

PUBLIC DISCLOSURE

September 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SouthStar Bank, S.S.B.
Certificate Number: 12299

100 South Main Street
Moulton, Texas 77975

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	12
AUSTIN MSA AA – Full-Scope Review	12
KILLEEN MSA AA – Full-Scope Review	19
COLLEGE STATION MSA AA – Limited-Scope Review.....	26
HOUSTON MSA AA – Limited-Scope Review	29
NON-MSA AA – Limited-Scope Review	32
APPENDICES	37
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	37
GLOSSARY	38

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**.

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

Although SouthStar Bank, S.S.B. demonstrated satisfactory performance under the Lending and Community Development Tests, violations of the Equal Credit Opportunity Act and the Fair Housing Act resulted in the bank's Community Reinvestment Act (CRA) rating being lowered from Satisfactory to Needs to Improve.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio (LTD) is more than 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 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 institution 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 Satisfactory.

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development (CD) loans, qualified investments (QIs), and CD 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.

Discriminatory or Other Illegal Credit Practices

As noted above, although the bank demonstrated satisfactory performances under the Lending Test and Community Development Test, violations of the Equal Credit Opportunity Act and the Fair Housing Act resulted in the bank's rating being lowered to Needs to Improve.

DESCRIPTION OF INSTITUTION

SouthStar Bank, S.S.B. is headquartered in Moulton, Texas. Southern Bancshares, Inc., Houston, Texas, wholly owns SouthStar Bank, S.S.B. The bank does not maintain any banking affiliates or subsidiaries. The institution received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated July 15, 2019, based on Interagency Intermediate Small Institution CRA Examination Procedures.

SouthStar Bank, S.S.B. functions as a retail bank focusing on residential and commercial lending from its 16 full-service offices in 5 assessment areas in Central and Southeast Texas. Since the previous evaluation, the bank acquired one full-service office in Kerrville and closed one loan production office in Salado. The bank did not participate in any additional merger or acquisition activities since the previous evaluation.

With a primary focus on residential lending, the bank offers a variety of loan products including construction, agricultural, residential, consumer, and commercial loans. Deposit services include checking, savings, money market deposit accounts, and certificates of deposits. Alternative banking services include online banking, 24-hour telephone banking, night depository, and automated teller machine (ATM) cards. The bank operates 15 ATMs on bank premises, none of which accept deposits. The bank's services and business hours are consistent with area and industry norms.

As of June 30, 2022, assets totaled approximately \$1.2 billion, consisting primarily of net loans and leases of \$800.6 million, securities of 184.4 million, and cash of \$114.2 million. Total deposits totaled approximately \$989.5 million as of the same date. Since the last evaluation, on average per year, total assets increased 14.6 percent, net loans increased 10.3 percent, and total deposits increased 23.3 percent.

As shown in the following table, the loans outstanding as of June 30, 2022, reflect a distribution generally consistent with that of the loans originated and purchased during 2021, as discussed under the Scope of Evaluation. Residential loans (Secured by 1-4 Family Residential Properties and Secured by Multifamily Residential Properties) at 24.3 percent by dollar volume, and construction and land development loans at 21.4 percent, are among the largest loan categories.

Loan Portfolio Distribution as of 06/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	173,332	21.4
Secured by Farmland	127,576	15.8
Secured by 1-4 Family Residential Properties	193,732	24.0
Secured by Multifamily (5 or more) Residential Properties	2,342	0.3
Secured by Nonfarm Nonresidential Properties	145,933	18.1
Total Real Estate Loans	642,915	79.6
Commercial and Industrial Loans	28,642	3.6
Agricultural Production and Other Loans to Farmers	2,694	0.3
Consumer Loans	3,950	0.5
Obligations of State and Political Subdivisions in the U.S.	314	<0.1
Loans to Nondepository Financial Institutions	129,089	16.0
Other Loans	294	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	807,898	100.0
<i>Source: Reports of Condition and Income</i>		

Based on the information discussed in this section, as well as other regulatory data, SouthStar Bank, S.S.B.'s financial condition, size, product offerings, prior performance, and lack of legal impediments did not affect the institution's ability to meet its assessment areas' credit needs.

DESCRIPTION OF ASSESSMENT AREAS

SouthStar Bank, S.S.B. designated five assessment areas: 1) the Austin-Round Rock-Georgetown, TX Metropolitan Statistical Area (MSA) Assessment Area (Austin MSA AA), 2) the College Station-Bryan, TX MSA Assessment Area (College Station MSA AA), 3) the Houston-The Woodlands-Sugar Land, TX MSA Assessment Area (Houston MSA AA), 4) the Killeen-Temple, TX MSA Assessment Area (Killeen MSA AA), and 5) the Texas Non-MSA Assessment Area (Non-MSA AA). Based on 2015 American Community Survey (ACS) Census data, the assessment areas contained 436 total census tracts with the following income designations: 42 low-income tracts, 89 moderate-income tracts, 176 middle-income tracts, 120 upper-income tracts, and 9 tracts that have not been assigned an income classification. The bank changed its assessment areas since the previous evaluation by adding Kerr County as part of its Non-MSA AA and by adding the southern portion of Hays County in the Austin MSA AA. As more fully described under the Scope of Evaluation, examiners did not assess the bank's lending performance in Kerr County given the limited time since the addition. The Federal Emergency Management Agency (FEMA) made two major disaster declarations involving the assessment areas during the review period.

The assessment areas conform to CRA regulatory requirements. The table below provides a description of each assessment area while this evaluation contains more detailed information regarding each assessment area in the applicable Description of Institution's Operations section.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Austin MSA AA	Hays, Travis, and Williamson	332	6 Full-Service Offices
College Station MSA AA	Robertson	5	4 Full-Service Offices
Houston MSA AA	Brazoria	22	1 Full-Service Office
Killeen MSA AA	Bell	65	1 Full-Service Office
Non-MSA AA*	Gonzales and Lavaca	12	3 Full-Service Offices

Source: Bank Data
*Reflects Non-MSA AA prior to Kerr County addition

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 15, 2019, to the current evaluation dated September 12, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate SouthStar Bank, S.S.B.'s CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

As previously noted, the bank operates in five separate assessment areas throughout Texas. The following table shows that the bank generated the largest percentage of its loans and deposits in the Austin MSA AA. Consequently, examiners applied full-scope procedures to and placed the greatest weight on the bank's performance in the Austin MSA AA. Examiners also applied full-scope procedures to the Killeen MSA AA since it received limited-scope procedures at the prior evaluation. Examiners applied limited-scope procedures to the College Station MSA AA, Houston MSA AA, and Non-MSA AA. Examiners did not assess SouthStar Bank, S.S.B.'s lending performance in Kerr County in the Non-MSA AA due to the limited time since the acquisition that resulted in the expanded area. Examiners generally weighed each area consistent with that area's overall lending level.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Austin MSA AA	114,902	83.4	276,019	31.0	6	40.0
College Station MSA AA	10,748	7.8	246,721	27.7	4	26.7
Houston MSA AA	1,286	0.9	76,345	8.6	1	6.7
Killeen MSA AA	5,250	3.8	15,004	1.7	1	6.7
Non-MSA AA*	5,647	4.1	275,966	31.0	3	20.0
Total	137,833	100.0	890,055	100.0	15	100.0

Source: 2021 Bank Data; 2021 HMDA Reported Data; FDIC Summary of Deposits (06/30/2021)
Due to rounding, totals may not equal 100.0
*Reflects Non-MSA AA prior to Kerr County addition

