

PUBLIC DISCLOSURE

November 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pegasus Bank
RSSD # 3465392
4515 West Mockingbird Lane
Dallas, TX 75209

Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 75201

NOTE: 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'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated: **Satisfactory**.

The lending test is rated: **Satisfactory**.

The community development (CD) test is rated: **Outstanding**.

Pegasus Bank (Pegasus or the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria under the Lending and Community Development Tests:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's asset size, financial condition, and credit needs of the bank's delineated assessment area (AA).
- A majority of the bank's loans are originated inside the AA.
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- The bank has taken appropriate action in response to substantiated complaints.
- Community development (CD) activity reflects excellent responsiveness to the needs of the AA.

SCOPE OF THE EVALUATION

Examiners utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions* to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Performance was assessed within the bank's only AA. Examiners reviewed the following data:

- The bank's 17-quarter average NLTD ratio, ending on June 30, 2024;
- The home mortgage loans reported on the bank's 2023 Home Mortgage Disclosure Act (HMDA) Loan/Application Register (LAR);
- A statistically derived sample of 73 small business loans selected from a universe of 90 loans originated between January 1, 2023, and December 31, 2023;
- Qualified CD loans, investments, and services as provided by the bank since the previous CRA evaluation dated August 3, 2020; and
- Information provided by two community contacts serving the bank's AA to ascertain the credit and CD needs of the communities, the responsiveness of area banks in meeting those credit needs, and the local economic conditions.

DESCRIPTION OF THE INSTITUTION

Pegasus, a community bank headquartered in Dallas, Texas, has the following characteristics:

- The bank is a wholly owned subsidiary of BancFirst Corporation, a financial holding company of \$13.6 billion in Oklahoma City, Oklahoma. Pegasus is affiliated through common ownership to BancFirst in Oklahoma City, Oklahoma, and Worthington Bank in Arlington, Texas.
- As of June 30, 2024, the bank had total assets of \$1.3 billion.
- The bank operates three full-service locations in Dallas County, Texas, which is part of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (MSA), with an automatic teller machine (ATM) at each location.
- Pegasus is primarily a commercial lender. As shown in Table 1, commercial loans comprise 84.6 percent of the bank's loan portfolio as June 30, 2024. Residential real estate lending is a much smaller but still material part of the bank's loan portfolio.

Table 1

Composition of Loan Portfolio as of June 30, 2024		
Loan Type	\$(000)	%
Residential Real Estate	108,172	13.0
Agricultural	2,156	0.3
Commercial and Industrial	701,673	84.6
Consumer	17,320	2.1
Other	505	< 0.1
Gross Loans	829,826	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The Federal Deposit Insurance Corporation (FDIC) rated Pegasus' CRA performance as **Satisfactory** at its previous performance evaluation dated August 3, 2020. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

DALLAS COUNTY METROPOLITAN ASSESSMENT AREA
(Full-Scope Review)

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE DALLAS COUNTY METROPOLITAN ASSESSMENT AREA

- The Dallas County Metropolitan AA is a portion of the Dallas-Plano-Irving Metropolitan Division, a subsection of the Dallas-Fort Worth-Arlington, TX MSA. The AA includes the entirety of Dallas County but excludes the other six counties¹ in the Dallas-Plano-Irving MD. Refer to Appendix A for an AA map.
- At the previous evaluation, the bank's delineated AA included only certain tracts in Dallas County; however, the bank expanded the AA to include the entire county in 2022.
- The AA contains a total of 645 census tracts: 107 low-income, 223 moderate-income, 160 middle-income, 144 upper-income and 11 unknown-income geographies.
- Since the previous evaluation, 116 new census tracts were delineated within the bank's AA. No additional low-income census tracts were established, while 36 new tracts were designated as moderate-income. The total percentage of tracts designated as LMI decreased by 5.3 percent from the previous evaluation.
- The bank operates three branches within the AA. One branch is located in a moderate-income census tract and two branches are in upper-income census tracts.
- Pegasus operates in a highly competitive market dominated by large, nationwide financial institutions. As of June 30, 2024, the FDIC Deposit Market Share Report indicates Pegasus held 0.4 percent of the deposit market share and ranked 22nd out of 113 FDIC-insured depository institutions operating in the AA. Bank of America, National Association (NA), led the market with 41.2 percent of the deposit market share. Bank of America, National Association (NA), led the market with 41.2 percent of the deposit market share. Other market leaders include JPMorgan Chase Bank, NA and NexBank, with 21.5 percent and 4.4 percent, respectively.
- Examiners reviewed two community contacts recently conducted in conjunction with the evaluation of another institution to obtain an understanding of the AA credit needs, area bank's performance in meeting such needs, and local economic conditions. One of the community contacts provided information related to small business credit needs while the other focused on the housing climate in the AA.

