Austin MSA AA consists of Bastrop, Caldwell, Hays, Travis, and Williamson Counties located in Central Texas. All five counties comprise the entire Austin-Round Rock-Georgetown, TX MSA. IBC Laredo operates 13 offices and 16 ATMs in this area. The following table provides details regarding this area's activities.

Activity	#	\$(000s)
Home Mortgage Loans	444	54,673
Small Business Loans	24	5,656
Community Development Loans	48	576,173
Qualified Investments	226	120,354
Community Development Services	117	-
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019); Bank Data</i>		

## Corpus Christi MSA AA

The Corpus Christi MSA AA includes both Nueces and San Patricio Counties, the two counties that comprise the Corpus Christi, TX MSA. At the previous evaluation, Aransas County was also included in such assessment area. When the 2015 ACS data was released, Aransas County is now included in the Non-MSA area of Texas. IBC Laredo operates 8 offices and 14 ATMs in this area. The following table provides details regarding this area's activities.

Activity	#	\$(000s)
Home Mortgage Loans	34	7,365
Small Business Loans	56	9,131
Community Development Loans	16	120,868
Qualified Investments	101	273
Community Development Services	172	-
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019); Bank Data</i>		

## Houston MSA AA

The Houston MSA AA includes Brazoria, Fort Bend, Galveston, and Harris Counties, four of the nine counties that comprise the Houston-The Woodlands-Sugar Land, TX MSA. IBC Laredo operates 14 branches and 15 ATMs in this assessment area. The following table provides details regarding this area's activities.

Activity	#	\$(000s)
Home Mortgage Loans	605	67,582
Small Business Loans	36	10,239
Community Development Loans	68	499,249
Qualified Investments	117	340
Community Development Services	198	-
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019); Bank Data</i>		

## San Antonio MSA AA

The San Antonio MSA AA includes Bexar and Guadalupe Counties, two of the eight counties that comprise the San Antonio-New Braunfels, TX MSA. IBC Laredo operates 17 branches and 23 ATMs in this assessment area. The following table provides details regarding this area's activities.

Activity	#	\$(000s)
Home Mortgage Loans	182	32,461
Small Business Loans	140	33,422
Community Development Loans	49	335,932
Qualified Investments	203	11,461
Community Development Services	529	-
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019); Bank Data</i>		

## Texas Non-MSA AA

The Texas Non-MSA AA includes Aransas, Burnet, Calhoun, Matagorda, Maverick, Uvalde, and Val Verde Counties throughout the State of Texas. IBC Laredo operates 15 branches and 40 ATMs in this assessment area. The following table provides details regarding this area's activities.

Activity	#	\$(000s)
Home Mortgage Loans	23	2,740
Small Business Loans	70	8,542
Community Development Loans	16	86,862
Qualified Investments	147	251
Community Development Services	544	-
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019); Bank Data</i>		

## Victoria MSA AA

The Victoria MSA AA includes Victoria County, one of the two counties that comprise the Victoria, TX MSA. IBC Laredo operates 1 branch and 1 ATM in this assessment area. The following table provides details regarding this area's activities.

Activity	#	\$(000s)
Home Mortgage Loans	0	0
Small Business Loans	2	234
Community Development Loans	8	10,156
Qualified Investments	9	5
Community Development Services	0	-
<i>Source: HMDA Reported Data (2019); CRA Reported Data (2019); Bank Data</i>		

## Geographic Distribution and Borrower Profile

The following tables demonstrate the bank's geographic and borrower profile distribution performances for the limited-scope assessment areas.

## Geographic Distribution

### Austin MSA AA

#### *Home Mortgage Loans*

Geographic Distribution of Home Mortgage Loans Austin MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.8	3.2	10	2.3	1,100	2.0
Moderate	18.1	15.1	42	9.5	5,103	9.3
Middle	40.3	42.8	117	26.4	15,043	27.5
Upper	37.6	38.7	274	61.7	33,107	60.6
Not Available	0.2	0.2	1	0.2	320	0.6
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>444</b>	<b>100.0</b>	<b>54,673</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

#### *Small Business Loans*

Geographic Distribution of Small Business Loans Austin MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.7	6.9	1	4.2	250	4.4
Moderate	14.0	14.2	3	12.5	125	2.2
Middle	33.9	34.0	9	37.5	2,115	37.4
Upper	44.2	44.1	11	45.8	3,166	56.0
Not Available	1.2	0.8	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>5,656</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0						

