

PUBLIC DISCLOSURE

June 3, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Valliance Bank
Certificate Number: 57841

1601 NW Expressway, Suite 100
Oklahoma City, Oklahoma 73118

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

600 North Pearl Street, Suite 700
Dallas, Texas 75201

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

The institution's community development (CD) performance demonstrates adequate responsiveness to CD needs in its AAs through CD loans, qualified investments (QI), and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs.

DESCRIPTION OF INSTITUTION

Valliance Bank maintains its headquarters in Oklahoma City, Oklahoma. Valliance Financial Corporation, a one-bank holding company also located in Oklahoma City, wholly owns Valliance Bank. The bank received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated June 1, 2021, using Intermediate Small Bank Procedures.

Valliance Bank functions as a retail bank operating five full-service offices within two designated assessment areas located in central Oklahoma and northern Texas. The bank did not open or close any branches or participate in any merger or acquisition activity since the previous evaluation.

Valliance Bank primarily focuses on commercial lending, but offers various other standard loan products including home mortgage, agricultural, and consumer loans as well as credit cards. Deposit products and services consist of checking, savings, money market, and certificate of deposits accounts as well as debit cards. Alternative delivery systems include online banking, remote deposit capture, mobile banking, and five ATMs. The branches offer hours and days of service consistent with area and industry norms.

As of the March 31, 2024, Reports of Condition and Income, Valliance Bank’s assets totaled approximately \$644.6 million, total loans equaled \$562.4 million, and total deposits equaled \$513.2 million. Since the previous evaluation, total assets increased by 11.7 percent, total loans increased by 31.8 percent, and total deposits increased by 7.1 percent.

The following table illustrates the outstanding loan portfolio as of March 31, 2024, reflecting a distribution supportive of the institution’s business focus, with commercial loans representing the largest portion of the loan portfolio.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	\$(000s)	%
Construction and Land Development	64,380	11.4
Secured by Farmland	3,880	0.7
Secured by 1-4 Family Residential Properties	82,001	14.6
Secured by Multifamily (5 or more) Residential Properties	8,300	1.5
Secured by Nonfarm Nonresidential Properties	240,706	42.8
Total Real Estate Loans	399,267	71.0
Commercial and Industrial Loans	141,074	25.1
Agricultural Loans	0	0.0
Consumer Loans	1,077	0.2
Other Loans	20,974	3.7
Total Loans	562,392	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0.</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution’s ability to meet its AAs’ credit needs.

DESCRIPTION OF ASSESSMENT AREAS

Valliance Bank operates one AA in Oklahoma and two AAs in Texas as seen in the following table. Refer to the rated areas and individual AAs’ sections for additional information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Oklahoma City MSA AA	Oklahoma and Cleveland	337	3
Dallas MD AA	Collin	220	1
Fort Worth MD AA	Tarrant	449	1
<i>Source: Bank Data; 2020 U.S. Census Data.</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated June 1, 2021, to the current evaluation dated June 3, 2024. Examiners used Intermediate Small Bank Procedures, which include the Lending Test and Community Development Test. The appendix lists each tests’ criteria.

Examiners assigned ratings for the State of Oklahoma and the State of Texas. The following table shows Oklahoma contains a majority of the bank’s loans, deposits, and branches. Consequently, examiners weighed performance in Oklahoma heavier when arriving at applicable conclusions and ratings. Refer to the rated areas’ sections for details on procedures used for each AA as well as AA weighting.

Rated Area Breakdown of Loans, Deposits, and Branches						
Rated Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Oklahoma	52,079	66.4	395,671	80.9	3	60.0
Texas	26,383	33.6	93,174	19.1	2	40.0
Total	78,462	100.0	488,845	100.0	5	100.0
<i>Source: 2023 Bank Records; FDIC Summary of Deposits (6/30/2023). Due to rounding, totals may not equal 100.0.</i>						

Activities Reviewed

Intermediate Small Bank Procedures require examiners to determine the bank’s major product lines for review. Examiners may select from the same loan categories used for Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows the bank’s lending activity for 2023.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	60,586	22.4	55	13.0
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	23,068	8.5	68	16.1
Multi-Family (5 or more) Residential Properties	0	0.0	0	0.0
Commercial Real Estate Loans	120,564	44.5	165	39.0
Commercial and Industrial Loans	65,985	24.4	130	30.7
Agricultural Loans	475	0.2	1	0.2
Consumer Loans	232	0.1	4	0.9
Other Loans	0	0.0	0	0.0
Total Loans	270,910	100.0	423	100.0
<i>Source: 2023 Bank Records. Due to rounding, totals may not equal 100.0.</i>				

Considering the dollar volume and number of loans originated, as well as management’s stated business strategy, examiners determined the bank’s major product line consists of commercial lending. Although Valliance Bank reports home mortgage loans pursuant to the Home Mortgage Disclosure Act, this evaluation does not include a review of these loans due to the low volume. Similarly, since agricultural and consumer loans do not represent major product lines and thus would not materially affect any conclusions or ratings, this evaluation also does not include a review of them. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period.

