

# **PUBLIC DISCLOSURE**

February 24, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Texas Security Bank  
Certificate Number: 58739

1212 Turtle Creek Blvd  
Dallas, Texas 75207

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

600 North Pearl Street, Suite 700  
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.

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREA .....	3
SCOPE OF EVALUATION .....	6
CONCLUSIONS ON PERFORMANCE CRITERIA.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	16
APPENDICES .....	17
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	17
GLOSSARY .....	18

## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, very poor penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**The Community Development Test is Outstanding.**

The institution's community development performance demonstrates excellent 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.

## DESCRIPTION OF INSTITUTION

Texas Security Bank (TSB), headquartered in Dallas, Texas began operations in 2008. Texas Security Bancshares, Inc., a one-bank holding company, wholly owns TSB. The bank maintains two subsidiaries: 1) TSB Financial Services, which serves as the bank's licensed insurance agent, and 2) TSBRE Property Company, which owns the bank's banking facilities and other real estate holdings. The institution received an Outstanding rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated April 4, 2022, based on the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Institution CRA Examination Procedures.

TSB operates four full-service offices in its assessment area located within the Dallas-Plano-Irving, Texas Metropolitan Division (MD) and Fort Worth-Arlington-Grapevine, Texas MD. The main office is located in Dallas, Texas. The remaining branches are located in Garland, Texas; Farmers Branch, Texas; and Southlake, Texas. The branch located in Southlake, Texas opened since the prior evaluation and is located in an upper-income census tract. The bank has not closed any offices or participated in any merger or acquisition activity since the previous evaluation.

The institution maintains banking hours typical for its area and the industry with lobby hours from 9:00 a.m. to 4:00 p.m. Monday through Friday. TSB also offers drive-thru services during the week from 9:00 a.m. to 4:00 p.m., at the main office and the Garland, Texas branch. TSB maintains one proprietary automated teller machine (ATM) at its Southlake, Texas branch. The bank also offers access to ATMs through its network partners and reimburses customer fees charged for use of ATMs. In addition, customers maintain 24-hour access to their accounts via online, mobile, and telephone banking.

While TSB maintains a commercial lending specialization, the bank offers a full line of loan products including commercial, residential, and consumer loans, as well as a variety of deposit services and on-line banking through the institution's website. The bank also offers Small Business Administration (SBA) loans and personal lines of credit.

As of December 31, 2024, the bank reported total assets of \$1.2 billion, total loans of \$861.6 million, and total deposits of \$1.1 billion. Since the previous CRA evaluation, total assets grew 13.4 percent, total loans increased 34.3 percent, and total deposits increased 23.5 percent.

As seen in the following table, the mix of outstanding loans as of the December 31, 2024, Report of Income and Condition reflects a similar distribution to that shown for originated loans under the Scope of Evaluation. The primary lending products remained commercial (commercial and industrial and secured by nonfarm nonresidential properties) and home mortgage (secured by 1-4 family and multifamily residential). Commercial loans represent the largest loan category of outstanding loans at 70.2 percent, followed by residential real estate loans at 21.2 percent. These two lending products represent 91.4 percent of the bank's loan activity.

<b>Loan Portfolio Distribution as of 12/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	71,806	8.3
Secured by Farmland	222	<0.1
Secured by 1-4 Family Residential Properties	181,752	21.1
Secured by Multifamily (5 or more) Residential Properties	472	0.1
Secured by Nonfarm Nonresidential Properties	416,245	48.3
<b>Total Real Estate Loans</b>	<b>670,497</b>	<b>77.8</b>
Commercial and Industrial Loans	188,618	21.9
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2,399	0.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	62	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>861,576</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would affect the bank's ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank's assessment area is comprised of Dallas, Denton, Collin, and Rockwall counties in the Dallas-Plano-Irving, Texas MD and Tarrant County in the Fort Worth-Arlington-Grapevine, Texas MD. Since these two MDs make up the greater Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (DFW MSA), examiners combined these two areas into one for analysis and presentation. Examiners utilized full-scope procedures when analyzing this area.

### **Economic and Demographic Data**

Based on 2020 U.S. Census data, the bank's assessment area consists of 1,536 census tracts reflecting the following income designations: 149 low-, 402 moderate-, 434 middle-, 527 upper-income census tracts, and 24 tracts that do not have available income information. The area conforms to CRA regulatory requirements.

