Charles Schwab Premier Bank, SSB

CRA STRATEGIC PLAN

January 1, 2022 – December 31, 2024

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1 INTRODUCTION

Fulfilling the objectives of the federal Community Reinvestment Act ("CRA") is of paramount importance to The Charles Schwab Corporation. The Board of Directors has elected to have the performance records of Charles Schwab Premier Bank, SSB ("CSPB" or "Premier Bank" or the "Bank") assessed pursuant to a CRA strategic plan, thereby leveraging the strengths of the Bank's business model to achieve meaningful impact. CSPB has generated very positive feedback from the community since adopting its 2019-2021 CRA Strategic Plan (the "2019 Plan") and its 2019 Plan amendment, including favorable recognition for its creative initiatives, flexible approach, leadership, and high level of responsiveness to community needs.

The CSPB CRA Strategic Plan ("Plan") contained herein encompasses the period from January 1, 2022 to December 31, 2024. The Plan presents a guiding framework for the Bank's efforts to help meet the credit needs of the community, including low- and moderate-income ("LMI") neighborhoods and individuals, during the three-year Plan cycle. In preparing the Plan, we performed an evaluation of community needs and market opportunities through statistical research and in-depth discussions with community stakeholders. This Plan builds on Premier Bank's prior successes, leverages our expertise, while supporting new initiatives and broader partnerships that are aligned with emerging developments across the markets served by CSPB.

DESCRIPTION OF INSTITUTION

1.1 OVERVIEW

Charles Schwab Premier Bank, SSB, a Texas state savings bank, opened its doors in November 2017, having purchased the assets of Nordstrom Federal Savings Bank, and is headquartered in Westlake, Texas. The Bank is a wholly owned subsidiary of The Charles Schwab Corporation ("CSC"), a savings and loan holding company based in Westlake, Texas. CSC, through its principal subsidiary Charles Schwab & Co., Inc. ("CS&Co"), is primarily engaged in securities brokerage.

CSC was founded in 1973 by Charles Schwab. The company was founded to make investing and building wealth easier and more accessible to the average investor. This approach and that of "Through the Client's Eyes" have led to a strong company culture and one in which everyone is empowered to "Own their Tomorrow." All of CSC's subsidiaries were created to maximize service and value to CSC clients.

1.2 FINANCIAL INFORMATION

The Bank's June 30, 2021 Call Report showed total assets of $33.6 billion, total liabilities of $31 billion, and total equity capital of $2.6 billion. Premier Bank's assets were comprised of $1.7 billion in cash, $30.2 billion in mortgage-backed securities ("MBS"), and $1.7 billion in non-MBS securities. Premier Bank's liabilities were comprised of $31 billion in deposits. Tier one capital of $2.4 billion represented 38.6% of Premier Bank's risk-weighted assets.

1.3 Current Products and Services

Currently, the Bank only offers deposit products. CSPB plans to focus on serving advisors and clients who have complex financial and banking needs through a limited set of loan and deposit products.

The Bank has no physical retail presence and serves customers through alternative delivery systems including the telephone, mail, a transactional internet website, mobile capabilities, and other electronic means such as ATMs. Reflecting the Bank's business model, nearly all the Bank's clients are associated with broker-dealer relationships. Given its reliance on non-branch delivery systems, deposits are sourced, and products are available nationally.

2 Strategic Plan Background

2.1 Election of Alternative CRA Assessment Method

The Bank's Board of Directors and Management are committed to the goals set forth in this Plan. Pursuant to 12 CFR § 228.27(f)(4), if through unforeseen circumstances, the Bank is unable to meet substantially all the goals enumerated in this Plan to achieve a minimum "Satisfactory" rating, the Federal Reserve Board will evaluate the Bank's performance under the lending, investment, and service tests, the community development test, or the small bank performance standards, as appropriate.

2.2 Strategic Plan Effective Date and Term

The term of this Plan is 36 months, covering the period from January 1, 2022 through December 31, 2024. If there are material changes in the Bank's product mix, geography, or volume projections that would have an impact on the goals enumerated in this document, the Bank will amend the Plan.

2.3 Implementation

The Bank's CRA Committee is charged with responsibility for implementing the Bank's CRA program. The CRA Committee is a sub-committee of the Bank's Management Committee ("MC") and is comprised of senior officers of the Bank and CSC. The Bank's CRA Committee and MC ensure that adequate resources are dedicated to the CRA program to implement the Bank's CRA Strategic Plan.

The Bank's Board of Directors is responsible for approving the Strategic Plan, approving the Bank's CRA assessment area(s), and for appointing the CRA Officer, who also serves as Chair of the CRA Committee. The Board may delegate such authority as it deems appropriate. The CRA Officer oversees a team responsible for (i) developing, managing, and coordinating CRA Plan implementation across business and support units, and (ii) providing Community Development Loans, Investments and Services, as defined below. The diverse backgrounds of other CRA Committee members help ensure that the CRA Strategic Plan is effectively administered.

2.4 Public Participation and Submission Process

A bank seeking approval of a CRA strategic plan is required to solicit public comment and undertake the following steps associated with the submission process. Specifically, 12 CFR § 228.27 of the Federal Reserve Board's ("Board") Regulation BB provides, in part, as follows:

". . . (d) Public participation in plan development. Before submitting a plan to the Board for approval, a bank shall:

(1) Informally seek suggestions from members of the public in its assessment area(s) covered by the plan while developing the plan;

(2) Once the bank has developed a plan, formally solicit public comment on the plan for at least 30 days by publishing notice in at least one newspaper of general circulation in each assessment area covered by the plan; and

(3) During the period of formal public comment, make copies of the plan available for review by the public at no cost at all offices of the bank in any assessment area covered by the plan and provide copies of the plan upon request for a reasonable fee to cover copying and mailing, if applicable.

(e) *Submission of plan.* The bank shall submit its plan to the Board at least three months prior to the proposed effective date of the plan. The bank shall also submit with its plan a description of its informal efforts to seek suggestions from members of the public, any written public comment received, and, if the plan was revised in light of the comment received, the initial plan as released for public comment."

3 Historical Performance

Premier Bank is currently being evaluated for the period of January 1, 2018 through December 31, 2020. The exam encompasses a Large Bank Exam (2018) and years 1 and 2 of the 2019 Plan (2019 and 2020).

- The 2019 Plan covered the period of January 1, 2019 through December 31, 2021
  - Was amended to include the DFW AA (defined below).

4 Performance Context

4.1 CRA Assessment Areas

The Federal Reserve's CRA regulation (Regulation BB at 12 CFR Part 228) requires banks to delineate one or more assessment areas in which the Federal Reserve Board evaluates the bank's record of helping to meet community credit needs. The assessment area is required to include the geographies in which the bank has its main office, its branches, and its deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. The Bank's main office location is in Westlake, Texas, which is in the southwestern-most part of Denton county, part of the seven-county Dallas–Plano–Irving Metropolitan Division.

The city of Westlake itself is bifurcated by the Denton and Tarrant County lines. Our assessment area analysis has led us to conclude that, in accordance with the CRA regulations, this Plan shall designate an assessment area for Premier Bank as the **Dallas – Fort Worth Assessment Area ("DFW AA")**:

- The **Dalas–Plano–Irving Metropolitan Division (19124)** includes seven counties:
    - Collin County (085)
    - Dallas County (113)
    - **Denton County (121)**
    - Ellis County (139)
    - Hunt County (231)
    - Kaufman County (257)
    - Rockwall County (397)
- The **Fort Worth–Arlington–Grapevine Metropolitan Division (23104)** includes four counties:
    - Johnson County (251)
    - Parker County (367)
    - **Tarrant County (439)**
    - Wise County (497)

The Bank has, in its previous Plans, incorporated legacy assessment areas where it has made significant investments in and commitments to- the community into its Broader Statewide and Regional Area ("BSRA"). These have typically been in the western geographic region. However, with the move to Westlake, the Bank is proposing a BSRA that is consistent with the CRA Regulation Q & A §ll.12(h)—7, but that allows the Bank to continue serving much of the populations it has served since it opened its doors in 2017:

Q & A section II.12(h) – 7 states that a ''regional area'' may be an intrastate area or a multistate area that includes the financial institution's assessment area(s). Regional areas typically have some geographic, demographic, and/or economic interdependencies and may conform to commonly accepted delineations, such as **''the tri-county area'' or the ''mid- Atlantic states.'**

The Bank proposes a Broader Statewide or Regional Area encompassing the **Southwestern United States, which includes the Desert Southwest Region** of Texas, California (desert south), Nevada, Utah, Colorado, Arizona, and New Mexico. In addition, the Bank proposes to include the Texas border states of Oklahoma, Louisiana, and Arkansas. These regions are commonly referenced in the U.S. Bureau of Labor Statistics, the Environmental Protection Agency, and the U.S. Census[1].

[1]The southwestern United States or American southwest varies in definition depending on the source used but generally refers to states that include parts of Arizona, New Mexico, Nevada, California, Colorado, Oklahoma, Texas, and Utah. See, e.g., https://www.bls.gov/regions/southwest/, https://www.epa.gov/climate-indicators/southwest, https://www.census.gov/library/stories/2019/02/fast-growth-in-desert-southwest-continues.html

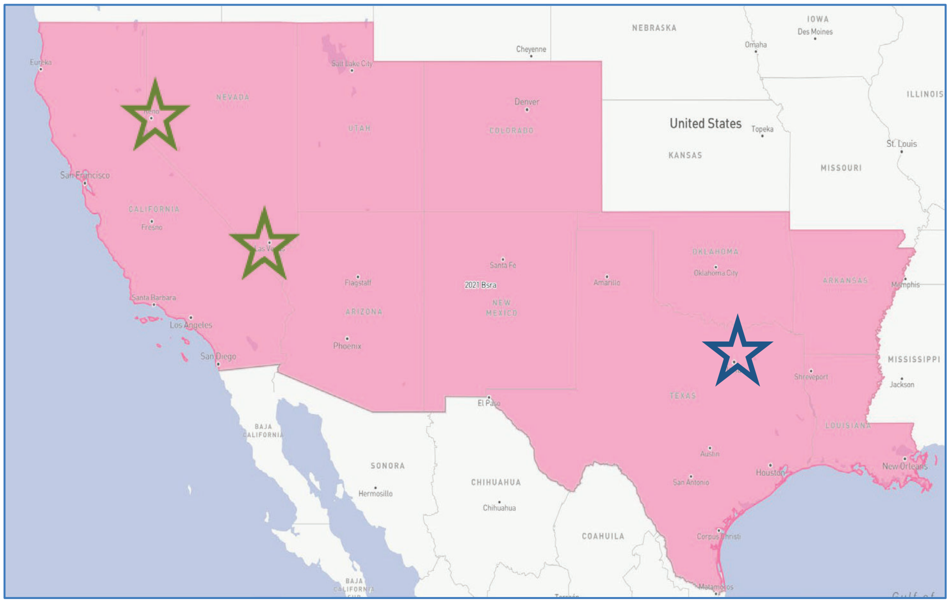

Figure 1 Blue star denotes current headquarters, green stars former headquarters.