For the Lending Test, this evaluation includes a review of all 250 small business loans totaling \$64.1 million originated or purchased in 2023, which represents the most recent completed calendar year of available data. D&B data for 2023 provided a standard comparison for small business loans. While the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans when arriving at conclusion for the individual performance factors because the number of loans better indicates the number of businesses served.

For the Community Development Test, the scope of the evaluation includes data provided by management on CD loans, QIs, and CD services since the prior evaluation. The evaluation of QIs considers the book value of prior period QIs that remain outstanding as of this evaluation’s date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Valliance Bank demonstrated satisfactory performance regarding the Lending Test. A reasonable LTD ratio, a reasonable record regarding geographic distribution, and a majority of loans originated inside the AAs outweigh a poor borrower profile to support this conclusion. The State of Texas demonstrated consistent performance. The State of Oklahoma demonstrated inconsistent performance, which fell below the level noted for the institution overall.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution’s size, financial condition, and AAs’ credit needs. The LTD ratio, calculated from Call Report data, averaged 96.3 percent over the past 12 calendar quarters from June 30, 2021, to March 31, 2024, which decreased slightly from 98.7 percent average net LTD ratio reported at the previous evaluation. The ratio ranged from a low 86.8 percent as of September 30, 2021, to a high of 108.3 percent as of March 31, 2024.

Examiners identified and listed in the following table comparable institutions operating in similar areas with similar asset sizes and lending emphases. Valliance Bank reported the highest average net LTD ratio. However, management largely funded the loan growth with non-core funding sources, which offsets the otherwise high LTD ratio.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2024 (\$000s)	Average Net LTD Ratio (%)
Valliance Bank, Oklahoma City, OK	644,637	96.3
FNB Community Bank, Midwest City, OK	515,013	54.1
First Liberty Bank, Oklahoma City, OK	716,762	93.5
Bank of the West, Grapevine, TX	827,266	59.0

Source: Reports of Condition and Income 6/30/2021 through 3/31/2024.

Assessment Area Concentration

A majority of loans are in the institution’s AAs. The following table shows Valliance Bank originated a majority of small business loans, by both number and dollar volume, inside the AAs.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Small Business	186	74.4	64	25.6	250	48,438	75.6	15,631	24.4	64,069

Source: 2023 Bank Data.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Reasonable performance in the State of Oklahoma outweighs excellent performance in the State of Texas to support this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts within the AAs when arriving at conclusions for this performance factor. Each rated area includes a more detailed discussion of the bank’s geographic loan distribution performance.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, poor penetration among businesses of different sizes. Poor performance in both rated areas supports this conclusion. Examiners focused on the percentage by number of loans to businesses in the AAs with gross annual revenue of \$1 million or less when arriving at conclusions for this performance factor. Each rated area includes a more detailed discussion of the bank's borrower profile loan distribution performance.

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

Valliance Bank demonstrated satisfactory performance regarding the Community Development Test. The institution's CD performance demonstrates adequate responsiveness to CD needs in its AAs through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs. The State of Oklahoma demonstrated inconsistent performance, which fell below the level noted for the institution. In addition, the State of Texas demonstrated inconsistent performance, which rose above the level noted for the institution.

Community Development Loans

The following table shows that since the prior evaluation, Valliance Bank originated 25 CD loans totaling \$45.9 million. The total dollar amount equates to 7.8 percent of average total assets of \$589.5 million since the previous evaluation and 9.7 percent of average net loans of \$470.8 million for the same period. This continues to reflect a relatively high level, despite a decrease from the 12.1 percent of average total assets and 14.8 percent of average net loans reported at the previous evaluation.

The CD loans proved appropriately responsive to the areas' needs given that activities primarily addressed identified needs of community service and revitalize/stabilize efforts. The following tables illustrate the CD loans by year, purpose, and rated area.

Community Development Lending by Year Institution										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (6/3-12/31)	0	0	0	0	0	0	2	6,272	2	6,272
2022	0	0	8	10,200	1	331	1	416	10	10,947
2023	0	0	6	10,000	0	0	3	12,675	9	22,675
YTD 2024	0	0	4	6,000	0	0	0	0	4	6,000
Total	0	0	18	26,200	1	331	6	19,363	25	45,894

Source: Bank Data.

Community Development Lending by Rated Area Institution										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Oklahoma	0	0	2	200	0	0	3	3,109	5	3,309
State of Texas	0	0	16	26,000	1	331	3	16,254	20	42,585
Total	0	0	18	26,200	1	331	6	19,363	25	45,894

Source: Bank Data.

Qualified Investments

The following table shows Valliance Bank made use of 117 QIs totaling \$6.5 million. The total dollar amount equates to 1.1 percent of average total assets since the previous evaluation and 16.2 percent of average securities of \$40.0 million for the same period. The current adequate level reflects a slight decrease from the 1.6 percent of average total assets and 26.1 percent of average securities reported at the previous evaluation.

As reflected in the following table, QIs proved adequately responsive by primarily addressing the identified need of affordable housing. The following table illustrates the bank's QIs by rated area and purpose.