## Corpus Christi MSA AA

### Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans Corpus Christi MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.5	0.6	0	0.0	0	0.0
Moderate	26.5	12.6	2	5.9	216	2.9
Middle	36.2	33.6	17	50.0	4,600	62.5
Upper	33.8	53.2	15	44.1	2,549	34.6
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>7,365</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Geographic Distribution of Small Business Loans Corpus Christi MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.3	2.2	0	0.0	0	0.0
Moderate	29.4	27.2	19	33.9	3,714	40.7
Middle	35.7	37.2	22	39.3	4,494	49.2
Upper	31.2	33.2	15	26.8	923	10.1
Not Available	0.3	0.1	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>9,131</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0						

## Houston MSA AA

### Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans Houston MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	5.9	3.2	19	3.1	2,275	3.4
Moderate	21.4	13.2	66	10.9	7,774	11.5
Middle	28.7	28.1	74	12.2	8,763	13.0
Upper	43.9	55.5	446	73.7	48,770	72.2
Not Available	0.1	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>605</b>	<b>100.0</b>	<b>67,582</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Geographic Distribution of Small Business Loans Houston MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	10.3	10.8	4	11.1	2,000	19.5
Moderate	18.7	18.2	4	11.1	492	4.8
Middle	22.4	22.5	6	16.7	2,073	20.2
Upper	48.3	48.3	22	61.1	5,674	55.4
Not Available	0.2	0.1	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>10,239</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0						

## San Antonio MSA AA

### Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans San Antonio MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	5.0	1.7	0	0.0	0	0.0
Moderate	25.9	14.2	26	14.3	3,153	9.7
Middle	28.2	31.4	28	15.4	3,191	9.8
Upper	40.9	52.7	128	70.3	26,117	80.5
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>32,461</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Geographic Distribution of Small Business Loans San Antonio MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	5.1	4.7	6	4.3	2,048	6.1
Moderate	22.5	21.7	30	21.4	6,581	19.7
Middle	28.3	26.8	56	40.0	10,980	32.9
Upper	43.9	46.6	48	34.3	13,813	41.3
Not Available	0.3	0.2	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>140</b>	<b>100.0</b>	<b>33,422</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0						

## Texas Non-MSA AA

### Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans Texas Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.9	0.3	0	0.0	0	0.0
Moderate	27.0	16.7	6	26.1	609	22.2
Middle	51.5	55.4	10	43.5	1,227	44.8
Upper	20.7	27.7	7	30.4	904	33.0
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>2,740</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Geographic Distribution of Small Business Loans Texas Non-MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.9	1.0	6	8.6	452	5.3
Moderate	21.7	20.5	27	38.6	2,945	34.5
Middle	53.8	56.5	24	34.3	4,160	48.7
Upper	23.6	22.0	13	18.6	985	11.5
Not Available	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>8,542</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data Due to rounding, totals may not equal 100.0						



## Victoria MSA AA

### *Small Business Loans*

Geographic Distribution of Small Business Loans Victoria MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.2	2.7	0	0.0	0	0.0
Moderate	35.1	30.4	0	0.0	0	0.0
Middle	25.0	22.5	0	0.0	0	0.0
Upper	37.5	44.3	2	100.0	234	100.0
Not Available	0.2	0.1	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data</i> <i>Due to rounding, totals may not equal 100.0</i>						

## **Borrower Profile**

### **Austin MSA AA**

#### ***Home Mortgage Loans***

<b>Distribution of Home Mortgage Loans by Borrower Income Level Austin MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	22.5	4.5	16	3.6	2,389	4.4
Moderate	16.9	17.1	25	5.6	3,714	6.8
Middle	19.8	22.2	28	6.3	3,526	6.5
Upper	40.8	42.1	369	83.1	42,994	78.6
Not Available	0.0	14.2	6	1.4	2,050	3.7
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>444</b>	<b>100.0</b>	<b>54,673</b>	<b>100.0</b>
<i>Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

#### ***Small Business Loans***

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Austin MSA AA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	88.1	47.3	18	75.0	3,239	57.3
>1,000,000	3.7	--	6	25.0	2,417	42.7
Revenue Not Available	8.1	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>5,656</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0</i>						