Table 2

Population Change			
Assessment Area: Dallas County Metropolitan			
Area	2015 Population	2020 Population	Percent Change
Dallas County Metropolitan	2,485,003	2,613,539	5.2
Dallas-Plano-Irving, TX MD	4,519,004	5,129,966	13.5
Texas	26,538,614	29,145,505	9.8
Source: 2020 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey			

- As depicted in Table 2, the AA population grew 5.2 percent between 2015 and 2020, adding more than 128,000 residents in that period. This growth rate is lower than the statewide population's growth rate of 9.8 percent.

¹ In addition to Dallas County, the Dallas-Plano-Irving MD includes Collin, Denton, Ellis, Hunt, Kaufman, and Rockwall counties.

- Dallas County grew much slower than the Dallas-Plano-Irving, TX MD, indicating that individuals and families relocating to the Dallas-Fort Worth Metroplex prefer suburban areas.
- One community contact attributed population growth to a thriving job market with diverse employment opportunities attracting a variety of workers to the area.

Table 3

Median Family Income Change Assessment Area: Dallas County Metropolitan			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change
Dallas County Metropolitan	61,072	69,689	14.1
Dallas-Plano-Irving, TX MD	77,736	88,315	13.6
Texas	68,523	76,073	11.0
<i>Source: 2011-2015 U.S. Census Bureau: American Community Survey 2016-2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

- Families living in the AA have a significantly lower median family income (MFI) relative to the rest of the MD. As shown in Table 3, the AA's MFI is lower than the state's, while the MD's MFI is notably greater than the state's. This indicates that AA families are more likely to experience financial constraints than the rest of the MD.
- The AA's MFI highlights income disparities in the region, as Dallas has the sixth-most millionaires in the county, with 68,600 (including 15 billionaires), according to a report by consulting firm Henley & Partners Holdings Ltd.
- According to the 2023 FFIEC Census Data, 11.4 percent of families in the AA live below the poverty level, which is slightly above the statewide poverty level, at 10.9 percent.

Table 4

Housing Cost Burden Assessment Area: Dallas County Metropolitan						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Dallas County Metropolitan	80.2	42.0	42.7	61.6	31.2	22.6
Dallas-Plano-Irving, TX MD	81.3	47.6	42.0	63.0	36.2	20.6
Texas	78.3	44.6	42.7	57.3	31.0	19.0
<i>Note: Cost burden is housing cost that equals 30 percent or more of household income.</i> <i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

- As illustrated in Table 4, housing costs burden within the AA is greater for low-income renters than low-income homeowners, indicating that it is more favorable for LMI families to purchase a home rather than rent. However, high housing prices and downpayment requirements may hinder many LMI renters from transitioning to home ownership.
- According to the 2023 FFIEC Census data, the AA's median gross rent is \$1,159, which is slightly higher than the state median gross rent of \$1,082.
- The median age of housing stock in the AA is 46 years, and the median sales price for homes in Dallas, TX has increased sharply over the past several years to more than \$375,000, according to Redfin Research.

- One community contact indicated the availability of lower income housing is dwindling, and existing residents are struggling to afford housing. Affordable housing issues are exacerbated by rapid population growth and increase in property taxes. These issues disproportionately impact low-income households, and many families are moving in with extended family to afford baseline necessities. Moreover, families are moving to neighboring cities to secure more affordable housing.