Community Development Qualified Investments by Rated Area Institution										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
State of Oklahoma	4	2,445	85	153	0	0	3	4	92	2,602
State of Texas	4	3,815	21	86	0	0	0	0	25	3,901
Total	8	6,260	106	239	0	0	3	4	117	6,503

Source: Bank Data.

Community Development Services

The following table shows Valliance Bank provided 66 CD services since the previous evaluation. This level reflects a notable decrease from the 118 CD services noted at the previous evaluation. The services primarily involve bank personnel’s use of their technical expertise to benefit organizations or projects with a primary purpose of CD, as defined by CRA regulations. The CD services primarily benefited community service organizations that provide services to low- and moderate-income individuals, which demonstrates the bank’s responsiveness to a significant identified CD need in both rated areas. The following tables detail the CD services by year, purpose, and rated area.

Community Development Services Institution					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (6/3-12/31)	0	8	0	0	8
2022	0	25	1	1	27
2023	0	18	1	1	20
YTD 2024	0	10	0	1	11
Total	0	61	2	3	66
<i>Source: Bank Data.</i>					

Community Development Services by Rated Area Institution					
Rated Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
State of Oklahoma	0	43	2	0	45
State of Texas	0	18	0	3	21
Total	0	61	2	3	66
<i>Source: Bank Data.</i>					

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

STATE OF OKLAHOMA – Full-Scope Review

CRA RATING FOR STATE OF OKLAHOMA: NEEDS TO IMPROVE

The Lending Test is rated: Needs to Improve

The Community Development Test is rated: Needs to Improve

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STATE OF OKLAHOMA

Valliance Bank designated one AA in the State of Oklahoma: the Oklahoma City Metropolitan Statistical Area (MSA) AA. The Oklahoma City MSA AA consists of all of Oklahoma and Cleveland counties, which represent two of the seven counties comprising the entire MSA. The bank operates three full-service branches and three ATMs in this AA (two in Oklahoma County and one in Cleveland County). The delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution Section of this performance evaluation.

Economic and Demographic Data

Based on 2020 U.S. Census Data, the AA's 337 census tracts include the following income designations: 28 low-, 92 moderate-, 111 middle-, and 87 upper-income census tracts as well as 19 census tracts without an income designation. The following table provides select demographic characteristics for this AA.

Demographic Information of the Assessment Area Oklahoma City MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	337	8.3	27.3	32.9	25.8	5.6
Population by Geography	1,091,820	7.0	25.3	36.1	29.6	2.0
Housing Units by Geography	457,521	7.3	27.2	36.8	27.0	1.8
Owner-Occupied Units by Geography	251,110	4.4	20.5	37.9	36.0	1.1
Occupied Rental Units by Geography	162,740	10.5	35.4	36.2	15.5	2.5
Vacant Units by Geography	43,671	11.7	35.1	32.7	17.8	2.7
Businesses by Geography	189,486	5.3	22.8	32.9	36.4	2.6
Farms by Geography	4,876	4.3	22.2	33.6	38.5	1.3
Family Distribution by Income Level	257,016	22.3	17.9	20.1	39.8	0.0
Household Distribution by Income Level	413,850	24.7	17.1	18.4	39.9	0.0
Median Family Income - Oklahoma City, OK MSA	\$75,170		Median Housing Value			\$165,487
				Median Gross Rent		\$914
				Families Below Poverty Level		10.4%

Source: 2020 U.S. Census Data and 2023 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.

According to Moody’s Analytics, the MSA’s largest employers include: Tinker Air Force Base, University of Oklahoma, and Integris Health. The following table lists annual unemployment rates over the evaluation period for the AA, State of Oklahoma, and nationwide. The data reflects a slight increase to the unemployment rates in the AA in 2023, yet they remain below the national average.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Cleveland County	3.4	2.6	2.8
Oklahoma County	4.2	3.0	3.2
State of Oklahoma	4.0	3.1	3.2
National Average	5.3	3.6	3.6

Source: Bureau of Labor Statistics.

Competition

The AA reflects a relatively low level of competition for financial services, based on the AA’s population. According to the FDIC Deposit Market Share report as of June 30, 2023, 65 financial institutions operate 300 offices within the AA. Of these institutions, Valliance Bank ranked 22nd

with a 0.8 percent deposit market share. However, mortgage companies, credit unions, and finance companies also compete for loans in the area adding to the competition level.

Community Contact

As part of the evaluation process, examiners evaluate information from third parties active in the AA to assist in identifying needs of the area. This information helps determine financial institutions' responsiveness to these needs and shows available credit and CD opportunities.

Examiners reviewed an existing contact with a representative of an economic development organization that serves both counties comprising the AA. The contact noted economic conditions continue to improve from the COVID-19 pandemic, with support by new companies moving to the area. The contact indicated small business and startup loans represent the main credit needs in the area. The contact also noted local banks remain involved in the community and appropriately serve the area's current credit needs.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that small business loans represent the primary credit need for the Oklahoma City MSA AA. Regarding the area's CD needs, demographic data shows that 40.2 percent of the area's families reported low- or moderate-incomes, which suggests a need for activities that provide affordable housing and community services. The volume of census tracts receiving low- or moderate-income designations suggests a need for activities that revitalize and stabilize such geographies.

