PUBLIC DISCLOSURE

August 3, 2026

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Lea County State Bank
RSSD# 1015252

1017 North Turner
Hobbs, NM 88240

Federal Reserve Bank of Dallas

2200 North Pearl Street
Dallas, Texas 75201

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

Institution's Community Reinvestment Act Rating 2
Scope of Examination 2
Description of Institution 3
Description of Assessment Area 4
Conclusions With Respect to Performance Tests 9
Fair Lending or Other Illegal Credit Practices Review 16
Appendix A – Demographic Information 17
Appendix B – Glossary 18

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Outstanding

Lea County State Bank (LCSB or the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria under the Lending and Community Development Tests:

- The bank's loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- An excellent distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Neither the bank nor the Federal Reserve Bank of Dallas (Reserve Bank) received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.
- Community development (CD) activity reflects excellent responsiveness to the CD needs of its AA.

SCOPE OF EXAMINATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions* to evaluate the bank's CRA performance. The evaluation considered performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as AA demographic and economic characteristics, aggregate lending data, and credit needs. Lending and CD performance was assessed within the bank's only AA**.** In the evaluation of the bank's geographic distribution of loans, the demographic figure refers to the percentage of owner-occupied housing units by census tract income level for home mortgage lending and the percentage of businesses by census tract income level for small business lending. In the evaluation of the bank's distribution of loans to borrowers of different income levels and businesses of different revenue sizes, the demographic figure refers to the percentage of families by income level for home mortgage lending and the percentage of businesses in the AA with revenues of $1 million or less for small business lending. Examiners reviewed the following data:

- The bank's 13-quarter average LTD ratio.
- A statistically derived sample of the bank's residential real estate loans consisting of 67 loans out of a universe of 100 originated between January 1, 2025, and December 31, 2025.
- A statistically derived sample of the bank's commercial loans consisting of 119 small business loans out of a universe of 290 originated between January 1, 2025, and December 31, 2025.
- Small business lending carried greater weight in the overall conclusions as commercial lending represents a majority of the bank's loan portfolio**.**
- CD loans, qualified investments, and CD services from March 6, 2023, through August 3, 2026.

DESCRIPTION OF INSTITUTION

LCSB is a community bank headquartered in Hobbs, New Mexico. The bank's characteristics include the following.

- The bank is a wholly-owned subsidiary of Lea County Bancshares, Inc.
- The bank has total assets of $708.0 million as of December 31, 2025.
- In addition to its main office in Hobbs, New Mexico, the bank has two additional offices located in Lovington, and Hobbs, New Mexico. Office locations have not changed since the prior examination.
- The bank operates 15 automated teller machines (ATMs) throughout its AA.
- As shown in the table below, the bank's primary business focus is commercial lending, representing 72.1 percent of the portfolio as of December 31, 2025. This includes nonfarm nonresidential real estate, construction and land development, and commercial and industrial loans.

Table 1

Composition of Loan Portfolio as of December 31, 2025		
Loan Type	**$(000)**	**%**
Construction and Land Development	3,789	1.7
Farmland	2,677	1.2
1- to 4-Family Residential Real Estate	20,154	8.9
Multifamily Residential Real Estate	86	0.0
Nonfarm Nonresidential Real Estate	36,467	16.2
Agricultural	2,700	1.2
Commercial and Industrial	122,070	54.2
Consumer	19,359	8.6
Other	18,118	8.0
Gross Loans	225,420	100.0
Note: Percentages may not total 100.0 percent due to rounding.		

The bank was rated Satisfactory under the CRA at its March 6, 2023, performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The Lea County Nonmetropolitan AA consists of the entirety of Lea County, which is a rural county in the state of New Mexico**.** (see Appendix A for additional demographic data).