Table 5

Unemployment Rates					
Assessment Area: Dallas County Metropolitan					
Area	2019	2020	2021	2022	2023
Dallas County Metropolitan	3.5	7.8	5.6	3.7	3.8
Dallas-Plano-Irving, TX MD	3.3	7.1	5.0	3.5	3.7
Texas	3.5	7.7	5.6	3.9	3.9
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>					

- As shown in Table 5, the AA unemployment rate declined in 2022 after facing a significant increase due to the COVID-19 pandemic in 2020 and 2021. Unemployment rates have fallen to near pre-pandemic levels. Despite slightly increasing in 2023, the AA's unemployment rate remains slightly lower than the statewide unemployment rate, at 3.9 percent.
- Major industries that provide employment opportunities in the AA are healthcare and social services, professional and technical services, and retail trade.
- The AA hosts a variety of major employers. These major employers operate across multiple sectors of the economy, including healthcare (Baylor Scott & White, Medical City, and UT Southwestern Medical Center) and retail trade (Kroger and Walmart Stores).

Table 6

Home Mortgage Loan Trends					
Assessment Area: Dallas County Metropolitan					
Area	2018	2019	2020	2021	2022
Dallas County Metropolitan	36,870	42,332	66,645	66,501	36,879
Dallas-Plano-Irving, TX MD	104,256	124,069	216,785	214,738	118,895
Texas	503,850	592,278	976,766	1,002,616	589,884
<i>Source: FFIEC Home Mortgage Disclosure Act Loan/Application Records</i>					

- As highlighted in Table 6, the total number of HMDA loans made in the AA by all HMDA lenders peaked in 2020 and 2021. In 2022, the AA HMDA lending activity decreased significantly, a trend mirrored in the Dallas-Plano-Irving, TX MD and the state of Texas.
- Interest rates play an undeniable role in mortgage demand. The average interest rate on a 30-year fixed rate mortgage was at historic lows in 2020 and 2021 but rapidly increased to 20-year highs in 2023.
- LMI borrowers are less likely to qualify for mortgages as interest rates rise due to the corresponding increase in mortgage payment.

Table 7 below details selected characteristics of the AA.

Table 7

2023 Combined Demographics Assessment Area: Dallas County Metropolitan								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	107	16.6	100,878	16.6	25,240	25.0	184,466	30.4
Moderate-income	223	34.6	217,151	35.7	29,705	13.7	121,821	20.1
Middle-income	160	24.8	159,194	26.2	10,013	6.3	112,226	18.5
Upper-income	144	22.3	127,087	20.9	3,612	2.8	188,940	31.1
Unknown-income	11	1.7	3,143	0.5	454	14.4	0	0.0
Total Assessment Area	645	100.0	607,453	100.0	69,024	11.4	607,453	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	182,361	49,784	10.5	27.3	114,522	62.8	18,055	9.9
Moderate-income	343,493	155,497	32.6	45.3	161,983	47.2	26,013	7.6
Middle-income	263,814	138,854	29.1	52.6	107,238	40.6	17,722	6.7
Upper-income	225,383	130,305	27.4	57.8	76,716	34.0	18,362	8.1
Unknown-income	12,762	1,935	0.4	15.2	9,162	71.8	1,665	13.0
Total Assessment Area	1,027,813	476,375	100.0	46.3	469,621	45.7	81,817	8.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	14,622	9.6	13,401	9.7	1,129	9.3	92	5.5
Moderate-income	38,626	25.4	35,682	25.8	2,653	21.9	291	17.4
Middle-income	46,538	30.6	42,197	30.5	3,933	32.4	408	24.4
Upper-income	50,868	33.4	45,726	33.1	4,279	35.3	863	51.6
Unknown-income	1,432	0.9	1,271	0.9	144	1.2	17	1.0
Total Assessment Area	152,086	100.0	138,277	100.0	12,138	100.0	1,671	100.0
Percentage of Total Businesses:				90.9		8.0		1.1
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	52	6.3	52	6.4	0	0.0	0	0.0
Moderate-income	140	16.9	136	16.7	4	30.8	0	0.0
Middle-income	235	28.3	232	28.4	3	23.1	0	0.0
Upper-income	397	47.9	391	47.9	6	46.2	0	0.0
Unknown-income	5	0.6	5	0.6	0	0.0	0	0.0
Total Assessment Area	829	100.0	816	100.0	13	100.0	0	0.0
Percentage of Total Farms:				98.4		1.6		0.0
Source: 2023 FFIEC Census Data 2023 D&B Information 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank's overall lending test performance is satisfactory. During the review period, the bank had a reasonable NLTD ratio and originated a majority of loans within its delineated AA. Additionally, the distribution of the bank's lending among geographies and borrowers of different income levels was reasonable. As commercial lending is a strategic focus of the bank and made up the majority of its loan portfolio, Pegasus' small business lending was given the greatest weight when determining overall CRA performance.