The assessment area has changed slightly since the previous evaluation due to changes in census tract boundaries during the 2020 U.S. Census. At the prior evaluation, using 2015 American Community Survey (ACS) data, the assessment area contained 1,186 total census tracts including: 162 low-, 310 moderate-, 307 middle-, 400 upper-income census tracts, and 7 census tracts that did not have available income information.

The following table shows additional demographic and economic characteristics of the area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,536	9.7	26.2	28.3	34.3	1.6
Population by Geography	6,802,885	9.1	25.4	29.2	35.4	0.9
Housing Units by Geography	2,538,319	9.8	25.2	29.9	34.2	0.9
Owner-Occupied Units by Geography	1,365,920	4.5	19.8	31.0	44.3	0.4
Occupied Rental Units by Geography	991,055	15.9	31.9	29.1	21.5	1.5
Vacant Units by Geography	181,344	15.2	28.8	26.7	27.3	1.9
Businesses by Geography	1,223,973	5.0	17.8	29.7	46.6	0.9
Farms by Geography	19,134	3.9	17.5	31.2	46.9	0.6
Family Distribution by Income Level	1,610,250	22.1	17.2	19.1	41.6	0.0
Household Distribution by Income Level	2,356,975	23.0	17.0	17.9	42.2	0.0
Median Family Income MSA - 19124 Dallas-Plano-Irving, TX		\$88,315	Median Housing Value			\$252,209
Median Family Income MSA - 23104 Fort Worth-Arlington-Grapevine, TX		\$82,649	Median Gross Rent			\$1,234
			Families Below Poverty Level			8.3%
Source: 2020 U.S. Census Data and 2024 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.						

D&B data indicates the largest employment sectors include services at 32.5 percent of businesses; non-classifiable establishments at 31.0 percent; and finance, insurance, real estate industries at 12.2 percent.

According to Moody's Analytics, the area's largest employers include: Walmart, Inc., UT Southwestern Medical Center, Baylor Scott & White Health, and Lockhead Martin.

The following table shows the unemployment rates for each county in comparison to the State of Texas and national averages reported for the prior three full calendar years. As illustrated, the unemployment rates for each county reflected similar levels to that of the State of Texas and national average.

Unemployment Rates			
Area	2022	2023	2024
	%	%	%
Collin County	3.2	3.6	3.7
Dallas County	3.8	3.9	4.0
Denton County	3.3	3.6	3.7
Rockwall County	3.4	3.6	3.7
Tarrant County	3.7	3.8	3.9
State of Texas	3.9	4.0	4.1
National Average	3.6	3.6	4.0
Source: Bureau of Labor Statistics			

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue level. According to 2024 D&B data, the assessment area includes 1.2 million businesses. The following includes the breakdown of gross annual revenues for these businesses.

- 92.4 percent reported gross annual revenues of \$1 million or less,
- 2.2 percent reported gross annual revenues exceeding \$1 million, and
- 5.4 percent of businesses have unknown revenues.

Examiners utilized the 2023 FFEIC updated Median Family Income (MFI) level to analyze home mortgage loans under the borrower profile criterion. The following table includes the income categories for the Dallas-Plano-Irving MD and Fort Worth-Arlington-Grapevine MD, which collectively make up the DFW MSA assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Dallas-Plano-Irving, TX Median Family Income (19124)</b>				
2023 (\$105,600)	<\$52,800	\$52,800 to <\$84,480	\$84,480 to <\$126,720	≥\$126,720
<b>Fort Worth-Arlington-Grapevine, TX Median Family Income (23104)</b>				
2023 (\$97,600)	<\$48,800	\$48,800 to <\$78,080	\$78,080 to <\$117,120	≥\$117,120
Source: FFIEC				

## **Competition**

The assessment area contains a high level of competition for financial services, based on its population. According to the FDIC Deposit Market Share report as of June 30, 2024, 162 financial institutions operated 1,452 offices within the bank's assessment area. Of these institutions, TSB ranked 41<sup>st</sup> with 0.2 percent deposit market share. Additionally, credit unions, mortgage companies, and finance companies also operate in the area, heightening the competition level. Overall, the competition level allows for lending opportunities.

## **Community Contacts**

As part of the evaluation process, examiners obtain information from third parties knowledgeable of the assessment area to assist in identifying the credit and community development needs of the area. This information not only helps in identifying credit and community development needs and opportunities but also assists in determining whether local financial institutions are responsive to those needs.