- The AA delineation has not changed since the previous evaluation.
- According to 2020 American Community Survey (ACS) data, the AA consists of one low-, zero moderate-, eight middle-, and nine upper- income census tracts. The number of census tracts and the income designations of the tracts have not changed since the prior examination.
- As of June 30, 2025, LCSB ranked second out of eight Federal Deposit Insurance Corporation (FDIC)-insured depository institutions operating in the AA, holding 26.0 percent of the deposit market share.
- Examiners contacted a representative of an organization that serves local small businesses and a representative of a community services organization for additional context related to the AA.
- According to the small business community representative, navigating state and federal regulations, like the state's mandatory sick leave for example, poses a significant challenge for small businesses in Lea County. The representative of a community services organization mentioned the cyclical nature of the oil and gas industry, explaining that workers new to the field often struggle to weather the industry's downturns. During these periods, workers feel the impact immediately through income instability and layoffs, leading households to cut spending and rely more on social services. Both contacts indicated that the greatest need in the AA is affordable housing.

Table 2

Population Change Assessment Area: Lea County Nonmetropolitan			
Area	**2015 Population**	**2020 Population**	**Percent Change**
Lea County Nonmetropolitan	68,149	74,455	9.3
NonMSA New Mexico	695,182	704,949	1.4
New Mexico	2,084,117	2,117,522	1.6
Source: 2020 U.S. Census Bureau: Decennial Census *2011-2015 U.S. Census Bureau: American Community Survey*			

- As shown in Table 2, the AA population between 2015 and 2020 increased at a significantly higher rate than other nonmetropolitan counties in the state of New Mexico, which remained stable during the same period.
- The Lea County Nonmetropolitan AA lies within the oil and natural gas-rich Permian Basin region. Known as the "EnergyPlex," the county plays a significant role across multiple energy sectors, including solar, wind, oil, gas, and nuclear. These industries fuel population growth by drawing temporary workers from across the nation to high-paying positions. However, this transient population expands and contracts with the energy market cycle.

- According to Census data, the AA experienced notable population growth in 2024; however, 2025 data indicates that the population has stabilized, suggesting a transition to steady growth rather than another boom period. A community representative attributed the population increase primarily to transient workers from across the country seeking high-paying jobs in the oil, gas, and nuclear energy industries.
- The AA maintains a relatively young population, as energy sector employment opportunities continue to attract working-age residents and their families.

Table 3

Median Family Income Change Assessment Area: Lea County Nonmetropolitan			
Area	**2015 Median Family Income**	**2020 Median Family Income**	**Percent Change**
Lea County Nonmetropolitan	69,863	68,372	-2.1
NonMSA New Mexico	53,925	57,380	6.4
New Mexico	60,145	62,611	4.1
Source: 2011-2015 U.S. Census Bureau: American Community Survey *2016-2020 U.S. Census Bureau: American Community Survey* *Note: Median family incomes have been inflation-adjusted and are expressed in <YEAR> dollars.*			

- As shown in Table 3, the AA's median family income (MFI) decreased between 2015 and 2020, while MFI increased modestly in both NonMSA New Mexico and statewide during the same period.
- Despite the decrease noted, the median family income in the AA remains higher than in other nonmetropolitan areas and the state. A community contact noted that the oil and gas industry, which employs a significant number of individuals in the AA, pays higher wages than other industries, requiring other local employers to offer competitive wages to attract and retain workers.
- Of the families residing in AA, 30.9 percent are considered LMI based on family income.
- In the AA, 12.0 percent of families live below the poverty rate. In comparison, the family poverty rate for the state of New Mexico is 14.2 percent.

Table 4

Housing Cost Burden Assessment Area: Lea County Nonmetropolitan						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Lea County Nonmetropolitan	61.9	40.5	31.8	47.5	20.3	14.9
NonMSA State	65.0	36.8	34.7	45.3	22.2	16.0
State	73.3	45.9	42.1	53.9	31.6	19.1

Cost Burden is housing cost that equals 30 percent or more of household income.
Source: U.S. Department of Housing and Urban Development (HUD), 2018-2022 Comprehensive Housing Affordability Strategy