## Corpus Christi MSA AA

### Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Corpus Christi MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.4	3.5	1	2.9	15	0.2
Moderate	17.3	11.7	2	5.9	250	3.4
Middle	18.1	20.6	3	8.8	390	5.3
Upper	42.2	42.2	27	79.4	6,535	88.7
Not Available	0.0	22.0	1	2.9	175	2.4
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>7,365</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Corpus Christi MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	82.1	35.5	38	67.9	4,316	47.3
>1,000,000	4.7	--	18	32.1	4,815	52.7
Revenue Not Available	13.2	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>9,131</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

## Houston MSA AA

### Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Houston MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.9	3.4	21	3.5	2,371	3.5
Moderate	16.2	14.6	71	11.7	10,649	15.8
Middle	17.0	20.9	38	6.3	3,390	5.0
Upper	41.9	44.6	474	78.3	50,998	75.5
Not Available	0.0	16.5	1	0.2	174	0.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>605</b>	<b>100.0</b>	<b>67,582</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Houston MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	86.9	45.1	19	52.8	4,289	41.9
>1,000,000	5.0	--	17	47.2	5,950	58.1
Revenue Not Available	8.0	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>10,239</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

## San Antonio MSA AA

### Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level San Antonio MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.4	3.6	7	3.8	592	1.8
Moderate	17.5	14.0	20	11.0	2,886	8.9
Middle	19.3	22.0	12	6.6	1,776	5.5
Upper	39.7	36.7	124	68.1	15,425	47.5
Not Available	0.0	23.7	19	10.4	11,782	36.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>32,461</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category San Antonio MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	85.9	43.0	64	45.7	12,954	38.8
>1,000,000	4.3	--	76	54.3	20,468	61.2
Revenue Not Available	9.8	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>140</b>	<b>100.0</b>	<b>33,422</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

## Texas Non-MSA AA

### Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Texas Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.8	2.4	4	17.4	277	10.1
Moderate	18.0	8.3	2	8.7	203	7.4
Middle	17.6	16.7	4	17.4	481	17.6
Upper	39.6	55.9	13	56.5	1,779	64.9
Not Available	0.0	16.7	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>2,740</b>	<b>100.0</b>
Source: 2015 ACS Data; HMDA Reported Data (2019); 2019 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

### Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Texas Non-MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	83.0	47.1	50	71.4	4,938	57.8
>1,000,000	3.8	--	20	28.6	3,604	42.2
Revenue Not Available	13.2	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>8,542</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

## Victoria MSA AA

### *Small Business Loans*

Distribution of Small Business Loans by Gross Annual Revenue Category Victoria MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	80.4	38.5	1	50.0	172	73.5
>1,000,000	5.3	--	1	50.0	62	26.5
Revenue Not Available	14.3	--	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>
Source: 2019 D&B Data; CRA Reported Data (2019); 2019 CRA Aggregate Data; "--" data not available Due to rounding, totals may not equal 100.0						

## **APPENDICES**

### **LARGE BANK PERFORMANCE CRITERIA**

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - i. The proportion of the bank's lending in the bank's assessment area(s);
  - ii. The dispersion of lending in the bank's assessment areas(s); and
  - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
  - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
  - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - iii. Small business and small farm loans by loan amount at origination; and
  - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

#### **Investment Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.



## **Service Test**

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

## SCOPE OF EVALUATION

International Bank of Commerce	
<b>Scope of Examination:</b> Full-scope reviews were performed on the following assessment areas: Laredo MSA AA McAllen MSA AA	
<b>Time Period Reviewed:</b>	09/11/2017 to 03/11/2021
<b>Products Reviewed:</b> Home Mortgage Loans: (01/01/2018 – 12/31/2019) Small Business Loans: (01/01/2018 – 12/31/2019)	

## DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

### Austin MSA AA

The Austin MSA AA consists of Bastrop, Caldwell, Hays, Travis, and Williamson Counties located in Central Texas. All five counties comprise the Austin-Round Rock-Georgetown, TX MSA. As reflected in the following table, IBC Laredo operates 13 offices and 16 ATMs in this area. According to 2015 ACS data, the assessment area is comprised of 350 census tracts which reflect the following income designations: 37 low-, 78 moderate-, 128 middle-, 101 upper-income tracts, and 6 census tracts with no income designation.