4.2 Performance Context for the DFW AA

The DFW AA is a sprawling 9,286 square miles comprising 11 counties in the northern part of Texas, interconnected by a spider-web of close to two dozen state and federal highways. Per the U.S. Census Bureau, Texas experienced the largest population growth of any state in the United States from 2010-2019 of 15% (25-29 million people) with the Dallas – Fort Worth Metroplex leading the way.[2] From its humble beginnings as a long-horn cattle stockyard in Fort Worth to industrial, oil and gas production in Dallas, this area has developed into a large financial powerhouse with over 22 Fortune 500 companies and another 69 companies posting revenues of $1 billion or more a year. It has over 25,000 nonprofit organizations, 52 affordable housing developers, 40 community development financial institutions, 167 financial institutions, and a generally well-educated population of 7.5 million people with a median age of 35.

The cities of Dallas and Fort Worth, while being only 35 miles apart, are interspersed with over 20 small cities in between and are surrounded by a large swathe of rural communities. Being this close, one might expect business, education, economy, and health to be interconnected, however, that is not the case as we have discovered in our community outreach. The cities themselves are unique and distinct from one another and, to be successful, the Bank's strategy should be nuanced enough to address these differences even while reporting might be consolidated.

4.2.1 Bank Presence and Market Competition

Premier Bank is in Westlake, Texas. Premier Bank has no physical branches. The DFW AA is a CRA hotspot, as Premier Bank competes for CRA opportunities with 167 community, regional and national financial institutions with CRA obligations. These competitors, with extensive branch networks, greater brand recognition, on-the-

[2] https://comptroller.texas.gov/economy/economic-data/regions/2020/metroplex.php

ground loan officers, and a wide range of products and services[3], will likely capture the lion's share of the region's community development market.

Due to its sprawling geography and history of branch-heavy community banking, branches continue to be important to other financial institutions' strategies. Of the 167 financial institutions, each has on average at least 10 branches (1,628 branches total). The three major banks[4] account for 32% of the branch network with over $6.8 trillion in total assets and $226 billion in deposits originated in the DFW AA. In terms of market share by deposits, Bank of America ($2,161 billion) and JP Morgan Chase ($2,821 billion) hold over 33% of all deposits. The next two largest (Texas Capital Bank and Wells Fargo) have 3.6% on average, the next five with less than 2% of the deposit market share, and 156 with less than 1%, making for a highly fragmented and competitive market. Premier Bank, with total assets of $33.6 billion and one location has 3.57% of all deposits. Citibank, PNC, and BMO Harris each have one location and asset sizes from $101 billion to $551 billion and each has less than 1% of the deposit market share.

A recent study by the Federal Reserve Bank of Dallas showed that a sample of eight banks in the DFW AA area provided over $879 million in community development loans and $913 million in community development investments totaling $1.8 billion (annual estimate) using these banks' most recent CRA evaluation. Grants represented 2% of the total qualified investments. The Federal Reserve Bank estimates that the total community development dollars made by Large Banks tops $5.88 billion annually. This study also included a survey of barriers to CRA, with the primary challenges being meeting lending test obligations and the limited organizational capacity of nonprofit organizations in the area.[5]

4.2.2 Community Development in the Dallas Fort Worth MSA

Grant and Services Opportunities. According to the Center for Nonprofit Management, there are 28,009 registered 501(c)(3) nonprofit public charities in the DFW AA, with the majority in the Dallas area. This figure is up from 23,436 in 2016, representing 19.5% growth. These nonprofits have grown in median asset size from $137.5 million to $159 million, a change of 8.85% from 2016 to 2020. Roughly 67.9% of the nonprofits are in the Dallas MD, 29.3% are in the Fort Worth MD and the rest are spread throughout the other counties in the DFW AA.

Most nonprofits serve a religious purpose, followed by human services and then education. The incomes of these nonprofits are highly fragmented, with 21.7% reporting less than $100K in income, 39.9% with $100K-$500K, 10.2% reporting $500K-$1MM, 12.8% reporting $1MM-$5MM in income, 8.1% reporting over $5MM in income, and roughly 7.4% not reporting income.[6]

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[3] Products often include traditional real estate lending products such as acquisition, construction, permanent, and rehabilitation loans, structured finance products, small business lending and business banking, treasury management services, and corporate lending. Many pair these services with advisory work, stock underwriting, derivatives sales, etc., to capture an entire banking relationship.

[4] Source: 6.30.20 FDIC Deposit Market Share. Bank of America, JP Morgan Chase, and Wells Fargo.

[5] Source: Federal Reserve Bank of Dallas: The CRA at 40. The 8 banks include: Bank of America, Wells Fargo, Compass, Frost, Prosperity, Capital One, ZB (Amegy), and Comerica. These were selected based on availability and recentness of CRA PE's.

[6] Source: CNM State of the Sector 2020 Report

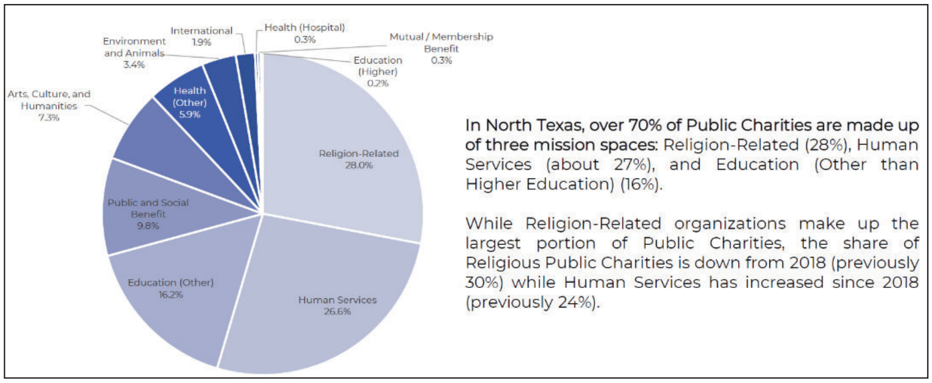

Figure 2

Lending Opportunities. There are 43 CDFIs in the state of Texas, though only seven are in the Bank's DFW AA. Five are in the Dallas MSA and two are in the Fort Worth MSA. CDFI's that do notable work in the area include Texas Mezzanine Fund, The Real Estate Council Community Fund, and William Mann, Jr. CDC. Since 2018, the DFW MSA CDFI's have received $91,375,000 in funding, mostly for New Market Tax Credits ("NMTCs").[7] The Local Initiatives Support Corporation (LISC) is being recruited to Dallas and there are opportunities to support CDFI's that develop affordable housing well in the DFW Metroplex.

Investment Opportunities. There is 50+ affordable housing developers in the area, a strong bond issuance market, an active Texas Department of Housing and Community Affairs ("TDHCA") and an active Federal Home Loan Bank. In the Low-Income Housing Tax Credit ("LIHTC") investment space, the entire state of Texas received over $290 million in tax credit allocations (4% and 9% credit) from 2017 to 2020 (the highest of any state).[8] The TDHCA also issued over $600 million in multifamily bond financing in 2019 that is paired with tax credits and provides a multifamily direct loan program that also fulfills some of the gap financing.[9]

4.2.3 History, Demographic, Geographic, Economic, and Housing Information

History. The cities of Dallas and Fort Worth were initially developed due to the construction of major railroad lines through the area allowing access to cotton, cattle, and later oil in North and East Texas.[10] Dallas was originally a trading post for Indians and settlers on the banks of the Trinity River. Outside of the large urban centers, the land is ideal for crop fields and livestock. A large onshore natural gas field called the Barnett Shale field lies underneath Tarrant, Denton, and Wise counties with many other scattered natural gas wells throughout.

Texas was once home to several hundred groups of American Indians such as the Apache, Caddo, Cherokee, Kiowa, Shawnee, etc. However, only three Indian Reservations exist in Texas today in Houston and in the valley of the Rio Grande along the U.S.–Mexico border which will be part of the Bank's BSRA. There are no distressed

[7] Source: https://www.cdfifund.gov/awards/state-awards/state-results/Texas

[8] Source: Novogradac LIHTC database

[9] Source: Texas Department of Community and Housing Affairs. 4% and 9% tax credit award list.

[10] Source: Joseph Nance: Republic of Texas

or underserved areas in the DFW AA. The Bank's BSRA does have some declared disaster areas: Texas Severe Winter Storms (4586-DR-TX) and (3554-EM-TX) occurring between February 11-21, 2021.[11]

<u>Demographic & Geographic Information.</u> The DFW AA (population 7.7 million) is comprised of 11 counties and two metropolitan divisions. Recently released census data show that from July 2019 to July 2020, the metroplex grew by nearly 120,000 people—the largest numerical increase among metro areas in the U.S., followed by Phoenix and Houston. DFW's 1.6% gain was ahead of Texas' 1.3% increase last year. Net domestic migration accounted for 48% and international migration for 14% of DFW's population growth, meaning that approximately 205 people moved to DFW every day last year. Though international migration slowed due to the ongoing pandemic, domestic migration strengthened from 2019.[12]

Dallas and Tarrant counties represent an estimated 34% and 27% of the region's population. The largest growth by county is Denton County of 26% and Collin County of 24%.[13] Roughly 48% of the population increase is due to births, 34% is from domestic migration from California, Florida, Louisiana, Oklahoma, and New York, and 18% from international countries—primarily Mexico, South America, and South-Central Asia, among others.

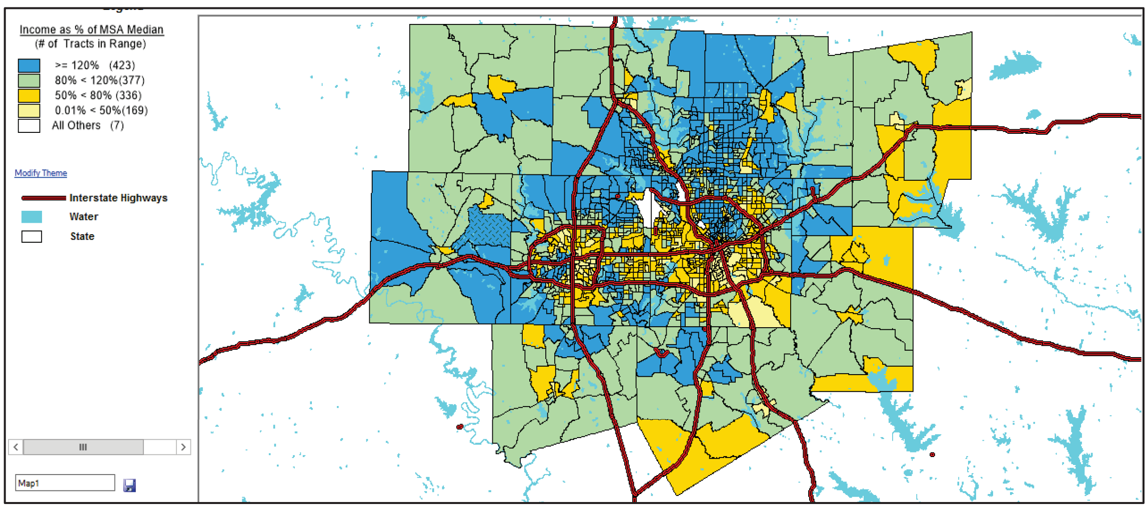

Figure 3

The DFW AA has 169 low-income census tracts (13%), 336 moderate- income census tracts (26%), 377 middle-income census tracts (29%), 423 upper- income census tracts (32%) and 7 that are N/A. As is typical, the majority of the low- and moderate- income census tracts are around urban centers. Low- and moderate-income census tracts are densely concentrated along the south east of Highways 30, 35E/W, 30 and 20 which run concentrically around the urban downtown core of the DFW AA. It is interesting to note, however, that outside of the urban core there are several rural, low – and moderate- income census tracts with a large concentration of non-minority (white) poor population (south Ellis county and east counties of Kaufman and Hunt).