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of lending in comparison to similarly situated institutions insured by the FDIC and in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, and the demographic and economic factors present in the AA. The similarly situated institutions were selected based on asset size, presence within the bank's delineated AA, and loan portfolio mix.

The bank's 17-quarter average NLTD ratio, as displayed in Table 8, is reasonable. Pegasus' average NLTD during the review period is consistent with that of identified similarly situated institutions, indicating that the bank has appropriately applied its resources to meet the credit needs of the AA in a safe and sound manner.

Table 8

Comparative Net Loan to Deposit Ratios April 1, 2020 – June 30, 2024			
Institution	Location	Asset Size \$(000)	17-Quarter Average NLTD Ratio (%)
Pegasus Bank	Dallas, Texas	1,292,315	68.5
Similarly Situated Institutions			
Comparator Banks	Wolfforth, Texas	1,396,021	66.3
	Dallas, Texas	1,044,014	63.3
	Dallas, Texas	1,177,831	90.0

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the bank's delineated AA. Pegasus originated a majority of loans, both by number and dollar amount, inside the AA. One-third of the HMDA and small business loans originated by the bank outside of the delineated AA were originated in contiguous counties. These counties have geographic, demographic, and economic interdependencies with the bank's AA, and lending in these regions does not reflect negatively on the bank's responsiveness to the credit needs of its community.

Table 9

Lending Inside and Outside of the AA								
Loan Type	Inside Assessment Area				Outside Assessment Area			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	16	69.6	15,538	66.1	7	30.4	7,953	33.9
Home Improvement	3	100.0	340	100.0	0	0.0	0	0.0
Refinancing	9	100.0	7,771	100.0	0	0.0	0	0.0
Total HMDA-related	28	80.0	23,649	74.8	7	20.0	7,953	25.2
Total Small Business	59	80.8	19,376	83.1	14	19.2	3,950	16.9
TOTAL LOANS	87	80.6	43,025	78.3	21	19.4	11,903	21.7

Note: Percentages may not total 100.0 percent due to rounding.

The remaining loan distribution analysis discussed in this performance evaluation considers only those loans originated within the bank's AA.

Geographic Distribution of Loans

Pegasus' geographic distribution of loans reflects reasonable distribution among census tracts of different income levels and throughout the AA. The bank's home mortgage lending in the AA reflects poor distribution among geographies of different income levels, while the geographic distribution of small business loans is reasonable.

For this evaluation, the bank's HMDA origination volume within the AA is too low to conduct a meaningful analysis of the individual loan product categories; thus, the product categories were combined and analyzed at the total HMDA level.

Residential Real Estate (HMDA) Lending

The geographic distribution of total HMDA loans reflects poor penetration throughout the AA when compared to the percentage of owner-occupied housing units located in LMI census tracts (the demographic figure) and to aggregate lending data in the AA.

As shown in Table 10, the bank did not originate home mortgage loans in low-income census tracts in the AA. Aggregate HMDA lender's performance reflects strong demand from borrowers in low-income census tracts, as they slightly exceeded the demographic figure. The bank's total home mortgage lending in moderate-income census tracts was also significantly below aggregate lenders and the demographic figure. The bank's poor performance is, to some degree, a product of its strategic focus to serve small businesses and high-net-worth individuals. The bank's mortgage loans tend to be very large dollar amounts, which are less likely to be secured by properties in LMI census tracts. That said, Pegasus is a small player in a highly competitive mortgage market (over 700 financial institutions originated HMDA loans in the AA during the review period), and the bank's originations were generally made in proximity to its branch locations. Nevertheless, the bank's lending in LMI census tracts does not reflect favorably on Pegasus' responsiveness to the credit needs of the AA.

