

PUBLIC DISCLOSURE

May 23, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Crossroads Bank
Certificate Number: 10709

406 West Grand Avenue
Yoakum, Texas 77995

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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Crossroads Bank's satisfactory Lending Test record supports the overall Community Reinvestment Act (CRA) rating. The following points summarize conclusions regarding the applicable test, discussed in detail elsewhere.

- 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 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, excellent 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 criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

Crossroads Bank, headquartered in Yoakum, Texas, began operations in 1931 under the name First State Bank. On December 3, 2018, management changed the name of the bank to Crossroads Bank. The institution is wholly owned by First State Bancshares of Yoakum, Inc., also located in Yoakum, Texas. Crossroads Bank received a Satisfactory rating at its previous May 13, 2019, Federal Deposit Insurance Corporation (FDIC) CRA Performance Evaluation based on Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures.

Crossroads Bank functions as a retail bank focusing primarily on commercial, residential, and consumer loans from its three full-service offices located in Yoakum, Moulton, and Victoria, Texas. The bank did not close any full-service offices, and it did not participate in any merger or acquisition activities since the previous evaluation.

The bank offers a variety of loan products including commercial, construction, residential, consumer, and agricultural loans. In addition, the bank participated in the Small Business Administration’s Paycheck Protection Program (PPP). The bank originated 174 PPP loans totaling \$12.9 million in 2020. The bank also offers a variety of deposit services including consumer and commercial checking and savings accounts, certificates of deposits, and debit cards. Alternative delivery systems include telephone, online and mobile banking with bill pay and mobile deposit capabilities, drive-thru facilities, and four automated teller machines (ATMs). Service hours remain consistent with area and industry norms and include extended business hours at the drive-thru facilities on weekdays and extended business hours on Saturdays at the Victoria branch location.

As of March 31, 2022, assets totaled approximately \$311.1 million, consisting primarily of net loans and leases of \$145.9 million, securities of \$138.9 million, and cash of \$15.7 million. Total deposits totaled approximately \$226.9 million as of the same date. Since the last evaluation, on average per year, total assets increased 17.8 percent, net loans increased 12.3 percent, and total deposits increased 20.2 percent.

As shown in the following table, the loans outstanding as of March 31, 2022, reflect a distribution generally consistent with that of the loans originated and purchased during 2021, as discussed under the Scope of Evaluation. Commercial loans (Secured by Nonfarm Nonresidential Properties and Commercial and Industrial Loans) at 41.6 percent by dollar volume represent the largest loan category followed by residential loans (Secured by 1-4 Family Residential Properties and Secured by Multifamily (5 or more) Residential Properties) at 41.5 percent.

Loan Portfolio Distribution as of 03/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	3,538	2.4
Secured by Farmland	635	0.4
Secured by 1-4 Family Residential Properties	59,746	40.3
Secured by Multifamily (5 or more) Residential Properties	1,723	1.2
Secured by Nonfarm Nonresidential Properties	40,597	27.4
Total Real Estate Loans	106,239	71.7
Commercial and Industrial Loans	21,005	14.2
Agricultural Production and Other Loans to Farmers	3,586	2.4
Consumer Loans	16,169	10.9
Obligations of State and Political Subdivisions in the U.S.	433	0.3
Other Loans	762	0.5
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	75	<0.1
Total Loans	148,119	100.0
<i>Source: Reports of Condition and Income</i>		

Based on the information discussed in this section, as well as other regulatory data, Crossroads Bank’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

Crossroads Bank designated two assessment areas, the whole counties of DeWitt and Lavaca, which comprise the Texas Non-MSA (Metropolitan Statistical Area) Assessment Area (Non-MSA AA) and the whole county of Victoria, which comprises the Victoria Assessment Area (Victoria AA). Based on 2015 American Community Survey (ACS) Census data, the assessment areas contained 34 total census tracts with the following income designations: 1 low-income tract, 10 moderate-income tracts, 10 middle-income tracts, 12 upper-income tracts, and 1 tract that has not been assigned an income classification. The bank has not changed its assessment areas since the prior evaluation.