SCOPE OF EVALUATION – STATE OF OKLAHOMA

The scope of the evaluation for the State of Oklahoma remains consistent with that discussed for the institution as a whole. Refer to the institution level Scope of Evaluation Section for details. Examiners applied full-scope procedures to the Oklahoma City MSA AA since this represents the sole AA in this rated area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF OKLAHOMA

LENDING TEST

Valliance Bank demonstrated a needs to improve record in the State of Oklahoma regarding the Lending Test. Poor borrower profile outweighs reasonable geographic distribution to support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the State of Oklahoma. Reasonable performance regarding small business loans supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the Oklahoma City MSA AA. As seen in the following table, the bank's level of lending in low-income census tracts mirrors demographic data, reflecting reasonable performance. The table further shows Valliance Bank's lending in moderate-income census tracts trails business demographics by 9.5 percentage points, but remains within a reasonable range.

Geographic Distribution of Small Business Loans Oklahoma City MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.3	6	5.3	927	4.2
Moderate	22.8	15	13.3	2,498	11.2
Middle	32.9	22	19.5	2,895	13.0
Upper	36.4	62	54.9	13,687	61.3
Not Available	2.6	8	7.1	2,322	10.4
Totals	100.0	113	100.0	22,329	100.0

Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, poor penetration among businesses of different sizes in the AA. Poor small business lending performance supports this conclusion.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different sizes in the Oklahoma City MSA AA. As shown in the following table, Valliance Bank originated less than half of its small business loans to businesses with gross annual revenue of \$1 million or less, reflecting poor performance.

Distribution of Small Business Loans by Gross Annual Revenues Oklahoma City MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	73.9	5	4.4	749	3.4
\$100,000 - \$249,999	13.7	11	9.7	2,984	13.4
\$250,000 - \$499,999	3.0	11	9.7	1,952	8.7
\$500,000 - \$1,000,000	1.6	19	16.9	3,238	14.5
Subtotal <= \$1,000,000	92.2	46	40.7	8,923	40.0
>\$1,000,000	2.3	56	49.6	12,396	55.5
Revenue Not Available	5.6	11	9.7	1,010	4.5
Total	100.0	113	100.0	22,329	100.0

Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0.

COMMUNITY DEVELOPMENT TEST

Valliance Bank demonstrated a needs to improve record regarding the Community Development Test in the State of Oklahoma. The institution’s CD performance demonstrates poor responsiveness to CD needs in its AA through CD loans, QIs, CD services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for CD in the institution’s AA.

Community Development Loans

As seen in the institution level section, the bank originated only 5 CD loans totaling \$3.3 million in the State of Oklahoma. This reflects a significant decrease from the 15 CD loans totaling \$36.2 million in the State of Oklahoma at the previous evaluation. The current dollar amount equates to 7.2 percent of the bank’s total CD loans. This reflects a minimal volume of CD loans considering this rated area contributed 66.4 percent of the bank’s total dollar volume of loans as previously noted.

The following lists an example of a CD loan in the Oklahoma City MSA AA.

- **Revitalize/Stabilize** – The bank originated a \$1.0 million loan to a commercial entity for working capital allowing the business to provide employment opportunities in a moderate-income census tract. This activity revitalizes or stabilizes a qualifying geography by helping to attract new or retain existing businesses or residents.

Qualified Investments

Valliance Bank made use of 92 QIs totaling \$2.6 million in the State of Oklahoma as noted in the institution level section. This reflects a decrease from the 158 QIs totaling \$3.7 million in this AA at the previous evaluation. The current dollar amount equates to 39.9 percent of the bank’s total adequate level of QIs, which reflects a low proportion compared to this rated area containing 80.9 percent of the bank’s total deposits.

The following lists an example of a QI in the Oklahoma City MSA AA.

- ***Affordable Housing*** – The bank made a \$1.0 million investment in mortgage-backed securities located with a focus on affordable housing primarily for low- and moderate-income individuals in low- and moderate-income census tracts.

Community Development Services

As noted in the institution level, the bank provided 45 CD services in the State of Oklahoma. This figure reflects a significant decrease from the 101 services at the previous evaluation. The current level represents 68.2 percent of the bank's total CD services whereas the State of Oklahoma contains 60.0 percent of the bank's total branches.

The following lists an example of a CD service in the Oklahoma City MSA AA.

- ***Community Services*** – A bank officer serves on the board of a local food bank that provides food, resources, and education opportunities to low- and moderate-income families and those experiencing a financial hardship. The officer utilizes their financial expertise to aid the organization in its mission.

STATE OF TEXAS

CRA RATING FOR STATE OF TEXAS: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN STATE OF TEXAS

As noted at the institution level, Valliance Bank designated two non-contiguous AAs in the State of Texas: the Dallas Metropolitan Division (MD) AA and the Fort Worth MD AA. Both AAs are located within the Dallas-Fort Worth-Arlington MSA. Refer to the individual AAs' sections for additional details.

