

*Alliance Bank*

*Community Reinvestment Act*

*Public File*

# *Alliance Bank CRA Public File*

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Trenton

Year: 2023

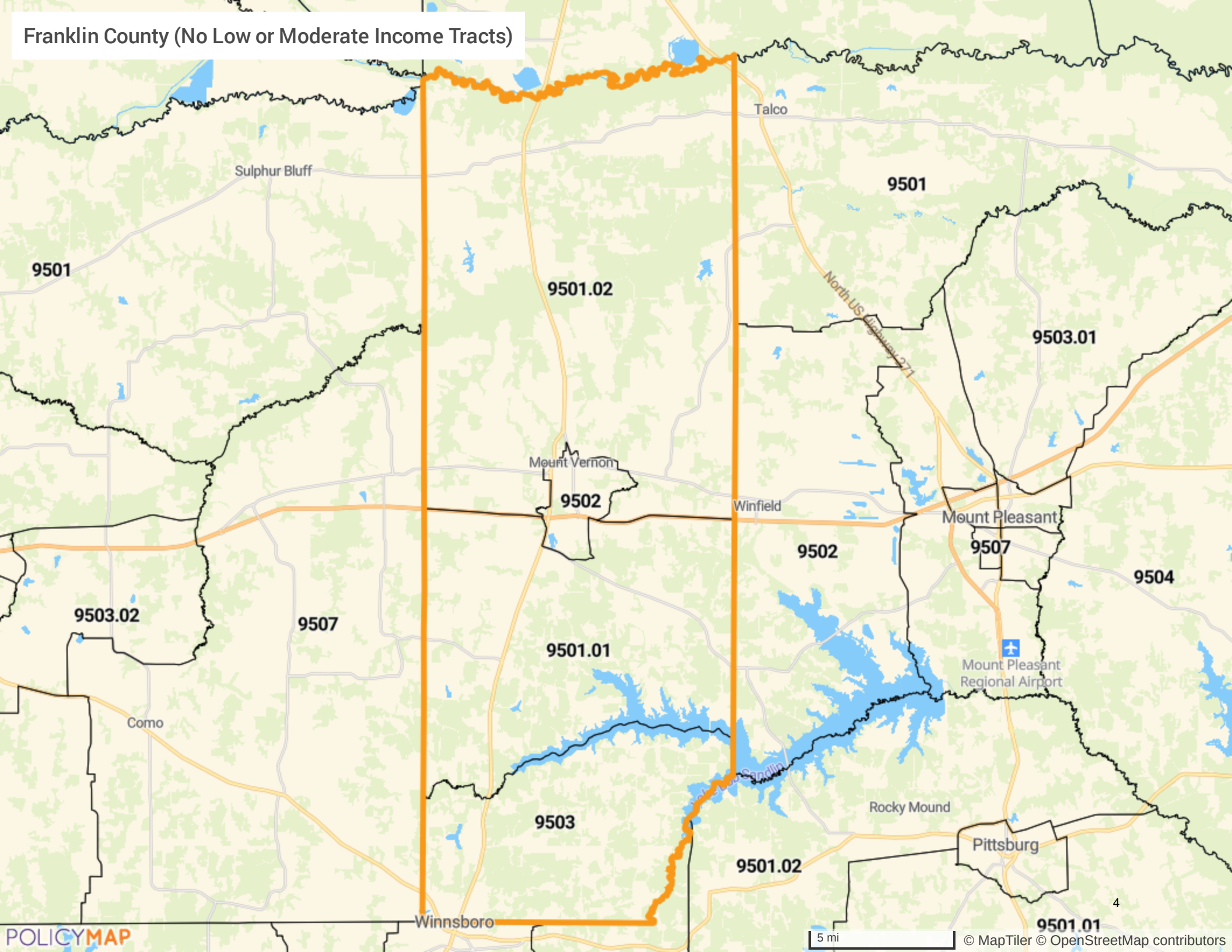


Shaded by: Census Tract, 2020





Franklin County (No Low or Moderate Income Tracts)



Hopkins County (moderate income tracts are outlined in orange)

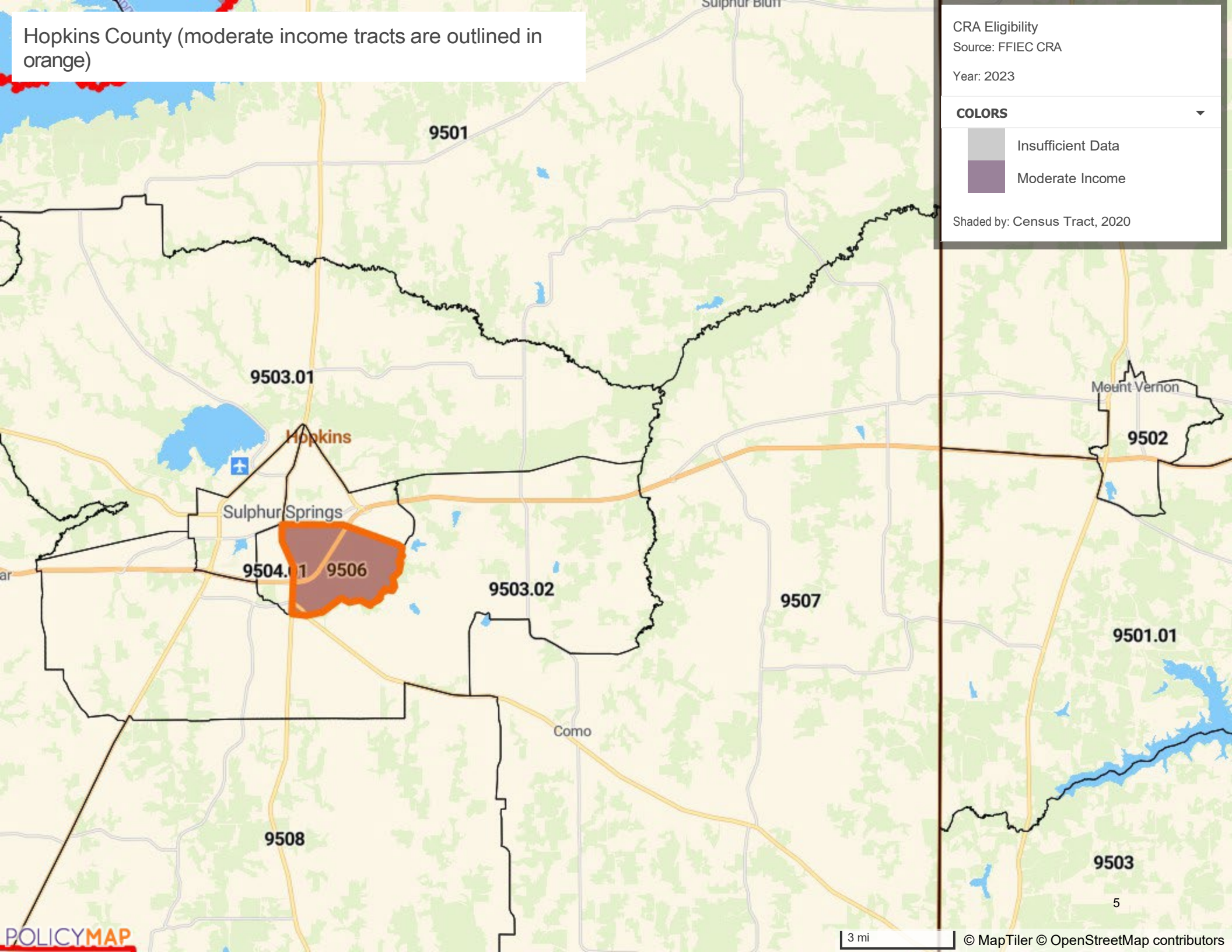
CRA Eligibility  
Source: FFIEC CRA  
Year: 2023

COLORS

Insufficient Data

Moderate Income

Shaded by: Census Tract, 2020









Rockwall County ( Moderate Income Tracts Outlined in Red)