None of the applicable geographies were identified as distressed or underserved. However, both assessment areas experienced multiple Federal Emergency Management Agency (FEMA)-related disasters 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 sections.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Non-MSA AA	DeWitt and Lavaca	11	2 Full-Service Offices
Victoria AA	Victoria	23	1 Full-Service Office

Source: Bank Data

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 13, 2019, to the current evaluation dated May 23, 2022. Examiners used the Interagency Small Bank Examination Procedures to evaluate Crossroads Bank's CRA performance.

As previously noted, the bank operates in two separate assessment areas in Southeast Texas. The following table shows that the bank generated a majority of its loans based upon the dollar volume of loans originated inside the bank's Non-MSA AA. Also, it is noted that the majority of deposits are in the Non-MSA AA. Consequently, examiners applied full-scope procedures to and placed the greatest weight on the bank's performance in the Non-MSA AA. Examiners applied limited-scope procedures to the Victoria AA since it received full-scope procedures at the prior evaluation. 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)	%	#	%
Non-MSA AA	51,371	78.1	240,581	91.7	2	66.7
Victoria AA	14,389	21.9	21,894	8.3	1	33.3
Total	65,760	100.0	262,475	100.0	3	100.0

Source: 2021 Bank Data; FDIC Summary of Deposits (06/30/2021)

Activities Reviewed

For the Lending Test, examiners determined that the bank's major product lines include small business and home mortgage 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 the rating, 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	5,997	7.0	13	0.6
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	16,133	18.7	101	4.3
Multi-Family (5 or more) Residential Properties	2,046	2.4	3	0.1
Commercial Real Estate Loans	16,160	18.8	55	2.3
Commercial and Industrial Loans	27,323	31.7	440	18.7
Agricultural Loans	4,980	5.8	242	10.3
Consumer Loans	13,426	15.6	1,498	63.7
Other Loans	0	0.0	0	0.0
Total Loans	86,065	100.0	2,352	100.0

Source: 2021 Bank Data

Examiners selected a sample of small business loans originated in the period January 1, 2021, through December 31, 2021. This sample was considered representative of the bank's performance during the entire evaluation period. The bank originated 495 small business loans totaling \$43.4 million in 2021, of which examiners sampled 60 loans totaling nearly \$4.6 million. D&B data for 2021 provided the standard of comparison for the sampled small business loans.

In addition, this evaluation considered home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers. This includes 2019 data showing 92 loans totaling \$11.5 million and 2020 data showing 87 loans totaling approximately \$11.0 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. Aggregate HMDA data provided the standard of comparison for the reviewed home mortgage loans.

As reflected in the following table, examiners considered the universes by dollar volume and number of loans originated, as well as management's stated business strategy to determine the weighting applied to the loan categories reviewed, when arriving at applicable conclusions. Therefore, small business loans received heavier weighting when arriving at overall conclusions.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Business	495	43,483	60	4,584
Home Mortgage	87	11,014	87	11,014

Source: 2021 Bank Data; 2020 HMDA Reported Data

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Crossroads Bank demonstrated a satisfactory record regarding the Lending Test. Reasonable records regarding the bank's geographic distribution and LTD performance and the origination of a majority of loans in the bank's assessment areas primarily support this conclusion. The bank also achieved an excellent record regarding borrower profile. The Appendix lists the criteria used to evaluate the Lending Test.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The LTD ratio, calculated from Report of Income and Condition data, averaged 56.3 percent over the past 11 calendar quarters from June 30, 2019, to December 31, 2021, representing an increase from the 50.5 percent average, net LTD ratio recorded at the prior evaluation. The ratio ranged from a high of 63.7 percent as of September 30, 2019, to a low of 48.2 percent as of December 31, 2021, with a declining trend.

The following table demonstrates four somewhat comparable institutions operating in Crossroads Bank's assessment areas and reflecting similar lending emphases. The table demonstrates that three of the four comparable banks reported average, net LTD ratios similar to Crossroads Bank's average, net LTD ratio.