The contact stated the population is experiencing significant growth in Tarrant County. Corporations are continuously migrating into the area; however, there is a shortage of housing. The contact also indicated developers are not generally seeking opportunities to provide affordable housing due to high demand. Additionally, the county infrastructure is facing difficulties keeping pace with population growth. Overall, the contact indicated that local financial institutions have been responsive to the credit and community development needs of the area.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined small business and home mortgages loans represent the primary credit needs of the assessment area.

With respect to the area's community development needs, 39.3 percent of the area's families report either low- or moderate-income, suggesting a need for activities that aid in providing community services targeted to low- and moderate-income individuals. Additionally, the demographic data showing 35.9 percent of the assessment area's census tracts receiving low- and moderate-income designations suggests a community development need for activities that revitalize or stabilize such geographies. In addition, community development needs exist regarding affordable housing for low- and moderate-income individuals, as well as activities for economic development as supported by D&B data, which shows that 92.4 percent of the businesses in the assessment area report gross annual revenues of \$1 million or less.

# **SCOPE OF EVALUATION**

## **General Information**

Examiners evaluated performance based on FFIEC Intermediate Small Institution CRA Examination Procedures, which includes the Lending Test and Community Development Test. This evaluation covers the time period from April 4, 2022, to February 24, 2025, the date of the previous evaluation to this evaluation's date. The appendix lists the tests' criteria.

## **Activities Reviewed**

For the Lending Test, Intermediate Small Institution CRA Examination Procedures require examiners to determine the bank's major product lines from which to review. As an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.



Considering the number and dollar volume of loans originated, as well as management’s stated business strategy, examiners determined that the bank’s major product lines consist of commercial loans at 74.2 percent by dollar volume along with home mortgage loans at 9.0 percent by dollar volume during 2024. Since none of the other loan categories typically considered, including consumer loans at 0.8 percent by dollar volume and farm (secured by farmland and agricultural) loans at 0.1 percent by dollar volume, represent a major product line and would not materially affect any conclusions or ratings, this evaluation does not discuss them.

The following table shows the bank’s 2024 lending activity by loan category, which reflects a generally consistent pattern with the bank’s lending emphasis since last evaluation.

<b>Loans Originated or Purchased</b>				
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Construction and Land Development	40,683	15.9	19	8.0
Secured by Farmland	320	0.1	1	0.4
Secured by 1-4 Family Residential Properties	22,749	9.0	20	8.4
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	47,775	18.7	33	13.9
Commercial and Industrial Loans	141,571	55.5	157	66.0
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	2,166	0.8	8	3.3
Other Loans	0	0.0	0	0.0
<b>Total Loans</b>	<b>255,264</b>	<b>100.0</b>	<b>238</b>	<b>100.0</b>
<i>Source: Bank Data (1/1/2024 – 12/31/2024)</i>				

Examiners identified a small business universe of 146 loans totaling \$52.7 million, from the total 190 commercial loan universe totaling \$189.3 million, originated or purchased in 2024. Examiners used the universe of small business loans to arrive at applicable conclusions for the assessment area concentration performance factor. For the geographic distribution performance factor, examiners used all 129 small business loans totaling \$44.0 million originated inside the sole assessment area. Finally, examiners selected a random sample of 97 small business loans totaling \$33.4 million inside the bank’s assessment area, to arrive at applicable conclusions for the borrower profile performance factor. Examiners based the sample on a 90 percent confidence interval with a 5 percent precision level. D&B data serves as the standard of comparison for small business lending.

This evaluation also includes a review of the following home mortgage loans reported on the bank’s Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) as follows:

- 2022 – 147 loans totaling \$99.9 million and
- 2023 – 76 loans totaling \$56.7 million.

Aggregate data served as the primary standard of comparison for home mortgage loans. Examiners did not identify any performance trends between the different years’ data that materially affect conclusions. Therefore, the geographic distribution and borrower profile analyses presents home mortgage loan data for 2023, the most recent year for which aggregate data exists. However, the

assessment area concentration discussion includes home mortgage loan data for both years reviewed.