- As shown in Table 4, homeowners and renters in the AA are less likely, relative to the rest of New Mexico, to be housing cost burdened. Additionally, homeownership is more affordable in the AA than renting.
- Of the 26,871 housing units, 15,555 are owner-occupied. Of those, 5.3 percent are in low-income tracts, 39.4 percent in middle-income tracts, and 55.3 percent in upper-income census tracts.
- The AA contains 26,871 housing units, with an average age of 54 years. Older housing units, especially those in low-income areas, typically require more frequent maintenance and repairs and may make homeownership affordability a challenge for LMI individuals.
- While the AA's overall rental housing costs are lower than statewide levels, moderate-income renters face a slightly higher cost burden compared to other nonmetropolitan areas. This disparity likely reflects the impact of high-paid energy sector workers on the rental market, where limited housing supply and competition for units drives rents beyond what moderate-income families can comfortably afford.
- A community representative stated that the influx of oil and gas workers has limited housing and hotel availability. Due to the large number of oil field workers required, some employers rent entire hotel floors to secure worker accommodations. Other workers seek apartments or rental homes and pay top dollar for short-term leases. The resulting competition drives up hotel rates, rent, and housing costs, which disproportionately impacts LMI individuals.
- Another representative mentioned that there are more multigenerational families living under one roof, due to the increase in home and rental prices in recent years.

Table 5

Unemployment Rates Assessment Area: Lea County Nonmetropolitan					
Area	**2020**	**2021**	**2022**	**2023**	**2024**
Lea County Nonmetropolitan	9.6	9.0	4.1	3.1	3.5
NonMSA New Mexico	8.1	7.8	4.5	3.8	4.4
New Mexico	7.9	7.1	4.1	3.7	4.1
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics					

- As shown in Table 5, the unemployment rates in the AA in 2020 and 2021 were above the unemployment rates in the state and in other nonmetropolitan areas, highlighting the economic impacts of the COVID-19 pandemic on the oil field and the ripple effects on communities. Oil prices dropped substantially during the pandemic when people worked from home and limited everyday travel. The low oil prices and reduced demand resulted in layoffs in the oil industry. This further impacted restaurants, hotels, mechanics and other businesses supporting oil production in the area. In 2022, as people began to return to work and travel, oil production increased and people returned to their jobs supporting the oil field. Unemployment rates have remained slightly below the state and other nonmetropolitan areas since 2023 reflecting the recent strength of the oil and gas industry. This fluctuation illustrates the AA's heavy dependence on the oil and gas sector.
- Other major industries in the AA include retail trade and accommodation and food services.
- Major employers in the AA include Hobbs Municipal Schools, the City of Hobbs, regional hospitals, Urenco (a nuclear plant facility), and oil field companies.
- A community contact mentioned that there is significant demand for employees across all industries in the AA. The contact specifically highlighted the restaurant industry, which experiences high turnover due to employees having considerable leverage in the competitive labor market.

Table 6

Home Mortgage Loan Trends Assessment Area: Lea County Nonmetropolitan					
Area	**2020**	**2021**	**2022**	**2023**	**2024**
Lea County Nonmetropolitan	1,193	1,403	867	710	741
NonMSA New Mexico	13,447	15,127	9,588	6,730	7,570
New Mexico	67,990	73,339	39,656	26,478	30,811
Source: FFIEC Home Mortgage Disclosure Act Aggregate Data					

- As shown in Table 6, home mortgage loans peaked in 2021 when mortgage rates were at their lowest, then declined sharply in 2022 as rates increased.
- These loan trends demonstrate that higher interest rates significantly affect mortgage demand by reducing affordability and causing borrowers to either delay home purchases or be priced out of the market entirely.

- In the AA, 112 financial institutions reported originating or purchasing home mortgages. LCSB is not required to report home mortgage loans under the Home Mortgage Disclosure Act (HMDA); as such, it is not ranked among HMDA-reporters. The mortgage market is dominated by mortgage brokers and market leaders include Paramount Residential Mortgage with 10.0 percent, PennyMac Loan Services with 9.9 percent, and Geneva Financial with 7.6 percent of the HMDA market share.

Table 7

Small Business Loan Trends Assessment Area: Lea County Nonmetropolitan					
Area	**2020**	**2021**	**2022**	**2023**	**2024**
Lea County Nonmetropolitan	938	1,137	1,384	1,414	1,505
NonMSA New Mexico	7,466	8,191	9,035	8,240	8,735
New Mexico	31,235	33,928	34,163	31,066	33,229
Source: FFIEC CRA Aggregate Data					