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[11] Source: https://www.fema.gov/disaster/declarations?field_dv2_state_territory_tribal_value=TX&field_year_value=All&field_dv2_declaration_type_value=All&field_dv2_incident_type_target_id_selective=All

[12] https://www.dallasfed.org/research/indicators/dfw/2021/dfw2105.aspx

[13] Source: Comptroller.Texas.Gov Metroplex Region 2020 Regional Report

Minorities represented 59% of the population in 2019, with Hispanics representing 41% of minorities, Blacks representing 12%, Asian representing 5%, and other populations representing 2%. Whites represent 41% of the population.[14] There were 1,654,593 families and 2,383,012 households living in the DFW AA, with 845,929 people over the age of 62 and 4,094,526 million between the ages of 18 and 62. The nonworking civilians or unemployed labor population was 1,588,982.[15]

Other statistics to note include an estimated 1.2 million households that are single parent households, 21% that are limited English speaking with 85% of these households speaking Spanish, 9% speaking Asian or Pacific Islander language, 4% speaking Indo-European languages, and 2% speaking other languages. In Texas, 5% of households are considered as living in crowded conditions, 21% are living on social security, and 13% are retired. The population age range 65 and older is expected to grow from 2010-2050 while those ages 18 and younger will be the slowest growing age groups.

<u>Economic Information</u>. The DFW AA is home to 22 Fortune 500 companies such as Exxon Mobile, McKesson (pharmaceutical), AT&T, American and Southwest Airlines. In addition to these large institutions, a report by the Dallas Regional Chamber indicates that 97% of the businesses in the DFW AA have fewer than 100 employees. [16]

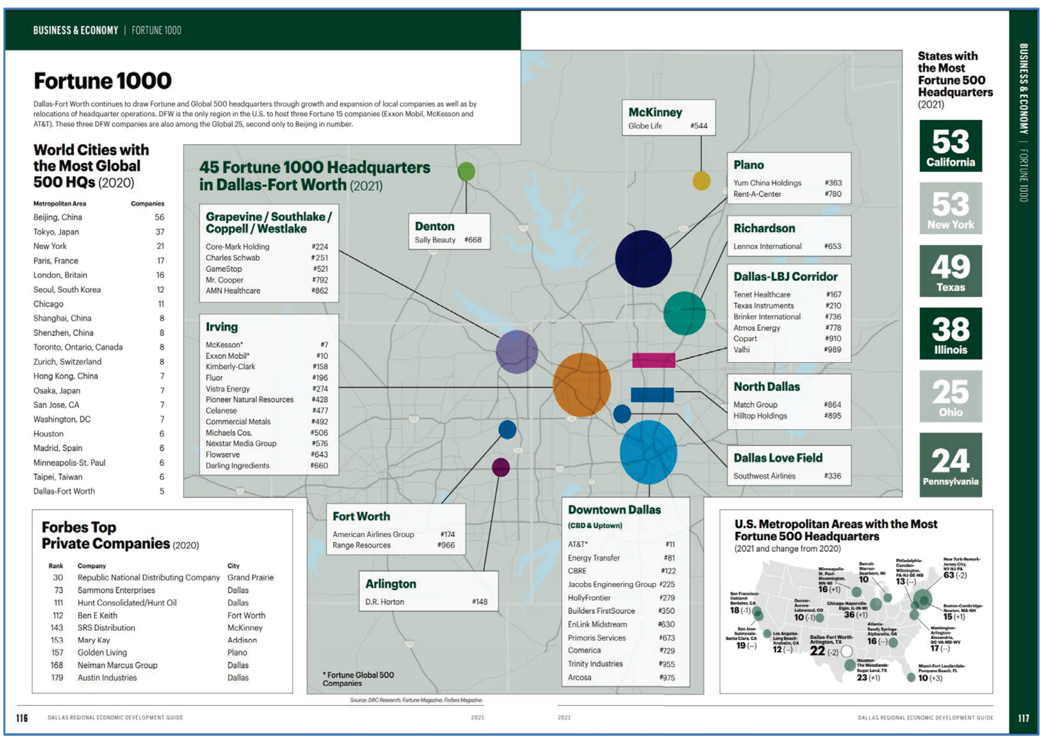

Figure 4

[14] 2021_01_29 MALLF Report – Texas Demographic Center

[15] Source: RiskExec 2021

[16] https://www.dallaschamber.org/wp-content/uploads/2021/06/BusinessEcon-Fortune1000-2021-update.pdf

The SBA shows that in Texas, there are 2.8 million small businesses that employ 4.8 million people. The growth rate of small business was 4.4%, which was faster than the overall U.S. growth rate of 2.1%.[17] In Dallas County alone, there are over 60,000 small businesses with a 7.1% growth over a period of 5 years. Small businesses cite the following as needs: ecosystem building support, capital, business inputs, and infrastructure.[18]

The diversity of industry in DFW creates stability in the economy. Per the Bureau of Labor Statistics ("BLS"), trade, transportation and utilities constitute 21.7%, followed by professional and business services at 17.9% and then education and health services and government at 12.2%, as shown in Figure 6 below. The rest of employment is diversified across many different industries. As of February 2021, the BLS noted that among the 12 largest metropolitan areas in the country, for which total nonfarm employment increased by 260,200 over the year in May. The Dallas-Plano-Irving MSA with 71% of the area's total nonfarm employment, gained 191,200 jobs an increase of 7.7% while the Fort Worth-Arlington metropolitan division, which accounts for 29 percent gained 69,000 jobs, an increase of 6.9%.[19]

Dallas-Fort Worth area employment (number in thousands)	Apr. 2021	Change from Apr. 2020 to Apr. 2021	
		Number	Percent
Total nonfarm	3,740.2	326.8	9.6
Mining, logging, and construction	215.4	-1.3	-0.6
Manufacturing	280.7	9.1	3.4
Trade, transportation, and utilities	812.0	73.6	10.0
Information	78.7	1.5	1.9
Financial activities	326.9	8.3	2.6
Professional and business services	646.8	49.3	8.3
Education and health services	451.5	36.8	8.9
Leisure and hospitality	354.0	117.6	49.7
Other services	115.8	21.8	23.2
Government	458.4	10.1	2.3

Source: U.S. BLS, Current Employment Statistics.

Figure 5

The DFW AA is serviced by over 15 colleges including University of Texas at Arlington/Dallas, University of North Texas, Texas A&M at Commerce, UT Southwestern, Texas Woman's University, over 1,203 elementary schools, 351 elementary schools, and 307 high schools. Texas schools participate in the Community Eligibility Provision ("CEP") and Provision 2 of the National School Lunch Program's Free and Reduced Luch Program. Per the Texas Demographic Center, the educational attainment has grown in Texas. While Hispanic populations grew in college and graduate enrollment to 685,789 from 2008 to 2019 and Blacks (to 285,459) and Asians (from 91,473 to 142,856) grew only slightly. Non-Hispanic white were the only category with a decrease in college and graduate enrollment which declined from around 750,000 in 2008 to 708,644 in 2019 as shown in Figure 6

[17] Source: SBA Office of Advocacy, Texas Small Business Profile 2020

[18] Source: Next Street. Dallas' Small Business Ecosystem Assessment

[19] Source: BLS May 2021 job growth report

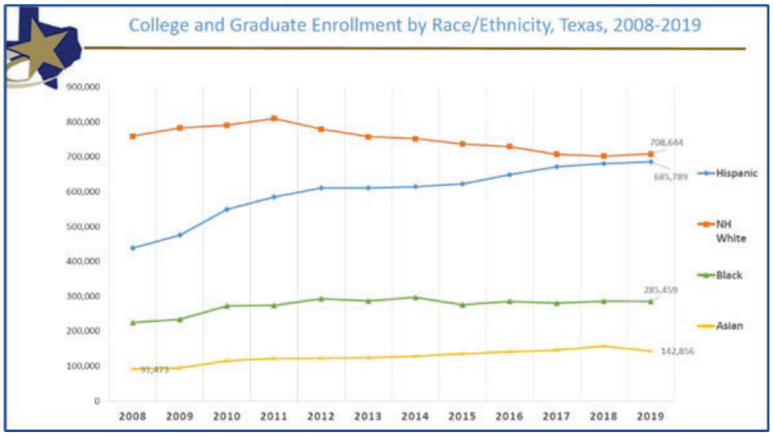

Figure 6

Texas student graduation rates are a strong 84.6%. Educational attainment is slightly higher in the DFW MSA than in Texas overall. Despite the growth in college and graduate enrollment by Hispanics, the educational attainment is still the lowest at 16.1% compared to Asians at 60.6% and whites of 39.4%.

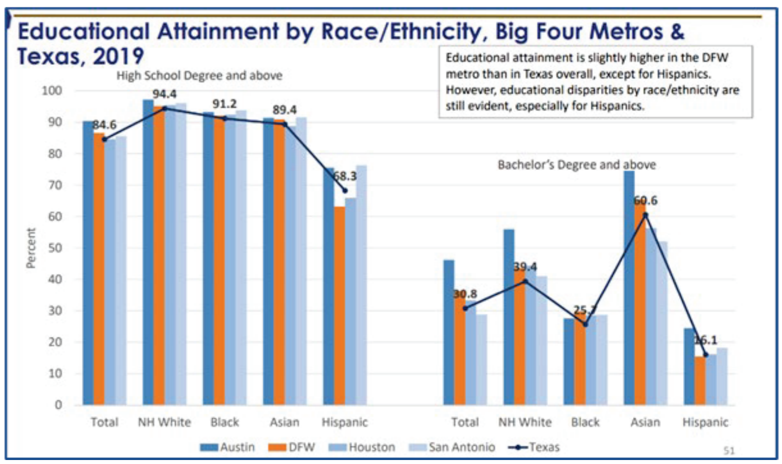

Figure 7

The unemployment rate as of April 2021 was 5.7% compared to almost 9% at the height of the recession. This is the same as the US unemployment rate of 5.7%. Counties with the highest rate of unemployment in the DFW AA are Dallas at 6.2% and Tarrant at 5.9%.[20] Even while the economy has recovered in some respects from the economic effects of COVID-19, this recovery has not been shared equally. A Wall Street Journal article reported that in the DFW white unemployment was 4.8% compared to Black of 14%, Hispanic of 9% and Asian of 4%. Minorities were overrepresented in essential front-line jobs which put them at higher risk for COVID-19 and in nonessential jobs which were subject to shutdown orders. They were also less likely to hold positions that can be handled from home.[21]

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[20] Source: BLS Dallas Fort Worth Economic Summary June 7, 2021

[21] Wall Street Journal: 14% Unemployment for Blacks in Texas? The pandemic economy is still taking a bigger toll on people of color. April 20, 2021.