Examiners considered the universe of small business and home mortgage loans when determining loan product weighting. The following table shows that small business loans represent a majority by number, and home mortgage loans represent a slight majority by dollar volume of the loan categories reviewed. However, examiners placed more weight on small business loans when arriving at conclusions due to the bank's business strategy emphasis.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Small Business	146	65.8	52,664	48.1
Home Mortgage	76	34.2	56,738	51.9
<b>Total Loans</b>	<b>222</b>	<b>100.0</b>	<b>109,402</b>	<b>100.0</b>
<i>Source: 2023 HMDA and Bank Data</i>				

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. Examiners focused on performance by number of loans because the number of loans provides a better indicator of the number of businesses and individuals served. In addition, for geographic distribution and borrower profile, examiners considered only loans originated inside the assessment area.

For the Community Development Test, examiners considered all community development activities since the prior evaluation dated April 4, 2022. This test further encompasses all prior period investments. Prior period investments involve those purchased prior to the previous evaluation, but that remain outstanding as of this evaluation's date. Examiners use the book value as of the current evaluation date for all prior period investments. Bank management provided data for community development loans, qualified investments, and community development services.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

TSB demonstrated satisfactory performance regarding the Lending Test. Reasonable records regarding the LTD ratio, assessment area concentration, and geographic distribution primarily support this conclusion. The very poor borrower profile performance did not result in a downgrade in the overall rating. The bank did not receive any CRA-related complaints since the previous evaluation.

### **Loan-to-Deposit Ratio**

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Report of Condition and Income Data, averaged 88.7 percent over the past 11 calendar quarters since the prior evaluation, slightly lower than the average net LTD ratio of 91.9 percent reported at the last evaluation. The bank's quarterly average net LTD

ratios ranged from a low of 80.3 percent on December 31, 2024, to a high of 98.0 percent on December 31, 2022.

Examiners identified and listed in the following table four similarly situated institutions operating in or near the bank’s assessment areas and reflecting similar asset sizes and/or lending emphases. As illustrated in the table below, TSB’s ratio falls within the range of the ratios of similarly situated institutions.

<b>LTD Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2024 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Texas Security Bank, Dallas, TX</b>	<b>1,165,137</b>	<b>88.7</b>
Benchmark Bank, Plano, TX	1,214,800	70.2
MapleMark Bank, Dallas, TX	1,061,109	96.4
North Dallas Bank & Trust Company, Dallas, TX	1,909,713	72.5
Pegasus Bank, Dallas, TX	1,349,018	70.6
<i>Source: Reports of Condition and Income (6/30/2022 – 12/31/2024)</i>		

### **Assessment Area Concentration**

A majority of loans and other lending related activities are in the institution’s assessment area. The following table shows TSB originated a majority of its small business and home mortgage loans inside its assessment area, by both number and dollar volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	129	88.4	17	11.6	146	44,018	83.6	8,646	16.4	52,664
Home Mortgage										
2022	115	78.2	32	21.8	147	78,890	79.0	20,967	21.0	99,857
2023	60	78.9	16	21.1	76	44,020	77.6	12,717	22.4	56,737
Subtotal	175	78.5	48	21.5	223	122,910	78.5	33,684	21.5	156,594
Source: 2024 Bank Data; 2022 and 2023 HMDA Reported Data										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable performance regarding small business and home mortgage loans in the bank’s sole assessment area supports this conclusion.

Examiners considered the loan product types reviewed relative to the available comparative data when arriving at this conclusion. Examiners focused on the percentages by number of loans in low-

and moderate-income geographies when arriving at this conclusion. This factor only considered loans granted inside the bank's assessment area.

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Reasonable performance within low- and moderate-income census tracts primarily supports this conclusion. Examiners focused on the bank's percentage of loans, by number, granted in low- and moderate-income geographies relative to the percentage of businesses.

The following table shows the bank's level of lending in low-income geographies trails demographic data by 0.3 percent, reflective of reasonable performance. For moderate-income census tracts, the bank's level of lending is equivalent to demographics, also reflective of reasonable performance.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	5.0	6	4.7	1,929	4.4
Moderate	17.8	23	17.8	7,815	17.8
Middle	29.7	32	24.8	9,159	20.8
Upper	46.6	68	52.7	25,115	57.1
Not Available	0.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>129</b>	<b>100.0</b>	<b>44,018</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Reasonable performance within low- and moderate-income census tracts primarily supports this conclusion. Examiners focused on the bank's percentage of loans, by number, granted in low- and moderate-income geographies relative to the percentage of aggregate data.