CRA Eligibility

Source: FFIEC CRA

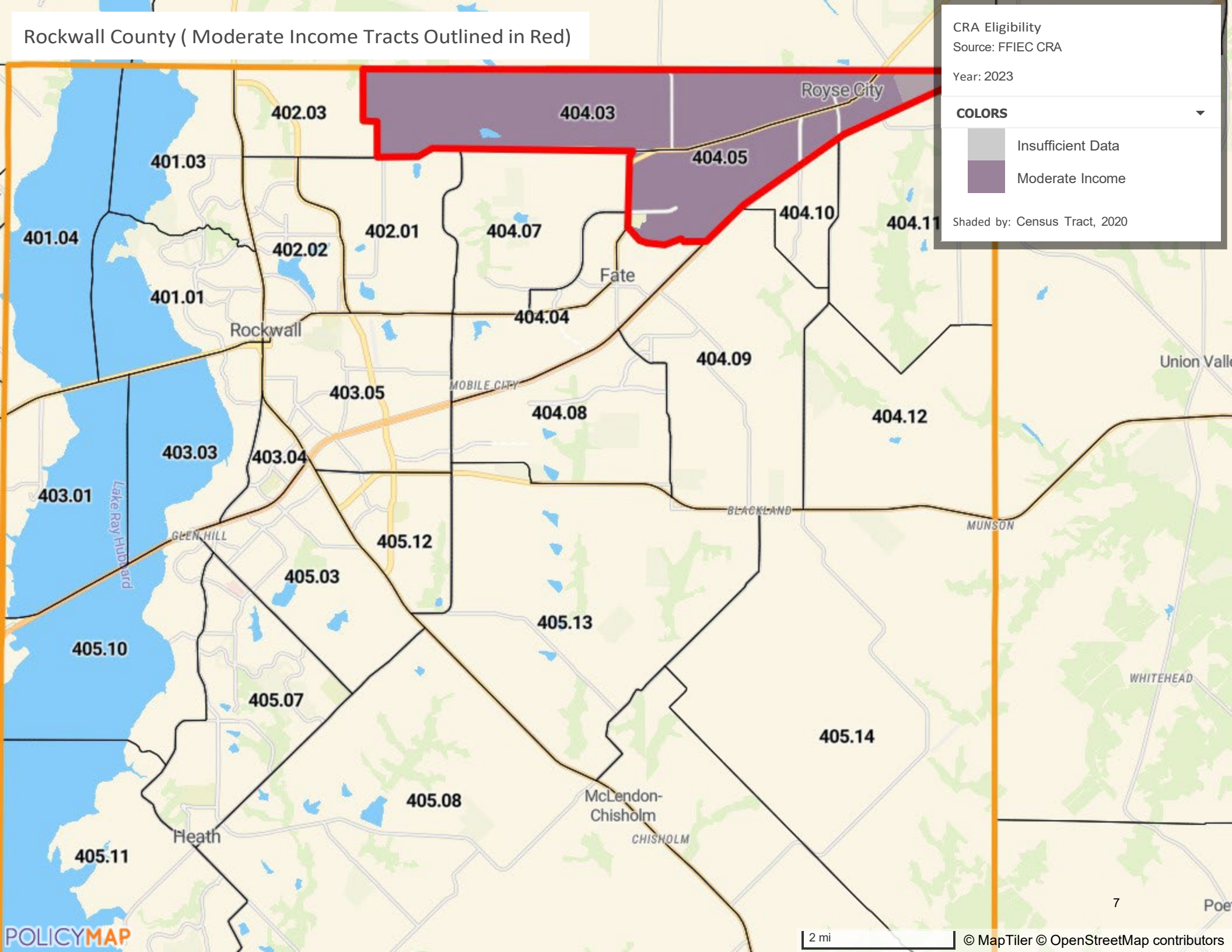
Year: 2023

**COLORS**

Insufficient Data

Moderate Income

Shaded by: Census Tract, 2020



## Loan to Deposit Ratio

12-31-20	55.68%
03-31-21	52.95%
06-30-21	52.33%
09-30-21	53.67%
12-31-21	54.13%
03-31-22	55.55%
06-30-22	57.36%
09-30-22	59.90%
12-31-22	63.81%
03-31-23	66.11%
06-30-23	71.80%
09-30-23	70.89%
12-31-23	69.86%



## **PRODUCTS AND SERVICES OFFERED**

All account products are offered at each branch, except for motor banks.

Accounts available:

Freedom Checking  
Classic Checking  
Personal Checking  
Commercial Checking with Account Analysis  
Small Business Checking  
Business Checking  
Tiered Money Market Account  
Savings  
Certificates of Deposit  
Individual Retirement Accounts  
CDARS program

We offer direct deposit, telephone transfers, stop payment, debit cards, and ATM privileges with most accounts. (Please see the accounts listed above.)

In addition to the above-listed account products, we offer safe deposit boxes at all of our locations except our South Town and Express in Sulphur Springs, Greenville Express, Rockwall North, Plano, and Mount Vernon Brookshire's locations. ATMs are available at the following locations in Sulphur Springs: the Downtown Motor Bank, South Town, Express, and 421 E. Industrial, formally known as the VF Strip Mall. In Greenville, the ATMs are located in the following locations: the Greenville Express Branch at 9901 Wesley and the Greenville Bank at 6609 Wesley. ATMs are also located at our Commerce, Wolfe City, Mount Vernon, Rockwall, and Plano branches.

Digital Banking, our internet banking service, allows our customers to access their deposit accounts and loan accounts anytime and anywhere. Customers can use digital banking to access their account histories, transfer requests, check orders, and pay bills. Consumers also have the capability of opening personal checking and savings accounts through Alliance Bank's online digital platform.

We provide mobile banking via phones and devices that have internet access via a browser. Customers can access their deposit and loan account balances, histories, transfers, and bill pay. Also available for consumer customers is mobile deposit, where customers can take a photo of a check for deposits up to \$6,000 per day/week and up to \$12,000 per month for Bronze level (consumer/default) customers. Silver level customers are allowed \$12,000 per day/week and \$24,000 per month for mobile deposits. The gold level allows customers \$15,000 per day/week and \$30,000 per month for mobile deposits. Platinum level allows customers \$20,000 per day/week and \$40,000 per month for mobile deposits.

We also offer telephone banking called “Round the Clock Banking,” which allows our customers to check balances, verify withdrawals and deposits on the account, transfer funds between accounts, get information about other Alliance Bank products, re-order checks, and verify interest paid information. This service is available in English or Spanish.

Alliance Bank customers can receive e-statements. E-statements offer faster, more effective, and more convenient record-keeping.

Alliance Bank also offers eSign. With eSign, customers are able to receive notices and disclosures electronically and utilize electronic signatures in lieu of paper documents.

In addition, check cashing, cashier’s checks, money orders, wire transfers, assistance with account reconciliation, photocopies, and notary services are available during our lobby service hours. For commercial customers, Alliance Bank offers Remote Deposit Capture and Cash Management Services. Alliance Bank also has a coin machine that is available for customers. We allow non-customers to use it for a percentage fee, so it is not limited to customers only.

The following loan products are available at every branch, with the exception of the South Town branch, the Express branch in Sulphur Springs, and the Greenville Express branch:

#### Business and Industry

- a. Accounts Receivable loans
- b. Short-term Working Capital loans
- c. Inventory loans

#### Agricultural

- a. Production loans
- b. Livestock financing
- c. Farm Equipment

#### Consumer Loans

- a. Individual Personal loans
- b. Auto, Boat, and Recreational Vehicle loans
- c. CheckPlus (Overdraft Protection) loans

#### Construction

- a. Residential
- b. Commercial and Industrial loans

#### Real Estate

- a. Residential loans
- b. Home Improvement loans
- c. Home Equity loans
- d. Commercial loans
- e. Farm and Ranch loans
- f. Secondary Market Mortgage Loans
  - a. Conventional



- b. Government
- g. Lot/Land Loans

Loan applications are available at all lobby locations; they are then forwarded to a branch with lending staff. Consumer and residential loan applications are also available online through Alliance Bank's website.

It is our goal to make our mortgage products and services available to every citizen in our community. If anyone has needs that are not being met, please contact one of our Branch Managers so that we may discuss possible solutions.

# BRANCH/LPO OPENINGS AND CLOSINGS DURING THE CURRENT YEAR AND PREVIOUS TWO CALENDAR YEARS

*Last revised as of 02/15/2024*

## **Opened September 14, 2022**

### FORT WORTH LOAN PRODUCTION OFFICE

1200 Summit Avenue, Suite 101

Fort Worth, TX 76102

Tarrant County- 1233.01

817-406-1555

Lobby-only location

Monday through Friday

9:00 AM – 4:00 PM

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## **Closed**

None to Report



**ALLIANCE BANK  
BANKING OFFICE LOCATIONS AND HOURS**

**MAIN BANK**

100 Jefferson St. W.  
Sulphur Springs, TX 75482  
Hopkins County – 9504.02  
903-885-2187

Lobby	Monday through Thursday	9:00 AM - 3:00 PM
	Friday	9:00 AM - 5:00 PM
308 Church St. Motor Bank	Monday through Friday	7:00 AM - 6:00 PM

**SOUTHTOWN BRANCH**

1226 S. Broadway St.  
Sulphur Springs, TX 75482  
Hopkins County – 9504.01  
903-885-2187

Lobby	Monday through Thursday	9:00 AM - 4:00 PM
	Friday	9:00 AM - 5:00 PM
Motor Bank	Monday through Friday	8:00 AM - 6:00 PM

**EXPRESS**

1437 S. Broadway St.  
Sulphur Springs, TX 75482  
Hopkins County – 9504.01  
903-885-2187

Motor Bank	Monday through Friday	7:00 AM - 7:00 PM
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**GREENVILLE BRANCH**