Office Locations Austin MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b><i>Bastrop County:</i></b> Bastrop - W Hwy 71	Branch	9503.00	Middle	No
<b><i>Caldwell County:</i></b> Luling - S Pecan St	Branch	9607.00	Moderate	No
<b><i>Hays County:</i></b> San Marcos - Wonderworld Dr	Branch	0104.00	Moderate	No
<b><i>Travis County:</i></b> Austin - 9900 IH 35 S	Branch	0024.21	Middle	No
Austin - 12625 IH 35 N	Branch	0018.39	Middle	No
Austin - Burnet Rd	Branch	0018.49	Middle	No
Austin - E Cesar Chavez St	Branch	0010.00	Moderate	No
Austin - FM 2222	Branch	0017.61	Upper	No
Austin - W 5 <sup>th</sup> St	Branch	0011.00	Upper	No
Bee Cave - S FM 620	Branch	0017.84	Upper	No
<b><i>Williamson County:</i></b> Cedar Park - W Whitestone	Branch	0203.27	Middle	No
Leander - 1695 S Hwy 183	Branch	0203.12	Middle	No
Round Rock - Gattis School Rd	Branch	0207.07	Middle	No
Source: Bank Data; 2015 ACS Data				

The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area Austin MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	350	10.6	22.3	36.6	28.9	1.7
Population by Geography	1,889,094	10.1	22.3	37.3	29.2	1.1
Housing Units by Geography	747,159	10.1	20.6	38.2	30.1	0.9
Owner-Occupied Units by Geography	399,483	3.8	18.1	40.3	37.6	0.2
Occupied Rental Units by Geography	289,795	18.4	23.8	35.5	20.5	1.7
Vacant Units by Geography	57,881	12.0	22.1	37.9	26.6	1.5
Businesses by Geography	204,774	6.7	14.0	33.9	44.2	1.2
Farms by Geography	4,339	4.7	17.8	40.2	37.0	0.3
Family Distribution by Income Level	428,451	22.5	16.9	19.8	40.8	0.0
Household Distribution by Income Level	689,278	23.6	16.6	18.0	41.7	0.0
Median Family Income MSA - 12420 Austin-Round Rock-Georgetown, TX MSA		\$78,997	Median Housing Value Median Gross Rent Families Below Poverty Level			\$233,705 \$1,067 9.5%
Source: 2015 ACS Data; 2019 D&B Data Due to rounding, totals may not equal 100.0 (* ) The NA category consists of geographies that have not been assigned an income classification						

The unemployment rates for Bastrop, Caldwell, Hays, Travis, and Williamson Counties for December 2020 are 5.3 percent, 5.8 percent, 5.2 percent, 5.1 percent, and 5.0 percent, respectively, which are below the State of Texas' rate of 7.1 percent and the national rate of 6.5 percent. The assessment area's largest employers include the University of Texas at Austin, Dell, Inc., Seton Healthcare Network, Wal-Mart Stores, St. David's Healthcare, Samsung, and Apple.

The assessment area is a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2020, 70 financial institutions operated 447 offices within the bank's Austin MSA AA. Of these institutions, IBC Laredo ranked 23<sup>rd</sup> with a 0.7 percent deposit market share.

### **Corpus Christi MSA AA**

The Corpus Christi MSA AA includes Nueces and San Patricio Counties, the two counties that comprise the Corpus Christi, TX MSA. As reflected in the following table, IBC Laredo operates 8 offices and 14 ATMs in this area. The Corpus Christi MSA AA is comprised of 98 census tracts which reflect the following income designations, according to the 2015 ACS data: 6 low-, 27 moderate-, 34 middle-, 28 upper-, and 3 tracts with no income designation.

<b>Office Locations Corpus Christi MSA AA</b>				
<b>County/City/Office</b>	<b>Office Type</b>	<b>Census Tract Number</b>	<b>Census Tract Income Level</b>	<b>Office Opened or Closed Since Last Evaluation</b>

<b>Nueces County:</b>				
Corpus Christi - Everhart Rd	Branch	0024.00	Middle	No
Corpus Christi - Northwest Blvd	Branch	0058.01	Upper	No
Corpus Christi - S Shoreline Blvd	Branch	0064.00	Moderate	No
Corpus Christi - S Staples	Branch	0033.06	Middle	No
Corpus Christi - Waldron Rd	Branch	0030.02	Middle	No
<b>San Patricio County:</b>				
Aransas Pass - W Wheeler	Branch	0102.02	Moderate	No
Portland - Hwy 181	Branch	0106.03	Upper	No
Sinton - W Sinton St	Branch	0110.00	Middle	No
<i>Source: Bank Data; 2015 ACS Data</i>				