The following table shows the bank's lending in low-income geographies exceeds aggregate data by 6.3 percent, reflective of reasonable performance. For moderate-income census tracts, the bank's lending falls below aggregate data by 1.1 percent, also reflective of reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.5	3.7	6	10.0	1,270	2.9
Moderate	19.8	14.4	8	13.3	5,765	13.1
Middle	31.0	34.2	12	20.0	5,134	11.7
Upper	44.3	47.3	33	55.0	31,280	71.1
Not Available	0.4	0.4	1	1.7	571	1.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>44,020</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census, Bank Data. Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, very poor penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The very poor record regarding small business lending and poor record regarding home mortgage lending supports this conclusion.

Examiners considered the loan product types reviewed relative to the available comparative data and any performance context when arriving at this conclusion. Examiners focused on the percentages by number of small business loans to businesses with gross annual revenues of \$1 million or less and home mortgage loans to low- and moderate-income families when arriving at this conclusion. This factor only considered loans granted inside the bank's assessment area.

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

The distribution of borrowers reflects, given the demographics of the assessment area, very poor penetration among businesses of different sizes. A very poor record of lending to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the bank's overall level of lending to businesses with gross annual revenues of \$1 million or less relative to D&B data when arriving at conclusions. The companies' gross annual revenues define the borrowers' profiles for this review. The following table shows that the bank originated less than three of every ten loans to businesses with gross annual revenues of \$1 million or less, reflecting a very poor level when compared to D&B data.

Detailed Distribution of Small Business Loans by Gross Annual Revenues					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	71.3	3	3.1	1,271	3.8
\$100,000 - \$249,999	16.2	5	5.2	1,285	3.8
\$250,000 - \$499,999	3.3	3	3.1	1,235	3.7
\$500,000 - \$1,000,000	1.6	10	10.3	1,919	5.7
<b>Subtotal &lt;= \$1,000,000</b>	<b>92.4</b>	<b>21</b>	<b>21.7</b>	<b>5,710</b>	<b>17.0</b>
>\$1,000,000	2.2	76	78.4	27,691	82.9
Revenue Not Available	5.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>97</b>	<b>100.0</b>	<b>33,401</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data, Bank Data Due to rounding, totals may not equal 100.0%</i>					

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

The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among individuals of different income levels (including low- and moderate-income). Poor performance to moderate-income borrowers outweighs reasonable performance to low-income borrowers to support this conclusion. The following table shows the bank's performance to low-income borrowers falls 2.8 percentage points below aggregate data, reflective of reasonable performance. The table further shows the bank's lending to moderate-income borrowers falls below aggregate data by 10.3 percentage points, reflective of poor performance. Examiners placed more weight on performance to moderate-income borrowers where aggregate data indicated more lending opportunities.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.1	2.8	0	0.0	0	0.0
Moderate	17.2	12.0	1	1.7	200	0.5
Middle	19.1	19.4	1	1.7	388	0.9
Upper	41.6	42.2	39	65.0	29,800	67.7
Not Available	0.0	23.6	19	31.7	13,633	31.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>44,020</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%</i>						

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

## COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates excellent 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. Examiners also considered community development activities performed outside the bank's designated assessment area, but within the broader statewide/regional area, since the bank met the needs of their assessment area.

### Community Development Loans

TSB originated 82 community development loans totaling approximately \$166.1 million during the evaluation period. This level of activity represents 14.2 percent of average total assets of \$1.1 billion and 19.9 percent of average net loans of \$832.9 million since the prior CRA evaluation. These levels decreased from the 40.6 percent of average total assets and 57.5 percent of average net loans reported at the previous evaluation.

The community development loans proved responsive to the assessment area's needs given that they address identified affordable housing, economic development, and revitalize or stabilize needs within the bank's assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022	3	606	0	0	0	0	20	47,879	23	48,485
2023	5	7,882	0	0	2	6,396	26	55,366	33	69,645
2024	3	3,627	0	0	1	500	22	43,858	26	47,985
<b>Total</b>	<b>11</b>	<b>12,116</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6,896</b>	<b>68</b>	<b>147,104</b>	<b>82</b>	<b>166,116</b>
<i>Source: Bank Data</i>										

All community development loans benefitted the DFW MSA assessment area. The following points provide examples of the bank's community development loans.