- Small business loans increased steadily in Lea County from 2020 to 2024 as shown in Table 7, indicating sustained demand for credit among small businesses within the AA.
- Loan trends indicate expanding commercial activity and steady growth in small business loan demand within the AA.
- There are 3,045 businesses operating in the AA. Of those, 4.3 percent are in low-, 46.2 percent in middle- and 49.5 in upper-income census tracts. The vast majority of businesses (92.5 percent) reported revenues of less than $1 million.
- In 2025, 59 financial institutions reported originating or purchasing small business loans in the AA. Market leaders included American Express with 15.8 percent of the market share, Lake Forest Bank & Trust with 9.6 percent of the market share, and JPMorgan Chase with 7.7 percent of the market share. Notably, several other market leaders include banks known for credit card services, such as Capital One, Ally Bank, Citibank, and Synchrony Bank, all of which are in the top 10 small business lenders in the market and on the American Banker's 2025 list of the 20 bank holding companies with the largest credit card loan portfolios[1].

[1] 20 bank holding companies with the largest credit card loan portfolios | American Banker

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall Lending Test performance is Satisfactory. In drawing conclusions regarding overall performance, the geographic and borrower distributions of lending carried more weight than both the assessment area concentration and the LTD ratio.

In general, examiners gave more consideration to the number of loan originations than the dollar amount, as this represents the number of individuals or entities served.

Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average LTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison, to similarly situated FDIC-insured institutions. Similarly situated institutions were selected based on similar asset size, portfolio mix, and markets served.

The bank's LTD ratio is reasonable. The bank's LTD is below those of the similarly situated banks shown in Table 9, which ranged from 41.7 percent to 74.5 percent. While LCSB's LTD is the lowest of similarly situated banks, other factors were considered. The bank holds a high amount of public funds on deposits, such as local government and government-sponsored organizations, which affects its lending capacity as public funds exceeding the FDIC Insurance must be protected by a corporate surety bond or pledged collateral. In addition, the bank originates mortgages which are sold on the secondary market. These loans meet credit needs but are not reflected in the bank's loan portfolio, thus not included in the LTD. Considering this performance context, examiners found the bank's average LTD to be reasonable.

Table 8

Comparative LTD Ratios October 1, 2022 – December 31, 2025			
Institution	**Location**	**Asset Size $(000)**	**LTD Ratio (%) 13- Quarter Average**
Lea County State Bank	Hobbs, New Mexico	**708**	**39.9**
Similarly Situated Institutions			
Western Commerce Bank	Carlsbad, New Mexico	867	60.6
CNB Bank	Carlsbad, New Mexico	989	74.5
Citizens Bank	Farmington, New Mexico	774	41.7
Four Corners Community Bank	Farmington, New Mexico	630	74.0

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. As reflected in Table 9, the bank originated a majority of loans, by number and dollar, inside the AA. A majority of residential real estate loans, both by number and dollar amount, were originated inside the AA. However, a majority of small business loans by number originated outside the AA (by dollar amount a majority originated inside the AA). In drawing conclusions about the bank's performance in meeting credit needs, examiners considered additional context. The bank's small business loans include a significant number of equipment loans extended to oil and gas companies headquartered outside of the AA but operating within to finance trucks, trailers, and other specialty equipment for oil field work. While the loans are assigned to the companies' headquarters, often in Odessa and Midland, Texas, they operate in both Lovington and Hobbs, NM (inside the AA) and employ a significant number of workers residing in the AA. As such, there is a direct benefit to the AA from these loans, despite the record suggesting funds were disbursed outside the AA.

Table 9

Lending Inside and Outside the Assessment Area								
Loan Types	**Inside**				**Outside**			
	#	**%**	**$(000s)**	**%**	**#**	**%**	**$(000s)**	**%**
Total Non-HMDA - Residential Loans	**57**	**85.1**	**$11,425**	**80.4**	**10**	**14.9**	**$2,782**	**19.6**
Total Small Business	**56**	**47.1**	**$14,446**	**54.0**	**63**	**52.9**	**$12,326**	**46.0**
TOTAL LOANS	**113**	**60.8**	**$25,871**	**63.1**	**73**	**39.2**	**$15,107**	**36.9**

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank's geographic distribution of loans reflects excellent distribution among the different census tracts and dispersion throughout the AA.

Small business lending carried more weight in the overall conclusions given the higher volume of small business lending and the bank's strategic focus on commercial lending. Additionally, examiners considered the bank's performance compared to that of HMDA-reporting and CRA-reporting institutions (aggregate HMDA reporters and aggregate small business reporters) more than respective demographic figures as aggregate figures are a better proxy for loan demand.