The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area Corpus Christi MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	98	6.1	27.6	34.7	28.6	3.1
Population by Geography	418,130	5.3	29.7	35.7	28.5	0.6
Housing Units by Geography	171,296	5.2	28.6	36.0	30.2	0.0
Owner-Occupied Units by Geography	87,995	3.5	26.5	36.2	33.8	0.0
Occupied Rental Units by Geography	61,686	7.0	32.1	34.5	26.3	0.0
Vacant Units by Geography	21,615	7.0	27.1	39.0	27.0	0.0
Businesses by Geography	28,000	3.3	29.4	35.7	31.2	0.3
Farms by Geography	837	2.2	22.2	33.9	41.6	0.1
Family Distribution by Income Level	104,286	22.4	17.3	18.1	42.2	0.0
Household Distribution by Income Level	149,681	24.7	16.0	17.1	42.2	0.0
Median Family Income MSA - 18580 Corpus Christi, TX MSA		\$58,364	Median Housing Value Median Gross Rent Families Below Poverty Level			\$122,079 \$897 13.6%
Source: 2015 ACS Data; 2019 D&B Data						
Due to rounding, totals may not equal 100.0						
(*) The NA category consists of geographies that have not been assigned an income classification						

The unemployment rates for Nueces and San Patricio Counties for December 2020 are 8.7 percent and 10.6 percent, respectively, and exceed both the State of Texas' rate of 7.1 percent and the national rate of 6.5 percent. The assessment area's largest employers include Bay Ltd., Naval Air Station Corpus Christi, H.E.B., Christus Spohn Health System, Driscoll Children's Hospital, Corpus Christi Medical Center, and Corpus Christi ISD. Service industries represent the largest portion of businesses at 37.5 percent, followed by non-classifiable establishments at 18.3 percent, and retail trade at 13.4 percent.

The assessment area is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2020, 15 institutions operated 95 offices within the Corpus Christi MSA AA. Of these institutions, IBC Laredo ranked 6<sup>th</sup> with a 3.8 percent deposit market share.

## Houston MSA AA

The Houston MSA AA includes Brazoria, Fort Bend, Galveston, and Harris Counties, four of the nine counties that comprise the Houston-The Woodlands-Sugar Land, TX MSA. As reflected in the following table, IBC Laredo operates 14 offices and 15 ATMs in this area. The Houston MSA AA is comprised of 980 census tracts which reflect the following income designations, according to the 2015 ACS data: 156 low-, 289 moderate-, 239 middle-, 287 upper-, and 9 tracts with no income designation.

<b>Office Locations Houston MSA AA</b>				
<b>County/City/Office</b>	<b>Office Type</b>	<b>Census Tract Number</b>	<b>Census Tract Income Level</b>	<b>Office Opened or Closed Since Last Evaluation</b>
<b><i>Brazoria County:</i></b>				
Angleton - W Mulberry St	Branch	6621.00	Middle	No
Freeport - N Brazosport	Branch	6643.00	Low	No
Lake Jackson - That Way	Branch	6633.00	Middle	No
<b><i>Fort Bend County:</i></b>				
Richmond - 5250 FM 1640	Branch	6751.00	Middle	No
Woodbridge - 10570 Hwy 6	Branch	6721.00	Middle	No
<b><i>Galveston County:</i></b>				
League City - W FM 646	Branch	7206.00	Middle	No
<b><i>Harris County:</i></b>				
Houston - 5615 Kirby Dr	Branch	4120.00	Upper	No
Houston - Eldridge Pkwy	Branch	4515.00	Upper	No
Houston - Gulf Gate Center Mall	Branch	3117.00	Low	No
Houston - McKinney	Branch	1000.00	Upper	No
Houston - Montrose	Branch	4107.02	Upper	No
Houston - S Kirkwood Rd	Branch	4536.02	Moderate	No
Houston - Westheimer	Branch	4319.00	Upper	No
Katy - W Grand Pkwy South	Branch	4553.00	Upper	No
<i>Source: Bank Data; 2015 ACS Data</i>				