6609 Wesley St.  
Greenville, TX 75402  
Hunt County – 9612.00  
903-455-0800

Lobby	Monday through Thursday	9:00 AM - 3:00 PM
	Friday	9:00 AM - 5:00 PM
Motor Bank	Monday through Friday	8:00 AM - 6:00 PM

**GREENVILLE EXPRESS BRANCH**

9901 Wesley St.  
Greenville, TX 75402  
Hunt County – 9611.00  
903-455-0800

Lobby	Monday through Thursday	9:00 AM - 4:00 PM
	Friday	9:00 AM - 5:00 PM
Motor Bank	Monday through Friday	8:00 AM - 6:00 PM

**WOLFE CITY BRANCH**

102 E. Main St.  
Wolfe City, TX 75496  
Hunt County – 9602.00  
903-496-2275

Lobby	Monday through Thursday	9:00 AM - 3:00 PM
	Friday	9:00 AM - 5:00 PM
Motor Bank	Monday through Thursday	8:30 AM - 5:00 PM
	Friday	8:30 AM - 5:30 PM

COMMERCE BRANCH

1717 State Highway 24  
Commerce, TX 75428  
Hunt County – 9601.00  
903-886-3244  
Lobby

Motor Bank

Monday through Thursday	9:00 AM - 3:00 PM
Friday	9:00 AM - 5:00 PM
Monday through Friday	8:00 AM - 6:00 PM

ROCKWALL SOUTH BRANCH

6130 S. FM 549  
Rockwall, TX 75032  
Rockwall County – 0405.03  
972-771-7070  
Lobby

Motor Bank

Monday through Thursday	9:00 AM - 4:00 PM
Friday	9:00 AM - 5:00 PM
Monday through Friday	8:00 AM - 5:30 PM

ROCKWALL NORTH BRANCH

3045 N. Goliad St. Ste 109  
Rockwall, TX 75087  
Rockwall County - 0401.02  
972-771-7070  
Lobby-only location

Monday through Friday	8:00 AM - 5:00 PM
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MOUNT VERNON DOWNTOWN

101 Main St. W.  
Mount Vernon, TX 75457  
Franklin County – 9502.00  
903-537-2201  
Lobby

Motor Bank

Monday through Thursday	9:00 AM - 3:00 PM
Friday	9:00 AM - 5:00 PM
Monday through Friday	8:00 AM - 6:00 PM

MOUNT VERNON BROOKSHIRE'S

306 Hwy 37 South  
Mount Vernon, TX 75457  
Franklin County – 9501.00  
903-537-2201  
Lobby only location

Monday through Friday	9:00 AM - 6:00 PM
Saturday	9:00 AM - 1:00 PM

LAKE CYPRESS SPRINGS

4543 FM 115  
Mount Vernon, TX 75457  
Franklin County - 9501.00  
903-860-3774  
Lobby

Motor Bank

Monday through Friday	8:00 AM - 5:00 PM
Monday through Friday	8:00 AM - 5:00 PM

PLANO BRANCH

3620 State Hwy 121 Ste 100  
Plano, TX 75025  
Collin County- 0316.39  
214-620-2600  
Lobby-only location

Monday through Friday	8:00 AM- 5:00 PM
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FORT WORTH LOAN PRODUCTION OFFICE

1200 Summit Avenue, Suite 101

Fort Worth, TX 76102

Tarrant County - 1233.01

817-406-1555

Lobby-only location

Monday through Friday

9:00 AM – 4:00 PM

# Submissions and Complaints

None to report as of **02/15/2024**.



# Home Mortgage Disclosure Act (HMDA) Notice

The HMDA data about our residential mortgage lending are available online for review. The data show geographic distribution of loans and applications; ethnicity, race, sex, age, and income of applicants and borrowers; and information about loan approvals and denials.

These data are available online at the Consumer Financial Protection Bureau's Web site at: [www.consumerfinance.gov/hmda](http://www.consumerfinance.gov/hmda) beginning with calendar years 2017 forward. HMDA data for many other financial institutions are also available at this website.

# **PUBLIC DISCLOSURE**

March 6, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Alliance Bank  
Certificate Number: 11569

100 West Jefferson Street  
Sulphur Springs, Texas 75482

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.



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## INSTITUTION RATING

**INSTITUTION'S COMMUNITY REINVESTMENT ACT (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 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 areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas 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 areas. Alliance Bank displayed excellent levels of community development loans, qualified investments, and community development services.

## DESCRIPTION OF INSTITUTION

Alliance Bank, headquartered in Sulphur Springs, Texas, began operations in 1927. Alliance Bancshares, Inc., of Sulphur Springs, Texas, a one-bank holding company, wholly owns the bank. Alliance Capital Trust III of Sulphur Springs, Texas, a wholly owned subsidiary of the bank, serves to sell securities. Alliance Bank received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated March 9, 2020, based on Intermediate Small Bank (ISB) Procedures.

Alliance Bank, a primarily commercial lender, operates through its network of 11 full-service branches and three limited-service motor banks located in the North East and North Central regions of Texas. The bank did not close any branches since the last evaluation, but opened a branch in Plano, Texas in 2021. The bank did not participate in any merger or acquisition activity since the prior examination. The Description of Institution's Operations sections depict the offices' specific locations.

The bank offers a variety of loan products including commercial, home mortgage, agricultural, and consumer loans. It also provides a variety of deposit services including checking, savings, money market deposit accounts, individual retirement accounts, and certificates of deposit. Other and alternative services include debit cards, automated teller machines (ATMs), drive-thru banking, wire transfers, safe deposit boxes, internet banking, and mobile banking.

As of the December 31, 2022, Report of Condition and Income, the bank reported total assets of \$1.4 billion, net loans of \$755.0 million, and total deposits of \$1.2 billion. Since the last CRA evaluation, total assets increased substantially, by 39.8 percent. Additionally, net loans increased 45.8 percent, while total deposits increased 40.2 percent.

As seen in the following table, the mix of outstanding loans as of December 31, 2022, reflects a similar distribution to that shown for originated loans under the Scope of Evaluation. Commercial loans (secured by nonfarm nonresidential and commercial and industrial) represent the largest loan category at 45.3 percent, followed by residential real estate loans (secured by 1-4 family and secured by multifamily) at 21.9 percent.

<b>Loan Portfolio Distribution as of 12/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	117,993	15.4
Secured by Farmland	34,946	4.6
Secured by 1-4 Family Residential Properties	162,628	21.3
Secured by Multifamily (5 or more) Residential Properties	4,464	0.6
Secured by Nonfarm Nonresidential Properties	272,343	35.6
<b>Total Real Estate Loans</b>	<b>592,374</b>	<b>77.5</b>
Commercial and Industrial Loans	74,099	9.7
Agricultural Production and Other Loans to Farmers	9,231	1.2
Consumer Loans	11,849	1.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	76,792	10.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>764,345</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

## DESCRIPTION OF ASSESSMENT AREAS

Alliance Bank designated two contiguous assessment areas (AA) for CRA purposes: 1) a portion of the Dallas-Plano-Irving Metropolitan Division (Dallas MD AA) consisting of three counties, and 2) a portion of the Texas Non-Metropolitan Statistical Area (Non-MSA AA) consisting of two counties. As of 2022, the combined assessment areas encompass 284 census tracts reflecting the following income designations as of the 2020 U.S. Census: 4 low-, 28 moderate-, 90 middle-, 157 upper-income tracts, and 5 tracts with no income designation. The areas conform to CRA regulatory requirements. Refer to the individual discussions of the assessment areas for more detail.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Dallas MD AA	Collin, Rockwall, Hunt	270	6
Non-MSA AA	Hopkins and Franklin	14	5

*Source: Bank Records; 2020 U.S. Census.*

While the footprint of the assessment area did not change since the previous evaluation, the number of census tracts changed due to population growth between the 2015 American Community Survey (ACS) and the 2020 U.S. Census. Collin County exhibited the majority of the growth. As noted in the following table, the combined assessment area accounted for 194 census tracts as of the 2015 ACS.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Dallas MD AA	Collin, Rockwall, Hunt	182	6
Non-MSA AA	Hopkins and Franklin	12	5

*Source: Bank Records; 2015 ACS.*

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from March 9, 2020, to March 6, 2023, the date of the previous evaluation to this evaluation's date. To evaluate performance, examiners applied the Federal Financial Institutions Examination Council's (FFIEC) ISB CRA Examination Procedures, which include the Lending Test and the Community Development Test.

As seen in the table below, the Dallas MD AA comprises the majority of the lending reviewed and branches in operation. Consequently, examiners weighed performance in the Dallas MD AA slightly heavier when arriving at conclusions and ratings. Given the similar distributions in lending, examiners performed full-scope procedures on both the Dallas MD AA and the Non-MSA AA.



Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Dallas MD AA	59,556	54.7	564,461	47.0	6	54.5
Non-MSA AA	49,269	45.3	636,813	53.0	5	45.5
<b>Total</b>	<b>108,825</b>	<b>100.0</b>	<b>1,201,274</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>

*Source: Bank Records; FDIC Summary of Deposits (06/30/2022)*

## **Activities Reviewed**

For the Lending Test, CRA ISB Examination Procedures require examiners to determine the bank's major product lines from which to sample. As an initial matter, examiners may select from the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer. The following table shows the bank's 2022 lending activity by loan category, which reflects a generally consistent pattern with the bank's lending emphasis since last evaluation.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction & Land Development	141,711	42.6	230	12.7
Secured by Farmland	7,275	2.2	8	0.4
Secured by 1-4 Family Residential	42,994	12.9	138	7.6
Secured by Multi-Family Residential	0	0.0	0	0.0
Secured by Commercial Real Estate	85,512	25.7	68	3.8
Agricultural Production	3,974	1.2	172	9.5
Commercial & Industrial	28,962	8.7	403	22.3
Consumer	7,497	2.3	788	43.5
Other Loans	14,384	4.3	4	0.2
<b>Total Loans</b>	<b>332,309</b>	<b>100.0</b>	<b>1811</b>	<b>100.0</b>

*Source: Bank Records (01/01/22 – 12/31/22).*

Examiners determined the bank's major product lines include commercial lending (Commercial & Industrial and Secured by Commercial Real Estate) at 34.4 percent of the dollar volume and home mortgage lending (Secured by 1-4 Family Residential and Multi-Family Residential) at 12.9 percent of the dollar volume. While agricultural lending accounts for 3.4 percent of the dollar volume and consumer lending accounts for 2.3 percent, these products do not represent a major product line. Therefore, they would not affect any conclusions or ratings and this evaluation does not discuss them. Consequently, examiners will evaluate and present conclusions for small business and home mortgage lending within each assessment area. Bank records indicate the lending focus and product mix remained consistent throughout the evaluation period.

Examiners determined that of the 471 commercial loans originated in 2022, totaling \$114.5 million, 432 qualified as small business loans. Examiners used all 432 small business loans totaling \$27.7 million to arrive at applicable conclusions under the assessment area concentration. Examiners

used the 356 loans originated inside the assessment areas to arrive at applicable conclusions under the geographic distribution performance factor. However, examiners selected a random sample of 60 small business loans totaling \$3.9 million, originated inside the assessment areas, to arrive at applicable conclusions under the borrower profile criterion. Examiners based the small business sample on a 90 percent confidence interval with a 10 percent precision level. D&B data for 2022 provided a standard of comparison for small business lending.

Alliance Bank is required to report home mortgage loans under the Home Mortgage Disclosure Act (HMDA). Therefore, examiners considered available HMDA data to evaluate home mortgage performance, which includes both loans kept in-house and loans sold on the secondary market. Examiners used all home mortgage loans reported on the bank's 2020 and 2021 HMDA Loan Application Registers to arrive at applicable conclusions under the assessment area concentration. Specifically, this included 476 home mortgage loans originated in 2020, totaling \$123.0 million and 423 home mortgage loans originated in 2021, totaling \$110.4 million. Examiners used all 332 loans, totaling \$91.5 million, originated inside the assessment areas in 2021, to arrive at applicable conclusions for the geographic distribution and borrower profile criteria. Aggregate HMDA data for 2021, the most recent year with aggregate data, provided a standard of comparison for home mortgage lending.

Examiners considered the universes by number and dollar volume as well as management's stated business strategy to determine the weighting applied to the loan categories reviewed when arriving at applicable conclusions. Therefore, given these considerations, examiners placed more weight on small business lending when arriving at conclusions.

The performance evaluation presents information regarding the number and dollar volume of small business and home mortgage loans; however, for the borrower profile and geographic distribution performance factors under the Lending Test, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

The review period for the Community Development Test extends from March 9, 2020, to March 6, 2023. For this test, examiners considered the bank's community development lending, investments, and services provided within the assessment areas and the broader statewide/regional area. The scope of this evaluation also considered all prior period qualified investments purchased prior to the previous evaluation and still outstanding as of this evaluation's date.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Alliance Bank demonstrated a satisfactory record regarding the Lending Test. The reasonable geographic distribution and borrower profile distribution primarily support this conclusion. A reasonable record regarding the bank's loan-to-deposit ratio and a majority of loans granted inside the assessment areas further supports the Lending Test conclusion. The appendices list the Lending Test's criteria.

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

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. The bank's average, net LTD ratio reflects reasonable performance. For the 12 quarters since the previous evaluation, the bank recorded a 57.4 percent average, net LTD ratio, down from the 62.7 percent, recorded at the previous evaluation. The bank's quarterly, net LTD ratio varied from a low of 52.1 percent on June 30, 2021, to a high of 64.3 percent on December 31, 2022, with an increasing trend.

Examiners identified and listed in the following table three similarly situated institutions operating in the bank's general area and reflecting similar asset sizes and lending emphases. As shown, the subject bank's ratio falls below the comparable institutions, but within a reasonable range of the comparable institution's ratios. Therefore, considering the ratio's relative position, the net LTD ratio reflects reasonable performance.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank Name and Location</b>	<b>Total Assets as of 12/31/2022 \$(000s)</b>	<b>Average, Net LTD Ratio (%)</b>
Alliance Bank, Sulphur Springs, Texas	1,369,624	57.4
The City National Bank of Sulphur Springs, Sulphur Springs, Texas	1,206,911	68.5
Guaranty Bank & Trust, Mount Pleasant, Texas	3,350,152	78.8
Pilgrim Bank, Pittsburg, Texas	680,790	73.7
<i>Source: Reports of Income and Condition (3/31/2020 to 12/31/2022)</i>		

### **Assessment Area Concentration**

A majority of loans and other lending related activities are in the institution's assessment areas. Majorities of small business and home mortgage loans granted inside the assessment areas support this conclusion. Examiners considered the bank's asset size and office structure as well as the loan products reviewed relative to the assessment areas' combined size and economy when arriving at this conclusion.

The following table shows that for both small business and home mortgage lending, by the percentages of number and dollar, the bank granted a majority of its lending inside the assessment areas.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	372	78.2	104	21.8	476	92,412	75.1	30,629	24.9	123,041
2021	332	78.5	91	21.5	423	81,477	73.8	28,914	26.2	110,391
Subtotal	704	78.3	195	21.7	899	173,889	74.5	59,543	25.5	233,431
Small Business										
2022	356	82.4	76	17.6	432	22,145	79.9	5,587	20.1	27,732
Source: Bank Data. Due to rounding, totals may not equal 100.0%.										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas for the institution as a whole. Excellent performance in the Dallas MD AA hampered by reasonable performance in the Non-MSA AA supports this conclusion. Please see the sections that follow for more detail about each individual assessment area.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes for the institution as a whole. Reasonable performances in the Non-MSA AA and Dallas MD AA support this conclusion. Please see the sections that follow for more detail about each individual assessment area.

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this performance 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 areas 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 areas. Examiners also considered community development activities performed outside the bank's designated assessment areas, but within the broader statewide/regional area, since the bank met the needs of their assessment areas. The appendices list the Community Development Test's criteria.



## **Community Development Loans**

The bank demonstrated an excellent record regarding its level of community development lending for the bank as a whole. Excellent performance regarding the dollar volume of community development loans primarily supports this conclusion. Examiners evaluated the number and dollar volume of community development loans relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that since the last evaluation the bank granted 61 community development loans totaling \$85.3 million. This level equates to 7.1 percent of average total assets of \$1.2 billion since the last evaluation and 13.6 percent of average total loans of \$626.5 million for the same timeframe. These levels reflect an increase from the 3.6 percent of average total assets noted at the last evaluation. The current figures reflect excellent performance.

<b>Community Development Lending Whole Bank</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2020	1	3,150	6	4,148	5	4,015	10	21,243	22	32,556
2021	2	405	1	336	14	21,525	5	10,788	22	33,054
2022	0	0	2	984	3	3,831	12	14,878	17	19,693
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3,555</b>	<b>9</b>	<b>5,468</b>	<b>22</b>	<b>29,371</b>	<b>27</b>	<b>46,909</b>	<b>61</b>	<b>85,303</b>
<i>Source: Bank Data (March 9, 2020, to March 6, 2023)</i>										

The following table contains the distribution of community development loans by assessment area.

<b>Community Development Lending by Assessment Area Whole Bank</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Dallas MD AA	1	3,150	1	200	0	0	14	15,852	16	19,202
TX Non-MSA AA	0	0	5	1,763	9	12,955	2	479	16	15,196
Statewide	2	405	3	3,505	13	16,416	11	30,579	29	50,904
<b>Total</b>	<b>3</b>	<b>3,555</b>	<b>9</b>	<b>5,468</b>	<b>22</b>	<b>29,371</b>	<b>27</b>	<b>46,909</b>	<b>61</b>	<b>85,303</b>
<i>Source: Bank Records</i>										

The following point provides a notable example of the bank's statewide community development lending.

