

PUBLIC DISCLOSURE

November 3, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Texas Bank
RSSD # 726953

13101 Preston Road, Suite 100
Dallas, Texas 75240

Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 75201

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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.

TABLE OF CONTENTS

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING	1
SCOPE OF EXAMINATION	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF DALLAS METROPOLITAN ASSESSMENT AREA	2
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS	9
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	13
GLOSSARY	14

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

United Texas Bank (UTB or the bank) performance demonstrates a reasonable responsiveness to both the credit needs and the community development needs of its assessment area. The bank's performance under the Lending Test is Satisfactory based on the following criteria:

- the bank's reasonable net loan-to-deposit ratio (NLTD) given the institution's size, financial condition, and credit needs of the assessment area it serves;
- a majority of the bank's lending is originated inside the bank's assessment area;
- A reasonable penetration of loans among businesses of different sizes; and
- A reasonable dispersion of loans throughout the institution's assessment area.

The bank's performance under the Community Development Test is Satisfactory. The institution's Community Development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

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 community reinvestment act (CRA) performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as assessment area credit needs and demographic and economic characteristics. Performance was assessed within the bank's sole assessment area: Dallas Metropolitan Assessment Area. Accordingly, the review period for the Lending Test was adjusted to include the bank's participation in the Small Business Administration's Paycheck Protection Program (PPP) during the COVID-19 Pandemic. These loans were not evaluated at the previous CRA evaluation dated August 3, 2020.

The bank identifies the counties of Dallas, Denton, and Collin in their entirety as its Dallas Metropolitan Assessment Area. The assessment area received a full-scope review, including the following data:

- The five-quarter average NLTD ratio of the bank and two similarly situated institutions;
- A statistically derived sample of 59 small business loans taken from a universe of 83 loans originated or renewed between January 1, 2020 and June 30, 2021;
- The universe of community development loans, investments, and services provided by the bank since the conclusion of the previous CRA evaluation as of August 3, 2020; and
- Information provided by a member of the Dallas Metropolitan Assessment Area to further augment understanding of the credit and community development needs and economic conditions of such area.

DESCRIPTION OF INSTITUTION

UTB is a full-service, intrastate bank, located in Dallas, Texas. The bank's headquarters and a sole branch are located in northern Dallas. Both locations offer automated teller machines (ATMs), with the headquarters' ATM offering deposit taking capabilities. Products and services are consistent throughout the bank's CRA assessment area and available at both locations. The bank's core business focus is commercial lending, with commercial loans comprising the largest segment of its loan portfolio. Based on the bank's loan portfolio composition and business strategy, small business lending was evaluated to draw overall conclusions regarding the bank's lending performance.

Table 1 below reflects the bank's loan portfolio mix as of June 30, 2021.

Table 1

Composition of Loan Portfolio as of June 30, 2021		
Loan Type	\$(000)	%
Construction and Land Development	48,331	10.5
Farmland	0	0.0
1-4 Family Residential Real Estate	25,473	5.5
Multifamily Residential Real Estate	13,580	3.0
Non-Farm Non-Residential Real Estate	233,499	50.8
Agricultural	0	0.0
Commercial and Industrial	87,910	19.1
Consumer	1,282	0.3
Other	49,332	10.7
Gross Loans	459,407	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank's ability to meet various credit needs of the communities it serves has not been hampered by its capacity to lend, its financial condition and size, product offerings, prior performance, legal impediments, or other factors. The Federal Reserve Bank of Dallas rated the bank's CRA performance as a Needs to Improve at the previous performance evaluation dated August 3, 2020, receiving a Needs to Improve rating under the Lending Test and a Satisfactory rating under the Community Development Test.

DESCRIPTION OF DALLAS METROPOLITAN ASSESSMENT AREA

UTB delineates the entirety of counties of Dallas, Denton, and Collin as its assessment area. These three counties are part of the Dallas-Plano-Irving Metropolitan Division (MD), which is part of the greater Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA). Within the MD, there are four additional counties – Ellis, Hunt, Kaufman, and Rockwall – which the bank does not include in its assessment area. The area continues to attract residents and has evolved into a major high-technology hub often referred to as Silicon Prairie.