SCOPE OF EVALUATION – STATE OF TEXAS

The scope of the evaluation for the State of Texas remains consistent with that discussed for the institution as a whole. Refer to the institution level Scope of Evaluation section for details. Examiners applied full-scope procedures to the Dallas MD AA since a minimum of one AA from each rated area must be reviewed using full-scope procedures and it maintains the highest concentration of the bank's total loans and deposits in the State of Texas as seen in the following table. Consequently, examiners weighed performance in the Dallas MD AA heavier when arriving at conclusions for this rated area. Examiners also applied full-scope procedures and afforded slightly less weight to the Fort Worth MD AA since loan and deposit activity increased in the AA since the prior evaluation.

Assessment Area Breakdown of Loans, Deposits, and Branches State of Texas						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Dallas MD AA	15,073	57.1	53,082	57.0	1	50.0
Fort Worth MD AA	11,310	42.9	40,092	43.0	1	50.0
Total	26,383	100.0	93,174	100.0	2	100.0

Source: 2023 Bank Data; FDIC Summary of Deposits (6/30/2023). Due to rounding, totals may not equal 100.0.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF TEXAS

LENDING TEST

Valliance Bank demonstrated a satisfactory Lending Test record in the State of Texas. An excellent record regarding geographic distribution combined with a poor record regarding borrower profile supports this conclusion. The Dallas MD AA and Fort Worth MD AA demonstrated consistent performance.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout AAs. Excellent performance in the Fort Worth AA sufficiently outweighs reasonable performance in the Dallas MD AA to support this conclusion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, poor penetration among businesses of different sizes in the State of Texas. Reasonable performance in the Dallas MD AA combined with very poor performance in the Fort Worth MD AA supports this conclusion.

COMMUNITY DEVELOPMENT TEST

Valliance Bank demonstrated an outstanding record regarding the Community Development Test in the State of Texas. The institution’s CD performance demonstrates excellent responsiveness to CD needs in the State of Texas through CD loans, QIs, and CD services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for CD in the institution’s AAs. Performance in the Dallas MD AA proved inconsistent, which fell below the state level, and performance in the Fort Worth MD AA proved consistent.

Community Development Loans

The following table shows Valliance Bank originated 20 CD loans totaling approximately \$42.6 million in the State of Texas since the previous evaluation. This significant level reflects an increase from the 16 CD loans totaling \$21.9 million in this rated area at the previous evaluation. The current dollar amount equates to 92.8 percent of the bank’s total CD loans, which reflects a high level compared to this rated area contributing 33.6 percent of the dollar volume of the bank’s total loans.

Community Development Lending by Assessment Area State of Texas										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Dallas MD AA	0	0	2	4,000	0	0	0	0	2	4,000
Fort Worth MD AA	0	0	5	8,500	1	331	2	16,154	8	24,985
Statewide Activities	0	0	9	13,500	0	0	1	100	10	13,600
Total	0	0	16	26,000	1	331	3	16,254	20	42,585

Source: Bank Data.

The following lists an example of a CD loan benefiting the broader statewide area.

- **Revitalize or Stabilize** – The bank originated a \$100,000 loan to revitalize several single-family properties located in a moderate-income census tract. Therefore, the loan provides funds to help retain and attract individuals to the area.

Qualified Investments

The following table shows the bank made use of 25 QIs totaling \$3.9 million in the State of Texas. The dollar amount remains consistent with the \$3.9 million QIs in this rated area at the previous evaluation. The current dollar amount equates to 60.1 percent of the bank’s total QIs compared to this rated area containing only 19.1 percent of the bank’s total deposits.

Qualified Investments by Assessment Area State of Texas										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Dallas MD AA	0	0	13	41	0	0	0	0	13	41
Fort Worth MD AA	3	3,043	8	45	0	0	0	0	11	3,088
Statewide Activities	1	772	0	0	0	0	0	0	1	772
Total	4	3,815	21	86	0	0	0	0	25	3,901

Source: Bank Data.

The following lists an example of a QI benefitting the broader statewide area.

- **Affordable Housing** – The bank maintained a prior period investment of \$772,000 in a mortgage pool that provides affordable housing for low- and moderate-income individuals in the broader statewide area.

Community Development Services

The following table shows Valliance Bank provided 21 CD services in this rated area since the previous evaluation. The current figure represents 31.8 percent of the bank’s total CD services, compared to this rated area containing 40.0 percent of the bank’s total branches. The figure reflects a slight increase from 17 CD services noted at the previous evaluation.

Community Development Services State of Texas					
Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Dallas MD AA	0	3	0	0	3
Fort Worth MD AA	0	15	0	3	18
Total	0	18	0	3	21

Source: Bank Data.

DALLAS MD AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN DALLAS MD AA

The Dallas MD AA includes all of Collin County in northern Texas. This represents one of seven counties comprising the entire Dallas-Plano-Irving MD. Valliance Bank operates one full-service branch with an ATM within this AA. The bank’s delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution section of this performance evaluation.