- ***Economic Development:*** In 2021, the bank originated three loans totaling \$3.6 million to purchase a business and maintain jobs for several low- and moderate-income workers.

The bank also displayed excellent responsiveness to community needs through lending. As shown, 55.0 percent of the community development lending assisted in revitalization and stabilization

activities, while 34.4 percent assisted with economic development, both of which represent identified needs in the assessment areas. Examiners also considered other qualitative factors of the bank's community development activities. These qualitative aspects include the institution's leadership role, its special expertise or effort provided, or the activities' particularly high levels of benefitting low- or moderate-income individuals or qualifying areas. Examiners identified a variety of aspects regarding the bank's activities that support an overall high level of activity benefitting qualifying areas. Such variety includes favorable lending activity to revitalize local townships and cities within the assessment areas including lending to support critical infrastructure, and several lending programs, detailed below:

- In response to the COVID-19 National Emergency, the bank participated in the Small Business Administration's Paycheck Protection Program (PPP), which was specifically implemented to help businesses keep their workforce employed during the COVID-19 crisis.
- The bank worked with a Minority Depository Institution (MDI) to increase lending in the MDI's area, by funding then selling 58 home mortgages to the MDI, through the MDI's lending programs.
- The bank originated 114 home mortgage loans totaling \$21.3 million through their First Time Homebuyer program.
- The bank originated three home mortgage loans totaling \$449.8 thousand through the Home Ready program, which helps borrowers with low- to moderate-income buy or refinance a home by reducing the standard down payment and mortgage insurance requirements.
- The bank originated five United States Department of Agriculture home mortgage loans totaling \$677.6 thousand, through zero-down-payment mortgage programs.
- The bank originated 14 Veterans Administration home mortgage loans totaling \$2.8 million, through zero-down-payment mortgage programs for Veterans.

Refer to the review of each assessment area for more detail on community development lending activities specific to the individual areas.

### **Qualified Investments**

Alliance Bank displayed an excellent record regarding its qualified investments. Excellent performance regarding the dollar volume of qualified investments primarily supports this conclusion. Examiners evaluated the number and dollar volume of qualified investments relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows the bank made 374 qualified investments totaling \$42.1 million, including 321 grants and donations totaling \$301.0 thousand. This level equates to 3.5 percent of average total assets of \$1.2 billion and 8.3 percent of average total securities of \$505.2 million since the last evaluation, indicative of excellent performance. These levels reflect a slight decrease from the 3.7 percent of average total assets and 10.5 percent of average securities recorded at the last evaluation.

As shown in the table, the qualified investments show responsiveness to needs in the assessment areas. Revitalization and stabilization needs account for 61.5 percent of qualified investment activity.

Qualified Investments Whole Bank										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	14	3,647	1	925	13	3,773	28	8,345
2020	0	0	9	10,321	1	1,000	11	9,205	21	20,526
2021	0	0	0	0	0	0	4	12,925	4	12,925
2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>13,968</b>	<b>2</b>	<b>1,925</b>	<b>28</b>	<b>25,903</b>	<b>53</b>	<b>41,796</b>
Qualified Grants & Donations	0	0	321	301	0	0	0	0	321	301
<b>Total</b>	<b>0</b>	<b>0</b>	<b>344</b>	<b>14,269</b>	<b>2</b>	<b>1,925</b>	<b>28</b>	<b>25,903</b>	<b>374</b>	<b>42,097</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>										

The following contains the breakdown of qualified investments by assessment area.

Qualified Investments by Assessment Area Whole Bank										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Dallas MD AA	0	0	116	605	0	0	1	504	117	1,109
Non-MSA AA	0	0	207	572	0	0	2	280	209	852
Statewide	0	0	21	13,092	2	1,925	25	25,119	48	40,136
<b>Total</b>	<b>0</b>	<b>0</b>	<b>344</b>	<b>14,269</b>	<b>2</b>	<b>1,925</b>	<b>28</b>	<b>25,903</b>	<b>374</b>	<b>42,097</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>										

The following point provides a notable example of a qualified investment at the statewide level.

- **Community Service:** During the review period, the bank invested \$11.2 million in bonds for 16 school districts across the State of Texas where the majority of the students are economically disadvantaged and receive free and reduced-priced lunches under the U.S. Department of Agriculture's National School Lunch Program, thereby qualifying as a community service. The funds assist the various school districts in maintaining, constructing, renovating, acquiring, and equipping school buildings.

Refer to the review of each assessment area regarding more detail on qualified investment activities specific to the individual areas.

### **Community Development Services**

The bank demonstrated excellent performance regarding its community development services that primarily benefit low- and moderate-income individuals. An excellent extent, or number, of community development services supports this conclusion, especially considering the bank had fewer opportunities to provide in-person services during the review period. Examiners evaluated

the types and availability of services relative to the considerations noted for the Community Development Test when arriving at this conclusion.

The following table shows that, during the review period, the bank provided 159 community development services. This number equates to 5.2 community development services, per office, per year based upon an average number of 10.4 full-service branches operating for the 2.9 years since the previous evaluation. This level remains consistent from the average of 5.1 community development services, per office, per year recorded at previous evaluation. The current level reflects excellent performance. All services involved employees using their financial or technical expertise to benefit organizations or projects that reflect community development, as defined by CRA regulations, as their primary purpose.

Community Development Services Whole Bank					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	36	0	0	36
2021	0	44	0	0	44
2022	0	79	0	0	79
<b>Total</b>	<b>0</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>159</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>					

The following contains the distribution of community development services by assessment area.

Community Development Services by Assessment Area Whole Bank					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Dallas MD AA	0	35	0	0	35
Non-MSA AA	0	124	0	0	124
<b>Total</b>	<b>0</b>	<b>159</b>	<b>0</b>	<b>0</b>	<b>159</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>					

The bank showed adequate performance regarding the availability of its services to low- and moderate-income individuals. Adequate availability of alternative banking services and traditional services supports this conclusion.

The following table shows that the bank's lack of full-service offices in low-income census tracts lands within a reasonable range of the percentage of the population residing in those areas, given the ratios' overall levels. The table also shows that in moderate-income geographies, the bank's percentage of full-service offices lands within a reasonable range of the population percentage, given the ratios' overall levels. The bank's level falls 0.5 percentage points lower than the population percentage, thereby reflecting adequate performance.



Branch and ATM Distribution by Geography Income Level Whole Bank												
Tract Income Level	Census Tracts		Population		Offices		ATMs		Opened Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	4	1.5	15,550	1.2	0	0	0	0	0	0	0	0
Moderate	27	10.0	125,167	9.5	1	9.0	1	7.1	0	0	0	0
Middle	82	30.4	410,278	31.1	7	63.6	10	71.4	0	0.0	0	0.0
Upper	152	56.3	755,718	57.3	3	27.3	3	21.5	1	100.0	0	0.0
NA	5	1.9	12,673	1.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>270</b>	<b>100.0</b>	<b>1,319,386</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<i>Source: Bank Records. 2020 U. S. Census. Due to rounding, not all totals may equal 100.0.</i>												

In addition to its office locations, the bank provides adequate alternative delivery systems that help avail the bank's services to low- and moderate-income individuals. The table shows that the bank offers 14 ATMs throughout its assessment areas with most functioning as deposit-taking ATMs. Additionally, the bank continues to operate three separate limited-service motor bank locations, and continues to provide other alternative banking services such as internet and mobile banking which include electronic bill pay capability.

## 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.

## DALLAS MD AA – Full Scope Review

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DALLAS MD AA

The Dallas MD AA consists of Collin, Rockwall, and Hunt Counties in Texas. These counties represent three of the seven counties that make up the Dallas-Plano-Irving MD. The bank's designated assessment area remains unchanged since the previous evaluation; however, in 2021 the bank closed one loan production office in McKinney, Texas and opened a branch in Plano, Texas.

As seen in the following table, the bank operates six full-service offices and one motor bank in this assessment area. The bank maintains one ATM at each location listed in the table below, most are deposit-taking ATMs.

Office Locations Dallas MD AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Opened or Closed Since Last Evaluation
<b>Collin County:</b> 3620 State Highway 121, Plano	Branch	316.39	Upper	Opened
<b>Rockwall County:</b> 6130 South Farm Road 549, Rockwall 3045 North Goliad Street, Rockwall	Branch Branch	405.03 401.02	Middle Upper	No No
<b>Hunt County:</b> 1717 State Highway 24, Commerce 6609 Wesley Street, Greenville 9901 Wesley Street, Greenville 101 East Main, Wolfe City	Branch Branch Motor Bank Branch	9601.00 9612.00 9611.00 9602.00	Middle Middle Middle Moderate	No No No No
Source: Bank Records; 2020 U.S. Census.				