Activities Reviewed

For the Lending Test, examiners determined that the bank’s major product lines include home mortgage and small business lending. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Also, no other loan types of those typically considered, such as small farm or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings, and this evaluation does not present them. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. The following table shows the bank’s originations and purchases over the most recent calendar year by loan type.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	225,608	41.4	421	25.3
Secured by Farmland	61,117	11.2	58	3.5
Secured by 1-4 Family Residential Properties	137,980	25.3	354	21.3
Multi-Family (5 or more) Residential Properties	1,790	0.3	4	0.2
Commercial Real Estate Loans	54,845	10.1	48	2.9
Commercial and Industrial Loans	50,346	9.2	494	29.7
Agricultural Loans	1,741	0.3	69	4.1
Consumer Loans	2,743	0.5	206	12.4
Other Loans	8,914	1.6	10	0.6
Total Loans	545,084	100.0	1,664	100.0
<i>Source: 2021 Bank Data</i>				
<i>Due to rounding, totals may not equal 100.0</i>				

This evaluation considers home mortgage loans reported on the bank’s Home Mortgage Disclosure Act (HMDA) Loan Application Registers. This includes 2019 data showing 237 loans totaling \$119.4 million, 2020 data showing 417 loans totaling \$142.9 million, and 2021 data showing 294 loans totaling \$136.9 million. Examiners did not identify any trends between the years’ data that materially affect conclusions. Therefore, this evaluation presents geographic and borrower profile lending distribution information for 2020, the most recent year for which aggregate data is available as of the evaluation’s date. Aggregate HMDA data for 2020 provided the standard of comparison for the reviewed home mortgage loans.

This evaluation also considers small business loans originated during the period of January 1, 2021, to December 31, 2021. For 2021, the bank recorded a universe of 523 small business loans totaling \$50.0 million. Examiners considered the entire universe when reviewing the bank’s assessment area concentration performance. Additionally, examiners considered the volume of loans from the universe originated inside the bank’s assessment areas when reviewing performance regarding the geographic distribution factor. Finally, examiners initially reviewed a random sample of 63 small business loans originated in 2021 totaling \$4.2 million to conduct the borrower profile distribution review. The sample used a statistical 90 percent Confidence Level and a 10 percent Precision Level. Examiners expanded the sample to include an additional 23 small business loans totaling \$1.0 million from the bank’s assessment areas to conduct the borrower profile distribution reviews. D&B data for 2021 provided the standard of comparison for the sampled small business loans.

As reflected in the following table, examiners considered the universes by dollar volume and number of loans originated in 2021, as well as management’s stated business strategy to determine the weighting applied to the loan categories reviewed, when arriving at applicable conclusions. Therefore, home mortgage loans received heavier weighting when arriving at overall conclusions. However, in the College Station MSA AA, Houston MSA AA, and Non-MSA AA, small business lending represents the primary product of those reviewed and therefore, small business loans received more weight when arriving at applicable conclusions.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	294	136,918	294	136,918
Small Business	523	49,990	523	49,990

Source: 2021 HMDA Reported Data; 2021 Bank Data

For the Community Development Test, bank management provided data on CD loans, QIs, and CD services since the prior CRA evaluation dated July 15, 2019. Any community development activities involving Kerr County in the Non-MSA AA are given consideration in the bank-wide analysis.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SouthStar Bank, S.S.B. demonstrated a satisfactory record regarding the Lending Test. Reasonable geographic distribution and borrower profile records primarily support this conclusion. The bank also demonstrated a more than reasonable record regarding its LTD ratio and originated a majority of loans in the bank’s assessment areas. The Appendix lists the criteria used to evaluate the Lending Test.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and assessment area credit needs. The LTD ratio, calculated from Report of Income and Condition data, averaged 100.7 percent over the past 12 calendar quarters from September 30, 2019, to June 30, 2022, representing a decrease from the 107.9 percent average, net LTD ratio recorded at the prior evaluation. The ratio ranged from a low of 79.5 percent as of March 31, 2022, to a high of 124.0 percent as of September 30, 2020, with a decreasing trend during the evaluation period.

The following table demonstrates three somewhat comparable institutions operating in SouthStar Bank, S.S.B.’s assessment areas and reflecting somewhat similar lending emphases. The table demonstrates that all three comparable banks reported average, net LTD ratios lower than SouthStar Bank, S.S.B.’s average, net LTD ratio.

LTD Ratio Comparison		
Bank	Total Assets as of 06/30/2022 (\$000s)	Average Net LTD Ratio (%)
SouthStar Bank, S.S.B., Moulton, TX	1,159,094	100.7
Horizon Bank, SSB, Austin, TX	2,424,193	70.3
R Bank, Round Rock, TX	953,809	85.9
The First National Bank of Shiner, Shiner, TX	867,875	17.3
<i>Source: Reports of Condition and Income (09/30/2019 – 06/30/2022)</i>		

Assessment Area Concentration

A majority of loans are in the institution's assessment areas. Majorities of home mortgage and small business loans originated 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' size and economy, when arriving at this conclusion.

The following table shows that for home mortgage and small business loans, by both the percentages of the number and dollar volume, the bank originated majorities inside its 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										
2019	190	80.2	47	19.8	237	99,709	83.5	19,670	16.5	119,379
2020	321	77.0	96	23.0	417	113,583	79.5	29,278	20.5	142,861
2021	202	68.7	92	31.3	294	99,558	72.7	37,360	27.3	136,918
Subtotal	713	75.2	235	24.8	948	312,850	78.4	86,308	21.6	399,158
Small Business	403	77.1	120	22.9	523	38,274	76.6	11,716	23.4	49,990
<i>Source: 2021 Bank Data; 2019, 2020, 2021 HMDA Reported Data</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Reasonable performances in the Austin MSA AA, College Station MSA AA, and Non-MSA AA outweighed excellent performance in the Killeen MSA AA and very poor performance in the Houston MSA AA to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. They focused on the percentages by the number of loans in low- and moderate-income geographies when arriving at conclusions.

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. Reasonable performances in the Austin MSA AA, College Station MSA AA, Killeen MSA AA, and Non-MSA AA outweighed poor performance in the Houston MSA AA to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. They focused on the percentages by the number of loans when arriving at conclusions.

Response to Complaints

The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

SouthStar Bank, S.S.B. demonstrated a satisfactory record regarding the Community Development Test. The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through CD loans, QIs, and CD 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.

The bank demonstrated an appropriate level of leadership in regard to its community development efforts, as, for example, the bank's CD services involve bank personnel's use of their technical expertise in key roles of organizations with a primary purpose of community development. The Appendix defines community development and lists the criteria used to evaluate the Community Development Test.

Community Development Loans

SouthStar Bank, S.S.B. originated 40 CD loans totaling approximately \$141.5 million during the evaluation period. This level of activity represents 13.7 percent of average total assets of \$1.0 billion and 17.9 percent of average net loans of \$789.4 million since the prior CRA evaluation. These levels notably increased from the 7.3 percent of average total assets and 9.8 percent of average net loans reported at the previous evaluation.