- **Affordable Housing:** The bank originated four new commercial loans, totaling \$824.3 thousand, for a developer to build affordable single-family homes within low-income census tracts in partnership with the city of Dallas. Each loan contains deed restrictions to ensure buyers are low- and moderate-income individuals.
- **Revitalization/Stabilization:** The bank originated a construction loan, totaling \$10.6 million, to develop a storage facility within a low-income census tract in Tarrant County. The loan helps to revitalize the low-income census tract by attracting new businesses and residents to the area.

## **Qualified Investments**

The bank made use of 22 qualified investments totaling approximately \$6.9 million. The total dollar volume equates to 0.6 percent of average total assets and 3.0 percent of average total securities of \$230.0 million since the prior evaluation. These levels decreased from the 1.2 percent of average total assets and 6.5 percent of average total securities, recorded at the prior evaluation.

The qualified investments proved responsive to the assessment area's needs given that they address identified affordable housing, community services, and economic development needs within the bank's assessment area. The following table illustrates the bank's qualified investments and donations by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	5,405	0	0	2	1,500	0	0	6	6,905
<b>Subtotal</b>	<b>4</b>	<b>5,405</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6,905</b>
Qualified Grants & Donations	1	7	15	77	2	1,500	0	0	16	85
<b>Total</b>	<b>5</b>	<b>5,413</b>	<b>15</b>	<b>77</b>	<b>2</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>6,990</b>
<i>Source: Bank Data</i>										

The qualified investments benefitted the following areas:

- DFW MSA assessment area – 20 qualified investments totaling \$5.4 million.
- Broader statewide/regional area – 2 qualified investments totaling \$1.5 million.

The following points provide examples of the bank's qualified investments.

- **Community Services:** The bank provided grants and donations to many local organizations that benefit low- and moderate-income individuals, which includes a high school where the majority of students receive free or reduced lunch, a free healthcare clinic, and various organizations that support children in need and low-income individuals.
- **Economic Development:** The bank invested \$1.5 million in two funds offered by a small business investment company located in Dallas, Texas. The funds provide needed long-term subordinated debt and equity capital to growth-oriented and small businesses, promoting economic growth.

## **Community Development Services**

The table below shows that the bank provided 75 community development services since the prior evaluation. This level decreased from the 117 community development services 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 table also shows services benefited organizations promoting economic development and providing community services targeted to low- and moderate-income individuals, which demonstrates the bank's responsiveness to identified needs in the assessment area.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022	0	1	12	0	13
2023	0	11	18	0	29
2024	0	17	16	0	33
<b>Total</b>	<b>0</b>	<b>29</b>	<b>46</b>	<b>0</b>	<b>75</b>
Source: Bank Data					

All of the bank's community development services benefitted the bank's DFW MSA assessment area. The following points provide examples of the bank's community development services.

- **Community Services:** The chief lending officer and a banking officer used their financial expertise to support the creation and administration of a micro loan program established to assist low- and moderate-income individuals residing in Dallas, Texas.
- **Economic Development:** Through the TSB Academy, the bank provided technical assistance to small businesses during its yearlong program. The curriculum reflects the bank's employees' areas of expertise such as financial, human resources, information technology, and legal services. TSB Academy promotes economic growth throughout the Dallas Metroplex by supporting the local business owners.

The bank operates one full-service branch in a moderate-income census tract, one branch in a middle-income census tract, and two branches in upper-income census tracts. The bank also operates one ATM in an upper-income census tract. In addition to the ATM, TSB provides alternative delivery systems, such as remote deposit capture, online and mobile banking, and telephone banking that help avail the bank's services to low- and moderate-income individuals across all portions of the assessment area.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	149	9.7	619,063	9.1	0	0.0	0	0.0
Moderate	402	26.2	1,727,933	25.4	1	25.0	0	0.0
Middle	434	28.3	1,986,442	29.2	1	25.0	0	0.0
Upper	527	34.3	2,408,221	35.4	2	50.0	1	100.0
NA	24	1.6	61,226	0.9	0	0.0	0	0.0
<b>Total</b>	<b>1,536</b>	<b>100.0</b>	<b>6,802,885</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<i>Source: 2020 Census Data; Bank Data</i>								

## 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.

## **APPENDICES**

### **INTERMEDIATE SMALL 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) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

**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.