### **Economic and Demographic Data**

The 270 census tracts in this assessment area consist of 4 low-, 27 moderate-, 82 middle-, 152 upper-income tracts, and 5 tracts with no income designation. The following table shows additional demographic and economic characteristics of the area.

Demographic Information of the Assessment Area Dallas MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	270	1.5	10.0	30.4	56.3	1.9
Population by Geography	1,272,240	1.2	9.5	30.1	58.1	1.0
Housing Units by Geography	449,975	1.5	10.3	32.2	55.3	0.7
Owner-Occupied Units by Geography	281,140	0.3	6.9	28.1	64.5	0.2
Occupied Rental Units by Geography	140,404	3.5	16.0	39.1	40.0	1.4
Vacant Units by Geography	28,431	3.3	16.4	39.4	39.1	1.8
Businesses by Geography	232,312	0.4	7.4	34.4	56.9	1.0
Farms by Geography	4,060	0.3	9.9	37.2	52.1	0.5
Family Distribution by Income Level	313,489	13.8	13.4	18.7	54.1	0.0
Household Distribution by Income Level	421,544	16.2	13.1	16.4	54.3	0.0
Median Family Income MSA - 19124 Dallas-Plano-Irving, TX		\$88,315	Median Housing Value			\$318,865
			Median Gross Rent			\$1,403
			Families Below Poverty Level			4.8%
Source: 2020 U.S. Census and 2022 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.						

On February 19, 2021, FEMA made a disaster declaration affecting the Dallas MD AA due to severe winter storms. Additionally, on March 25, 2020, FEMA made a disaster declaration

affecting the Dallas MD AA due to the COVID-19 pandemic. Both disasters affect all three counties in the assessment area.

Examiners used the applicable FFIEC estimated-median family income (MFI) to analyze home mortgage loans, by stratifying the borrowers' incomes, for the borrower profile criterion. The following table shows applicable income ranges for borrowers who originated loans in 2021 based on the 2021 estimated-MFI of \$89,000 applicable to the Dallas-Plano-Irving MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Dallas-Plano-Irving, TX Median Family Income (19124)				
2020 (\$86,200)	<\$43,100	\$43,100 to <\$68,960	\$68,960 to <\$103,440	≥\$103,440
2021 (\$89,000)	<\$44,500	\$44,500 to <\$71,200	\$71,200 to <\$106,800	≥\$106,800
Source: FFIEC				

D&B Business Demographic Data indicates that service industries represent the largest portion of the area's businesses at 43.8 percent, followed by finance, insurance, and real estate at 13.7 percent, and retail trade at 11.4 percent. Further, 68.7 percent of businesses in the assessment area report fewer than five employees, 24.1 percent have between five and fifty employees, and 4.2 percent have over fifty employees, with 3.0 percent of business not reporting employee data.

Moody's indicates the major employers in the assessment area include Wal-Mart, American Airlines, Baylor Scott & White Health, and Lockheed Martin. Additionally, Moody's indicates that, "growth will slow in 2023; Dallas-Plano-Irving will still outperform the nation. Financial and professional services will be the drivers, but homebuilding will lag. Longer term, the concentration of corporate headquarters, technology businesses, financial services, and above-average population growth will contribute to solid performance."

As illustrated in the table below, unemployment rates fell for all counties since 2020 and, as of December 2022, all three counties remained below the state averages; however, Hunt County exceeded the national average in 2022.

Unemployment Rates Dallas MD AA			
Area	2020	2021	2022
	%	%	%
Collin County	6.3	4.3	3.1
Rockwall County	5.9	4.3	3.2
Hunt County	6.6	5.1	3.8
State of Texas	7.7	5.7	3.9
National Average	8.1	5.4	3.6
Source: Bureau of Labor Statistics.			

## **Competition**

The area contains a high level of competition from other chartered banks based on its population, with 300 offices representing 72 institutions. Alliance Bank ranks 10<sup>th</sup> in deposit market share by capturing 1.2 percent of the area's deposits, as of the June 30, 2022 FDIC Deposit Market Share report. The largest competitors including JPMorgan Chase Bank, Bank of America, Prosperity Bank, and Wells Fargo Bank. The competition level serves to restrict lending opportunities.

## **Community Contact**

Examiners reviewed a contact to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the assessment area. The contact, from an economic development organization, noted the greatest long-term opportunity for participation by local financial institutions is assisting with the delivery of financial literacy and education throughout the area. The contact's organization identified a gap between the financial capabilities and knowledge of small business owners to not only secure credit through financial institutions, but also to develop adequate financial planning and management strategies to support short- and long-term growth. With more small businesses using non-traditional, digital platforms such as PayPal and CashApp to manage transactions, many new small businesses do not have the established deposit accounts with financial institutions necessary to secure both lending products from institutions as well as financial assistance from the city's programs.

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

Considering information from bank management, the community contact, economic and demographic data, examiners determined that small business lending and home mortgage lending represent the primary credit needs of the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (93.5 percent) supports this conclusion. In addition, given that FEMA declared disasters in the assessment area, the area needs activities that encourage revitalization and stabilization as well as economic development.

# **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE DALLAS MD AA**

## **LENDING TEST**

Within the Dallas MD AA, the bank displayed satisfactory performance. The excellent geographic distribution hampered by the reasonable borrower profile supports this conclusion.

## **Geographic Distribution**

The geographic distribution of lending in the bank's Dallas MD AA reflects excellent dispersion. Excellent small business and home mortgage lending supports this conclusion.

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

The geographic distribution of small business loans in the Dallas MD AA reflects excellent performance. The excellent record in moderate-income geographies lifted the reasonable record in low-income geographies to support this conclusion.

The following table shows that the bank originated one loan in low-income census tracts, exceeding the D&B level by 0.5 percentage points, reflecting reasonable performance. The bank originated 22 loans in moderate-income census tracts, exceeding the D&B level by 12.2 percentage points reflective of excellent performance.

<b>Geographic Distribution of Small Business Loans Dallas MD AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.4	1	0.9	4	0.0
Moderate	7.4	22	19.6	839	2.4
Middle	34.4	55	49.1	6,429	46.7
Upper	56.9	34	30.4	6,484	47.1
Not Available	1.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>13,758</b>	<b>100.0</b>
<i>Source: 2022 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 in the Dallas MD AA reflects excellent performance. The excellent record in moderate-income geographies lifted the reasonable record in low-income geographies to support this conclusion.

The following table shows that the bank originated 3.3 percent of its home mortgage loans, by number, to borrowers in low-income census tracts, exceeding aggregate lending by 2.8 percentage points, reflecting reasonable performance. Additionally, the bank originated 17.3 percent of its home mortgage loans, by number, to borrowers in moderate-income census tracts, exceeding aggregate by 12.3 percentage points. Consequently, lending within moderate-income census tracts reflects excellent performance.

Geographic Distribution of Home Mortgage Loans Dallas MD AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	1.0	0.5	5	3.3	524	1.1
Moderate						
2021	8.1	5.0	26	17.3	5,602	12.2
Middle						
2021	22.5	25.7	68	45.3	16,899	36.9
Upper						
2021	68.3	68.7	51	34.0	22,774	49.7
Not Available						
2021	0.1	0.1	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>45,798</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the Dallas MD AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Reasonable performance regarding small business lending hampered the excellent performance regarding home mortgage lending to support this conclusion.

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

The borrower profile distribution of small business loans in the Dallas MD AA reflects reasonable performance. A reasonable record to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the bank's overall levels when arriving at this conclusion. The companies' gross annual revenues define the borrowers' profiles for this analysis.

The following table shows that the bank originated 11 out of 15 (73.3 percent) of its small business loans, by number, to businesses with gross annual revenues of \$1 million or less. This number falls below D&B level by 20.2 percentage points. However, examiner noted the bank granted seven out of every ten loans to entities with gross annual revenues of \$1 million or less, reflective of reasonable performance.



Detailed Distribution of Small Business Loans by Gross Annual Revenues Dallas MD AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	73.6	7	46.7	474	38.2
\$100,000 - \$249,999	15.4	2	13.3	507	40.8
\$250,000 - \$499,999	3.1	1	6.7	25	2.0
\$500,000 - \$1,000,000	1.4	1	6.7	44	3.5
<b>Subtotal &lt;= \$1,000,000</b>	<b>93.5</b>	<b>11</b>	<b>73.3</b>	<b>1,050</b>	<b>84.6</b>
>\$1,000,000	1.7	4	26.7	192	15.4
Revenue Not Available	4.8	0	0	0	0
<b>Total</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>1,242</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

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

The borrower profile distribution of home mortgage loans in the Dallas MD AA reflects excellent performance. The excellent record of lending to moderate-income borrowers lifted the reasonable level of lending to low-income borrowers to support this conclusion. Examiners focused on the bank's overall levels when arriving at this conclusion.