The CD loans demonstrated responsiveness to the areas' needs given that they primarily address economic development and revitalization or stabilization needs. As seen in the following table, 70.0 percent by dollar volume address activities that promote economic development and 22.6 percent address activities that support revitalization or stabilization efforts, which demonstrate the bank's responsiveness to identified community development needs. In addition, the bank worked with the Small Business Administration (SBA) to make small business loans through programs under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, demonstrating responsiveness to community needs. In 2020, the bank originated 614 of the SBA's Paycheck Protection Program

(PPP) loans totaling \$45.2 million. In 2021, the bank originated 378 PPP loans totaling \$22.6 million. The following table illustrates the bank’s CD lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	3	4,104	2	2,065	5	6,169
2020	0	0	0	0	14	44,255	4	15,412	18	59,667
2021	4	10,480	0	0	8	48,724	4	14,448	16	73,652
2022	0	0	0	0	1	1,997	0	0	1	1,997
Total	4	10,480	0	0	26	99,080	10	31,925	40	141,485

Source: Bank Data

The following table shows the bank’s CD loans benefitting each assessment area, as applicable.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Austin MSA AA	0	0	0	0	16	63,633	2	2,000	18	65,633
Killeen MSA AA	0	0	0	0	4	15,155	0	0	4	15,155
College Station MSA AA	0	0	0	0	2	5,000	1	1,065	3	6,065
Houston MSA AA	0	0	0	0	2	5,653	0	0	2	5,653
Non-MSA AA	0	0	0	0	0	0	3	7,412	3	7,412
Statewide/Regional	4	10,480	0	0	2	9,639	4	21,448	10	41,567
Total	4	10,480	0	0	26	99,080	10	31,925	40	141,485

Source: Bank Data

The following point highlights a statewide/regional CD loan.

- **Economic Development** – The bank granted a \$5.5 million loan to a small business that purchased acres of land with an existing RV park in a low-income geography. The activity provided economic development by financing a business that meets the regulation’s size eligibility standards and that supports permanent job creation, retention, or improvement for low- and moderate-income persons or in low- or moderate-income areas.

Qualified Investments

The bank made use of 35 QIs totaling approximately \$13.5 million. The total dollar volume equates to 1.3 percent of average total assets of \$1.0 billion and 13.2 percent of average securities of \$102.5 million since the prior evaluation. These levels slightly increased from the 1.0 percent of average total assets and 8.4 percent of average securities recorded at the prior evaluation.

The following table indicates that by dollar volume, 62.7 percent of the QIs supported activities targeting community services toward low- and moderate-income individuals. These efforts demonstrate the bank’s responsiveness to an identified community development need. The following table illustrates the bank’s QIs by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	7	2,045	0	0	7	1,810	14	3,855
2019	1	2,000	3	885	0	0	0	0	4	2,885
2020	0	0	2	1,500	0	0	3	565	5	2,065
2021	1	675	1	830	0	0	0	0	2	1,505
2022	0	0	3	3,213	0	0	0	0	3	3,213
Subtotal	2	2,675	16	8,473	0	0	10	2,375	28	13,523
Qualified Grants & Donations	2	4	3	6	2	<1	0	0	7	10
Total	4	2,679	19	8,479	2	<1	10	2,375	35	13,533

Source: Bank Data

The following table shows the bank’s QIs benefitting each assessment area, as applicable.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Austin MSA AA	3	2,004	1	1,345	0	0	0	0	4	3,349
Killeen MSA AA	0	0	0	0	0	0	0	0	0	0
College Station MSA AA	0	0	2	201	0	0	1	600	3	801
Houston MSA AA	0	0	2	1,354	0	0	6	1,325	8	2,679
Non-MSA AA	0	0	6	2,235	2	<1	2	195	10	2,430
Statewide/Regional	1	675	8	3,344	0	0	1	255	10	4,274
Total	4	2,679	19	8,479	2	<1	10	2,375	35	13,533

Source: Bank Data

The following point highlights the statewide/regional QIs.

- **Community Services** – The bank invested in eight bonds that benefit school districts throughout Texas in which a majority of the students are economically disadvantaged according to the Texas Education Agency. The investments had a \$3.3 million book value as of the evaluation date.

Community Development Services

The bank provided 54 CD services since the prior evaluation. This number equates to an average of 1.1 CD services, per office, per year, since the prior evaluation. This level decreased from the 123 CD services averaging 2.8 CD services, per office, per year, recorded at the prior evaluation. The services all involve bank personnel’s use of their technical expertise to benefit organizations or projects with a primary purpose of community development, as defined by the CRA regulation.

The table also shows that 40.7 percent of the services benefited affordable housing while 33.3 percent promoted economic development, which demonstrate the bank’s responsiveness to identified community development needs. The following table illustrates the bank’s CD services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	6	1	4	0	11
2020	5	5	4	0	14
2021	6	4	5	0	15
2022	5	4	5	0	14
Total	22	14	18	0	54

Source: Bank Data

The following table shows the bank’s CD services benefitting each assessment area, as applicable.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Austin MSA AA	8	2	0	0	10
Killeen MSA AA	0	0	4	0	4
College Station MSA AA	8	4	8	0	20
Houston MSA AA	0	0	0	0	0
Non-MSA AA	0	7	4	0	11
Statewide/Regional	6	1	2	0	9
Total	22	14	18	0	54

Source: Bank Data

The following point highlights the statewide/regional CD services.

- **Affordable Housing** – A director serves as a director and treasurer for the state office of a non-profit organization whose mission is to provide decent affordable housing.

In addition to the number of services, the retail banking structure benefits low- and moderate-income individuals through its branch network. The bank currently operates one branch and ATM in a low-income census tract within its designated assessment areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Consistent with the CRA, regulators must consider discriminatory and other illegal credit practices when arriving at the bank's CRA rating. Examiners considered the nature and extent of the violations, policies and procedures in place to prevent the practice, corrective action by the bank taken or committed to take, and other relevant information to determine the impact on the rating.

The FDIC lowered the CRA rating from Satisfactory to Needs to Improve due to discriminatory lending practices present during the review period. Examiners identified violations of the Equal Credit Opportunity Act and Fair Housing Act, pertaining to the bank's lending practices on the basis of redlining. Sufficient oversight, appropriate policies and procedures, and other compliance management system controls were not in place to prevent these violations. Bank management committed to take action to improve the compliance management system to mitigate fair lending risks.

AUSTIN MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN AUSTIN MSA AA

The Austin MSA AA consists of Hays, Travis, and Williamson Counties, three of the five counties which comprise the Austin-Round Rock-Georgetown, TX MSA in Central Texas. SouthStar Bank, S.S.B. operates 6 full-service offices and 6 ATMs in middle- and upper-income census tracts within this assessment area.

Economic and Demographic Data

The assessment area includes all 25 census tracts in Hays County, all 218 tracts in Travis County, and all 89 tracts in Williamson County. These tracts reflect the following income designations according to the 2015 ACS Census data: 37 low-income tracts, 67 moderate-income tracts, 121 middle-income tracts, 101 upper-income tracts, and 6 tracts that have not been assigned an income classification.

FEMA included Hays, Travis, and Williamson Counties in major disaster declarations for March 2020 and February 2021. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	332	11.1	20.2	36.4	30.4	1.8
Population by Geography	1,772,799	10.7	20.4	36.6	31.1	1.2
Housing Units by Geography	703,773	10.7	18.7	37.7	32.0	0.9
Owner-Occupied Units by Geography	371,405	4.1	15.8	39.5	40.5	0.2
Occupied Rental Units by Geography	279,968	19.1	22.5	35.4	21.2	1.8
Vacant Units by Geography	52,400	13.2	19.2	36.5	29.4	1.7
Businesses by Geography	247,638	6.4	11.6	33.5	47.2	1.2
Farms by Geography	4,850	4.9	13.2	38.5	43.0	0.4
Family Distribution by Income Level	401,265	22.1	16.5	19.7	41.7	0.0
Household Distribution by Income Level	651,373	23.3	16.4	18.0	42.3	0.0
Median Family Income MSA - 12420 Austin-Round Rock-Georgetown, TX MSA		\$78,997	Median Housing Value			\$240,486
			Median Gross Rent			\$1,074
			Families Below Poverty Level			9.4%
<i>Source: 2015 ACS Data; 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, the area included 247,638 businesses. The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. Based on 2021 D&B data, 89.4 percent of area businesses maintain GARs of \$1 million or less.