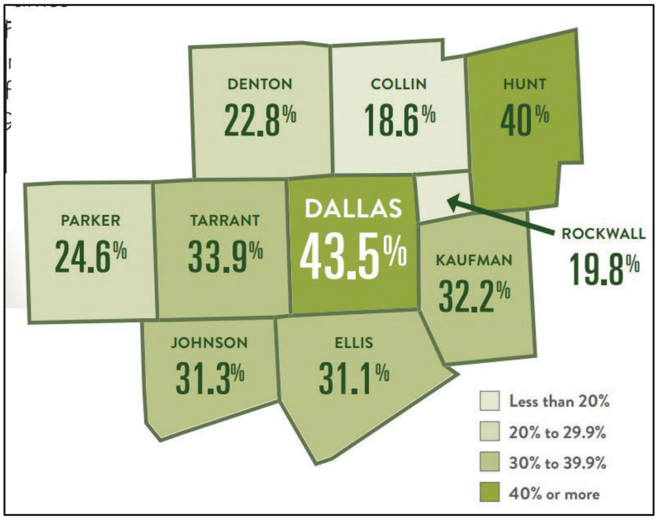

Figure 8

A 2018 Community Foundation of Texas study reported that there are several counties in the DFW AA in which the percentage of families live under two times the federal poverty level, a common threshold for identifying low-income residents. For example, if the annual income at the federal poverty level for a family of four is $24,600, the percentages in Figure 8 show that 43.5% of Dallas families live at $49,200 (two times the poverty level).[22]

The DFW's inflation-adjusted average median household income climbed 3% in 2019 to $71,090 from $68,826 in 2017. Median household income was highest in Rockwall County and Collin County at $94,767 and $94,192 to the lowest in Hunt and Dallas County of $51,928 and $56,854. The most recent Assets and Opportunity scorecard shows:

- The asset poverty rate (defined as the percentage of households[23] without sufficient net worth to subsist at the poverty level for three months in the absence of income) in the Dallas MD is 27% and, in the Fort Worth MD is 28% (compared to 24% in the state and 24% in the US)
- The liquid asset poverty rate (defined as the percentage of households) in the Dallas MD is 38% and the Fort Worth MD is 41% (compared to 42% in the state and 37% in the US)
- The absolute poverty rate (defined as the percentage of households) in the Dallas MD is 10% and the Fort Worth MD is 13% (compared to 14% in the state and 13% in the US)
- The unbanked household rate in the Dallas MD is 8% and the Fort Worth MD is 9% (compared to 10% in the state and 7% in the US)
- The underbanked household rate in the Dallas MD is 19% and the Fort Worth MD is 19% (compared to 25% in the state and 19% in the US)
- The Dallas MD homeownership rate is 60% and the Fort Worth MD is 57% (compared to 62% in the state and 64% in the US)
- In the Dallas MD, 34% of individuals have a 4-year college and in the Fort Worth MD this was 28% compared with 30% for the state and 33% in the U.S.[24]

There are several positive indicators in the scorecard which indicates that housing cost burdens are better in both the Dallas and the Fort Worth MD than in the state or the U.S. While housing cost burdens are low, the homeownership rate lags the state and the U.S. which may point to other factors such as lack of sufficient

[22] Source: CFT 2018 Economic Opportunity Assessment

[23] A "household" is composed of one or more people who occupy a housing unit. Not all households contain families. A "family" consist of two or more individuals who are related by birth, marriage, or adoption.

[24] Prosperity Now Scorecard. Dallas and Fort Worth MD.

liquid assets for down-payment, inadequately funded or utilized down-payment assistance programs, lack of sufficient affordable housing options, and availability of affordable rental properties.

Outcome Measure	Dallas MD	Fort Worth MD	State	U.S.
Asset Poverty Rate	26.6%	27.6%	23.5%	24.1%
Liquid Asset Poverty Rate	37.6%	40.6%	42.2%	36.9%
Income (Absolute) Poverty Rate	10.1%	13.0%	14.0%	12.7%
Unbanked Household	8.0%	8.9%	9.5%	6.5%
Underbanked Household	18.9%	19.2%	24.2%	18.7%
Housing Cost Burden – Owner	26.0%	25.5%	27.%3%	27.7%
Housing Cost Burden – Renter	46.8%	48.7%	48.8%	49.7%
Homeownership Rate	59.8%	57.2%	61.7%	63.9%
Four-Year College Degree	33.7%	28.3%	30.3%	32.6%

Housing Information. According to 2021 estimates, the DFW AA had 2,583,855 housing units, of which 2,383,012 (92%) were occupied. The vacancy rate was 8%, down slightly from 9% in 2010 and the number of vacancies declined by 13% from 2010 to 2021. Of occupied units, 60% were owner occupied and 40% were renter occupied units. In 2021, 41% of renters paid more than 30% of their income in rental costs, which was slightly higher than in 2010 where 40% of renters paid more than 30% of their income in rental costs. Roughly 23% of owners paid more than 30% of their income in 2019 vs. 38% in 2010. Housing values increased by 7% to $175,471 in 2021 from $163,614 in 2010 (towards the end of the real estate bubble).[25]

Indicator	Number (2019)	% Total, or Subtotal 2019	% Change from 2010
Total Housing Units	2,583,855	100%	+6%
Occupied Housing Units	2,383,012	92%	+7%
Vacant Units	200,843	8%	-13%
Owner-Occupied	1,429,830	60%	+3%
Renter-Occupied	953,182	40%	+14%
1-4 Family Units	1,840,901	71%	+6%
Multifamily	645,168	25%	+7%
Mobile Homes & Trailers	95,903	4%	-3%
Median Housing Value	$175,471		

The housing table indicates a high predominance of 1-4 family vs. multifamily units, however, to keep up with the population growth, multifamily units increased by 7% while 1-4 family units increased by 6%. This population growth has driven down the vacancy by 13% over this period and increased the level of renter-occupied units by 14% although the owner-occupied units have increased only slightly by 3% despite the

[25] Source: RiskExec Tables 2021

growth in production of 1-4 family units, the improving levels of affordability (from 38% to 23%) and a slow housing value growth of 7%.

There have been positive trends in the DFW that have impacted housing. DFW existing home sales rose 1.2% in March 2021 and 2.8% in April following steep declines in February that resulted from the winter storm. New Home sales continue to be robust though builders are struggling to keep up with demand and are limiting sales. Sales are being supported by record-low mortgage rates and increase demand for larger homes in less-dense areas.[26]

- The median price of homes sold in Dallas-Fort Worth-Arlington MSA rose by 6.4% to $291,000 and is now at an all-time high of $300,000. Months of inventory at the end of the year was 1.1 months.
- The highest price gain was in the segment of $200,000 – $299,999, for which the median price increased by 36.8%. There are more house hunters and buyers on the more affordable end as compared to the higher end.[27]
- The median rent in the DFW MSA was $1,068 with the highest in Rockwall County at $1,398 and the lowest in Hunt County at $848. In the Dallas MD, the percentages of homes 90+days delinquent, in foreclosure, or recently transitioned into REO (~1%) has consistently been below the national average (1.5%) since both peaked in February 2010. This was higher in Fort Worth at around 4.5%.
- The current average rent for an apartment is $1,261, up 4% from 1 year earlier. The Dallas metropolitan division apartment market had a 6% vacancy rate during the first quarter of 2020, up from 5.7% a year earlier.
- The average apartment rent in the Fort Worth metropolitan division increased nearly 4%, to $1,120, from a year earlier. By comparison, the average apartment rent increased 5% annually from 2012 through 2018 when vacancy rates ranged from a high of 6.4% to a low of 5.0%.[28]

The TDHCA is the administering agency for the state and federal LIHTC programs. Over the next 10 years, the affordability covenants on over 12,000 units of LIHTC housing are scheduled to expire in the city of Dallas alone. Through intermediaries like the Texas State Affordable Housing Corporation ("TSAHC") and others, tax exempt bonds are issued and direct loans to nonprofit and for-profit developers are made. TDHCA also provides several programs to homeowners: My Choice Texas Home (a down payment assistance program), My First Texas Home Program (a first-time homebuyer program), and a Texas Mortgage Credit Certificate Program (home ownership retention program by reduction of a federal tax liability for staying in your home).

Texas is one of a number (11) of states with a statewide land banking and land trust initiative. Under this program, properties that are sold or donated to the land bank can be redeveloped to provide long-term affordability for both homeownership and rental projects, by lowering the cost of taxes to the nonprofit and eventually to the home buyer or renter.[29] The Federal Home Loan Bank in Dallas ("FHLBD") also provides

[26] Source: DFW Economic Indicators June 2021.

[27] Source: Norada Real Estate Investments July 2, 2021 from Zillow.

[28] Source: HUD Housing Market Profiles; Dallas as of April 1, 2020 and Fort Worth as of January 1, 2021.

[29] Source: Texas State Affordable Housing Corporation ACT Brochure

funding. Affordable housing developers in Texas have access to a broad array of financing options as shown in Figure 10 below.