LTD Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net LTD Ratio (%)
Crossroads Bank, Yoakum, TX	315,216	56.3
First National Bank in Port Lavaca, Port Lavaca, TX	403,034	56.2
Peoples State Bank of Hallettsville, Hallettsville, TX	341,272	39.4
The Yoakum National Bank, Yoakum, TX	233,268	51.1
TrustTexas Bank, Cuero, TX	398,191	55.7
<i>Source: Reports of Condition and Income (06/30/2019 – 12/31/2021)</i>		

Assessment Area Concentration

A majority of loans are in the institution's assessment areas. A majority of small business and home mortgage 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 small business and home mortgage 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	80	87.0	12	13.0	92	10,314	89.5	1,210	10.5	11,524
2020	68	78.2	19	21.8	87	6,948	63.1	4,066	36.9	11,014
Subtotal	148	82.7	31	17.3	179	17,262	76.6	5,276	23.4	22,538
Small Business	50	83.3	10	16.7	60	3,959	86.4	625	13.6	4,584
<i>Source: 2019 & 2020 HMDA Reported Data; 2021 Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Reasonable geographic distribution performance in the Non-MSA AA, the assessment area receiving the most weight, lifted very poor performance in the Victoria 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, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Excellent borrower profile performance in the Non-MSA AA, the assessment area receiving the most weight, and excellent performance in the Victoria AA 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 rating.

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.

NON-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA AA

The Non-MSA AA consists of DeWitt and Lavaca Counties. The Non-MSA AA includes the bank's main office in Yoakum, Texas and one branch in Moulton, Texas, both of which operate an ATM. Both offices are located in upper-income census tracts. The Non-MSA AA also includes one stand-alone ATM in Yoakum, Texas.

Economic and Demographic Data

The assessment area includes all 5 census tracts in DeWitt County and all 6 tracts in Lavaca County. These tracts reflect the following income designations according to the 2015 ACS Census data: 0 low-income tracts, 2 moderate-income tracts, 3 middle-income tracts, and 6 upper-income tracts. FEMA included DeWitt and Lavaca Counties in a major disaster declaration for March 2020 and February 2021. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	18.2	27.3	54.5	0.0
Population by Geography	40,089	0.0	21.6	25.1	53.3	0.0
Housing Units by Geography	19,549	0.0	15.7	27.6	56.7	0.0
Owner-Occupied Units by Geography	11,381	0.0	14.8	27.7	57.4	0.0
Occupied Rental Units by Geography	3,381	0.0	24.7	26.1	49.2	0.0
Vacant Units by Geography	4,787	0.0	11.3	28.3	60.4	0.0
Businesses by Geography	2,979	0.0	15.2	29.7	55.1	0.0
Farms by Geography	261	0.0	9.6	26.4	64.0	0.0
Family Distribution by Income Level	10,607	17.3	15.6	18.8	48.2	0.0
Household Distribution by Income Level	14,762	22.2	14.2	15.0	48.6	0.0
Median Family Income Non-MSAs - TX		\$52,198	Median Housing Value			\$115,505
			Median Gross Rent			\$646
			Families Below Poverty Level			10.2%
<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 3,240 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, 83.5 percent of area businesses maintain GARs of \$1 million or less.

Service industries represent the largest portion of businesses at 34.5 percent, followed by non-classifiable establishments at 13.9 percent, and retail trade at 13.7 percent. Major employers in the Non-MSA AA include Moulton Independent School District, Shiner Brewery, Boedeker Precisions and Plastics, Yoakum Independent School District, Yoakum Community Hospital, Eddy and Yoakum Packing, Kaspar Wire Works, as well as local city and county government offices. In addition, 68.2 percent of area businesses have 4 or fewer employees, and 89.1 percent operate from a single location. The Texas Workforce Commission noted that DeWitt and Lavaca Counties reported December 2021, unemployment rates of 3.5 and 3.4 percent, respectively, compared to the State of Texas' rate of 4.2 percent and the U.S.' rate of 3.7 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 \$59,100 for the Non-MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TX NA Median Family Income (99999)				
2020 (\$59,100)	<\$29,550	\$29,550 to <\$47,280	\$47,280 to <\$70,920	≥\$70,920
<i>Source: FFIEC</i>				