Service industries represent the largest portion of businesses at 39.3 percent, followed by non-classifiable establishments at 23.6 percent, and finance, insurance, and real estate at 11.5 percent. Major employers in the assessment area include University of Texas at Austin, Dell Incorporated, Seton Healthcare Network, Walmart Incorporated, and St. David's Healthcare. In addition, 63.2 percent of area businesses have 4 or fewer employees, and 92.9 percent operate from a single location.

The Texas Workforce Commission noted that Hays, Travis, and Williamson Counties reported July 2022, unemployment rates of 3.2 percent, 3.0 percent, and 3.1 percent, respectively, compared to the State of Texas' rate of 4.3 percent and the U.S.' rate of 3.8 percent for the same period.

Examiners used the 2020 FFIEC-updated median family income level to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories, based on the 2020 FFIEC-updated median family income of \$97,600 for the Austin-Round Rock-Georgetown, TX MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$97,600)	<\$48,800	\$48,800 to <\$78,080	\$78,080 to <\$117,120	≥\$117,120
<i>Source: FFIEC</i>				

The area includes 703,773 housing units. Of these, 52.8 percent are owner-occupied, 39.8 percent are occupied rental units, and 7.4 percent are vacant. The geographic distribution criterion considers the distribution of owner-occupied housing units during the home mortgage lending review.

Competition

The assessment area contains a moderate level of competition from other chartered banks based on its population. According to the FDIC Deposit Market Share data as of June 2021, there were 65 financial institutions that operated 418 offices within the bank’s assessment area. Of these institutions, SouthStar Bank, S.S.B. ranked 27th with a 0.5 percent deposit market share. Credit unions and mortgage and finance companies also compete for loans in the area, thus heightening competition. The competition level allows for lending opportunities.

Community Contact

Examiners contacted a community member knowledgeable of the area’s economic, demographic, and business environments to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area. The contact represents a state government organization that focuses on economic planning for the area.

The community member stated that the area has a very diverse population, including a large segment of young professionals with higher education. The contact also noted that the area benefits from several major industries; however, the skyrocketing housing costs have led the majority of the working class migrating to areas that are more rural. The contact further commented that a variety of lending opportunities are available, especially for small business and home mortgage loans, and that the area’s financial institutions appropriately serve the general banking and credit needs of the area.

Credit and Community Development Needs and Opportunities

The Austin MSA AA created varied loan demand for all types of loans. The area’s economy also supports credit growth and opportunities for various loan types. Considering information obtained from the community contact, bank management, as well as demographic and economic information, examiners determined that the area’s primary credit needs include home mortgage and small business lending.

With respect to the area’s community development needs, examiners considered that over one-third, or 38.6 percent, of the area’s families report either low or moderate incomes. These characteristics typically suggest a higher need for activities that aid in providing community services targeted to low- and moderate-income individuals. Other community development needs exist regarding activities that revitalize or stabilize qualifying geographies, as suggested by the 31.3 percent of the

area’s census tracts receiving low- or moderate-income designations as well as affordable housing. Finally, other community development needs exist regarding activities for economic development given that D&B data shows 247,638 businesses in the assessment area with 89.4 percent of those businesses with GARs of \$1 million or less.

CONCLUSIONS ON PERFORMANCE CRITERIA IN AUSTIN MSA AA

LENDING TEST

SouthStar Bank, S.S.B. demonstrated a satisfactory record regarding the Lending Test in the Austin MSA AA. Reasonable geographic distribution and borrower profile performances support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Austin MSA AA. Reasonable home mortgage and small business performances support this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans within the Austin MSA AA reflects reasonable performance. The following table shows that the bank’s level of lending in low-income geographies exceeds aggregate data by 6.1 percentage points, reflecting reasonable performance. The table further shows that the bank’s level of lending in moderate-income geographies exceeds aggregate data by 2.8 percentage points, also reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans Austin MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.1	3.4	23	9.5	3,176	3.3
Moderate	15.8	12.4	37	15.2	4,273	4.4
Middle	39.5	41.0	86	35.4	33,825	34.8
Upper	40.5	43.1	96	39.5	55,888	57.4
Not Available	0.2	0.1	1	0.4	165	0.2
Total	100.0	100.0	243	100.0	97,327	100.0
Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0						

Small Business Loans

The geographic distribution of small business loans within the Austin MSA AA reflects reasonable performance. The following table shows that the bank’s level of lending in low-income geographies trails D&B data by 2.8 percentage points, reflecting reasonable performance. The table further shows that the bank’s level of lending in moderate-income geographies exceeds D&B data by 0.8 percentage points, also reflective of reasonable performance.

Geographic Distribution of Small Business Loans Austin MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.4	9	3.6	1,608	5.3
Moderate	11.6	31	12.4	3,234	10.8
Middle	33.5	89	35.6	11,255	37.4
Upper	47.2	121	48.4	13,977	46.5
Not Available	1.2	0	0.0	0	0.0
Total	100.0	250	100.0	30,074	100.0
<i>Source: 2021 D&B Data; 2021 Bank Data Due to rounding, totals may not equal 100.0</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes in the Austin MSA AA. Poor performance regarding home mortgage lending slightly lifted by excellent performance regarding small business lending and noted performance context considerations supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels within the Austin MSA AA reflects poor performance. The following table shows that the bank's level of lending to low-income borrowers trails aggregate data by 1.2 percentage points, reflecting reasonable performance. The table further shows that the bank's level of lending to moderate-income borrowers trails aggregate data by 10.5 percentage points, reflecting poor performance. Examiners weighed performance to moderate-income borrowers heavier given the greater opportunities illustrated by the corresponding aggregate percentages.

The large percentage of the bank's home mortgage loans reflecting income not available results from many of the loans reflecting business-related purposes, thus negating the need to report income levels. The disparity in the income not available category between aggregate data at 15.8 percent and the bank data at 32.1 percent makes any comparison between the two less meaningful.

Distribution of Home Mortgage Loans by Borrower Income Level Austin MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.1	3.3	5	2.1	555	0.6
Moderate	16.5	14.6	10	4.1	1,885	1.9
Middle	19.7	20.1	17	7.0	5,588	5.7
Upper	41.7	46.2	133	54.7	78,300	80.5
Income Not Available	0.0	15.8	78	32.1	10,999	11.3
Total	100.0	100.0	243	100.0	97,327	100.0
<i>Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The borrower profile distribution of small business loans within the Austin MSA AA reflects excellent penetration among businesses of different sizes. In assessing the bank’s performance regarding this factor, examiners considered participation in the SBA’s PPP during the review period and took into account the unique circumstances affecting borrowers and banks resulting from the COVID-19 pandemic.