Economic and Demographic Data

Based on 2020 U.S. Census Data, the AA’s 220 census tracts include the following income designations: 2 low-, 19 moderate-, 62 middle-, and 132 upper-income census tracts, as well as 5 census tracts without an income designation. The following table provides select demographic characteristics for this AA.

Demographic Information of the Assessment Area Dallas MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	220	0.9	8.6	28.2	60.0	2.3
Population by Geography	1,064,465	0.7	8.1	27.3	62.7	1.2
Housing Units by Geography	376,186	1.1	8.4	29.7	60.0	0.8
Owner-Occupied Units by Geography	229,049	0.0	4.8	24.7	70.3	0.3
Occupied Rental Units by Geography	124,442	2.7	14.6	37.5	43.7	1.6
Vacant Units by Geography	22,695	2.7	12.1	36.4	46.5	2.2
Businesses by Geography	229,453	0.2	6.9	32.9	58.8	1.1
Farms by Geography	3,647	0.4	8.9	35.2	54.8	0.7
Family Distribution by Income Level	261,697	12.7	12.8	18.1	56.4	0.0
Household Distribution by Income Level	353,491	15.0	12.8	16.1	56.0	0.0
Median Family Income - Dallas-Plano-Irving, TX MD	\$88,315		Median Housing Value			\$339,665
			Median Gross Rent			\$1,440
			Families Below Poverty Level			4.5%

Source: 2020 U.S. Census Data and 2023 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.

According to Moody’s Analytics, the Dallas MD’s largest employers include: Walmart Inc., American Airlines, Baylor Scott & White Health, and Lockheed Martin. The following table shows annual unemployment rates over the evaluation period for the AA, State of Texas, and nationwide, which reflect a slight increase in 2023 within the AA.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Collin County	4.4	3.2	3.5
State of Texas	5.6	3.9	3.9
National Average	5.3	3.6	3.6

Source: Bureau of Labor Statistics.

Competition

The AA reflects a low level of competition for financial services, based on the AA’s population. According to the FDIC Deposit Market Share report as of June 30, 2023, 68 financial institutions operate 261 offices within the AA. Of these institutions, Valliance Bank ranked 45th with a 0.1 percent deposit market share. However, mortgage companies, credit unions, and finance companies also compete for loans in the area adding to the competition level.

Community Contact

Examiners reviewed an existing community contact with a representative of a community development organization that serves the entire state of Texas. The contact noted a shortage of affordable homes due to investors buying the affordable homes and ultimately raising prices. The contact also stated that small business have not fully recovered from the COVID-19 pandemic due to increased operating costs on equipment and supplies. The contact noted improvement in banking relationships in the area, but that more opportunities exist for banks to help. For instance, the contact indicated banks can invest in community development organizations that assist individuals and small business in the community and develop partnerships to assist future borrowers with mortgages and provide more consumer loans within the area.

Credit and Community Development Needs and Opportunities

Considering information from bank management, the community contact, and demographic and economic data, examiners determined that small business lending and home mortgage loans represent the primary credit needs in the Dallas MD AA. With respect to the area’s CD needs, community contact information suggests a need for affordable housing and community services.

CONCLUSIONS ON PERFORMANCE CRITERIA IN DALLAS MD AA

LENDING TEST

Valliance Bank demonstrated a satisfactory record in the Dallas MD AA regarding the Lending Test. Reasonable records regarding geographic distribution and borrower profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. A reasonable record regarding small business loans supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the Dallas MD AA. Reasonable performance in low- and moderate-income census tracts supports this conclusion. The following table shows Valliance Bank did not originate any small business loans in low-income census tracts. However, this reflects a reasonable level when compared to demographic data, which shows only 0.2 percent of businesses are located in these tracts. In moderate-income census tracts, the bank's lending trails demographic data by 2.5 percent percentage points, also evidencing reasonable performance.

Geographic Distribution of Small Business Loans Dallas MD AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.2	0	0.0	0	0.0
Moderate	6.9	2	4.4	99	1.1
Middle	32.9	8	17.8	1,292	14.9
Upper	58.8	34	75.6	7,022	81.1
Not Available	1.1	1	2.2	250	2.9
Totals	100.0	45	100.0	8,663	100.0

Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes in the AA. Reasonable performance regarding small business loans supports this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Dallas MD AA. The following table shows Valliance Bank originated 6 out of every 10 small business loans to businesses with gross annual revenue of \$1 million or less, evidencing a reasonable level.

Distribution of Small Business Loans by Gross Annual Revenues Dallas MD AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	74.2	4	8.9	264	3.1
\$100,000 - \$249,999	15.6	8	17.8	753	8.7
\$250,000 - \$499,999	2.9	4	8.9	450	5.2
\$500,000 - \$1,000,000	1.3	11	24.4	2,654	30.6
Subtotal <= \$1,000,000	94.0	27	60.0	4,121	47.6
>\$1,000,000	1.6	16	35.6	4,481	51.7
Revenue Not Available	4.4	2	4.4	61	0.7
Total	100.0	45	100.0	8,663	100.0

Source: 2023 D&B Data, 2023 Bank Data. Due to rounding, totals may not equal 100.0.