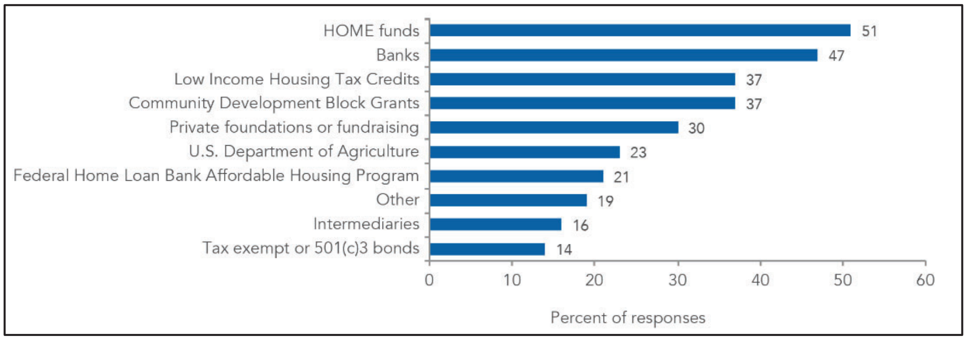

Figure 9

Affordable housing developers have cited the following as barriers to development of affordable housing: cost of funding issues, economic or market conditions, regulations, community opposition, organizational capacity, and interestingly enough—lack of demand/lack of qualified residents. Specifically, the rising price of land can make new builds prohibitively expensive—especially in rural communities. Another issue was regulations—especially the Qualified Allocation Plans ("QAPs") rules through which states evaluate and score proposed developments to allocate project tax credits as unpredictable as well as property taxes (according to TSAHC the 2nd highest in the country) and zoning.[30]

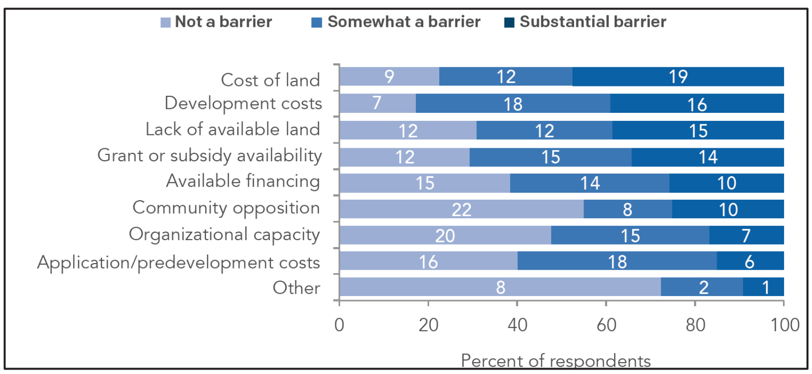

Figure 10

A recent article by D Magazine notes that six out of every 10 Dallas residents spend more than a third of their income on rent. Dallas has little available land, poor supply, a broken permitting system (old computer and software system), and low yields for investors when projects have affordable units.[31] Additionally a report by NALCAB indicated that homeownership is increasingly unaffordable for low- to moderate- income households in Dallas who are disproportionately African-American and Latino.[32] In 2020, the City of Dallas put forth a Community Transformation Action Roadmap which will attempt to create 1,000 affordable housing units, 900

[30] Source: Federal Reserve Bank of Dallas Community Outlook Series: The Scarcity of Texas Affordable Housing

[31] Source: D Magazine. Why is it so Hard for Dallas to Address Affordable Housing? February 1, 2021.

[32] Source: NALCAB: An Analysis of Housing Affordability and Vulnerability in Dallas, Texas, July 2019.

homeless housing units, invest in a underserved community revitalization strategy, inner city small business hub, focus of neighborhood level projects, among other initiatives.

In Fort Worth, the single-family housing growth rate of 15% has surpassed that of Dallas of 5%. Housing costs are increasing faster than incomes in Fort Worth, as is the case elsewhere in the country. According to the Fort Worth Housing Solutions 2018 Annual Report, home prices jumped 57% and average rents rose from 20 to 40%. In Fort Worth there is also older housing stock and substandard housing structures. In 2020, the city of Fort Worth put together a comprehensive housing plan which included mixed income/mixed-use development, housing for the missing middle, assisted and homeless housing, and a renewed focus on fair housing and neighborhood revitalization.

5 COMMUNITY NEEDS ASSESSMENT

The Dallas-Fort Worth ("DFW") Assessment Area ("AA") became an assessment area for the Bank in 2020 when the Bank relocated its headquarters to Westlake, TX and is its sole assessment area under this Plan. Due to the COVID-19 pandemic, the Bank's community needs assessment included virtual community outreach interviews with community stakeholders, government agencies, community development practitioners and advocates. Since January 2021, we have met with over 40 organizations including non-profit, state, and local governments. The input received from the community is incorporated in this Plan.

<u>COVID-19.</u> Like most of the country, COVID-19 has had a profound effect on the state of Texas and the DFW MSA. Since the outbreak there have been more than 700,000 cases in the DFW MSA, and more than 10,000 people have died of COVID-19. The cases began declining in the DFW MSA much like the country since the beginning of 2021 due to vaccinations, though cases have recently increased due to the Delta variant.

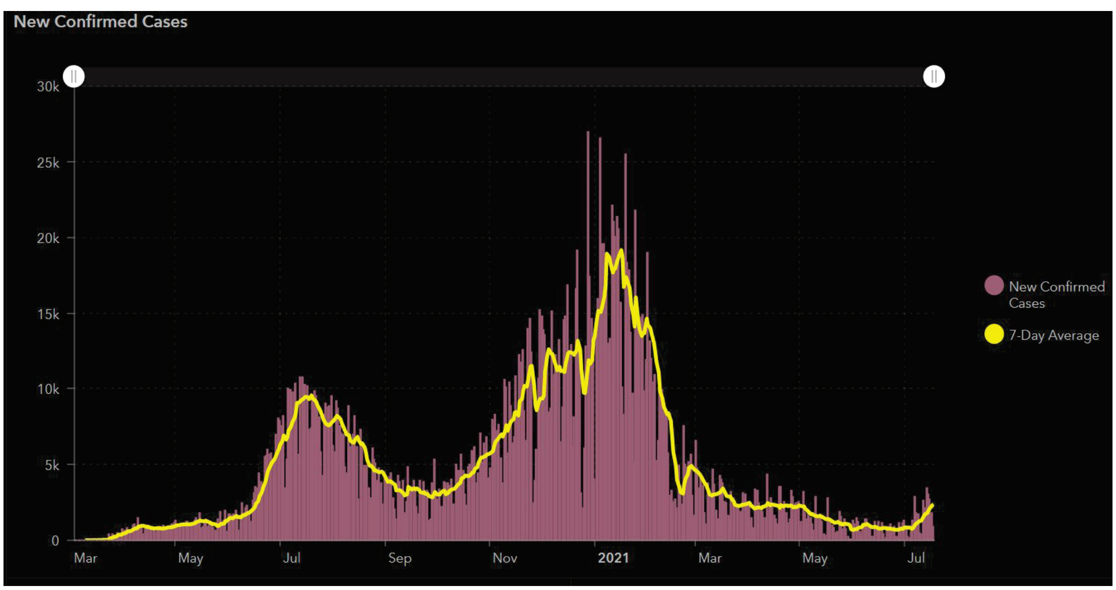

Figure 11

In the DFW MSA, 45.3% of the population over the age of 12 have received two doses of the authorized vaccines.[33] Black or African Americans are 12% of the population, 19% of cases and 10% of deaths. Hispanic or Latinos are 39% of population, 41% of cases and 46% of deaths. Asians are 5% of the population, 1% of cases, and 2% of deaths while Whites are 42% of the population, 38% of cases and 41% of deaths.

The Texas Demographic Center reports that disparities in household income leave Blacks and Hispanics at a greater disadvantage of income losses during the pandemic. Renters, renters with lower incomes, Blacks and households with children are the most vulnerable to housing insecurity and eviction. Food insecurity and need for assistance is a reality for many Texans, especially female headed households. Persistently low health insurance coverage in the state increases vulnerability of Texas with employer- based coverage and further compounds challenges faced by the uninsured working poor.[34]

Impact of COVID on Non-Profits. The Federal Reserve Board conducted a survey among representatives of nonprofit organizations, financial institutions, government agencies and other community organizations. They discovered the following: Nearly 7 out of 10 respondents (69%) indicated that COVID-19 was a significant disruption to the economic conditions of the communities they serve, especially those with low- to moderate-incomes, and that recovery is expected to be difficult. Nearly 2 out of 3 respondents (66%) indicated that demand for their services has increased or is anticipated to increase, and more than half of the respondents (55%) noted a corresponding decrease or anticipated decrease in their ability to provide services.[35] Partners communicated that among local and state governments, there has been an inconsistent job in administering COVID relief funds and ARP funds.

Grants and Service Opportunities. To provide high-impact community development services, the Bank intends to utilize Bank employees in addition to the employees of its affiliates, many of which are members of Employee Resource Groups ("ERG") and Community Ambassador Networks. In the past, Schwab employees in Westlake have supported a diverse group of organizations including the Tarrant County Food Bank; Junior Achievement; Meals on Wheels; Boys and Girls Club Reality Store; and Grace Donation Station, among others.[36] As a result of our Community Needs Assessment we plan to support our ERG and Community Ambassador Network members and their organizations where there are shared priorities in the Plan, however, we are essentially building the Bank's community development partnerships and infrastructure from the ground up. To do so, the Bank hired two dedicated staff in DFW to engage in community outreach, and to design and implement service initiatives. However, as with lending and investments, impactful service programs take time to develop and implement, and the Community Development Services goals reflect the lead time required to create real impact.

Our conversations with leading nonprofits in the area as listed in Appendix C confirmed that there are indeed well-funded foundations with significant giving levels and sophisticated funders. In the areas of the Bank's expertise of financial capability, the AA is already well-served and programs are deeply entrenched. Priorities for grants and services discovered from our meetings and conversations with our community partners include:

- Nonprofit capacity building (primarily in Fort Worth)

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[33] Source: Texas Department of State Health Services and Johns Hopkins University Racial Data Dashboard

[34] Source: Texas Demographic Center

[35] Source: Federal Reserve System. Perspectives from Main Street: The Impact of COVID-19 on Communities and the Entities Serving them. April 2020.

[36] Source: Internal Schwab Community Services Schwab Volunteer Week 2020 Report

- Workforce training, entrepreneurship, and small business
- Educational and financial coaching programs
- Affordable housing leadership/convening

Since our entry into the DFW area, our conversations with community partners have evolved into the following initiatives:

- Providing a 3-part lunch and learn series with Impact Ventures for entrepreneurs and small business owners of color on personal finance, business credit, and retirement planning
- Working with the Asset Funders Network to launch a nonprofit capacity building program called Listen for Good
- Introducing an investment series to LMI families in partnership with Southern Dallas Progress
- Provided seed funding grants to partners looking to expand innovative programming into DFW, such as microlending programs and capacity building & training programs for emerging housing developers of color.

In addition, we also provided virtual volunteer opportunities to employees through Boys & Girls Clubs of Tarrant and Collin Counties.

Lending and Investment Opportunities. As it relates to lending and investment, during these meetings, we sought to better understand community needs and to determine whether our well-established CDFI lending and LIHTC investing programs could effectively meet the needs of the DFW community. We engaged several CDFIs and syndicators with whom we have strong relationships and met with affordable housing developers doing business in the assessment area. Moreover, in our conversations with community stakeholders, the CDFI industry is newer and less developed for the size of its population than other large markets such as New York City, Los Angeles, San Francisco, Chicago, Boston, or Atlanta. Capacity building for CDFI's is seen as a critical need in the area.