The following table shows that the bank originated less than a majority, or 16.0 percent, of the sampled small business loans to businesses with GARs of \$1 million or less, typically reflective of very poor performance. While the bank’s level trails, by 73.4 percentage points, the percent of businesses reporting GARs of \$1 million or less, the table also notes 21 small business loans to businesses with revenues not available. Of note, all 21 loans originated as PPP loans, which carried no requirement to collect revenue information. SouthStar Bank, S.S.B.’s origination of PPP loans in 2021 illustrates the bank’s willingness to meet credit needs of businesses of varying sizes, including small businesses. Excluding the PPP loans from the calculation, the bank originated 100.0 percent of the small business loans reviewed to businesses with GARs of \$1 million or less, thus supporting excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Austin MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	63.0	2	8.0	218	10.1
\$100,000 - \$249,999	19.9	1	4.0	204	9.4
\$250,000 - \$499,999	4.3	1	4.0	185	8.6
\$500,000 - \$1,000,000	2.2	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	89.4	4	16.0	607	28.1
> \$1,000,000	3.0	0	0.0	0	0.0
Revenue Not Available	7.6	21	84.0	1,554	71.9
Total	100.0	25	100.0	2,161	100.0
<i>Source: 2021 D&B Data; 2021 Bank Data Due to rounding, totals may not equal 100.0</i>					

As a result of the volume of PPP loans without revenue available, examiners evaluated the PPP loans noted above using loan size as a proxy. As illustrated in the following table, 81.0 percent of the PPP loans by number had loan sizes of less than \$100,000, demonstrating the bank’s willingness to help serve the needs of small businesses in the Austin MSA AA.

Distribution of PPP Loans by Loan Size Austin MSA AA				
Loan Size	#	%	\$(000s)	%
< \$100,000	17	81.0	330	21.2
\$100,000 - \$249,999	2	9.5	292	18.8
\$250,000 - \$499,999	2	9.5	932	60.0
\$500,000 - \$1,000,000	0	0.0	0	0.0
Total	21	100.0	1,554	100.0
<i>Source: 2021 Bank Data</i>				

COMMUNITY DEVELOPMENT TEST

The bank demonstrated a satisfactory record regarding the Community Development Test in the Austin MSA AA. The institution’s community development performance demonstrates adequate responsiveness to community development needs in the Austin MSA AA through CD loans, QIs, and CD services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area.

Community Development Loans

The bank originated 18 CD loans totaling \$65.6 million in the Austin MSA AA, demonstrating improved performance over the last evaluation where the bank recorded 14 CD loans totaling \$26.5 million in the Austin MSA AA. The current level equates to 46.4 percent of the bank’s overall excellent level of CD loans by dollar volume and 65.7 percent of the bank’s CD loans inside its assessment areas. As noted, this area accounted for 83.4 percent of the bank’s lending volume. The following point highlights an example of the bank’s CD loans in the Austin MSA AA.

- ***Economic Development*** – The bank provided \$2.0 million in funding for the purchase of land to build a facility located in a moderate-income census tract. The activity provided economic development by financing a business that meets the regulation’s size eligibility standards and that supports permanent job creation, retention, or improvement for low- and moderate-income persons or in low- or moderate-income areas.

Qualified Investments

The bank made use of 4 QIs totaling \$3.3 million in the Austin MSA AA, reflecting improved performance over the last evaluation where the bank recorded 1 QI totaling \$2.0 million in the Austin MSA AA. The total dollar amount represents 24.7 percent of the bank’s overall adequate level of QIs and 36.2 percent of the bank’s QIs inside its assessment areas. As noted, this area contributed 31.0 percent of the bank’s total deposits. The following point highlights an example of the bank’s QIs in the Austin MSA AA.

- ***Affordable Housing*** – The bank invested in a \$2.0 million FNMA bond collateralized by a 225-unit apartment complex with 100 percent of the units designated for low- and moderate-income families.

Community Development Services

Since the previous evaluation, the bank provided 10 CD services in the Austin MSA AA, which equates to 18.5 percent of the bank’s total CD services, a decrease from the 31 CD services recorded in the Austin MSA AA at the previous evaluation. The limited number of CD services equates to an average of 0.5 CD services, per office, per year since the prior evaluation. The following point highlights an example of the bank’s CD services in the Austin MSA AA.

- ***Community Services*** – An officer serves as the fundraising coordinator for a non-profit organization whose mission is to provide housing and services to Austin-area women and their children who are experiencing homelessness.

KILLEEN MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN KILLEEN MSA AA

The Killeen MSA AA consists of Bell County in Central Texas. SouthStar Bank, S.S.B. operates one full-service office and one ATM in an upper-income census tract within this assessment area.

Economic and Demographic Data

The assessment area includes all 65 census tracts in Bell County. These tracts reflect the following income designations according to the 2015 ACS Census data: 3 low-income tracts, 15 moderate-income tracts, 30 middle-income tracts, 14 upper-income tracts, and 3 tracts that have not been assigned an income classification.

FEMA included Bell County in major disaster declarations for March 2020 and February 2021. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	65	4.6	23.1	46.2	21.5	4.6
Population by Geography	326,041	1.9	17.2	52.7	28.0	0.0
Housing Units by Geography	131,684	2.8	17.8	52.3	27.1	0.0
Owner-Occupied Units by Geography	60,615	1.0	9.2	52.0	37.9	0.0
Occupied Rental Units by Geography	49,229	3.8	26.1	52.5	17.6	0.0
Vacant Units by Geography	21,840	5.8	22.9	52.7	18.6	0.0
Businesses by Geography	21,297	4.7	13.3	49.1	32.9	0.1
Farms by Geography	700	3.3	8.1	46.7	41.9	0.0
Family Distribution by Income Level	79,124	20.1	18.5	20.9	40.5	0.0
Household Distribution by Income Level	109,844	22.4	16.6	19.8	41.2	0.0
Median Family Income MSA - 28660 Killeen-Temple, TX MSA		\$58,001	Median Housing Value			\$120,498
			Median Gross Rent			\$874
			Families Below Poverty Level			12.1%
<i>Source: 2015 ACS Data; 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, the area included 21,297 businesses. As noted, the analysis of small business loans under the borrower profile criterion compares the distribution of businesses by GAR level. Based on 2021 D&B data, 86.8 percent of area businesses maintain GARs of \$1 million or less.

Service industries represent the largest portion of businesses at 39.9 percent, followed by non-classifiable establishments at 15.4 percent, and retail trade at 14.6 percent. Major employers in the assessment area include Bell County, Belton Independent School District, University of Mary Hardin Baylor, TRU a Clayton Homes Company, and HEB Plus. In addition, 66.7 percent of area businesses have 4 or fewer employees, and 89.3 percent operate from a single location.

The Texas Workforce Commission noted that Bell County reported a July 2022, unemployment rate of 4.8 percent, compared to the State of Texas' rate of 4.3 percent and the U.S.' rate of 3.8 percent for the same period.

As previously noted, examiners used the 2020 FFIEC-updated median family income level to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories, based on the 2020 FFIEC-updated median family income of \$64,600 for the Killeen-Temple, TX MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$64,600)	<\$32,300	\$32,300 to <\$51,680	\$51,680 to <\$77,520	≥\$77,520
<i>Source: FFIEC</i>				

The area includes 131,684 housing units. Of these, 46.0 percent are owner-occupied, 37.4 percent are occupied rental units, and 16.6 percent are vacant. As previously mentioned, the geographic distribution criterion considers the distribution of owner-occupied housing units during the home mortgage lending review.