The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area Houston MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	980	15.9	29.5	24.4	29.3	0.9
Population by Geography	5,654,597	12.8	26.3	27.0	33.5	0.3
Housing Units by Geography	2,139,421	13.5	25.7	26.1	34.5	0.3
Owner-Occupied Units by Geography	1,142,845	5.9	21.4	28.7	43.9	0.1
Occupied Rental Units by Geography	789,247	22.3	30.7	23.3	23.1	0.6
Vacant Units by Geography	207,329	21.7	30.2	22.0	25.8	0.3
Businesses by Geography	500,688	10.3	18.7	22.4	48.3	0.2
Farms by Geography	7,259	6.2	15.7	28.4	49.6	0.1
Family Distribution by Income Level	1,355,584	24.9	16.2	17.0	41.9	0.0
Household Distribution by Income Level	1,932,092	25.2	16.0	16.8	42.0	0.0
Median Family Income MSA - 26420 Houston-The Woodlands-Sugar Land, TX MSA		\$69,373	Median Housing Value Median Gross Rent Families Below Poverty Level			\$172,519 \$970 13.2%
Source: 2015 ACS Data; 2019 D&B Data Due to rounding, totals may not equal 100.0 (* ) The NA category consists of geographies that have not been assigned an income classification						

The unemployment rates of Brazoria, Fort Bend, Galveston, and Harris Counties for December 2020 are 8.6 percent, 7.4 percent, 8.3 percent, and 8.1 percent, respectively, and all exceed both the State of Texas' rate of 7.1 percent and the national average of 6.5 percent. The assessment area's largest employers include Memorial Hermann Health System, The University of Texas Health Science Center, Schlumberger Ltd. (energy), Landry's Inc. (food service), and Exxon Mobile Corporation. Service industries represent the largest portion of businesses at 38.1 percent, followed by non-classifiable establishments at 21.1 percent, and retail trade at 11.3 percent.

The assessment area is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2020, 88 institutions operated 1,224 offices within the Houston MSA AA. Of these institutions, IBC Laredo ranked 31<sup>st</sup> with a 0.2 percent deposit market share.

### San Antonio MSA AA

The San Antonio MSA AA includes Bexar and Guadalupe Counties, two of the eight counties that comprise the San Antonio-New Braunfels, TX MSA. As reflected in the following table, IBC Laredo operates 17 offices and 23 ATMs in this area. The San Antonio MSA AA is comprised of 395 census tracts which reflect the following income designations, according to the 2015 ACS data: 34 low-, 134 moderate-, 104 middle-, 119 upper-, and 4 tracts with no income designation.

Office Locations San Antonio MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation

<b>Bexar County:</b>				
Helotes - Bandera Rd	Branch	1817.24	Upper	No
San Antonio - 327 SW Loop 410	Branch	1719.02	Moderate	No
San Antonio - 938 S Military Dr	Branch	1515.00	Moderate	No
San Antonio - 1500 NE Loop 410	Branch	1208.00	Upper	No
San Antonio - 2201 NW Military Dr	Branch	1911.01	Upper	No
San Antonio - 2310 SW Military Dr	Branch	1513.01	Moderate	No
San Antonio - 3119 SE Military Dr	Branch	1411.01	Moderate	No
San Antonio - 5300 Walzem Rd	Branch	1214.03	Moderate	No
San Antonio - Broadway	Branch	1203.00	Upper	No
San Antonio - Callaghan Rd	Branch	1807.02	Middle	No
San Antonio - Culebra Rd	Branch	1720.05	Upper	No
San Antonio - E Travis St	Branch	1101.00	Middle	No
San Antonio - Fredericksburg Rd	Branch	1813.03	Low	No
San Antonio - Huebner	Branch	1914.12	Upper	No
San Antonio - Hwy 281 North	Branch	1817.05	Middle	Yes – Closed 01/01/2018
San Antonio – NW Loop 410	Branch	1913.03	Middle	
San Antonio - Stone Oak Pkwy	Branch	1918.17	Upper	
<b>Guadalupe County:</b>				
Schertz - FM 3009	Branch	2107.11	Upper	No
<i>Source: Bank Data; 2015 ACS Data</i>				