Challenges include a high cost of land, development costs, lack of land and lack of grant or subsidy availability with no sales tax to assist in funding.[37] Our conversations have revealed that the number of Community Housing Development Organizations ("CHDOs") have declined from around 18 to five and while there are several developers, only one or two are prolific. A lack of inclusionary zoning, strong mayor governance that does not favor affordable housing, rent laws that allow landlords to increase rental rates, landlord friendly policies and history of racial segregation have led to a struggling affordable housing industry and a competitive one — when tax credits or other subsidies are received. Opportunities for investments include an initiative to create a new community land trust bank, and a push to preserve existing DFW "SRO" housing for the homeless population.

From the DFW community we learned of the following community needs:

- Affordable housing
- Homeless and transitional housing
- Revitalization and focus in South Dallas
- Access to capital for small businesses

We believe that the needs revealed by the public also present a long-term opportunity for Premier Bank to serve the

[37] Source: Federal Reserve Bank of Dallas Community Outlook Series: The Scarcity of Texas Affordable Housing

community through our existing program. We will need time to understand the gaps in the community and know that many of the gaps exist because of long term, entrenched problems which will require deep collaborations with existing partners. For an institution like Premier Bank, for which DFW is our headquarters, we are willing to commit significant effort to build strong partnerships that will over time yield both lending and investment opportunities while building off existing infrastructure. Premier Bank's performance goals reflect that it will take time to build capacity and develop the partnerships necessary to deliver a higher level of performance.

6 STRATEGIC PLAN OVERVIEW

This Plan and all targets contained herein reflect detailed analyses of community needs and opportunities, peer performance, and the Bank's business objectives, capacity, and constraints. The Bank's primary goal under this Plan is to be responsive to the needs and opportunities of its communities.

As a new entrant into the DFW Assessment Area, we plan to dedicate the time and financial resources necessary to create essential partnerships and support on-the- ground organizations. Only then can we create a solid foundation on which our current and future community development work can thrive. Premier Bank has deep experience in growing community development capacity in a new assessment area, having done so in the LVHP MSA, and we know this process requires time and continued dedication to be fully realized. The Strategic Plan goals outlined below represent the beginning of what we expect to be a multi-year process that will result in the development of a more robust community development infrastructure in the DFW MSA.

6.1 OVERVIEW

Under the Plan, the Bank plans to make CRA-qualifying loans and investments of at least $280 million ("Lending and Investing Goal") and provide at least 750 hours of community development services ("Services Goal") over 3 years. This activity, to be conducted pursuant to the Plan, responds to the community needs identified by the Bank through its Community Needs Assessment. Criteria for attaining Satisfactory and Outstanding ratings are set forth in the Matrix at the end of this document.

To best leverage the strengths of our business model, and to be most responsive to community needs, the Bank has developed strong partnerships with intermediaries and other third parties (together, "intermediaries"). These intermediaries are in the best position to flexibly respond to the credit needs of low- to moderate-income populations in the Assessment Area. While Premier Bank has found many ways to deploy capital in its previous assessment areas, the Bank will primarily utilize three loan and investment programs to facilitate this intermediary strategy, strengthening CDFIs in the areas, and when necessary, bringing intermediaries, CDFIs located outside the Assessment Area--into the Assessment Area to facilitate lending and investment. The Community Needs Assessment provides strong evidence that these programs will successfully meet the credit needs of the Assessment Area. All meet the core definition of Community Development:

1) Loans to Intermediaries, particularly CDFIs and structured loan funds serving a Community Development purpose
2) Permanent loans to multi-family affordable housing
3) Investments in Low Income Housing Tax Credits

6.1.1 Methodology

Intermediary lending is and will continue to be a primary method for meeting the credit needs of the Bank's communities, both in the Assessment Area and the BSRA. Premier Bank has developed significant expertise in lending to CDFIs both in its assessment areas and across the Western Region States. We partner with our CDFI clients to provide them the capital they need to best carry out their missions. The Bank will emphasize its experience and contacts in CDFI lending in this Strategic Plan and will continue to offer this type of lending to CDFIs throughout the BSRA, including within the Assessment Area. The Bank engages with intermediaries focused on affordable housing, education, health care and other community facilities, small business lending, micro-lending and other specific areas identified by our community partners as a critical need. When an unmet need is identified that we believe we can fulfill, we work with our CDFI clients to identify and structure a solution, from specialized loan funds to specialized products.

In addition, the Bank intends to continue and expand partnerships with CDFIs to provide more long-term permanent capital for affordable housing, which was stated as a critical need during our community outreach. Permanent loans for multi-family affordable housing allow developers to close funding gaps between what LIHTC and other subsidy provides and the true cost of the project. This type of funding will also be a continuing focus of the Bank. As is the case with our peers, the Bank also intends to be responsive to the needs of the community through community development investments, primarily Low-Income Housing Tax Credits ("LIHTC"). Consistent with the Bank's intermediary strategy, CSPB will invest through partnerships with fund sponsors and other investors. We will also continue to seek new opportunities to provide investment capital to continue the development of new affordable housing.

Services are accomplished through the activity of employees across the Bank and CS&Co, though primarily through the activity of employees of the Bank within the Assessment Area. Services are often provided through deep and ongoing relationships with local partners to achieve sustainable outcomes by connecting partners, leveraging resources, providing thought leadership, and providing technical assistance, among other activities.

6.1.2 Geography

This Plan emphasizes lending, investments, and services in the DFW Assessment Area. However, because several factors discussed above are expected to limit the Assessment Area's ability to absorb the amount of CRA-related lending and investment activity appropriate for an institution of the Bank's size, this Plan anticipates responding to credit needs in the BSRA. As part of our efforts in the BSRA we will endeavor to continue our strong relationships within CSPB's former CRA assessment areas and BSRA, some of which overlap with our new BSRA. This Plan acknowledges that the state of California has intermediaries (including CDFIs) that work across the state, and that the Desert Southwest Region has many intermediaries (including CDFIs) that do work both in the Assessment Area and the BSRA that directly and indirectly benefit the Assessment Area.

Having developed considerable expertise in providing funding through intermediaries, most notably through CDFI lending within the Desert Southwest Region and through LIHTC investing throughout this same region and having built relationships with organizations across the Desert Southwest Region, we believe this strategy will enable us to deploy the amount of capital set forth in our Plan considering the competition and opportunity within our Assessment Area.

Activities outside of the Assessment Area are eligible for consideration only once the Bank achieves the benchmarks specified in the Matrix to demonstrate an adequate response to the needs of the Assessment Area. This framework enables the Bank to be more innovative and responsive to the needs of its community partners, such as by providing loan and investment capital to support projects in areas that are less well-served by financial institutions. Indeed, many of our community partners and stakeholders recognize the need for, or have encouraged, more geographic diversity into underserved markets. As a result, this Plan contains significant flexibility to lend and invest in the BSRA and expects that such activities will benefit the Assessment Area both directly and indirectly, though the Bank will strive to achieve as much volume as possible within the Assessment Area.

6.1.3 Execution of the Strategic Plan

The Bank expects to employ a range of tools and work with an array of internal and external partners to fulfill objectives under the Strategic Plan. Under the direction of the Bank's CRA Officer, the Schwab Community Development group supports – through loans, investments, and services – initiatives designed to strengthen the social and economic fabric of the Bank's communities and empower local residents to create better futures for themselves and their families. While the overarching strategy may evolve over the course of the Plan period in response to the performance context and community needs, it is expected to encompass the intermediary strategy previously discussed, emphasizing financial and intellectual capital investment with strong community partners. We will execute the Plan through activities that may include, but are not limited to:

- Loans to and investments in CDFIs or other intermediaries that support small business development, microfinance, affordable housing, and community facilities, such as charter schools, health care and childcare centers
- Investment funds that invest in projects eligible for Low-income Housing Tax Credits
- Participation construction loans for multi-family affordable housing
- Permanent loans for multi-family affordable housing
- Philanthropic support for innovative program development and capacity-building initiatives, including but not limited to partners focused on asset-building and financial capability, affordable housing, small business development and healthy communities
- Commitment of time/expertise in area of community development finance (e.g., to help nonprofit partners structure new funds to address unmet needs or innovative transaction structures)
- Investment of time/expertise in additional disciplines (e.g., marketing, strategy, technology, human resources, etc.) to help nonprofits build capacity and achieve programmatic success
- Commitment of time/expertise to advance cross-sector dialogue, strategy development and best practice approaches around community development challenges

In connection with the activities noted above, the Bank will continue to strengthen its impact through ongoing collaboration with internal CSC partners, including but not limited to Schwab Community Services and the Schwab Foundation. The Bank will continue and expand many such initiatives launched or developed during its previous Plans, such as those devoted to asset-building and financial capability innovation, capacity-building for nonprofit partners, and career exposure for under-resourced youth. As resources permit, the Bank may also pursue further involvement in entrepreneurship and workforce development efforts.

6.1.4 The Bank's CRA Goals

The CRA regulation states that generally a bank shall address in its plan all three performance categories and, unless the bank has been designated as a wholesale or limited purpose bank, shall emphasize lending and lending-related activities. However, the regulation allows a bank to provide a different emphasis, including a focus on one or more performance categories, if it is responsive to the characteristics and credit needs of its assessment area(s), considering public comment and the bank's capacity, constraints, product offerings, and business strategy. Based on this guidance, and consistent with this Strategic Plan, the Bank proposes to direct at least a minimum amount of Loans and Investments as set forth in the Annual Plan Goals tables that follow, but thereafter to direct loans and investments in such amounts as are necessary to meet the needs of the community. The Plan further allows additional credit for, and thereby encourages the Bank to undertake, initiatives that are innovative or complex, not commonly available from private investors and/or highly responsive to community needs.

Our performance goals reflect our desire to create a proactive, effective community development program that focuses on new loans and investments rather than purchasing existing loans and investments or other lower-impact activities. As a result, the performance goals reflect smaller goals in the first year of the Plan as we build relationships in an assessment area new to the Bank. However, the plan goals reflect volume targets on the same scale as the Bank has had under its three prior Strategic Plans. In the DFW, we will continue to carry out most of our Strategic Plan goals through our established CDFI lending program and LIHTC investing program. We will continue in our efforts to bring existing CDFIs into the state of Texas to benefit the DFW AA. We will continue to support the efforts of nonprofits and other entities in building asset security for under-resourced populations by promoting financial literacy and mentoring youth. As we seek new partners and expand our relationships with existing ones, we expect our volume to increase and our impact to deepen over time.

For this Plan the Bank has established measurable CRA Goals for the following Categories of Activity: 1) Loans, 2) Investments, and 3) Services:

Loans, Investments & Community Services

The Bank will lend and invest at least $280 million by end of the Plan, with interim annual goals set forth in the Matrix that follows for each of Loans and Investments. Capital will be deployed primarily through intermediaries, with emphasis on lending to CDFIs and investments in LIHTC funds. Over the three-year Plan period, the Bank will deploy a total of at least 750 hours of community development service hours in the DFW Assessment Area.