Competition

The assessment area contains a moderate level of competition from other chartered banks based on its population. According to the FDIC Deposit Market Share data as of June 2021, there were 15 financial institutions that operated 60 offices within the bank’s assessment area. Of these institutions, SouthStar Bank, S.S.B. ranked 15th with a 0.3 percent deposit market share. Credit unions and mortgage and finance companies also compete for loans in the area, thus heightening competition. The competition level allows for lending opportunities.

Community Contact

Examiners contacted a community member knowledgeable of the area’s economic, demographic, and business environments to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area. The contact represents an organization that promotes economic development in the assessment area.

The contact stated that the area’s economy is positive with growth in the residential sector and expansion in the manufacturing sector. The contact indicated that local financial institutions are responsive to the area’s credit and community development needs. According to the contact, opportunities for financial institution participation include home mortgage and small business loans.

Credit and Community Development Needs and Opportunities

The Killeen MSA AA created varied loan demand for all types of loans. The area’s economy also supports credit growth and opportunities for various loan types. Considering information obtained from the community contact, bank management, as well as demographic and economic information, examiners determined that the area’s primary credit needs include home mortgage and small business lending.

With respect to the area’s community development needs, examiners considered that over one-third, or 38.6 percent, of the area’s families report either low or moderate incomes. These characteristics typically suggest a higher need for activities that aid in providing community services targeted to low- and moderate-income individuals. Other community development needs exist regarding activities that revitalize or stabilize qualifying geographies, as suggested by the 27.7 percent of the

area’s census tracts receiving low- or moderate-income designations, and regarding economic development as suggested by the area’s higher unemployment rate.

CONCLUSIONS ON PERFORMANCE CRITERIA IN KILLEEN MSA AA

LENDING TEST

SouthStar Bank, S.S.B. demonstrated a satisfactory record regarding the Lending Test in the Killeen MSA AA. Excellent geographic distribution performance hampered by reasonable borrower profile performance supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Killeen MSA AA. Excellent home mortgage performance outweighed reasonable small business performance to support this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans within the Killeen MSA AA reflects excellent performance. The following table shows that the bank’s level of lending in low-income geographies exceeds aggregate data by 22.0 percentage points, reflecting excellent performance. The table further shows that the bank’s level of lending in moderate-income geographies exceeds aggregate data by 14.7 percentage points, also reflecting excellent performance.

Geographic Distribution of Home Mortgage Loans Killeen MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.0	0.2	8	22.2	1,318	21.2
Moderate	9.2	4.7	7	19.4	686	11.0
Middle	52.0	50.0	13	36.1	1,520	24.5
Upper	37.9	45.1	8	22.2	2,688	43.3
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	36	100.0	6,212	100.0

*Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Small Business Loans

The geographic distribution of small business loans within the Killeen MSA AA reflects reasonable performance. The following table shows that the bank did not originate any of the reviewed small business loans in low-income geographies; however, the bank’s level of lending in such geographies trails D&B data by 4.7 percentage points, reflecting reasonable performance. The table further shows that the bank’s level of lending in moderate-income geographies trails D&B data by 7.7 percentage points, also reflecting reasonable performance.

Geographic Distribution of Small Business Loans Killeen MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.7	0	0.0	0	0.0
Moderate	13.3	1	5.6	25	2.0
Middle	49.1	9	50.0	171	13.4
Upper	32.9	8	44.4	1,077	84.6
Not Available	0.1	0	0.0	0	0.0
Total	100.0	18	100.0	1,273	100.0
<i>Source: 2021 D&B Data; 2021 Bank Data Due to rounding, totals may not equal 100.0</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes in the Killeen MSA AA. Reasonable performance regarding home mortgage lending outweighed excellent performance regarding small business lending and noted performance context considerations to support this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels within the Killeen MSA AA reflects reasonable performance. The following table shows that the bank did not originate any of the home mortgage loans reviewed to low-income borrowers; however, the bank's level of lending to such borrowers trails aggregate data by 1.9 percentage points, reflecting reasonable performance. The table further shows that the bank's level of lending to moderate-income borrowers trails aggregate data by 7.4 percentage points, also reflecting reasonable performance.

The large percentage of the bank's home mortgage loans reflecting income not available results from many of the loans reflecting business-related purposes, thus negating the need to report income levels. The disparity in the income not available category between aggregate data at 38.9 percent and the bank data at 66.7 percent makes any comparison between the two less meaningful.

Distribution of Home Mortgage Loans by Borrower Income Level Killeen MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.1	1.9	0	0.0	0	0.0
Moderate	18.5	10.2	1	2.8	166	2.7
Middle	20.9	17.6	0	0.0	0	0.0
Upper	40.5	31.4	11	30.6	3,331	53.6
Income Not Available	0.0	38.9	24	66.7	2,715	43.7
Total	100.0	100.0	36	100.0	6,212	100.0
<i>Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The borrower profile distribution of small business loans within the Killeen MSA AA reflects excellent penetration among businesses of different sizes. In assessing the bank’s performance regarding this factor, examiners considered participation in the SBA’s PPP during the review period and took into account the unique circumstances affecting borrowers and banks resulting from the COVID-19 pandemic.

The following table shows that the bank originated less than a majority, or 11.2 percent, of the sampled small business loans to businesses with GARs of \$1 million or less, typically reflective of very poor performance. While the bank’s level trails, by 75.6 percentage points, the percent of businesses reporting GARs of \$1 million or less, the table also notes 16 small business loans to businesses with revenues not available. All 16 loans originated as PPP loans, which carried no requirement to collect revenue information. The bank’s origination of PPP loans in 2021 illustrates its willingness to meet credit needs of businesses of varying sizes, including small businesses. Excluding the PPP loans from the calculation, the bank originated 100.0 percent of the small business loans reviewed to businesses with GARs of \$1 million or less, thus supporting excellent performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Killeen MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	60.6	0	0.0	0	0.0
\$100,000 - \$249,999	18.9	1	5.6	17	1.3
\$250,000 - \$499,999	4.8	0	0.0	0	0.0
\$500,000 - \$1,000,000	2.5	1	5.6	516	40.5
Subtotal ≤ \$1,000,000	86.8	2	11.2	533	41.9
> \$1,000,000	2.6	0	0.0	0	0.0
Revenue Not Available	10.6	16	88.9	740	58.1
Total	100.0	18	100.0	1,273	100.0

*Source: 2021 D&B Data; 2021 Bank Data
Due to rounding, totals may not equal 100.0*

As a result of the volume of PPP loans without revenue available, examiners evaluated the PPP loans noted above using loan size as a proxy. As illustrated in the following table, 93.8 percent of the PPP loans had loan sizes of less than \$100,000, demonstrating the bank’s willingness to help serve the needs of small businesses in the Killeen MSA AA.

Distribution of PPP Loans by Loan Size Killeen MSA AA				
Loan Size	#	%	\$(000s)	%
< \$100,000	15	93.8	307	41.5
\$100,000 - \$249,999	0	0.0	0	0.0
\$250,000 - \$499,999	1	6.2	433	58.5
\$500,000 - \$1,000,000	0	0.0	0	0.0
Total	16	100.0	740	100.0

Source: 2021 Bank Data

COMMUNITY DEVELOPMENT TEST

The bank demonstrated a satisfactory record regarding the Community Development Test in the Killeen MSA AA. The institution's community development performance demonstrates adequate responsiveness to community development needs in the Killeen MSA AA through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

The bank originated 4 CD loans totaling \$15.2 million in the Killeen MSA AA, reflecting an increase in volume over the last evaluation where the bank recorded 1 CD loan totaling \$6.5 million in the Killeen MSA AA. The current level equates to 10.7 percent of the bank's overall excellent level of CD loans by dollar volume and 15.2 percent of the bank's CD loans inside its assessment areas. As noted, this area accounted for 3.8 percent of the bank's lending volume. The following point highlights an example of the bank's CD loans in the Killeen MSA AA.