According to the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2021, 136 federally insured depository institutions operate 990 branches within the assessment area. The bank ranks 33rd in the market, with 0.1 percent of the deposit market share. In comparison, Charles Schwab Bank, SSB leads the market, with 46.1 percent of total deposits; followed by Bank of America and JPMorgan Chase Bank, with 17.3 percent and 12.6 percent, respectively. The assessment area is saturated with large national and regional financial institutions making it a highly competitive deposit market.

Demographic Characteristics

As noted in the table below, the population growth rate for the counties of Collin and Denton is outpacing the growth at the Dallas-Plano-Irving MD and the state of Texas. The table below also illustrates the change in population from 2010 to 2015 in the assessment area.

Table 2

Dallas Metropolitan Population Change			
Area	2010 Population	2015 Population	Percent Change
Dallas Metropolitan	3,813,094	4,079,069	7.0
Collin County, TX	782,341	862,215	10.2
Dallas County, TX	2,368,139	2,485,003	4.9
Denton County, TX	662,614	731,851	10.4
Dallas-Plano-Irving, TX MD	4,230,520	4,519,004	6.8
Texas	25,145,561	26,538,614	5.5
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Income Characteristics

Of the families in the assessment area, 11.7 percent are living below poverty, which is lower than the family poverty rate for the state of Texas, at 13.5 percent. The following table shows that the median family income in the Dallas Metropolitan Assessment Area between 2010 and 2015 has decreased by 3.4 percent, exceeding the decrease experienced within the larger MD and the state of Texas, at 2.7 and 0.9 percent, respectively.

Table 3

Dallas Metropolitan Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Dallas Metropolitan	\$73,213	\$70,717	-3.4
Collin County, TX	\$103,216	\$100,839	-2.3
Dallas County, TX	\$58,639	\$55,897	-4.7
Denton County, TX	\$94,620	\$91,186	-3.6
Dallas-Plano-Irving, TX MD	\$73,150	\$71,149	-2.7
Texas	\$63,314	\$62,717	-0.9
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey (ACS) and 2011 - 2015 U.S. Census Bureau ACS Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Housing Characteristics

The assessment area contains slightly more than 1.5 million housing units. Of these, 52.6 percent are owner-occupied, 40.0 percent are rental units, and 7.3 percent are vacant. The median age of the housing stock is 35 years which is slightly older than the 31 years for the state of Texas. The assessment area's median housing value is \$169,066, which was significantly higher than the state of Texas' median housing value of \$136,000. The assessment area's affordability ratio is 36.4 percent, indicating that housing units are less affordable when compared to 39.1 percent for the state of Texas¹. Median gross rent in the assessment area of \$953 is higher than the \$882 for the state of Texas.

Table 4

Dallas Metropolitan Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Dallas Metropolitan	80.8%	45.0%	42.3%	65.2%	40.2%	21.2%
Collin County, TX	85.5%	63.3%	38.7%	67.6%	52.2%	18.4%
Dallas County, TX	79.4%	38.6%	43.3%	63.3%	34.7%	23.1%
Denton County, TX	84.6%	54.9%	41.8%	73.3%	50.0%	19.3%
Dallas-Plano-Irving, TX MD	80.5%	44.5%	42.4%	64.6%	39.2%	20.9%
Texas	77.5%	46.7%	42.4%	59.1%	33.8%	19.4%
<i>Cost Burden is housing cost that equals 30 percent or more of household income Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

¹ The affordability ratio is the median household income divided by the median housing value. A higher ratio means housing is more affordable.