Table 10

Distribution of 2023 Home Mortgage Lending by Income Level of Geography Assessment Area: Dallas County Metropolitan							
Geographic Income Level	Bank and Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	\$%	\$%	
Low	0	0.0	11.8	0	0.0	9.5	10.5
Moderate	4	14.3	29.2	563	2.4	21.0	32.6
Middle	2	7.1	30.6	227	1.0	25.8	29.1
Upper	22	78.6	27.6	22,859	96.7	42.8	27.4
Unknown	0	0.0	0.7	0	0.0	0.9	0.4
Total	28	100.0	100.0	23,649	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016 – 2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Small Business Lending

The geographic distribution of small business loans reflects reasonable penetration throughout the AA. As noted in Table 11, Pegasus' percentage of small business loans originated in low-income census tracts was slightly below the percentage of businesses located in low-income census tracts within the AA. Moreover, the bank's small business lending in moderate-income census tracts was comparable to the demographic figure. To enhance small business lending to LMI geographies, the bank implemented the Community Lending Program, a line of business dedicated to small business lending in LMI areas. Pegasus hired a dedicated lender to lead the program, demonstrating commitment to meet the small business needs of its AA. The bank's distribution of small business lending among LMI tracts reflects favorably on Pegasus' responsiveness to meeting the credit needs of the AA considering its asset size and branch locations.

Table 11

Distribution of 2023 Small Business Lending by Income Level of Geography Assessment Area: Dallas County Metropolitan					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	4	6.8	1,175	6.1	9.6
Moderate	13	22.0	4,817	24.9	25.4
Middle	10	16.9	3,353	17.3	30.6
Upper	31	52.5	9,031	46.6	33.4
Unknown	1	1.7	1,000	5.2	0.9
Total	59	100.0	19,376	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016 – 2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

The bank's distribution of lending to borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes. While borrower distribution of HMDA loans is poor, distribution to businesses of different revenue sizes is reasonable.

Residential Real Estate (HMDA) Lending

The borrower distribution of HMDA lending in the AA is poor when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders. As shown in Table 12, the bank did not originate any HMDA loans to low-income borrowers, falling below aggregate lenders and significantly below the percentage of low-income families. Notably, aggregate lenders also performed significantly below the demographic figure.

Among moderate-income borrowers, Pegasus also performed below both aggregate data and the demographic figure. The bank originated 10.7 percent of its HMDA loans to moderate-income borrowers, demonstrating a willingness to lend; however, Pegasus' business strategy of focusing on high-net-worth clients inherently limits opportunities to reach LMI borrowers. Furthermore, competition in the mortgage market is fierce, with Pegasus holding less than 0.1 of the market in 2023. Nevertheless, the bank's distribution of HMDA lending among these LMI borrowers reflects unfavorably on Pegasus' responsiveness to the credit needs of the AA.

Table 12

Distribution of 2023 Home Mortgage Lending by Borrower Income Level Assessment Area: Dallas County Metropolitan							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Low	0	0.0	5.6	0	0.0	2.3	30.4
Moderate	3	10.7	17.3	322	1.4	10.3	20.1
Middle	2	7.1	18.9	240	1.0	14.4	18.5
Upper	17	60.7	35.4	16,509	69.8	51.3	31.1
Unknown	6	21.4	22.8	6,578	21.7	21.7	0.0
Total	28	100.0	100.0	23,649	100.0	100.0	100.0
<i>Source: 2023 FFIEC Census Data 2016 – 2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.</i>							

Small Business Lending

Pegasus' distribution of small business loans by business revenue size is reasonable. As depicted in Table 13, the bank's distribution of small business loans to businesses with revenues of \$1 million or less was below the total percentage of small businesses in the AA (demographic); however, performance context, including available data from CRA loan reporting institutions, supports the reasonableness of Pegasus' lending to small businesses. There are more than 152,000 businesses operating in the AA and 90.9 percent report annual revenues of \$1 million or less. This elevated demographic comparator is unlikely to be reflective of actual loan demand. Aggregate lending data from institutions reporting on CRA small business loan data reflects less than 50 percent of reported small business loans were made to businesses with annual revenues of \$1 million or less in 2023. This is also substantially below the demographic figure and a better reflection of demand. Although Pegasus is not a CRA reporter, and its performance is not evaluated against reporting institutions, the additional context level sets expectations for the bank's small business lending performance. In addition, more than one-third of the bank's small business loans were made to businesses with unknown revenues. These loans are primarily secured by certificates of deposit (CD-secured loans), which borrowers use to pay lower interest rates. While CD-secured loans may be originated to businesses with revenues of \$1 million or

less, they are not specifically targeted to small businesses. Therefore, the responsiveness of this product cannot be evaluated.