- ***Economic Development*** – The bank granted a \$6.5 million loan to a local small business to refinance a hotel that supports permanent job retention. The business employs a number of low- and moderate-income individuals.

Qualified Investments

The bank did not make use of any QIs in the Killeen MSA AA, demonstrating similar performance to the prior evaluation where the bank made use of no QIs in the Killeen MSA AA. As noted, this area contributed 1.7 percent of the bank's total deposits.

Community Development Services

Since the previous evaluation, the bank provided 4 CD services in the Killeen MSA AA, which equates to 7.4 percent of the bank's total CD services. The number of CD services equates to an average of 1.3 CD services, per office, per year since the prior evaluation, reflecting a decrease from the 12 CD services recorded in the Killeen MSA AA at the previous evaluation. The following point highlights an example of the bank's CD services in the Killeen MSA AA.

- ***Economic Development*** – An officer serves on the board for a non-profit corporation that finances projects that promote new or expanded business enterprise that create or retain primary jobs. The activity provided economic development by financing a business that meets the regulation's size eligibility standards and that supports permanent job creation, retention, or improvement for low- and moderate-income persons or in low- or moderate-income areas.

COLLEGE STATION MSA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN COLLEGE STATION MSA AA

The College Station MSA AA consists of Robertson County in Central Texas. SouthStar Bank, S.S.B operates four full-service offices and four ATMs in low- and middle-income census tracts within this area.

The assessment area includes all five census tracts in Robertson County. These tracts reflect the following income designations according to the 2015 ACS Census data: one low-income tract and four middle-income tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	20.0	0.0	80.0	0.0	0.0
Population by Geography	16,532	10.0	0.0	90.0	0.0	0.0
Housing Units by Geography	8,507	9.7	0.0	90.3	0.0	0.0
Owner-Occupied Units by Geography	4,315	6.7	0.0	93.3	0.0	0.0
Occupied Rental Units by Geography	1,750	15.6	0.0	84.4	0.0	0.0
Vacant Units by Geography	2,442	10.8	0.0	89.2	0.0	0.0
Businesses by Geography	1,086	5.4	0.0	94.6	0.0	0.0
Farms by Geography	130	6.2	0.0	93.8	0.0	0.0
Family Distribution by Income Level	4,222	24.9	18.1	23.8	33.2	0.0
Household Distribution by Income Level	6,065	26.1	10.9	15.8	47.3	0.0
Median Family Income MSA - 17780 College Station-Bryan, TX MSA	\$60,756	Median Housing Value				\$108,304
		Median Gross Rent				\$604
		Families Below Poverty Level				14.2%
<i>Source: 2015 ACS Data; 2021 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.</i>						

The following table presents the low-, moderate-, middle-, and upper-income categories, based on the 2020 FFIEC-updated median family income of \$65,600 for the College Station-Bryan, TX MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$65,600)	<\$32,800	\$32,800 to <\$52,480	\$52,480 to <\$78,720	≥\$78,720
<i>Source: FFIEC</i>				

Major employers in the assessment area include Hearne Independent School District, Bremond Independent School District, Calvert Independent School District, Franklin Independent School District, and Robertson County. The Texas Workforce Commission noted that Robertson County reported a July 2022, unemployment rate of 4.5 percent, compared to the State of Texas' rate of 4.3 percent and the U.S.' rate of 3.8 percent for the same period.

CONCLUSIONS ON PERFORMANCE CRITERIA IN COLLEGE STATION MSA AA

LENDING TEST

The institution's lending performance in the College Station MSA AA is consistent with the institution's lending performance overall.

Geographic Distribution

Small Business Loans

Geographic Distribution of Small Business Loans College Station MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.4	3	4.0	46	1.1
Moderate	0.0	0	0.0	0	0.0
Middle	94.6	72	96.0	4,048	98.9
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	75	100.0	4,094	100.0

*Source: 2021 D&B Data; 2021 Bank Data
Due to rounding, totals may not equal 100.0*

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans College Station MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.7	4.8	0	0.0	0	0.0
Moderate	0.0	0.0	0	0.0	0	0.0
Middle	93.3	95.2	30	100.0	6,729	100.0
Upper	0.0	0.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	30	100.0	6,729	100.0

*Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Borrower Profile

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category College Station MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	53.4	4	18.2	351	30.0
\$100,000 - \$249,999	23.1	3	13.6	238	20.4
\$250,000 - \$499,999	4.6	0	0.0	0	0.0
\$500,000 - \$1,000,000	1.9	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	83.1	7	31.8	589	50.4
> \$1,000,000	3.2	0	0.0	0	0.0
Revenue Not Available	13.7	15	68.2	580	49.6
Total	100.0	22	100.0	1,169	100.0

*Source: 2021 D&B Data; 2021 Bank Data
Due to rounding, totals may not equal 100.0*

Distribution of PPP Loans by Loan Size College Station MSA AA				
Loan Size	#	%	\$(000s)	%
< \$100,000	13	86.7	182	31.4
\$100,000 - \$249,999	2	13.3	398	68.6
\$250,000 - \$499,999	0	0.0	0	0.0
\$500,000 - \$1,000,000	0	0.0	0	0.0
Total	15	100.0	580	100.0

Source: 2021 Bank Data

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level College Station MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.9	2.4	0	0.0	0	0.0
Moderate	18.1	15.8	3	10.0	319	4.7
Middle	23.8	16.0	3	10.0	483	7.2
Upper	33.2	51.9	23	76.7	5,637	83.8
Not Available	0.0	13.9	1	3.3	290	4.3
Total	100.0	100.0	30	100.0	6,729	100.0

*Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance in the College Station MSA AA is consistent with the community development performance overall.

HOUSTON MSA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN HOUSTON MSA AA

The Houston AA consists of a portion of Brazoria County in Southeast Texas. SouthStar Bank, S.S.B. operates one full-service office and one ATM in a middle-income census tract within this area.

The assessment area includes 22 of 51 census tracts in Brazoria County. These tracts reflect the following income designations according to the 2015 ACS Census data: 1 low-income tract, 4 moderate-income tracts, 14 middle-income tracts, and 3 upper-income tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	22	4.5	18.2	63.6	13.6	0.0
Population by Geography	102,812	5.6	13.5	64.4	16.5	0.0
Housing Units by Geography	43,092	5.0	16.8	64.0	14.1	0.0
Owner-Occupied Units by Geography	24,973	2.9	13.5	64.6	19.0	0.0
Occupied Rental Units by Geography	11,968	9.9	14.1	67.6	8.4	0.0
Vacant Units by Geography	6,151	4.3	35.6	54.7	5.4	0.0
Businesses by Geography	6,636	5.3	17.0	60.5	17.2	0.0
Farms by Geography	180	3.9	8.9	71.7	15.6	0.0
Family Distribution by Income Level	25,819	23.6	18.0	19.9	38.5	0.0
Household Distribution by Income Level	36,941	26.3	17.1	17.5	39.1	0.0
Median Family Income MSA - 26420 Houston-The Woodlands-Sugar Land, TX MSA		\$69,373	Median Housing Value			\$108,342
			Median Gross Rent			\$788
			Families Below Poverty Level			10.9%

*Source: 2015 ACS Data; 2021 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.*

The following table presents the low-, moderate-, middle-, and upper-income categories, based on the 2020 FFIEC-updated median family income of \$80,000 for the Houston-The Woodlands-Sugar Land, TX MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$80,000)	<\$40,000	\$40,000 to <\$64,000	\$64,000 to <\$96,000	≥\$96,000
<i>Source: FFIEC</i>				

Major employers in the assessment area include Alvin Independent School District, The Dow Chemical Company, Pearland Independent School District, Brazosport Independent School District, and Kelsey-Seybold. The Texas Workforce Commission noted that Brazoria County reported a July 2022, unemployment rate of 5.3 percent, compared to the State of Texas' rate of 4.3 percent and the U.S.' rate of 3.8 percent for the same period.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HOUSTON MSA AA

LENDING TEST

The institution's lending performance in the Houston MSA AA is below the lending performance for the institution; however, it does not change the rating.