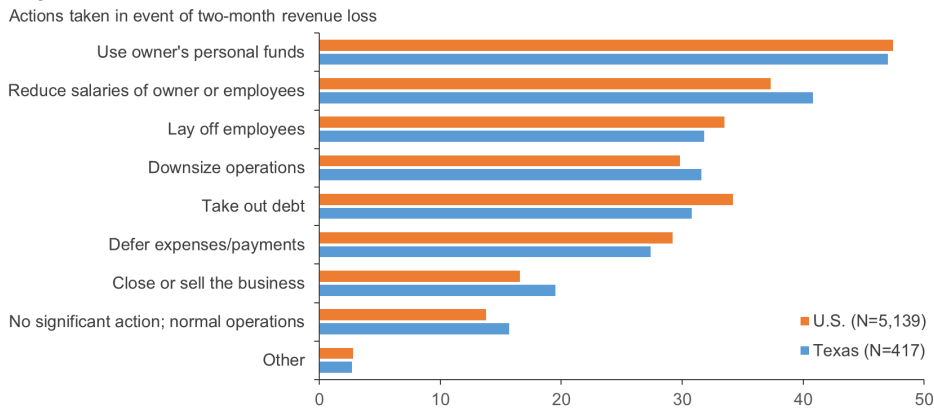
Employment and Economic Conditions

The Dallas-Plano-Irving MD is home to many corporate headquarters, including more than 22 Fortune 500 companies: Exxon-Mobil Corp., AT&T Inc., and Southwest Airlines. However, the most important sector is the business and financial sector, which employed around 14 percent of the workforce in 2017. Some of Dallas’ largest employers are banking companies, such as JPMorgan Chase & Co. and Bank of America. The Dallas area is also home to major technology companies as well as insurance companies, making insurance one of the area’s fastest-growing industries². The region also benefits from the Dallas-Fort Worth Airport; the 4th busiest airport in the world and a major economic engine for the region.

The \$660 billion PPP was launched in 2020 as a result of the COVID-19 pandemic, with a goal to keep workers on the payroll at small firms that otherwise would have had difficulty accessing capital in a time of economic crisis.

Even before the COVID-19 pandemic, many small firms were in a vulnerable position. The following chart reflects data from the 2019 Small Business Credit Survey³ where Texas small businesses fared a bit better than other firms nationally, with 16 percent reporting they had sufficient cash reserves in the survey’s two-month loss scenario. However, approximately 20 percent reported they were more likely to sell or close the business in that situation.

Chart 1
Nearly 1 in 5 Texas Small Firms Would Close If Faced with Two-Month Revenue Loss



NOTE: Survey was fielded in third and fourth quarters of 2019.
SOURCE: Small Business Credit Survey, 2019 data.

Federal Reserve Bank of Dallas 4

On July 6, 2021, the SBA and the U.S. Treasury Department released loan-level data for all approved PPP loans through the end of June, a significant step toward improving the public’s understanding of the program. While limited demographic reporting still makes it difficult to evaluate whether the program has been applied equitably, the data reveals that the loans were

² Source: At the Heart of Texas: Cities’ Industry Clusters Drive Growth
<https://www.dallasfed.org/research/heart/dallas>











³ Source: Fed Small Business, 2020, Report on Employer Firms Based on the 2020 Small Business Credit Survey (fedsmallbusiness.org)

⁴ Source: Federal Reserve Bank of Dallas, July 2020, Federal and Local Resources Help Small Businesses Strive for New Normal - Dallasfed.org

awarded across the demographic map in Texas—including industries most affected by the COVID-19 pandemic, rural markets, and majority-minority zip codes.

The top industries in terms of loan volume are professional services, health care and construction (see table). These three industries were also in the top five by loan count, but “other services”, such as hair salons and car repair shops, ranked higher than construction and accommodation and food services.