COMMUNITY DEVELOPMENT TEST

Valliance Bank demonstrated a needs to improve record regarding the Community Development Test in the Dallas MD AA. The institution’s CD performance demonstrates poor responsiveness to CD needs in the Dallas MD AA through CD loans, QIs, and CD services, as appropriate, considering the institution’s capacity and the need availability of such opportunities for CD in the institution’s AA.

Community Development Loans

As noted within the rated area level, Valliance Bank originated 2 CD loans totaling \$4.0 million in the Dallas MD AA. This reflects a decrease from the 4 CD loans totaling \$6.6 million reported in this AA at the previous evaluation. This low level equates to 9.4 percent of the bank’s total CD loans by dollar volume in the State of Texas (or 13.8 percent less statewide activities). As previously noted, this AA contains 57.1 percent of total loans in the State of Texas.

The following lists an example of a CD loan in the Dallas MD AA.

- **Community Services** – The bank originated two loans totaling \$4.0 million to an organization that provides safe and secure housing to low- and moderate-income senior citizens and veterans living in nursing homes. The funds were used to purchase investments in a CRA Qualified Investment Fund (CRAIX) issued by Community Capital Management.

Qualified Investments

As noted under the rated area level, the bank made use of 13 QIs totaling just \$41,000 in this AA. This level reflects a notable decrease from the 36 QIs totaling \$1.2 million reported in this AA at the previous evaluation. The current dollar amount represents 1.1 percent of the bank’s total QIs in the State of Texas, which reflects a minimal level compared to this AA containing 57.0 percent of the bank’s deposits in the State of Texas.

The following lists an example of a QI in the Dallas MD AA.

- **Community Services** – The bank made 3 donations totaling \$15,294 to a non-profit organization providing resources in the form of case workers, counselors, and shelters primarily to support low- or moderate-income women.

Community Development Services

As noted under the rated area level, Valliance Bank provided only 3 CD services in the Dallas MD AA, which represents 14.3 percent of the bank’s CD services in the State of Texas. Comparatively, this AA contains 50.0 percent of the bank’s total branches in the State of Texas.

The following lists an example of a CD service in the Dallas MD AA.

- **Community Services** – A bank officer serves on the board of a local women’s shelter that provides case workers, counselors, and shelter primarily to low- and moderate-income women. The officer utilizes their financial expertise to aid the organization in its mission.

FORT WORTH MD AA – Full Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN FORT WORTH MD AA

The Fort Worth MD AA includes all of Tarrant County in northern Texas. This represents one of four counties comprising the entire Fort Worth-Arlington-Grapevine MD. Valliance Bank operates one full-service branch with an ATM within this AA. The bank’s delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution section of this performance evaluation.

Economic and Demographic Data

Based on 2020 U.S. Census Data, the AA’s 449 census tracts include the following income designations: 35 low-, 130 moderate-, 140 middle-, and 139 upper-income census tracts as well as 5 census tracts without an income designation. The following table provides select demographic characteristics for this AA.

Demographic Information of the Assessment Area Fort Worth MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	449	7.8	29.0	31.2	31.0	1.1
Population by Geography	2,110,640	6.4	27.1	33.4	32.6	0.5
Housing Units by Geography	780,381	6.8	26.9	34.1	31.7	0.5
Owner-Occupied Units by Geography	435,543	2.7	20.5	35.8	40.6	0.4
Occupied Rental Units by Geography	286,903	11.8	35.5	32.8	19.4	0.6
Vacant Units by Geography	57,935	13.1	32.7	27.5	25.2	1.4
Businesses by Geography	329,654	4.3	21.4	29.3	44.3	0.7
Farms by Geography	5,528	3.6	20.3	30.2	45.5	0.4
Family Distribution by Income Level	500,989	21.2	17.6	20.2	41.0	0.0
Household Distribution by Income Level	722,446	22.7	16.8	18.8	41.7	0.0
Median Family Income - Fort Worth-Arlington-Grapevine, TX MD	\$82,649		Median Housing Value			\$216,656
			Median Gross Rent			\$1,172
			Families Below Poverty Level			8.4%

Source: 2020 U.S. Census Data and 2023 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.

According to Moody’s Analytics, the Fort Worth MD’s largest employers include: Lockheed Martin Corp., Texas Health Resources, and The University of Texas at Arlington. The following table shows annual unemployment rates over the evaluation period for the AA, State of Texas, and nationwide. Unemployment rates in the AA remain relatively consistent with the State of Texas and nationwide averages.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Tarrant County	5.3	3.7	3.7
State of Texas	5.6	3.9	3.9
National Average	5.3	3.6	3.6

Source: Bureau of Labor Statistics.

Competition

The AA reflects a low level of competition for financial services, considering the AA’s population. According to the FDIC Deposit Market Share report as of June 30, 2023, 77 financial institutions operate 410 branches within the bank’s AA. Of these institutions, Valliance Bank ranked 58th with

0.1 percent deposit market share. However, mortgage companies, credit unions, and finance companies also compete for loans in the area adding to the competition level.