The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area San Antonio MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	395	8.6	33.9	26.3	30.1	1.0
Population by Geography	1,968,962	7.1	32.3	28.2	32.4	0.0
Housing Units by Geography	728,309	6.9	32.2	28.6	32.4	0.0
Owner-Occupied Units by Geography	399,432	5.0	25.9	28.2	40.9	0.0
Occupied Rental Units by Geography	268,339	8.7	39.9	29.3	22.1	0.0
Vacant Units by Geography	60,538	11.0	39.4	27.9	21.7	0.0
Businesses by Geography	139,640	5.1	22.5	28.3	43.9	0.3
Farms by Geography	2,862	2.6	17.2	30.2	49.9	0.1
Family Distribution by Income Level	456,285	23.4	17.5	19.3	39.7	0.0
Household Distribution by Income Level	667,771	25.1	16.1	18.0	40.8	0.0
Median Family Income MSA - 41700 San Antonio-New Braunfels, TX MSA		\$62,228	Median Housing Value Median Gross Rent Families Below Poverty Level			\$147,090 \$896 13.3%
Source: 2015 ACS Data; 2019 D&B Data						
Due to rounding, totals may not equal 100.0						
(*) The NA category consists of geographies that have not been assigned an income classification						



The unemployment rates for Bexar and Guadalupe Counties for December 2020 are 6.6 percent and 5.4 percent, respectively, and are both lower than the State of Texas' rate of 7.1 percent. Bexar County's rate exceeds the national average of 6.5 percent, while Guadalupe County's rate falls below the national average. The assessment area's largest employers include the United States Military, H.E.B. Food Stores, United Services Automobile Association, independent school districts, and Methodist Healthcare System. Service industries represent the largest portion of businesses at 39.8 percent, followed by non-classifiable establishments at 19.8 percent, and retail trade at 12.2 percent.

The assessment area is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2020, 44 institutions operated 318 offices within the San Antonio MSA AA. Of these institutions, IBC Laredo ranked 12<sup>th</sup> with a 0.7 percent deposit market share.

### **Texas Non-MSA AA**

The Texas Non-MSA AA includes the following counties: Aransas, Burnet, Calhoun, Matagorda, Maverick, Uvalde, and Val Verde, located through central and south Texas. As reflected in the following table, IBC Laredo operates 15 offices and 40 ATMs in this area. The Texas Non-MSA AA is comprised of 55 census tracts which reflect the following income designations, according to the 2015 ACS data: 1 low-, 15 moderate-, 25 middle-, and 10 upper-income, and 4 census tracts with no income designation.

<b>Office Locations Texas Non-MSA AA</b>				
<b>County/City/Office</b>	<b>Office Type</b>	<b>Census Tract Number</b>	<b>Census Tract Income Level</b>	<b>Office Opened or Closed Since Last Evaluation</b>
<b>Aransas:</b> Rockport - 2701 IH 35 N	Branch	9503.00	Upper	No
<b>Burnet County:</b> Marble Falls - 2401 Hwy 281	Branch	9608.00	Upper	No
<b>Calhoun County:</b> Port Lavaca - N Virginia	Branch	0001.00	Upper	No
<b>Matagorda County:</b> Bay City - 7 <sup>th</sup> St	Branch	7303.01	Middle	No
<b>Maverick County:</b> Eagle Pass - 439 Main St	Branch	9505.00	Moderate	No
Eagle Pass - 2135 E Main St	Branch	9504.00	Moderate	No
Eagle Pass - 2329 Main St	Branch	9503.00	Middle	No
Eagle Pass - 2538 Main St	Branch	9506.02	Moderate	No
Eagle Pass - Del Rio Blvd	Branch	9505.00	Moderate	No
Eagle Pass - S Bibb St	Branch	9506.02	Moderate	No
<b>Uvalde County:</b> Uvalde - 2065 E Main	Branch	9504.00	Middle	No
Uvalde - 3100 E Main	Branch	9502.00	Middle	No
<b>Val Verde County:</b> Del Rio - 1507 Veterans Blvd	Branch	9504.00	Moderate	No
Del Rio - 2205 Veterans Blvd	Branch	9508.00	Middle	No
Del Rio - Dodson	Branch	9508.00	Middle	No
<i>Source: Bank Data; 2015 ACS Data</i>				

The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area Texas Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	55	1.8	27.3	45.5	18.2	7.3
Population by Geography	259,180	1.0	30.7	50.4	17.9	0.0
Housing Units by Geography	115,165	0.8	25.2	54.4	19.6	0.0
Owner-Occupied Units by Geography	61,148	0.9	27.0	51.5	20.7	0.0
Occupied Rental Units by Geography	26,105	1.3	28.9	52.8	17.0	0.0
Vacant Units by Geography	27,912	0.2	17.9	62.3	19.6	0.0
Businesses by Geography	14,950	0.9	21.7	53.8	23.6	0.0
Farms by Geography	617	0.3	11.3	61.3	27.1	0.0
Family Distribution by Income Level	63,445	24.8	18.0	17.6	39.6	0.0
Household Distribution by Income Level	87,253	25.4	16.1	16.4	42.1	0.0
Median Family Income Non-MSAs – TX		\$52,198	Median Housing Value Median Gross Rent Families Below Poverty Level			\$114,877 \$720 16.7%
Source: 2015 ACS Data; 2019 D&B Data Due to rounding, totals may not equal 100.0 (* ) The NA category consists of geographies that have not been assigned an income classification						