The area includes 19,549 housing units. Of these, 58.2 percent are owner-occupied, 17.3 percent are occupied rental units, and 24.5 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 20 financial institutions that operated 41 offices within the bank's Non-MSA AA. Of these institutions, Crossroads Bank ranked 6th with a 5.3 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 stable with some limited growth. The contact noted that the oil and gas industry has currently provided stable jobs and royalty income to individuals owning mineral rights. According to the contact, local businesses are stable but cautious with rising interest rates. The contact stated that opportunities for financial institution participation include small business, commercial, home mortgage, and consumer loans. The contact indicated that local financial institutions are responsive to the area's credit needs as well as participate in numerous community and charitable functions.

Credit Needs

The Non-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 small business, home mortgage, and consumer lending.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

Crossroads Bank demonstrated a satisfactory record regarding the Lending Test in the Non-MSA AA. Reasonable geographic distribution performance insufficiently lifted by excellent borrower profile performance supports this conclusion.

Geographic Distribution

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

Small Business Loans

The geographic distribution of small business loans within the Non-MSA AA reflects reasonable performance. Examiners focused on the bank's performance in moderate-income geographies since the Non-MSA AA does not include any low-income census tracts. The following table shows that the bank's level of lending in moderate-income geographies exceeds D&B data by 11.3 percentage points, reflecting reasonable performance.

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	15.2	9	26.5	432	19.3
Middle	29.7	6	17.6	903	40.3
Upper	55.1	19	55.9	904	40.4
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	34	100.0	2,239	100.0
<small>Source: 2021 D&B Data; 2021 Bank Data Due to rounding, totals may not equal 100.0%</small>					

Home Mortgage Loans

The geographic distribution of home mortgage loans within the Non-MSA AA reflects reasonable performance. The following table shows that the bank's level of lending in moderate-income geographies exceeds aggregate data by 13.2 percentage points, reflecting reasonable performance.

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	14.8	14.4	16	27.6	1,065	18.0
Middle	27.7	30.5	21	36.2	2,092	35.3
Upper	57.4	55.1	21	36.2	2,765	46.7
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	58	100.0	5,922	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

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

Small Business Loans

The borrower profile distribution of small business loans within the Non-MSA AA reflects an excellent penetration among businesses of different sizes. The following table shows that the bank originated a substantial majority, or 97.1 percent, of the sampled small business loans to businesses with GARs of \$1 million or less, reflective of excellent performance, and rising 13.6 percentage points above D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	54.5	21	61.8	670	29.9
\$100,000 - \$249,999	19.9	8	23.5	246	11.0
\$250,000 - \$499,999	6.2	2	5.9	770	34.4
\$500,000 - \$1,000,000	2.9	2	5.9	200	8.9
Subtotal <= \$1,000,000	83.5	33	97.1	1,886	84.2
>\$1,000,000	5.0	1	2.9	353	15.8
Revenue Not Available	11.5	0	0.0	0	0.0
Total	100.0	34	100.0	2,239	100.0

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels within the Non-MSA AA reflects reasonable performance. The following table shows that the bank’s level of lending to low-income borrowers lands slightly above aggregate data by 1.8 percentage points, reflecting reasonable performance. The table further shows that the bank’s level of lending to moderate-income borrowers rises above aggregate data by 10.3 percentage points, also reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.3	1.6	2	3.4	110	1.9
Moderate	15.6	10.4	12	20.7	781	13.2
Middle	18.8	19.4	17	29.3	1,366	23.1
Upper	48.2	52.5	26	44.8	3,627	61.2
Income Not Available	0.0	16.1	1	1.7	38	0.6
Total	100.0	100.0	58	100.0	5,922	100.0

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

VICTORIA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN VICTORIA AA

The Victoria AA includes the county of Victoria, which is located in the Victoria, TX MSA. Crossroads Bank operates one full-service office and one ATM in an upper-income census tract within this area.