The following table shows that the bank originated 5.3 percent of its home mortgage loans, by number, to borrowers with low-incomes, exceeding aggregate by 3.1 percentage points and reflecting reasonable performance. Additionally, the bank originated 20.0 percent of its home mortgage loans, by number, to borrowers with moderate-incomes, exceeding aggregate by 10.0 percentage points. Thereby, reflecting excellent performance to moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level Dallas MD AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	13.9	2.2	8	5.3	834	1.8
Moderate						
2021	12.9	10.0	30	20.0	4,280	9.3
Middle						
2021	16.9	17.4	28	18.7	6,279	13.7
Upper						
2021	56.2	50.3	71	47.3	27,435	59.9
Not Available						
2021	0.0	20.2	13	8.7	6,971	15.2
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>45,798</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.*

## COMMUNITY DEVELOPMENT TEST

Alliance Bank demonstrated adequate responsiveness to the community development needs 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 assessment area.

### Community Development Loans

The bank granted 16 community development loans in the Dallas MD AA totaling \$19.2 million over the review period. Such performance reflects a significant increase from the previous evaluation where the bank granted eight community development loans totaling \$3.6 million. The level of community development lending in the Dallas MD AA accounts for 22.5 percent of the bank's overall excellent community development lending activity and 55.8 percent of the community development lending attributed to the assessment areas. The Dallas MD AA accounts for 54.7 percent of the overall lending. Based on the overall community development lending, the bank exhibited responsiveness to the needs of the Dallas MD AA community.

Community Development Lending Dallas MD AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	1	3,150	0	0	0	0	2	3,650	3	6,800
2021	0	0	0	0	0	0	3	1,666	3	1,666
2022	0	0	1	200	0	0	9	10,217	9	10,537
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>3,150</b>	<b>1</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>15,852</b>	<b>16</b>	<b>19,202</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>										

The following provides an example of a community development loan made in the Dallas MD AA.

- **Revitalize or Stabilize:** In 2020, the bank originated a loan totaling \$3.1 million to an entity to purchase and renovate a 24-unit apartment building in a moderate-income area, thereby serving to stabilize the area.

### **Qualified Investments**

As detailed in the following table, Alliance Bank made 117 qualified investments and donations totaling \$1.1 million. This level remains consistent, in dollar amount, with the 37 qualified investments and donations totaling \$1.1 million made the previous evaluation. The level of qualified investments in the Dallas MD AA accounts for just 2.6 percent of the bank's overall excellent qualified investment activity and 56.6 percent of the qualified investments attributed to the assessment areas. The Dallas MD AA accounts for 47.0 percent of the overall deposits. Consequently, the bank displayed responsiveness to needs of the Dallas MD AA through its qualified investments.

Qualified Investments Dallas MD AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	2	485	0	0	1	504	3	989
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>485</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>504</b>	<b>3</b>	<b>989</b>
Qualified Grants & Donations	0	0	114	120	0	0	0	0	114	120
<b>Total</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>605</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>504</b>	<b>117</b>	<b>1,109</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>										

The following provides an example of a qualified investment made in the Dallas MD AA.

- **Community Service:** During the evaluation period, the bank maintained investments totaling \$484.7 thousand in bonds for two school districts in the Dallas MD AA where the majority of the students are economically disadvantaged and receive free and reduced lunches, thereby qualifying as a community service. The funds will be used by the school districts to maintain, construct, renovate, acquire, and equip school buildings.

### **Community Development Services**

The following table illustrates the community development services performed within the Dallas MD AA by year over the review period. Alliance Bank provided 35 instances of financial expertise, a decrease from 62 community development services recorded at the prior evaluation. Therefore, the bank exhibited responsiveness to the needs of the Dallas MD AA community through its community development services.

<b>Community Development Services Dallas MD AA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020	0	6	0	0	<b>6</b>
2021	0	7	0	0	<b>7</b>
2022	0	22	0	0	<b>22</b>
<b>Total</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>35</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>					

The following provides an example of a community service activity in the Dallas MD AA.

- **Community Service:** One bank employee offered their expertise, and served on the Board of two different organizations all three years during the review period. Both organizations provide healthcare services to low- and moderate-income residents in the area, thereby providing a community service.

## **NON-MSA AA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-MSA AA**

The Non-MSA AA includes Hopkins and Franklin Counties in their entirety. These counties are located approximately 80 miles east of the Dallas-Fort Worth Metroplex.

As seen in the following table, the bank operates their main office, four full-service branches, and two motor banks in this assessment area. Additionally, the bank operates seven ATMs, one at each of the full-service branches and motor bank locations as well as one stand-alone ATM in Sulphur Springs, Texas. The bank maintains one branch in a moderate-income census tract, which was a middle-income census tract at the previous evaluation.

Office Locations Non-MSA AA				
County/City/Office	Office Type	Census Tract Number	Census Tract Income Level	Office Acquired or Closed Since Last Evaluation
<b>Hopkins County:</b> 100 Jefferson Street, Sulphur Springs 308 Church Street, Sulphur Springs 1226 South Broadway, Sulphur Springs 1437 South Broadway Street, Sulphur Springs	Main Office Motor Bank Branch Motor Bank	9504.02 9505.00 9506.00 9504.01	Middle Middle Moderate Middle	No No No No
<b>Franklin County:</b> 101 West Main Street, Mount Vernon 4543 Farm Road 115, Mount Vernon 306 State Highway 37 South, Mount Vernon	Branch Branch Branch	9502.00 9501.00 9502.00	Middle Middle Middle	No No No
Source: Bank Records; 2020 Census.				

### **Economic and Demographic Data**

The 14 census tracts in this assessment area reflect the following income designations as of the 2020 Census: one moderate-, eight middle-, and five upper-income tracts. The FFIEC did not designate any tracts as distressed or underserved during the review period. The following table contains additional demographic and economic information for the assessment area.

Demographic Information of the Assessment Area Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	7.1	57.1	35.7	0.0
Population by Geography	47,146	0.0	8.1	57.0	34.9	0.0
Housing Units by Geography	21,282	0.0	8.1	60.3	31.6	0.0
Owner-Occupied Units by Geography	12,632	0.0	7.6	52.9	39.5	0.0
Occupied Rental Units by Geography	4,842	0.0	9.5	67.7	22.8	0.0
Vacant Units by Geography	3,808	0.0	8.2	75.2	16.6	0.0
Businesses by Geography	4,165	0.0	12.5	58.5	29.0	0.0
Farms by Geography	331	0.0	4.2	51.7	44.1	0.0
Family Distribution by Income Level	12,662	16.9	18.1	20.3	44.6	0.0
Household Distribution by Income Level	17,474	17.9	17.1	18.9	46.1	0.0
Median Family Income Non-MSAs - TX		\$61,785	Median Housing Value			\$133,531
			Median Gross Rent			\$825
			Families Below Poverty Level			8.3%
Source: 2020 U.S. Census and 2022 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.						

On February 14, 2021, FEMA made a disaster declaration affecting the Non-MSA AA due to severe winter storms. Additionally, on March 11, 2021, FEMA made a disaster declaration affecting the Non-MSA AA due to the COVID-19 pandemic. Both declarations affected both counties.

Examiners used the applicable FFIEC estimated-MFI to analyze home mortgage loans, by stratifying the borrowers' incomes, for the borrower profile criterion. The following table shows applicable income ranges for borrowers who originated loans in 2021 based on the 2021 estimated-MFI of \$60,100 applicable to the Non-MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TX NA Median Family Income (99999)				
2020 (\$59,100)	<\$29,550	\$29,550 to <\$47,280	\$47,280 to <\$70,920	≥\$70,920
2021 (\$60,100)	<\$30,050	\$30,050 to <\$48,080	\$48,080 to <\$72,120	≥\$72,120
Source: FFIEC				

D&B Business Demographic Data indicates that service industries represent the largest portion of the area's businesses at 40.6 percent, followed by non-classifiable establishments at 22.1 percent and retail trade at 9.8 percent. The area's major employers include Wal-Mart, Lowe's, BEF Foods, and M&F Western Products, as well as various independent school districts, hospitals, and community colleges. Further, 65.2 percent of businesses in the assessment area report fewer than five employees, 32.0 percent have between five and fifty employees, and 1.3 percent have over fifty employees, with 1.5 percent of business not reporting employee data.

As illustrated in the table below, unemployment rates fell for all counties since 2020 and, as of December 2022, both counties remained below the state and national averages.

Unemployment Rates Non-MSA AA			
Area	2020	2021	2022
	%	%	%
Hopkins County	5.1	4.3	3.5
Franklin County	5.4	4.4	3.3
State of Texas	7.7	5.7	3.9
National Average	8.1	5.4	3.6
Source: Bureau of Labor Statistics			

## **Competition**

The area contains a moderate level of competition from other chartered banks based on its population, with 18 offices representing 8 institutions. These institutions include mostly community banks. Alliance Bank ranks first in deposit market share by capturing 46.4 percent of the area's deposits, as of June 30, 2022, based on FDIC Deposit Market Share report.