Top Five Industries in Texas by Dollar Amount and Number of PPP Loans

Loan Volume			Number of Loans		
Industry	Amount (billions of dollars)	Share of total (%)	Industry	Number (thousands of loans)	Share of total (%)
1  Professional, scientific and technical services	4.0	12.9	 Professional, scientific and technical services	52.1	13.4
2  Health care and social assistance	3.9	12.4	 Health care and social assistance	43.3	11.1
3  Construction	3.7	11.9	 Other services (except public administration)	42.6	10.9
4  Accommodation and food services	2.8	9.0	 Construction	33.7	8.7
5  Manufacturing	2.6	8.3	 Accommodation and food services	29.1	7.5

NOTE: Other services include car and appliance repair, hair salons, trade unions and religious services.
SOURCES: Small Business Administration, Paycheck Protection Program (PPP) loan-level data; Treasury Department; author's calculations.

Federal Reserve Bank of Dallas

Loans to construction firms were more likely to be high-dollar amounts, whereas loans to “other services” firms often fell into smaller ranges, likely reflecting the different average sizes of businesses in those industries⁵

As illustrated in the table below, the unemployment rates within the assessment area from 2016 to 2020 are below the unemployment rates for the state of Texas.

Table 5

Dallas Metropolitan Unemployment Rates					
Area	2016	2017	2018	2019	2020
Dallas Metropolitan	3.8%	3.7%	3.6%	3.3%	7.1%
Collin County, TX	3.5%	3.5%	3.3%	3.1%	6.3%
Dallas County, TX	4.0%	3.9%	3.8%	3.5%	7.7%
Denton County, TX	3.4%	3.4%	3.2%	3.0%	6.5%
Dallas-Plano-Irving, TX MD	3.8%	3.7%	3.6%	3.3%	7.0%
Texas	4.6%	4.3%	3.9%	3.5%	7.6%

Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics

Community Contacts and Community Development Opportunities

Contact was made with a community leader working in the small business sector. The contact stated the small business community is still feeling the effects of the COVID-19 pandemic and continues to need funding. The contact mentioned a need for smaller dollar loans, especially for the small businesses that started right before the COVID-19 pandemic, and funding opportunities for small businesses in South Dallas.

⁵ Source: Federal Reserve Bank of Dallas, September 2020, Who Benefited from the Paycheck Protection Program? Our Texas Analysis Offers an Early Look - Dallasfed.org

Key Assessment Area Demographics

2020 Dallas Metropolitan AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	115	14.1	107,421	10.9	35,772	33.3	237,003	24.0
Moderate	218	26.7	240,867	24.4	45,206	18.8	161,816	16.4
Middle	189	23.1	249,375	25.3	20,161	8.1	170,203	17.3
Upper	290	35.5	386,782	39.2	13,910	3.6	416,911	42.3
Unknown	6	0.7	1,488	0.2	273	18.3	0	0.0
Total AA	818	100.0	985,933	100.0	115,322	11.7	985,933	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	205,191	46,378	5.7	22.6	132,262	64.5	26,551	12.9
Moderate	387,796	171,197	20.9	44.1	185,354	47.8	31,245	8.1
Middle	397,179	212,137	25.9	53.4	158,816	40.0	26,226	6.6
Upper	563,831	389,502	47.5	69.1	144,354	25.6	29,975	5.3
Unknown	4,910	1,248	0.2	25.4	3,133	63.8	529	10.8
Total AA	1,558,907	820,462	100.0	52.6	623,919	40.0	114,526	7.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	20,977	8.1	18,725	7.8	2,108	11.7	144	4.9
Moderate	50,507	19.4	45,795	19.1	4,368	24.3	344	11.8
Middle	64,433	24.8	59,294	24.8	4,526	25.2	613	20.9
Upper	122,156	47.0	113,916	47.6	6,444	35.8	1,796	61.4
Unknown	2,108	0.8	1,547	0.6	531	3.0	30	1.0
Total AA	260,181	100.0	239,277	100.0	17,977	100.0	2,927	100.0
Percentage of Total Businesses:				92.0		6.9		1.1
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	80	3.8	74	3.5	6	24.0	0	0.0
Moderate	216	10.1	208	9.9	8	32.0	0	0.0
Middle	623	29.2	621	29.5	2	8.0	0	0.0
Upper	1,203	56.5	1,193	56.7	8	32.0	2	100.0
Unknown	9	0.4	8	0.4	1	4.0	0	0.0
Total AA	2,131	100.0	2,104	100.0	25	100.0	2	100.0
Percentage of Total Farms:				98.7		1.2		0.1
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall performance under the lending test is rated Satisfactory. The bank's NLTD ratio is reasonable. A majority of loans were extended inside the assessment area. The penetration among businesses of different sizes was reasonable. Lastly, the geographic dispersion of the bank's lending was reasonable given the performance context, which includes the bank's participation in the PPP.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD 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 assessment area, and in comparison, to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and location.