Credit and Community Development Needs and Opportunities

Considering information obtained from bank management as well as demographic and economic data, examiners concluded the primary credit need of the AA includes small business loans. Regarding the area's CD needs, demographics data shows 38.8 percent of the area's families reported low- or moderate-incomes, which suggest a need for activities that provide affordable housing and community services. The volume of census tracts receiving low- or moderate-income designations suggest a need for activities that revitalize or stabilize such geographies.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FORT WORTH MD AA

LENDING TEST

Valliance Bank demonstrated a satisfactory record in the Fort Worth MD AA regarding the Lending Test. Excellent geographic distribution combined with very poor borrower profile supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Fort Worth MD AA. Excellent performance regarding small business loans supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the Fort Worth MD AA. As seen in the following table, the bank's level of lending in moderate-income census tracts significantly exceeds demographic data by 25.0 percentage points, reflecting excellent performance. Although Valliance Bank did not make any small business loans in low-income census tracts, this only trails demographic data by 4.3 percentage points and reflects reasonable performance. Examiners placed more weight on performance in moderate-income census tracts since these census tracts contain a larger percentage of businesses, which reflect a greater opportunity to lend.

Geographic Distribution of Small Business Loans Fort Worth MD AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.3	0	0.0	0	0.0
Moderate	21.4	13	46.4	2,642	15.1
Middle	29.3	2	7.1	385	2.2
Upper	44.3	13	46.4	14,419	82.6
Not Available	0.7	0	0.0	0	0.0
Totals	100.0	28	100.0	17,446	100.0

Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, very poor penetration among businesses of different sizes. Very poor performance regarding small business loans supports this conclusion.

Small Business Loans

The distribution of borrowers reflects very poor penetration among businesses of different sizes in the Fort Worth MD AA. The following table shows Valliance Bank originated less than 3 out of every 10 small business loans to businesses with gross annual revenue of \$1 million or less, reflective of very poor performance.

Distribution of Small Business Loans by Gross Annual Revenues Fort Worth MD AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	70.7	0	0.0	0	0.0
\$100,000 - \$249,999	16.4	2	7.1	515	3.0
\$250,000 - \$499,999	3.4	4	14.3	368	2.1
\$500,000 - \$1,000,000	1.6	2	7.1	401	2.3
Subtotal <= \$1,000,000	92.1	8	28.5	1,284	7.4
>\$1,000,000	2.0	19	67.9	15,986	91.6
Revenue Not Available	5.8	1	3.6	176	1.0
Total	100.0	28	100.0	17,446	100.0

Source: 2023 D&B Data; 2023 Bank Data. Due to rounding, totals may not equal 100.0.

COMMUNITY DEVELOPMENT TEST

Valliance Bank demonstrated an outstanding record regarding the Community Development Test in the Fort Worth MD AA. The institution's CD performance demonstrates excellent responsiveness to CD needs in the Fort Worth MD AA through CD loans, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AA.

Community Development Loans

As noted within the rated area level, Valliance Bank originated 8 CD loans totaling \$25.0 million in the Fort Worth MD AA. This figure reflects a notable increase from the 3 CD loans totaling \$4.4 million reported in this AA at the previous evaluation. This relatively high level equates to 58.7 percent of the bank's total CD loans by dollar volume in the State of Texas (or 86.2 percent less statewide activities). As previously noted, this AA contained 42.9 percent of total loans in the State of Texas.

The following lists an example of a CD loan in the Fort Worth MD AA.

- ***Revitalize or Stabilize*** – The bank originated a \$6.1 million loan to revitalize an existing office space located in a low-income census tract. Therefore, the loan provides funds to help retain and attract businesses in a qualifying geography.

Qualified Investments

As noted under the rated area level, Valliance Bank made use of 11 QIs totaling \$3.1 million in this AA. This level reflects an increase in dollar volume from the 23 QIs of totaling \$1.6 million at the previous evaluation. The current dollar amount represents 79.2 percent of the bank's total QIs in the State of Texas, which reflects a good volume compared to this AA containing 43.0 percent of the bank's deposits in the State of Texas.

The following lists an example of a QI in the Fort Worth MD AA.

- ***Affordable Housing*** – The bank made 2 investments totaling \$2.2 million in mortgage-backed securities with a focus on affordable housing primarily for low- and moderate-income individuals located in low- and moderate-income census tracts.

Community Development Services

As noted under the rated area level, the bank provided 18 CD services in the Fort Worth MD AA, which represents 85.7 percent of the bank's CD services in the State of Texas. Comparatively, this AA contains 50.0 percent of the bank's total branches in the State of Texas.

The following lists an example of a CD service in the Fort Worth MD AA.

- ***Community Services*** – A bank officer serves as a board member of an organization that teaches basic and advanced computer skills, as well as professional development, primarily to low-income women. Thus, the activity benefits an organization that provides community services, in the form of social services, targeted to low- and moderate-income individuals.

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.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
State of Oklahoma	Needs to Improve	Needs to Improve	Needs to Improve
State of Texas	Satisfactory	Outstanding	Satisfactory

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