The unemployment rates for Aransas, Burnet, Calhoun, Matagorda, Maverick, Uvalde, and Val Verde Counties for December 2020 are 8.8 percent, 4.7 percent, 6.1 percent, 10.4 percent, 16.3 percent, 7.0 percent, and 7.6 percent, respectively. The unemployment rates for Burnet and Calhoun Counties are less than the State of Texas' unemployment rate of 7.1 percent and the national average of 6.5 percent, while unemployment rates in Aransas, Matagorda, Maverick, Uvalde, and Val Verde Counties largely exceed both the State of Texas' unemployment rate and the national average. The assessment area's largest employers include the local school districts (Aransas, Burnet, and Calhoun Counties), South Texas Project (energy, Matagorda County), H.E.B. Stores (Uvalde County), Val Verde Medical Center, and Anadarko (Maverick County). Service industries represent the largest portion of businesses at 35.3 percent, followed by non-classifiable establishments at 15.2 percent, and retail trade at 14.6 percent.

The assessment area is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2020, 28 institutions operated 74 offices within the Texas Non-MSA AA. Of these institutions, IBC Laredo ranked 2<sup>nd</sup> with a 14.9 percent deposit market share.

### **Victoria MSA AA**

The Victoria MSA AA includes Victoria County, one of the two counties that comprise the Victoria, TX MSA. As reflected in the following table, IBC Laredo operates 1 office and 1 ATM in this area. The Victoria MSA AA is comprised of 23 census tracts which reflect the following income designations, according to the 2015 ACS data: 1 low-, 8 moderate-, 7 middle-, 6 upper-, and 1 tract with no income designation.

Office Locations Victoria MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b>Victoria:</b> Victoria - N Navarro	Branch	0015.03	Upper	No
<i>Source: Bank Data; 2015 ACS Data</i>				

The following table notes certain demographic data for the area.

Demographic Information of the Assessment Area Victoria MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	4.3	34.8	30.4	26.1	4.3
Population by Geography	90,099	3.7	34.9	25.6	35.9	0.0
Housing Units by Geography	35,876	3.4	34.2	25.6	36.7	0.0
Owner-Occupied Units by Geography	21,403	2.2	26.6	24.5	46.7	0.0
Occupied Rental Units by Geography	11,107	5.6	48.0	25.4	21.0	0.0
Vacant Units by Geography	3,366	4.0	37.3	33.5	25.3	0.0
Businesses by Geography	6,201	2.2	35.1	25.0	37.5	0.2
Farms by Geography	212	0.9	20.8	29.2	49.1	0.0
Family Distribution by Income Level	23,051	23.4	16.9	18.0	41.6	0.0
Household Distribution by Income Level	32,510	23.3	16.6	18.2	41.9	0.0
Median Family Income MSA - 47020 Victoria, TX MSA		\$60,302	Median Housing Value Median Gross Rent Families Below Poverty Level			\$117,929 \$791 12.4%
Source: 2015 ACS Data; 2019 D&B Data						
Due to rounding, totals may not equal 100.0						
(*) The NA category consists of geographies that have not been assigned an income classification						

The unemployment rate for Victoria County for December 2020 is 7.8 percent, which exceeds the State of Texas' unemployment rate of 7.1 percent and the national average of 6.5 percent. The assessment area's largest employers include the local area school districts, Formosa Plastics, The Interplast Group (plastic/petrochemical), and Citizens Medical Center. Service industries represent the largest portion of businesses at 38.3 percent, followed by non-classifiable establishments and retail trade, both at 14.8 percent.

The assessment area is competitive in the financial services market. According to the FDIC Deposit Market Share data as of June 30, 2020, 13 institutions operated 23 offices within the Victoria MSA AA. Of these institutions, IBC Laredo ranked 11<sup>th</sup> with a 0.9 percent deposit market share.

## GLOSSARY

**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 metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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 metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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 lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.



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

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.