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

Considering information from bank management, and demographic and economic data, examiners determined that small business and home mortgage loans represent primary credit needs of the



assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (86.6 percent) supports this conclusion. In addition, given that FEMA declared disasters in the assessment area, the area will benefit from activities that encourage revitalization and stabilization as well as economic development.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA AA

### LENDING TEST

Within the Non-MSA AA, the bank displayed satisfactory performance. The reasonable borrower profile and geographic distribution support this conclusion.

#### Geographic Distribution

The geographic distribution of lending reflects reasonable dispersion throughout the Non-MSA AA. Poor small business performance lifted by reasonable home mortgage performance supports this conclusion. Examiners focused on the bank's level of lending within the one moderate-income census tract, as well as performance context, when arriving at conclusions.

#### *Small Business Loans*

The geographic distribution of small business loans in the Non-MSA AA reflects poor performance. A poor record in the one moderate-income census tract supports this conclusion.

The following table shows that the bank originated 18 loans in the assessment area's sole moderate-income census tract. The bank's percentage by number of loans trails the D&B level by 7.9 percentage points, indicative of poor performance. Examiners noted that a large portion of the moderate-income census tract is an uninhabited former coalmine, restricting lending opportunities in the tract. Given this performance context, examiners afforded limited weight to the geographic distribution performance in the Non-MSA AA for small business lending.

Geographic Distribution of Small Business Loans Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	12.5	18	4.6	458	3.4
Middle	58.5	187	47.5	5,857	43.1
Upper	29.0	168	48.0	7,274	53.5
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>394</b>	<b>100.0</b>	<b>13,590</b>	<b>100.0</b>
Source: 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%.					

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

The geographic distribution of home mortgage loans in the Non-MSA AA reflects reasonable performance. A reasonable record in the assessment area's moderate-income geography supports this conclusion.

As seen in the following table, within the one moderate-income census tract, the bank's percentage by number of loans trails aggregate performance level by 4.1 percentage points. Consequently, lending within moderate-income census tracts reflects reasonable performance.

<b>Geographic Distribution of Home Mortgage Loans Non-MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2021	0.0	0.0	0	0.0	0	0.0
Moderate						
2021	5.2	7.9	7	3.8	1,875	5.3
Middle						
2021	66.5	59.0	105	57.7	17,048	47.8
Upper						
2021	28.3	33.1	70	38.5	16,756	47.0
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>35,679</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the Non-MSA AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Reasonable performances regarding small business lending and home mortgage lending support this conclusion.

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

The borrower profile distribution of small business loans in the Non-MSA AA reflects reasonable performance. A reasonable 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 levels when arriving at this conclusion. The companies' gross annual revenues define the borrowers' profiles for this analysis.

The following table shows that to businesses with gross annual revenues of \$1 million or less, the bank's level lands 0.1 percentage points above the D&B data, reflective of reasonable performance. In addition, the bank granted over eight out of every ten loans to such entities, further supporting

reasonable performance. Finally, the data shows that the bank granted over half of its loans to entities with gross annual revenues under \$100 thousand.

Detailed Distribution of Small Business Loans by Gross Annual Revenues Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	59.2	25	55.6	607	22.3
\$100,000 - \$249,999	20.4	12	26.7	303	11.1
\$250,000 - \$499,999	4.8	0	0.0	0	0.0
\$500,000 - \$1,000,000	2.2	2	4.4	24	1.0
<b>Subtotal &lt;= \$1,000,000</b>	<b>86.6</b>	<b>39</b>	<b>86.7</b>	<b>934</b>	<b>34.4</b>
>\$1,000,000	3.8	6	13.3	1,785	65.6
Revenue Not Available	9.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>	<b>2,719</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

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

The borrower profile distribution of home mortgage loans in the Non-MSA AA reflects reasonable performance. A reasonable record of lending to borrowers with low- and moderate-incomes primarily supports this conclusion. Examiners focused on the bank's overall levels when arriving at this conclusion.

The following table shows that the bank originated 2.2 percent of its home mortgage loans, by number, to borrowers with low-incomes, equaling aggregate performance and reflective of reasonable performance. Additionally, the bank originated 13.2 percent of its home mortgage loans, by number, to borrowers with moderate-incomes, exceeding aggregate performance by 4.1 percentage points, also reflective of reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	22.8	2.2	4	2.2	254	0.7
Moderate						
2021	16.6	9.1	24	13.2	2,488	7.0
Middle						
2021	17.7	17.6	41	22.5	5,805	16.3
Upper						
2021	42.8	53.6	98	53.8	24,584	68.9
Not Available						
2021	0.0	17.6	15	8.2	2,547	7.1
<b>Totals</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>35,679</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.*

## COMMUNITY DEVELOPMENT TEST

Alliance Bank demonstrated adequate responsiveness to the community development needs 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 assessment area.

### Community Development Loans

As detailed in the following table, during the review period, Alliance Bank originated 16 community development loans totaling \$15.2 million in the Non-MSA AA. This level demonstrates a significant increase from the last evaluation where the bank recorded four community development loans totaling \$5.2 million in the Non-MSA AA. The level of community development lending in the Non-MSA AA accounts for 17.8 percent of the bank's overall excellent community development lending activity and 44.2 percent of the community development lending attributed to the assessment areas. The Non-MSA AA accounts for 45.3 percent of the overall lending. Based on the overall community development lending, the bank exhibited responsiveness to the needs of the Non-MSA AA community.

Community Development Lending Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	0	0	4	1,427	4	2,865	2	479	10	4,770
2021	0	0	1	336	5	10,090	0	0	6	10,426
2022	0	0	0	0	0	0	0	0	0	0
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1,763</b>	<b>9</b>	<b>12,955</b>	<b>2</b>	<b>479</b>	<b>16</b>	<b>15,196</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>										

The following provides an example of a community development loan in the Non-MSA AA.

- **Revitalize Stabilize:** In 2020, the bank made two loans totaling \$1.0 million within the Non-MSA AA, which will revitalize and stabilize qualifying geographies. The funds from these loans will be used by the respective county to fund the repair of roads and infrastructure.

### Qualified Investments

As detailed in the following table, Alliance Bank made 209 qualified investments and donations totaling \$851.8 thousand within the Non-MSA AA. This reflects an increase in number, but a decrease in dollar, from the last evaluation where the bank granted 83 qualified investments for \$1.1 million in the Non-MSA AA. The level of qualified investments in the Non-MSA AA accounts for 2.0 percent of the bank's overall excellent qualified investment activity and 43.4 percent of the qualified investments attributed to the assessment areas. The Non-MSA AA accounts for 53.0 percent of the overall deposits. Therefore, the bank exhibited responsiveness to the needs of the Non-MSA AA community through its qualified investments.

Qualified Investments Non-MSA AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	411	0	0	0	0	1	411
2020	0	0	0	0	0	0	2	280	2	280
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>411</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>280</b>	<b>3</b>	<b>691</b>
Qualified Grants & Donations	0	0	206	161	0	0	0	0	206	161
<b>Total</b>	<b>0</b>	<b>0</b>	<b>207</b>	<b>572</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>280</b>	<b>209</b>	<b>852</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>										

The following are examples of qualified investments and donations made in the Non-MSA AA:

- **Revitalize Stabilize:** In 2020, the bank invested \$280 thousand in two bonds for a municipality to equip a park and build a senior center in a moderate-income census tract. The previous facilities were in disrepair; therefore, the bonds fund the revitalization of the area.
- **Community Service:** Since the last evaluation, the bank donated \$4,200 to an organization that directly provides cooked meals to low- and moderate-income residents. These donations provide a community service to the low- and moderate-income residents residing within the bank's assessment area.

### **Community Development Services**

As detailed in the following table, during the review period, Alliance Bank provided 124 instances of financial expertise. These figures reflect a substantial increase from 61 community development services recorded at the prior evaluation in the Non-MSA AA. The bank exhibited responsiveness to the needs of the Non-MSA AA community through its community development services.

<b>Community Development Services Non-MSA AA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020	0	27	0	0	<b>27</b>
2021	0	33	0	0	<b>33</b>
2022	0	64	0	0	<b>64</b>
<b>Total</b>	<b>0</b>	<b>124</b>	<b>0</b>	<b>0</b>	<b>124</b>
<i>Source: Bank Records (March 9, 2020, to March 6, 2023)</i>					

The following provides examples of community development services in the Non-MSA AA.

- **Community Service:** One employee served as the treasurer of a local non-profit workforce development program, while four other employees collaborated with the program and used their financial expertise to teach eighth grade students about banking and careers in banking. The majority of students in these schools qualify for the free or reduced-priced meals program under the U.S. Department of Agriculture's National School Lunch Program, thus providing benefit to low- and moderate-income individuals.
- **Community Service:** One employee served on the Board of a local non-profit organization that provides good and services to low- and moderate-income residents living in poverty in the assessment area. Sixteen other employees provided financial literacy training through collaboration with the program as well.

## **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.