Another way to consider the bank's efforts in serving small businesses is by loan amount. Small businesses generally need smaller dollar loans. This analysis also supports the conclusions that the bank's lending to businesses of different revenue sizes is reasonable. The bank made a majority (59.3 percent) of its loans in amounts of \$250,000 or less, which are most likely to benefit small businesses.

Table 13

Distribution of 2023 Small Business Lending by Revenue Size of Businesses					
Assessment Area: Dallas County Metropolitan					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	17	28.8	7,525	38.8	90.9
Over \$1 Million	22	37.3	7,448	38.4	8.0
Revenue Unknown	20	33.9	4,403	22.7	1.1
Total	59	100.0	19,376	100.0	100.0
By Loan Size					
\$100,000 or Less	14	23.7	850	4.4	
\$100,001 - \$250,000	21	35.6	3,689	19.0	
\$250,001 - \$1 Million	24	40.7	14,837	76.6	
Total	59	100.0	19,376	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or Less	3	17.6	225	3.0	
\$100,001 - \$250,000	5	29.4	1,030	13.7	
\$250,001 - \$1 Million	9	52.9	6,270	83.3	
Total	17	100.0	7,525	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016 – 2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Response to Complaints

The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet the credit needs in its AA is appropriate. Since the previous evaluation, Pegasus received comments related to its CRA performance from members of the public. The bank reviewed each comment to evaluate the accuracy of any claims and responded appropriately to the commentor. All comments were reviewed in conjunction with this evaluation but did not negatively impact the assessment of the bank's performance.

COMMUNITY DEVELOPMENT TEST

The CD test is rated Outstanding. The CD test evaluates the bank's responsiveness to CD needs of its AA through qualified loans, investments, and services, considering its capacity and the need and availability of such opportunities in the AA. Pegasus' CD performance demonstrates excellent responsiveness to the CD needs. The bank's CD activity during the review period significantly increased when compared to the bank's performance at the prior evaluation. CD

loans increased 125.6 percent, investments and donations grew by 39.6 percent, and the number of CD services increased by 104.9 percent. Notable examples of qualified CD activities include:

- A \$2.8 million loan to a developer participating with the Dallas Housing and Acquisition Development Corporation to provide safe, affordable housing facilities for the benefit of LMI persons and to increase the supply of new affordable housing for working individuals and families in the City of Dallas, which, in turn, attracts and retains economic growth.
- Investments totaling more than \$760,000 in school bonds for the repair and improvement of the facilities of a local school district where approximately 85.1 percent of students are designated as LMI.
- A \$25,000 donation to a community center providing a variety of programs to a southeast Dallas community where a majority of families are classified as working-poor and under served in terms of education and accessible health resources.
- Community services in which several bank employees taught financial literacy programs for a local school district where 92.2 percent of students are designated as LMI.