Home Mortgage Lending

The geographic distribution of home mortgage lending is reasonable. The bank did not originate home mortgage loans in low-income geographies; however, the distribution is comparable to aggregate lending data and both bank and aggregate lending are below

the demographic figure. There were no moderate-income census tracts in the AA; therefore, lending in these tracts was not evaluated.

Opportunities for home mortgage lending in low-income areas are limited. There is only one low-income census tract in the AA, and of the homes located within the low-income census tract, only 5.3 are owner-occupied. In addition, the bank competes with mortgage brokers and several large banks to originate residential real estate loans in the AA. As previously mentioned, over 112 financial institutions compete to originate residential real estate loans. Given this context, the bank's lack of lending to low-income geographies reflects limited opportunities in a competitive market rather than a lack of effort to meet credit needs.

Table 10

Distribution of 2025 Home Mortgage Lending by Income Level of Geography
Assessment Area: Lea County Nonmetropolitan

Geographic Income Level	Bank and Aggregate Loans						Owner-Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Low	0	0.0	1.4	0	0.0	0.7	5.3
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	17	29.8	37.1	2,887	25.3	33.1	39.4
Upper	40	70.2	61.5	8,537	74.7	66.1	55.3
Total	57	100.0	100.0	11,425	100.0	100.0	100.0

Source: 2025 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Small Business Lending

The geographic distribution of small business lending is excellent. The distribution of small business lending in low-income census tracts was above aggregate lending data and above the demographic figure. LCSB exceeded aggregate CRA-reporters' percentage of small businesses loans in the low-income census tract by more than double. There were no moderate-income census tracts in the AA; therefore, lending in these tracts was not evaluated.

The bank generally extended its loans in proximity to its branches, with no conspicuous gaps in the lending patterns noted.

Table 11

Distribution of 2025 Small Business Lending By Income Level of Geography Assessment Area: Lea County Nonmetropolitan							
Geographic Income Level	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Low	4	7.1	3.4	257	1.8	6.3	4.3
Moderate	0	0.0	0.0	0	0.0	0.0	0.0
Middle	14	25.0	39.6	3,765	26.1	34.2	46.2
Upper	38	67.9	56.4	10,425	72.2	59.5	49.5
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Total	56	100.0	100.0	14,446	100.0	100.0	100.0

Source: 2025 FFIEC Census Data
2025 Dun & Bradstreet Data
2016 - 2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Borrower Distribution of Loans

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different sizes. The bank's lending has a reasonable distribution among individuals of different income levels and businesses of different sizes.

Small business lending carried more weight in the overall conclusions given the higher volume of small business lending. Additionally, examiners considered the bank's performance compared to that of HMDA-reporting and CRA-reporting institutions (aggregate HMDA reporters and aggregate small business reporters) more than respective demographic figures, as aggregate figures are a better proxy for demand.

Home Mortgage Lending

The borrower distribution of home mortgage lending is excellent. The distribution of home mortgage lending to low-income borrowers is above aggregate lending data but below the demographic figure. The distribution of home mortgage lending to moderate-income borrowers is comparable to aggregate lending data but below the demographic figure. As mentioned previously, the aggregate figure is more likely to reflect credit demand and opportunities than the demographic. Additionally, home mortgage originations in the market have declined significantly since their peak in 2021, indicating that demand is lower since interest rates began to increase. Rising interest rates disproportionately affect LMI borrowers, who have less disposable income to absorb higher monthly payments. Despite these challenges, LCSB originated a higher percentage of home mortgages to low- and moderate-income borrowers, demonstrating a commitment to meet credit needs.

Furthermore, the bank partnered with Habitat for Humanity to support LMI borrowers with their home financing needs. These loans are sold back to Habitat for Humanity after closing and, therefore, are not reflected in the bank's loan portfolio. Given the added context, the bank's lending to LMI borrowers is excellent given current market conditions.