Geographic Distribution

Small Business Loans

Geographic Distribution of Small Business Loans Houston MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.3	0	0.0	0	0.0
Moderate	17.0	0	0.0	0	0.0
Middle	60.5	13	100.0	377	100.0
Upper	17.2	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	13	100.0	377	100.0
<i>Source: 2021 D&B Data; 2021 Bank Data Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans Houston MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.9	1.7	0	0.0	0	0.0
Moderate	13.5	15.3	0	0.0	0	0.0
Middle	64.6	60.2	3	100.0	441	100.0
Upper	19.0	22.9	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	3	100.0	441	100.0

Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Borrower Profile

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Houston MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	53.2	4	33.3	173	47.1
\$100,000 - \$249,999	21.6	0	0.0	0	0.0
\$250,000 - \$499,999	6.0	1	8.3	14	3.8
\$500,000 - \$1,000,000	3.0	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	83.7	5	41.7	187	50.9
> \$1,000,000	3.7	0	0.0	0	0.0
Revenue Not Available	12.6	7	58.3	180	49.0
Total	100.0	12	100.0	367	100.0

Source: 2021 D&B Data; 2021 Bank Data
Due to rounding, totals may not equal 100.0

Distribution of PPP Loans by Loan Size Houston MSA AA				
Loan Size	#	%	\$(000s)	%
< \$100,000	7	100.0	180	100.0
\$100,000 - \$249,999	0	0.0	0	0.0
\$250,000 - \$499,999	0	0.0	0	0.0
\$500,000 - \$1,000,000	0	0.0	0	0.0
Total	7	100.0	180	100.0

Source: 2021 Bank Data

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Houston MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.6	3.1	0	0.0	0	0.0
Moderate	18.0	13.2	0	0.0	0	0.0
Middle	19.9	22.0	0	0.0	0	0.0
Upper	38.5	44.5	3	100.0	441	100.0
Not Available	0.0	17.2	0	0.0	0	0.0
Total	100.0	100.0	3	100.0	441	100.0

*Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the Houston MSA AA is consistent with the community development performance overall.

NON-MSA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA AA

The Non-MSA AA consists of Gonzales and Lavaca Counties in Central Texas. As noted previously, since the previous evaluation, the bank acquired one full-service office in Kerrville and expanded its Non-MSA AA to include Kerr County. Following the acquisition, SouthStar Bank, S.S.B. operates four full-service offices and three ATMs in middle- and upper-income census tracts within this area. The below reflects detailed information regarding the Non-MSA AA prior to the Kerr County addition given the limited time since the acquisition.

The assessment area includes all six census tracts in Gonzales County and all six tracts in Lavaca County. These tracts reflect the following income designations according to the 2015 ACS Census data: three moderate-income tracts, seven middle-income tracts, and two upper-income tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	25.0	58.3	16.7	0.0
Population by Geography	39,721	0.0	21.7	61.9	16.4	0.0
Housing Units by Geography	19,158	0.0	18.0	62.4	19.7	0.0
Owner-Occupied Units by Geography	10,543	0.0	15.7	63.7	20.6	0.0
Occupied Rental Units by Geography	3,635	0.0	30.4	56.3	13.4	0.0
Vacant Units by Geography	4,980	0.0	13.7	64.0	22.3	0.0
Businesses by Geography	2,806	0.0	23.8	62.4	13.7	0.0
Farms by Geography	303	0.0	8.3	67.7	24.1	0.0
Family Distribution by Income Level	10,202	19.1	17.6	20.1	43.3	0.0
Household Distribution by Income Level	14,178	21.7	15.4	17.2	45.7	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$113,190
			Median Gross Rent			\$620
			Families Below Poverty Level			11.4%

Source: 2015 ACS Data; 2021 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

The following table presents the low-, moderate-, middle-, and upper-income categories, based on the 2020 FFIEC-updated median family income of \$59,100 for the Non-MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$59,100)	<\$29,550	\$29,550 to <\$47,280	\$47,280 to <\$70,920	≥\$70,920

Source: FFIEC

Major employers in the assessment area include Gonzales Health Care Systems, Livestock Nutrition Center, Spoetzl Brewery, Walmart, and BYK Additives and Instruments. The Texas Workforce Commission noted that Gonzales and Lavaca Counties reported July 2022, unemployment rates of 3.2 percent and 3.5 percent, respectively, compared to the State of Texas' rate of 4.3 percent and the U.S.' rate of 3.8 percent for the same period.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

The institution's lending performance in the Non-MSA AA is consistent with the institution's lending performance overall.

Geographic Distribution

Small Business Loans

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	23.8	8	17.0	720	29.3
Middle	62.4	33	70.2	1,536	62.5
Upper	13.7	6	12.8	200	8.1
Not Available	0.0	0	0.0	0	0.0
Total	100.0	47	100.0	2,456	100.0
<i>Source: 2021 D&B Data; 2021 Bank Data Due to rounding, totals may not equal 100.0</i>					

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	15.7	17.7	1	11.1	160	5.6
Middle	63.7	65.0	8	88.9	2,714	94.4
Upper	20.6	17.3	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	9	100.0	2,874	100.0
<i>Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	53.9	0	0.0	0	0.0
\$100,000 - \$249,999	20.2	0	0.0	0	0.0
\$250,000 - \$499,999	6.2	0	0.0	0	0.0
\$500,000 - \$1,000,000	2.9	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	83.2	0	0.0	0	0.0
> \$1,000,000	4.7	0	0.0	0	0.0
Revenue Not Available	12.0	9	100.0	257	100.0
Total	100.0	9	100.0	257	100.0

*Source: 2021 D&B Data; 2021 Bank Data
Due to rounding, totals may not equal 100.0*

Distribution of PPP Loans by Loan Size Non-MSA AA				
Loan Size	#	%	\$(000s)	%
< \$100,000	8	88.9	148	57.6
\$100,000 - \$249,999	1	11.1	109	42.4
\$250,000 - \$499,999	0	0.0	0	0.0
\$500,000 - \$1,000,000	0	0.0	0	0.0
Total	9	100.0	257	100.0

Source: 2021 Bank Data

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.1	1.3	0	0.0	0	0.0
Moderate	17.6	10.8	0	0.0	0	0.0
Middle	20.1	22.1	0	0.0	0	0.0
Upper	43.3	50.7	9	100.0	2,874	100.0
Not Available	0.0	15.1	0	0.0	0	0.0
Total	100.0	100.0	9	100.0	2,874	100.0

*Source: 2015 ACS Data; 2020 HMDA Reported Data; 2020 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the Non-MSA AA is consistent with the community development performance overall.

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.