The bank's average NLTD ratio since the previous CRA evaluation is reasonable given the bank's size, financial condition and credit needs of its assessment area. As of September 30, 2021, the bank's five-quarter average NLTD ratio of 57.0 percent is within the range of two similarly situated banks, with average NLTD ratios ranging from 56.4 percent to 66.4 percent. Given the significant amount of competition and review period, which was during the height of the economic crisis, the bank's NLTD ratio is reasonable.

Table 6

Comparative NLTD Ratios August 1, 2020 – September 30, 2021			
Institution	Location	Asset Size \$(000)	NLTD Ratio (%)
			5-Quarter Average
United Texas Bank	Dallas, Texas	1,280,766	57.0
Similarly Situated Institutions			
Point Bank	Pilot Point, Texas	753,786	56.4
Pegasus Bank	Dallas, Texas	966,809	66.4

Lending in Assessment Area

This performance criterion evaluates the percentage of lending extended inside and outside of the bank's delineated assessment area. A majority of the bank's small business loans was originated inside its assessment area. As illustrated below, the bank extended 50 loans or 84.7 percent by number and 62.0 percent by dollar volume inside its assessment area.

Table 7

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	50	84.7	4,969	62.0	9	15.3	3,046	38.0
TOTAL LOANS	50	84.7	4,969	62.0	9	15.3	3,046	38.0

The remaining analysis is based on loans made inside the bank's assessment area.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its assessment area by income level of census tracts. The bank’s geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank generally extended its loans in close proximity to its branches, with no conspicuous gaps or anomalies in lending patterns.

The geographic distribution of small business loans reflects a reasonable penetration throughout the assessment area. During the sample period, 50 small business loans were originated in the assessment area. The bank’s lending in low-income census tracts in both 2020 and 2021 lagged demographics; however, small business lending in moderate-income census tracts exceeded the percentage of businesses operating in these geographies by number and dollar volume in 2020. The bank originated a nominal volume of loans during the six-month review period in 2021 and lagged demographics by volume of originations; however, dispersion of credit in moderate-income census tracts by dollar volume exceeded demographics. The bank’s dispersion of small business loans considered the bank’s total deposit market share, high level of competition from banking institutions located within the assessment area, the limited review period, and the bank’s participation in the PPP in response to the COVID-19 pandemic.

Table 8

Distribution of January 1, 2020 through June 30, 2021 Small Business Lending By Income Level of Geography Assessment Area: Dallas Metropolitan									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	8.1
Moderate	7	23.3	1,317	53.7	2	10.0	547	21.7	19.4
Middle	3	10.0	245	10.0	3	15.0	603	23.9	24.8
Upper	20	66.7	889	36.3	15	75.0	1,368	54.3	47.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.8
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	30	100.0	2,451	100.0	20	100.0	2,518	100.0	100.0

Source: 2021 FFIEC Census Data
2020 Dun & Bradstreet Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different revenue sizes. The bank’s lending has a reasonable distribution among businesses of different sizes. In 2020, the bank originated 66.7 percent by number and 30.0 percent by dollar volume of its small business loans to small businesses. In 2021, the bank originated 75.0 percent by number and 44.1 percent by dollar volume of small business loans to small businesses. In both years, the bank lagged the demographic, at 92.0 percent of all businesses in the Dallas Metropolitan Assessment Area being considered small businesses.