Loans:

Lending volume shall include HMDA-Reportable Loans and qualified Community Development Loans and/or Lending Related Activities (together, “Qualifying Loans”) that benefit LMI individuals or communities, such as those targeted toward affordable housing development and preservation, small business creation and expansion, community facilities development, and community revitalization and stabilization.

Qualifying Loans shall be deemed Innovative/Complex if the provision of such a loan demonstrates leadership or is highly responsive to community needs, as defined below.

Investments:

The volume of qualified Community Development Investments that benefit LMI individuals or communities, may include lawful investments, deposits, membership shares or grants (together, “Qualifying Investments). Qualifying Investments shall be deemed Innovative/Complex if the provision of such investment demonstrates leadership or is highly responsive to community needs, as defined below.

Community Development Services:
Over the three-year Plan period, the Bank will deploy a total of at least 750 hours of community development service hours in the DFW Assessment Area. Community development service hours performed in pursuance of the Bank's services goals may include but are not limited to:

- Serving on Boards or committees of organizations whose primary goal is community development
- Providing technical assistance related to the provision of financial services to support a community development organization, program, or project
- Facilitating access to public subsidies that help nonprofits fulfill their objectives and/or enable low-to moderate-income consumers to participate in the financial mainstream
- Volunteering to teach financial education, providing financial coaching, creating financial access opportunities for low-income families, etc.

Community development services that are deemed innovative or complex shall include the provision of services that are innovative and or are highly responsive to community needs and opportunities, as defined below.

7 PLAN FRAMEWORK

7.1 OVERALL GOALS

The Bank reviewed the recent CRA performance evaluations of nine nontraditional regulated large banks (which included Wholesale, Large Bank, Limited Purpose and Strategic Plan) with assets between $12 billion and $54 billion with CRA performance evaluations between 2017 and 2020. Four institutions had assets of approximately Premier Bank's size, i.e., $12 to $33 billion. One institution earned a CRA rating of "Satisfactory" and eight earned a CRA rating of "Outstanding." The average annual CRA qualifying lending and investment volume [38] of the closest peer banks is 0.42%. Accordingly, the Bank has set the following cumulative three-year targets for CRA qualifying lending and investment volume:

For a rating of "Satisfactory," the Bank shall achieve $280 billion of CRA qualifying lending and investment volume (0.25% annually based on expected $33.1 billion of assets at 1/1/2022) and achieve a minimum 750 qualifying CRA service hours.

The Bank may achieve a rating of "Outstanding" in one of two ways:

- Via Innovative and Complex Lending & Investing: The Bank must achieve at a minimum of $392 million of CRA qualifying lending and investments that include Innovative or Complex (as defined above) lending or investments (0.32%) and either a) a minimum 975 service hours that include Innovative or Complex CRA service hours or b) a minimum of 1170 service hours that do not include Innovative or Complex service hours to receive an "Outstanding."; or
- Via Higher Volume Lending & Investing: The Bank shall achieve $490 million of CRA qualifying Lending and Investing volume (0.43%) and either (a) a minimum 975 qualifying service hours that include Innovative or

[38] Source: FDIC SOD Market Share Report. State Street, Goldman Sachs, and Ally Bank.

Complex CRA service hours OR (b) a minimum 1170 service hours that do not include Innovative or Complex service hours.

7.2 Annual CRA Lending, Investing and Services Targets

Evaluation of the Bank's performance under this Plan is based on annual goals set forth in Section 8. The FRB is expected to exercise discretion, based on the performance context, in weighting the Bank's performance across Plan years to arrive at the State/ Performance Test and overall ratings for the evaluation period.

In designing the Plan and determining the goals contained herein, we considered a range of factors, including but not limited to the performance context, the potential for impact, and the resources that would be necessary to implement them effectively. We also expect that as this strategic plan is our first in a new market, that there would be period of ramp up as we build programs, capacity, and work to bring our lending and investment partners to this new market.

We will continue our focus on highly impactful, responsive, innovative and/or complex activities because we heard from community partners that they welcomed and appreciated the Bank's responsiveness and willingness to commit time and resources to engage in these types of activities, even if it means a relatively longer-term horizon to deploy capital. Therefore, this Strategic Plan incorporates these investment, lending and service strategies as pathways to an "Outstanding" rating. While the definition of Innovative and Complex are listed below, we anticipate that for the purpose of this plan, some of the following types of activities (as illustrative examples) may have to occur to make some headway in this market:

- Working with partners to further Affordable Housing within high-need areas like South Dallas
- Supporting small businesses and entrepreneurships in low- and moderate-income areas and for minorities
- Leveraging the expertise of CSC and partnerships with the Diverse Markets Team to develop products tailored to our marketspace
- Attracting more CDCs to the area to further affordable housing
- The tables in Section 8 detail how the Bank may achieve a Satisfactory or Outstanding level of activity, depending on its level of innovative and/or complex activity, as defined by the Plan. This approach affords the Bank the necessary flexibility to respond to community needs and opportunities, as well as consider market conditions, internal capacity, and constraints over the Plan period.

The Plan Tables establish overall dollar targets for each Plan Year. These targets include mandatory minimum targets (Satisfactory level) for Loans, Investments, and combined Loans and Investments volume for the DFW Assessment Area, including activities in the BSRA that directly benefit the Assessment Area or organizations or activities the purpose, mandate, or function of which is to benefit the Assessment Area. Once the minimum Assessment Area Loans and Investments target levels are achieved, the framework allows the Bank to structure transactions in response to community needs (either as Loans or Investments) in the Assessment Areas, or the BSRA, to achieve the remainder of the volumes needed under its cumulative targets, even if activities in the BSRA do not serve and will not benefit the Assessment Area. Notwithstanding the foregoing, the Bank will strive to achieve a volume of Loans and Investments in its Assessment Area that exceed the minimum targets.

If the Bank exceeds any annual target within the DFW Assessment Area, the Bank may pursue the following two options:

- The additional volume may be applied toward the BSRA target. Thus, if in Plan Year 1 the Bank meets its Satisfactory target for the DFW AA, exceeds its target by $5 million, but misses its BSRA target by $5 million, the $5 million could be applied to the BSRA.
- If the Bank does not need the volume to offset a deficit in the BSRA, the excess volume may be applied to achieve Outstanding targets in the current Plan Year and carried over to a future year to attain the cumulative target in the DFW Assessment Area.
- Dollar volume target for Plan Year 1 is based on the committed amount of loans and investments originated and committed in Plan Year 1 plus the book value of prior period investments (committed to prior to Plan Year 1). Dollar volume targets for Plan Years 2 and 3 are cumulative to Plan Year 1 plus the book value of prior period investments (committed prior to Plan Year 1) at respective Year 2 and Year 3 end-of- year values. Eligible Community Development Activities reflected below incorporate all provisions typically applicable (as per regulation, Q&A, or examiner guidance) for Banks evaluated under the Large Retail Bank test. These include but are not limited to:
    - Inclusion of prior period investments in Community Development Loans and Investments volume
    - Full credit for activities benefitting specially designated areas, organizations, or projects, regardless of assessment area, such as:
        - FEMA-designated disaster areas
        - Minority/women-owned banks or credit unions
        - Distressed or Underserved Nonmetropolitan Middle-Income Geographies

7.3 General

Activities undertaken by CSC and/or other of the Bank’s subsidiaries and affiliates (including without limitation a community development corporation formed for the purpose of fulfilling the Bank’s CRA obligations) may be counted toward attainment of targets in all the above categories, provided that such activities are not claimed by any other institution.

8 PLAN TABLES

Charles Schwab Premier Bank SSB - Plan Year 1 - January 1, 2022 - December 31, 2022					
Loans and Investments					
Metric	**Geography**	**Component Test**	**Satisfactory**	**Outstanding (A)***	**Outstanding (B)**
Dollar volume of commitments	DFW AA	Loans	$ 1,400,000	$ 1,960,000	$ 2,450,000
		Investments	$ 1,400,000	$ 1,960,000	$ 2,450,000
		Subtotal	*$ 2,800,000*	*$ 3,920,000*	*$ 4,900,000*
		Loans or Investments	$ 4,200,000	$ 5,880,000	$ 7,350,000
		Total	***$ 7,000,000***	***$ 9,800,000***	***$ 12,250,000***
	BSRA	Loans or Investments	$ 63,000,000	$ 88,200,000	$ 110,250,000
	Total		***$ 70,000,000***	***$ 98,000,000***	***$ 122,500,000***
Community Development Services					
Number of service hours	DFW AA	Community Development Services	**200**	**260**	**312**
			1	**2**	**1**
Minimum Degree to which Loans or Investments deemed Innovative/ Complex*					

Charles Schwab Premier Bank SSB - Plan Year 2 - January 1, 2023 - December 31, 2023					
Loans and Investments					
Metric	**Geography**	**Component Test**	**Satisfactory**	**Outstanding (A)***	**Outstanding (B)**
Dollar volume of commitments	DFW AA	Loans	$ 3,192,000	$ 4,468,800	$ 5,586,000
		Investments	$ 3,192,000	$ 4,468,800	$ 5,586,000
		Subtotal	*$ 6,384,000*	*$ 8,937,600*	*$ 11,172,000*
		Loans or Investments	$ 9,576,000	$ 13,406,400	$ 16,758,000
		Total	***$ 15,960,000***	***$ 22,344,000***	***$ 27,930,000***
	BSRA	Loans or Investments	$ 143,640,000	$ 201,096,000	$ 251,370,000
	Total		***$ 159,600,000***	***$ 223,440,000***	***$ 279,300,000***
Community Development Services					
Number of service hours	DFW AA	Community Development Services	**450**	**585**	**702**
			1	**2**	**1**
Minimum Degree to which Loans or Investments deemed Innovative/ Complex*					

Charles Schwab Bank SSB - Plan Year 3 - January 1, 2024 - December 31, 2024					
Loans and Investments					
Metric	**Geography**	**Component Test**	**Satisfactory**	**Outstanding (A)***	**Outstanding (B)**
Dollar volume of commitments	DFW AA	Loans	$ 5,600,000	$ 7,840,000	$ 9,800,000
		Investments	$ 5,600,000	$ 7,840,000	$ 9,800,000
		Subtotal	*$ 11,200,000*	*$ 15,680,000*	*$ 19,600,000*
		Loans or Investments	$ 16,800,000	$ 23,520,000	$ 29,400,000
		Total	**$ 28,000,000**	**$ 39,200,000**	**$ 49,000,000**
	BSRA	Loans or Investments	$ 252,000,000	$ 352,800,000	$ 441,000,000
	Total		***$ 280,000,000***	***$ 392,000,000***	***$ 490,000,000***
Community Development Services					
Number of service hours	DFW AA	Community Development Services	**750**	**975**	**1170**
			1	**2**	**1**
Minimum Degree to which Loans or Investments deemed Innovative/ Complex*					

9 DEFINITIONS

Broader Statewide or Regional Area or BSRA has the meaning set forth in the Interagency Questions and Answers Regarding Community Reinvestment and for purposes of this Strategic Plan includes the states commonly known as the Southwest and Desert Southwest region, including Texas, California (desert south), Nevada, Utah, Colorado, Arizona, New Mexico, Oklahoma, Louisiana, and Arkansas.