Table 12

Distribution of 2025 Home Mortgage Lending by Borrower Income Level
Assessment Area: Lea County Nonmetropolitan

Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Low	2	3.5	0.5	84	0.7	0.3	17.1
Moderate	4	7.0	6.6	350	3.1	3.5	13.8
Middle	5	8.8	12.6	467	4.1	8.3	19.1
Upper	46	80.7	44.9	10,523	92.1	44.6	50.0
Unknown	0	0.0	35.3	0	0.0	43.4	0.0
Total	57	100.0	100.0	11,425	100.0	100.0	100.0

Source: 2025 FFIEC Census Data
2016-2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.
Multifamily loans are not included in the borrower distribution analysis.

Small Business Lending

The borrower distribution of small business lending is reasonable. The distribution of small business lending to businesses with annual revenues of $1 million or less was below aggregate lending data and below the demographic figure. However, additional context was considered. While the bank lagged aggregate CRA-reporters by 9.6 percent, it is important to note that aggregate CRA reporters are generally larger financial institutions with greater marketing and sales resources. The top three CRA reporters in the AA include American Express, Lake Forest & Trust, and JP Morgan. As such, these larger financial institutions have greater capacity to attract and originate more small business loans than LCSB within the AA. Additionally, LCSB's lending patterns reflect the prevalence of the oil and gas industry in the AA. Consequently, very few businesses report gross annual revenues of less than $1 million, an important factor to consider when evaluating the bank's lending data, as it directly affects the composition and availability of small business lending pool within the AA.

To further support small businesses and meet credit needs, LCSB partners with New Mexico's Collateral Assistance Program, which covers collateral shortfalls of loans to enable financing that otherwise might not be available to a small business. This partnership demonstrates a strong understanding of credit needs and supports the conclusion that, despite underperforming aggregate CRA-reporters, the bank reasonably meets the credit needs of small businesses.

Table 13

Distribution of 2025 Small Business Lending By Revenue Size of Businesses Assessment Area: Lea County Nonmetropolitan							
	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
By Revenue							
$1 Million or Less	21	37.5	47.1	3,520	24.4	26.7	92.5
Over $1 Million	35	62.5		10,926	75.6		6.7
Revenue Unknown	0	0.0		0	0.0		0.8
Total	56	100.0		14,446	100.0		100.0
By Loan Size							
$100,000 or Less	26	46.4	90.7	1,616	11.2	39.1	
$100,001 - $250,000	11	19.6	5.4	1,843	12.8	17.1	
$250,001 - $1 Million	19	33.9	3.9	10,987	76.1	43.8	
Total	56	100.0	100.0	14,446	100.0	100.0	
By Loan Size and Revenues $1 Million or Less							
$100,000 or Less	13	61.9		700	19.9		
$100,001 - $250,000	3	14.3		499	14.2		
$250,001 - $1 Million	5	23.8		2,322	65.9		
Total	21	100.0		3,521	100.0		

Source: 2025 FFIEC Census Data
2025 Dun & Bradstreet Data
2016 - 2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the bank's responsiveness to the CD needs of its AA through CD loans, qualified investments, and CD services, considering the bank's capacity and the need and availability of such opportunities in the bank's AA.

The bank's overall Community Development Test performance is Outstanding and demonstrates excellent responsiveness to CD needs in the AA. The bank's CD activities span all four CD purposes (affordable housing, community services, economic development, and revitalization and stabilization), indicating that the bank is highly responsive to the diverse CD needs across its AA. Moreover, a community representative characterized the bank as highly engaged in the community and as one that actively encourages company-wide giving.

LCSB cultivated relationships with nonprofit and community organizations to identify and strategically address credit needs. The bank partnered with Habitat for Humanity to finance the construction of homes for LMI families. Habitat initially received approximately 300 applications and reduced the pool to 164 candidates through its preliminary screening process. In addition to financing the construction, bank personnel

supported Habitat efforts by conducting interviews, evaluating repayment capacity, and preparing assessments to support final selection decisions. This engagement reflects meaningful CD involvement and demonstrates a strong level of bank support for the affordable housing initiative.

Additionally, the bank partnered with Economic Development Department of New Mexico to expand access to credit for small businesses that would not typically qualify for traditional financing. The New Mexico Collateral Assistance Program covers collateral short falls, enabling small businesses to obtain financing despite insufficient collateral—a need specifically highlighted by a community representative. This partnership provides small businesses with opportunity to secure financing and demonstrates the bank's responsiveness to identified CD needs. As shown in Table 14, the bank originated over $2.2 million in loans to small businesses that support job creation and retention within the AA. In addition to loans inside the AA, the bank extended seven loans totaling $394,069.86 that benefited the broader state-wide area.