Table 14

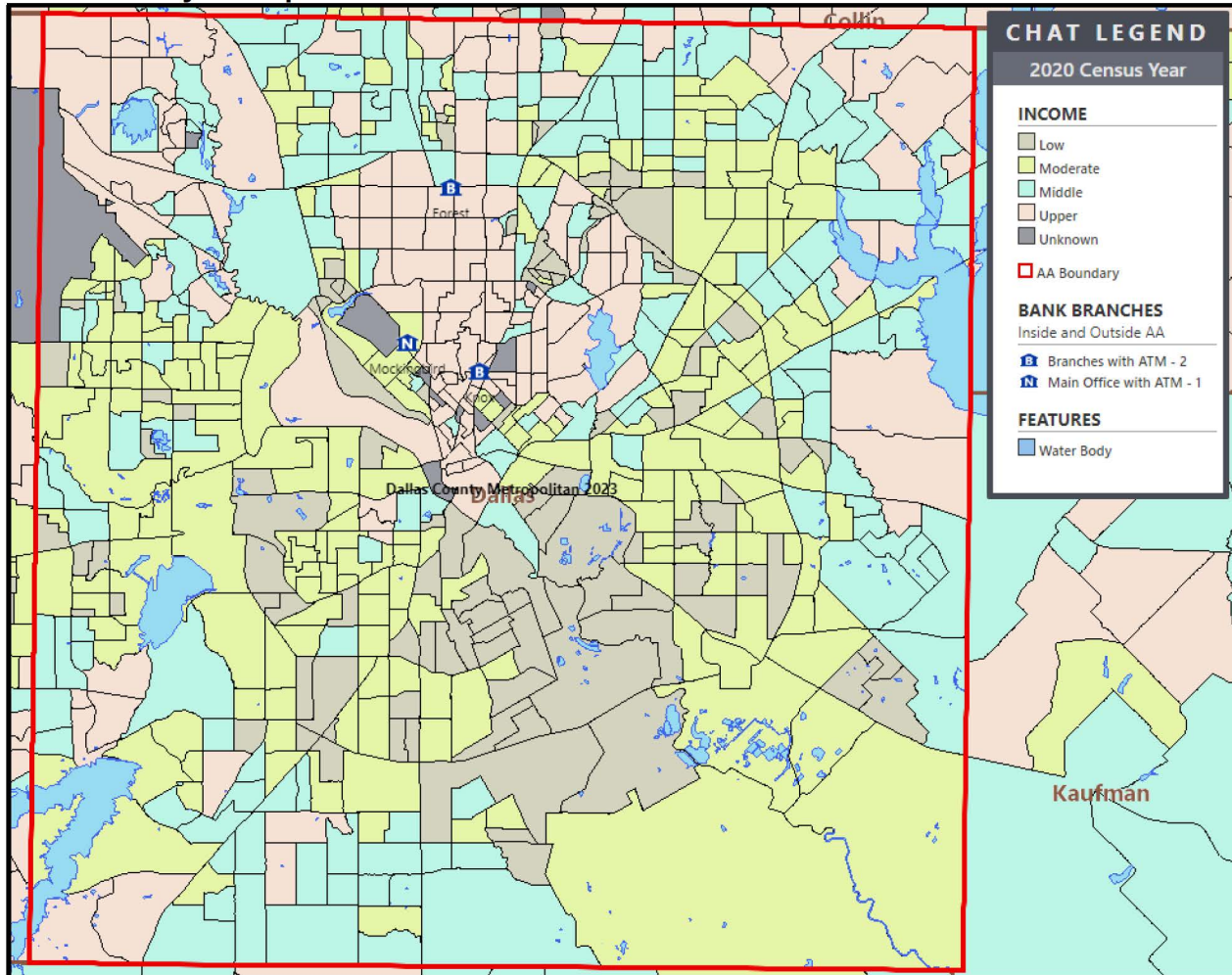
Community Development Activity Assessment Area: All									
Community Development Purpose	CD Loans		Qualified Investments						CD Services
			Investments		Donations		Total Investments		
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#
Affordable Housing	6	3,543	1	188	3	23	4	211	0
Community Services	2	5,376	5	2,020	38	245	43	2,265	84
Economic Development	1	500	2	296	0	0	2	296	0
Revitalization and Stabilization	7	63,442	1	307	1	25	2	332	0
Totals	16	72,861	9	2,811	42	293	51	3,104	84

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB). In general, the Dodd-Frank Act gives the CFPB, among other things, primary supervisory authority over insured depository institutions with total consolidated assets of more than \$10 billion when assessing compliance with the requirements of federal consumer financial laws. The Federal Reserve System retains authority to enforce compliance with the CRA and certain other consumer compliance laws and regulations. During the review period of this evaluation, the Federal Reserve Bank of Dallas did not cite violations involving illegal discrimination or other illegal credit practices that adversely affected the evaluation of the bank's CRA performance. As of the date of this evaluation, the Federal Reserve Bank of Dallas is unaware of any violations of the Equal Credit Opportunity Act or Regulation B, the Fair Housing Act, or any unfair, deceptive, or abusive acts or practices identified by the CFPB.

APPENDIX A – MAP OF THE ASSESSMENT AREA

Dallas County Metropolitan Assessment Area



APPENDIX B - 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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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, other secured consumer loans, and other unsecured consumer loans.

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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area (NonMSA): Any area that is not located within an MSA.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.