As shown in the following table, the bank extended 95.0 percent of loans in 2020 and 86.7 percent in 2021 in amounts of \$100,000 or less to small businesses. This reflects favorably on the bank's performance, as the community contact described the need for small dollar credit to businesses in the assessment area.

Table 9

Distribution of January 1, 2020 through June 30, 2021 Small Business Lending By Revenue Size of Businesses Assessment Area: Dallas Metropolitan									
	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
By Revenue									
\$1 Million or Less	20	66.7	735	30.0	15	75.0	1,110	44.1	92.0
Over \$1 Million	9	30.0	1,622	66.2	2	10.0	547	21.7	6.9
Revenue Unknown	1	3.3	94	3.8	3	15.0	861	34.2	1.1
Total	30	100.0	2,451	100.0	20	100.0	2,518	100.0	100.0
By Loan Size									
\$100,000 or Less	23	76.7	741	30.2	15	75.0	500	19.9	
\$100,001 - \$250,000	5	16.7	803	32.8	0	0.0	0	0.0	
\$250,001 - \$1 Million	2	6.7	907	37.0	5	25.0	2,018	80.1	
Total	30	100.0	2,451	100.0	20	100.0	2,518	100.0	
By Loan Size and Revenue \$1 Million or Less									
\$100,000 or Less	19	95.0	530	72.1	13	86.7	410	36.9	
\$100,001 - \$250,000	1	5.0	205	27.9	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	2	13.3	700	63.1	
Total	20	100.0	735	100.0	15	100.0	1,110	100.0	
<i>Source: 2021 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>									
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>									

The bank's performance is reasonable given the context of a highly competitive assessment area saturated with commercial lenders, the global crisis brought on by the COVID-19 pandemic, and the bank's active participation in the SBA's PPP. The bank's efforts to extend credit to small businesses, despite the challenges it faces, reflects favorably in their performance as this is clearly a credit need as stated by the community contact.

RESPONSE TO COMPLAINTS

The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet the credit needs in its assessment area is appropriate. During the review period, the bank received one comment related to performance in the bank's lending in South Dallas County. This comment was taken into consideration when evaluating the bank's lending test.

COMMUNITY DEVELOPMENT TEST

The community development test evaluates the bank’s responsiveness to community development needs of its assessment area through qualified community development loans, investments, and services, considering the bank’s capacity and the need and availability of such opportunities in the delineated assessment area. The bank’s community development performance demonstrates adequate responsiveness.

During the review period, the bank originated PPP loans to small businesses in response to the COVID-19 pandemic. The bank also engaged in community development activities with a certified community development entity focusing on economic development. Additionally, the bank participated in community development services by providing financial literacy education to schools with a majority of students who are from low- to moderate-income families.

Additionally, the bank received credit for two investments, totaling \$349.3 million, that benefit a broader statewide or regional area, for the stabilization of communities made during the height of and in response to the COVID-19 pandemic.

The table below is a summary of the qualified community development activities inside the bank’s assessment area.

Table 10

Community Development Activity Assessment Area: Dallas Metropolitan									
Community Development Purpose	Community Developme nt Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	0	0	0	0	1	2	1	2	2
Community Services	0	0	0	0	33	88	33	88	24
Economic Development	1	700	2	848	0	0	2	848	20
Revitalization and Stabilization	2	2,728	0	0	4	32	4	32	0
Totals	3	3,428	2	848	38	122	40	970	46

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community's credit needs was identified. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with applicable fair lending laws and regulations.

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, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts average about 4,000 inhabitants, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to the population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language.

1. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals.
2. Community services targeted to low- or moderate-income individuals.
3. 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.
4. Activities that revitalize or stabilize –
 - a. Low- or moderate-income geographies.
 - b. Designated disaster areas.
 - c. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - i. Rates of poverty, unemployment, and population loss.
 - ii. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

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

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 income of the applicants; the amount of loan requested; and the disposition of the application (for example, approved, denied, or 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 refinancing 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.

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 area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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

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

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

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

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

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

Rated area: A rated area is a state or 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. 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 instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

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.