The bank made significant investments in Lea County School District and Hobbs School District to support the public education of LMI children in the AA. In addition to the investments inside the AA, the bank invested $14.1 million benefiting the broader state or regional area.

Bank employees contributed 1,046 volunteer hours to organizations advancing CD needs in the AA. Bank employees contributed expertise by sitting on the boards of hospitals, affordable housing organizations, economic development corporations, and other nonprofits organizations within the AA. Additionally, bank employees engaged in financial literacy programs throughout the AA, addressing a need specifically identified by a community contact who noted financial education as a weakness within the AA. Collectively, these activities demonstrate the bank's excellent responsiveness to community needs and its ongoing strategy of remaining active in the community while supporting initiatives that meet CD objectives.

Table 14

Community Development Activity
Assessment Area: Lea County Nonmetropolitan

Community Development Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	$(000)	#	$(000)	#	$(000)	#	$(000)	#
Affordable Housing	18	1,167	0	0	5	1	5	1	3
Community Services	2	1,300	8	6,055	200	232	208	6,287	30
Economic Development	7	2,157	0	0	44	65	44	65	2
Revitalization and Stabilization	2	2,200	0	0	8	6	8	6	3
AA Totals	29	6,824	8	6,055	257	304	265	6,359	38

Note: Dollar amounts may not total due to rounding.
Activities included in this table have a purpose, mandate, or function, or are to an organization with a purpose, mandate,

or function of serving the bank's assessment area. [This includes activities or organizations with a broader statewide or regional or nationwide reach that have a purpose, mandate, or function of serving the bank's assessment area.]

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of this CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – DEMOGRAPHIC INFORMATION

Table A-1

2025 Lea County Nonmetropolitan Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	5.6	1,048	6.3	216	20.6	2,830	17.1
Moderate	0	0.0	0	0.0	0	0.0	2,287	13.8
Middle	8	44.4	7,164	43.2	1,182	16.5	3,174	19.1
Upper	9	50.0	8,368	50.5	589	7.0	8,289	50.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**18**	**100.0**	**16,580**	**100.0**	**1,987**	**12.0**	**16,580**	**100.0**
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	1,695	826	5.3	48.7	668	39.4	201	11.9
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	12,174	6,134	39.4	50.4	4,070	33.4	1,970	16.2
Upper	13,002	8,595	55.3	66.1	2,575	19.8	1,832	14.1
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**26,871**	**15,555**	**100.0**	**57.9**	**7,313**	**27.2**	**4,003**	**14.9**
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	132	4.3	131	4.7	0	0.0	1	4.2
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,407	46.2	1,286	45.7	113	55.1	8	33.3
Upper	1,506	49.5	1,399	49.7	92	44.9	15	62.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**3,045**	**100.0**	**2,816**	**100.0**	**205**	**100.0**	**24**	**100.0**
Percentage of Total Businesses:				**92.5**		**6.7**		**0.8**
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1	1.8	1	2.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	11	20.0	11	21.6	0	0.0	0	0.0
Upper	43	78.2	39	76.5	4	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**55**	**100.0**	**51**	**100.0**	**4**	**100.0**	**0**	**0.0**
Percentage of Total Farms:				**92.7**		**7.3**		**0.0**

Source: 2025 FFIEC Census Data
2016 - 2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

APPENDIX B – 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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): As defined by the Office of Management and Budget, a CSA is a combination of adjacent metropolitan statistical areas and micropolitan statistical areas that demonstrate economic or social linkage.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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

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

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

Metropolitan Division (MD): As defined by the Office of Management and Budget, an MD is a division of a metropolitan statistical area based on specific criteria including commuting patterns. Only a metropolitan statistical area that has a population of at least 2.5 million may be divided into MDs.

Metropolitan Statistical Area (MSA): As defined by the Office of Management and Budget, an MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core.

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

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

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

Nonmetropolitan area (NonMSA): Any area that is not located within an MSA.

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

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

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

Rated area: A rated area is a state or 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. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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