The assessment area includes all 23 census tracts in Victoria County. These tracts reflect the following income designations according to the 2015 ACS Census data: 1 low-, 8 moderate-, 7 middle-, 6 upper-income tracts, and 1 tract that has not been assigned an income classification. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area Victoria AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	23	4.3	34.8	30.4	26.1	4.3
Population by Geography	90,099	3.7	34.9	25.6	35.9	0.0
Housing Units by Geography	35,876	3.4	34.2	25.6	36.7	0.0
Owner-Occupied Units by Geography	21,403	2.2	26.6	24.5	46.7	0.0
Occupied Rental Units by Geography	11,107	5.6	48.0	25.4	21.0	0.0
Vacant Units by Geography	3,366	4.0	37.3	33.5	25.3	0.0
Businesses by Geography	6,851	2.2	33.8	25.0	38.9	0.1
Farms by Geography	232	0.9	16.4	31.9	50.9	0.0
Family Distribution by Income Level	23,051	23.4	16.9	18.0	41.6	0.0
Household Distribution by Income Level	32,510	23.3	16.6	18.2	41.9	0.0
Median Family Income MSA - 47020 Victoria, TX MSA		\$60,302	Median Housing Value			\$117,929
			Median Gross Rent			\$791
			Families Below Poverty Level			12.4%
<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>						

The following table presents the low-, moderate-, middle-, and upper-income categories, based on the 2020 FFIEC-updated median family income of \$68,800 for the Victoria AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Victoria, TX MSA Median Family Income (47020)				
2020 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
<i>Source: FFIEC</i>				

Major employers in the assessment area include Victoria Independent School District, University of Houston-Victoria, Citizens Medical Center, INVISTA, Caterpillar, South Texas Electric Coop, as well as local city and government offices. The Texas Workforce Commission noted that Victoria County reported a December 2021, unemployment rate of 4.9 percent compared to the State of Texas' rate of 4.2 percent and the U.S.' rate of 3.7 percent for the same period.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VICTORIA AA

LENDING TEST

The institution's lending performance in the Victoria AA is consistent with the institution's lending performance overall.

Geographic Distribution

Small Business Loans

Geographic Distribution of Small Business Loans Victoria AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.2	0	0.0	0	0.0
Moderate	33.8	1	6.3	672	39.1
Middle	25.0	5	31.3	311	18.1
Upper	38.9	10	62.5	737	42.8
Not Available	0.1	0	0.0	0	0.0
Total	100.0	16	100.0	1,720	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 Victoria AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.2	1.1	1	10.0	87	8.4
Moderate	26.6	20.2	3	30.0	261	25.5
Middle	24.5	23.9	2	20.0	125	12.2
Upper	46.7	54.8	4	40.0	553	54.0
Not Available	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	10	100.0	1,026	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 Victoria AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	52.8	6	37.5	107	6.2
\$100,000 - \$249,999	19.0	5	31.3	280	16.3
\$250,000 - \$499,999	6.3	3	18.8	492	28.6
\$500,000 - \$1,000,000	3.7	1	6.3	169	9.9
Subtotal <= \$1,000,000	81.8	15	93.9	1,048	60.9
>\$1,000,000	4.6	1	6.3	672	39.1
Revenue Not Available	13.6	0	0.0	0	0.0
Total	100.0	16	100.0	1,720	100.0

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

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Victoria AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.4	3.0	1	10.0	40	3.9
Moderate	16.9	11.6	1	10.0	70	6.8
Middle	18.0	19.3	2	20.0	171	16.7
Upper	41.6	40.6	3	30.0	521	50.8
Not Available	0.0	25.6	3	30.0	224	21.8
Total	100.0	100.0	10	100.0	1,026	100.0

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

APPENDICES

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 institution'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).

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 institution 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.

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.

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.

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.

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 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.

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.