Community Development Loan(s) exclude home mortgage, small business or small farm, or consumer loans, and include loans that support one or more of the following community development activities:

- Has as its primary purpose community development as defined by 12 CFR § 228.12; and
- Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and
- Benefits the bank's assessment area(s), or the Broader Statewide or Regional Area

Community Development Investment(s) or qualified investment means a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community Development Service(s) means a service that:

- Has as its primary purpose community development;
- Is related to the provision of financial services; and
- Has not been considered in the evaluation of a bank's retail banking services.

HMDA-Reportable Loans consist of purchased or originated mortgages serving borrowers who earn less than 80 percent of the area median income, as calculated each year by Federal Financial Institutions Examination Council (FFIEC), or those purchased or originated in LMI geographies as identified by the Office of Management and Budget (OMB).

Innovative/Complex activities are (1) are responsive to community needs and demonstrate excellence and leadership by serving the credit needs of the most economically disadvantaged, possibly in new ways or by serving customers not previously served, and/or (2) make extensive use of innovative/complex initiatives to support community development or result in the creation of customized programs or services for the assessment area.

Lending Related Activities means efforts which facilitate or result in community development lending, mortgage lending to LMI borrowers or within LMI geographies, small business lending and small farm lending, including but not limited to qualified investments for such purposes.

Prior Period Investment(s) means a Community Development Investment or qualified investment made before the start of the current Plan Period.

Plan Period shall mean the period of January 1, 2022 through December 31, 2024.

Plan Years are defined as follows:

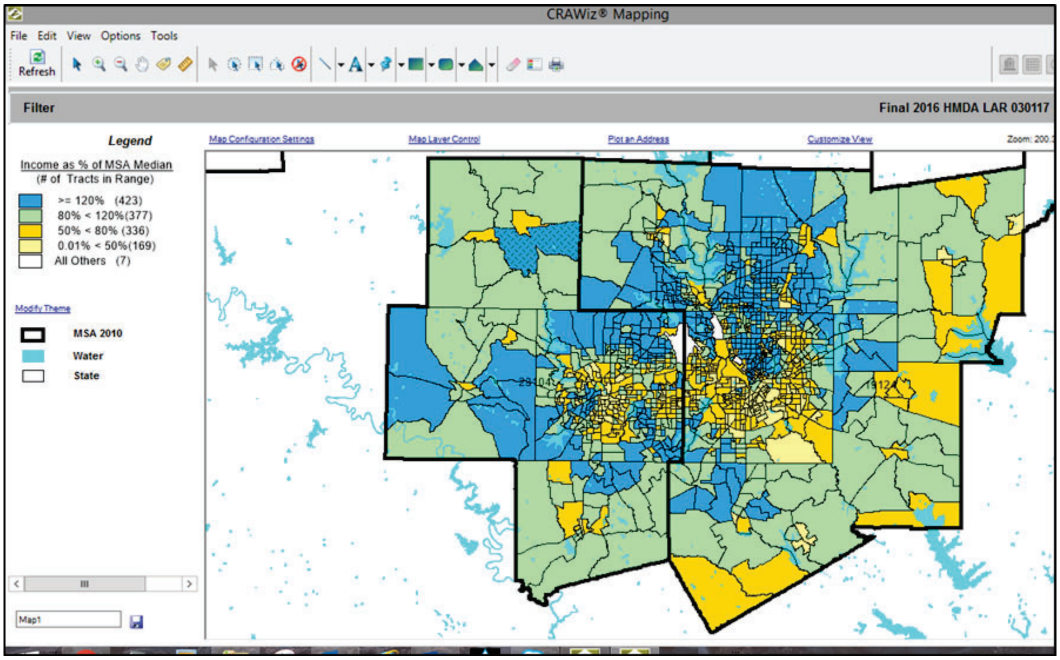
Plan Year 1 means the period from January 1, 2022 – December 31, 2022

Plan Year 2 means the period from January 1, 2023 – December 31, 2023

Plan Year 3 means the period from January 1, 2024 – December 31, 2024

Southwestern Desert Region means of regions are commonly referenced in the U.S. Bureau of Labor Statistics, the Environmental Protection Agency, as the U.S. Census Texas, California (desert south), Nevada, Arizona, and New Mexico.

10 Appendix A: Maps and Census Tract Information for the DFW Assessment Area



GeoDemographics Income

Assessment Area Name: 2020 DFW Metroplex Year: 2020

Tract Type	Tracts		Households		Total Rental	
	Count	%	Count	%	Count	%
Low	169	13	251,810	11	203,878	19
Mod	336	26	560,673	24	313,663	30
Middle	377	29	742,091	31	302,081	29
Upper	423	32	824,057	35	224,806	21
NA	7	1	4,381	0	3,400	0

Weighted Average Median Family Income of Tracts/BNA's	78,319
Weighted Average Median Household Income of Tracts/BNA's	66,953
Weighted Average of MSA/Non-MSA's Census Median Family Income	70,576
Weighted Average of MSA/Non-MSA's Updated Median Family Income	80,633

11 APPENDIX B: PEER BANK LIST

Institution	Avg. Assets (in 000s)	Evaluation Method	Regulator	Exam Date	Actual Rating	BPS
Charles Schwab Premier Bank	$20,357,333	Strategic Plan	FRB	2021	TBD	29
UBS Bank	$54,361,469	Strategic Plan	FDIC	2018	OUT	43
Morgan Stanley PBNA	$53,375,667	Strategic Plan	OCC	2018	OUT	104
Deutsche Bank	$47,849,750	Wholesale/ Limited	FRB	2018	OUT	109
Silicon Valley	$47,227,995	Strategic Plan	FRB	2018	OUT	51
E*TRADE	$42,095,463	Limited	OCC	2019	OUT	42
Barclay's Bank DE	$33,443,134	Limited/Strategic Plan	FDIC	2019	OUT	16
Sallie Mae	$26,943,136	Strategic Plan	FDIC	2020	OUT	44
TD Bank	$20,805,880	Limited	OCC	2020	OUT	78
Stifel	$11,858,802	Strategic Plan	FRB	2017	OUT	64

[1] UBS's SP has a new CDLs+Invs/avg. assets per year goal ("New Goal") and a combined CDLs+Invs+PPI+Grant/avg asset per year Goal ("Combined Goal"). For this analysis we are using the Combined Goal which is .90 bps for Sat and 1.10 for O/S. CSPB for example has .70 bps for SAT and .985 bps for O/S if using this same metric. To convert UBS to CSPB, we divided bps in the year in which the CDLs+Invs+PPI+Grant/Avg Asset was the median of 129/3 or 43 bps per year for comparison purposes.

[2] Morgan Stanley PBNA, Deutsche Bank, Silicon Valley, Barclay's – no change

[3] Sallie Mae has a "Combined Goal" like UBS that is cumulative with each year's CDLs+Inv+PPI+Grant/Avg assets where .72 bps is Sat and .87 bps is O/S for 1st and 2nd year and escalates to .90 bps for SAT and 1.13 bps for O/S in 3rd year for it's primary AA. UBS also has a regional goal with 1.20 bps and 1.45 bps in year 1 and 2 then moves to 1.25 bps and 1.56 bps in year 3. We added the final numbers for both AA and regional/avg total assets divided by 3 (132/3 or 44 bps)

[4] TD Bank No Change

[5] Stifel was corrected from a 3 to a 2-year exam has separate $ goals for CDLs and Invs with CDLs $ goals as 22 bps of prior year's assets for Sat and OS at 125% of the SAT $ goals. Investments are 45 bps at Sat and 125% of Sat Goals for OS. That put it at 64 bps on average.

12 APPENDIX C: COMMUNITY OUTREACH LIST

1. Asset Funders Network
2. BBVA
3. BCL of Texas
4. Builders of Hope CDC
5. Catholic Charities of Dallas
6. Catholic Charities of Fort Worth
7. Capital Good Fund
8. Capital Impact Partners
9. Center for Transforming Lives
10. Childcare Associates
11. Communities Foundation of Texas
12. Communities in Schools
13. Community Enrichment Center
14. Cotton Bowl Foundation
15. Development Corporation of Tarrant County
16. DFW Regional Housing Consortium
17. DRC Southern Dallas Task Force
18. Dream Spring
19. Family Pathfinders
20. Federal Reserve Bank
21. Federal Home Loan Bank Dallas
22. Fort Worth Habitat for Humanity
23. Fort Worth Links Inc.
24. Grameen America
25. Hope Farm
26. Housing Channel
27. Housing Crisis Center
28. Housing Opportunity of Fort Worth
29. Jewish Family Services of Dallas
30. Jubilee Park and Community Center
31. LIFT Fund
32. North Texas Communities Foundation
33. People Fund
34. Southern Dallas Progress
35. Texas Association of CDC's
36. Texas Capital Bank
37. Texas Real Estate Council
38. The DEC
39. Under 1 Roof
40. United Way of Dallas County
41. United Way of Denton County
42. United Way of Tarrant County
43. WINGS Dallas

13 Appendix D: Notice of Proposed 2022 Community Reinvestment Act Strategic Plan for Charles Schwab premier Bank, SSB

Notice Regarding Public Inspection of Proposed CRA Strategic Plan

This public notice was published in the Dallas Morning News, a newspaper of general circulation within the assessment area addressed in Charles Schwab Premier Bank's proposed 2022 CRA Strategic Plan.

Community Reinvestment Act Strategic Plan (the "Strategic Plan")

Community Reinvestment Act ("CRA") regulations require a bank that has developed a Strategic Plan to publish notice of the Strategic Plan and solicit public comment for at least a 30-day period. In conformance with this requirement, Charles Schwab Premier Bank, SSB ("Bank") hereby provides notice of its plan to submit to the Federal Reserve Bank of Dallas ("FRB") a proposed 2022 CRA Strategic Plan.

Written comments from the public concerning the plan are encouraged. To obtain a copy of the Strategic Plan at no charge to the requesting party, individuals may request a copy by email, phone or mail by contacting the Bank's CRA Officer at CRAPlanComments@schwab.com, 3000 Schwab Way, Westlake, TX 76262, or, 916-213-8628.

The Strategic Plan is available for review by appointment at:

Charles Schwab Premier Bank, SSB
3000 Schwab Way
Westlake, TX 76262

All written comments regarding the Plan should be directed to the Bank's CRA Officer at the address or email listed above. Comments and suggestions will be accepted until September 24, 2021, following which time the Strategic Plan will be submitted for approval to the FRB. The Bank will review all comments and incorporate suggestions to the Strategic Plan at its discretion. The Bank received a rating of "Outstanding" on its last Performance Evaluation under the CRA, as of July 31, 2017. Copies of same are also available upon request.