

HAPPY.

2020 Environmental, Social and Governance Report



Happy State Bank Profile



Happy State Bank is a well-respected corporate citizen and community partner committed to transparent, responsible stewardship through our sustainable growth. Following the guiding principles, characteristics and clearly defined values of our company, each person on our team is accountable for the safety and soundness of our organization, and we protect its interests at all times by adhering to regulations, standing by our policies and approaching every task with the highest standards of ethics.

Company Highlights

- Founded in 1908 in Happy, Texas
- \$ 6.4 billion in assets
- 27th largest bank in Texas
- 62 branches in 45 Texas communities
- Over 800 employees
- Voted *American Banker's* **Best Banks to Work For** eight years in a row
- Independent Bankers Association of Texas (IBAT) Community Spirit Award for bank culture, community support and financial literacy
- Bauer 5-Star Superior Rating

2020 – The Numbers

- Over \$21 million in Community Development Investments
- \$110 million in Community Development Loans
- \$601,284 in charitable giving – \$565,149 CRA Qualified
- Over 3,000 Volunteer Hours with nearly 300 organizations

Our Approach to ESG

“To whom much is given, much will be required.”

At Happy State Bank, we believe we have a responsibility to our community, our neighbors, our employees and our stakeholders, and we take that charge seriously. Our proactive approach to ESG – Environmental, Social and Governance – allows us to continuously identify new opportunities to lead, serve, make a difference and leave a lasting impact.

Environmental

Minimize environmental impact through the reduced use of consumable goods and the continued practice of responsible recycling.

Social

Lead by example and invest time, talent and resources in the community. Treat others respectfully, value their differences, share ideas and solve problems together.

Governance

Act in the best interest of the bank and adhere to sound practices and processes.



Committed to Our Communities

Giving and volunteering are the cornerstones of Happy's community bank philosophy, and serving others is an integral part of our core values. Supporting local initiatives strengthens relationships among neighbors, and more importantly, it helps those in need. Despite the challenges of 2020, Happy's employees found creative ways to serve and give back.



\$564,149 Community Reinvestment Act (CRA) donations benefitting 89 organizations



3,020 employee volunteer hours



291 community organizations served



OUTSTANDING CRA Rating

Financial Literacy Programs

Kids Bank Savings Program Launched in 1997 by Happy State Bank, this program teaches elementary students the value of saving money through real-life banking experiences – setting them up for a lifetime of responsible financial decisions to help them thrive for decades to come. Today, over 30 schools are student-operated under the support of Happy volunteers.

Lemonade Days Happy State Bank is a proud, long-time participant and sponsor of the Lemonade Day Program. This program started in Houston Texas in 2007 with the mission to inspire youth to learn the necessary steps for becoming an entrepreneur by opening their first business – an official Lemonade Day stand. Happy was the City Champion for several years.

Junior Achievement Happy State Bank is a long-time participant with Junior Achievement. This program provides educational opportunities to middle-and high school students. Happy also provides rent-free space to Junior Achievement in the Amarillo market.



25 YEARS
of Making Saving Fun

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Expanding Access to Financial Services

As a bank that began in a small Texas town, Happy State Bank has always taken seriously its commitment to serving communities with limited access to financial services. In fact, over 20% of our locations are the only bank in a rural community. By expanding our footprint and investing in the latest technology, Happy is able to meet the financial needs of our customers and communities across the state and around the globe.

62 Branches in 45 Communities

12 17.5% in Low-to-moderate Income (LMI) areas
branches

21 28% in Majority-Minority Census Tracts
branches

13 21% are the only bank in town
branches

10 15.8% In Low-to-Moderate, Majority Minority and Underserved Areas
branches



New Branches Serving LMI Areas

Providing valuable banking services to LMI areas remains a focus for Happy State Bank. Of our last five branches opened, four cater to Low-to-moderate areas, majority minority census tracts and distressed and underserved areas within the communities of Amarillo, Tahoka and Muleshoe.



Enhancing the Customer Experience Through Technology

With over 100 fee-free ATMs across Texas, including nearly a dozen full-service interactive ATMs, Happy's customers have expanded access to banking services, including after-hours deposits, cash withdrawals, transfers and more. Happy customers also have access to thousands of fee-free ATMs through the MoneyPass network. Additionally, through Happy's online and mobile banking, our customers can conduct financial business from wherever they are, day or night.



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Community Development Highlights

Community is the backbone to ensuring a pipeline of customers for tomorrow and a self-sustaining future. Happy continues to increase our investment and collaboration at a system level while increasing access to capital and supporting accessible, fair-paying job opportunities for BIPOC (Black, Indigenous, and People of Color) employees.



Community Development Investments (CDIs)

Happy actively invests in economically disadvantaged communities through numerous investment vehicles to provide investors capital investment into community resources and affordable housing developers, enabling those organizations to increase their lending and investments in underserved communities.

\$21.2 Million in Community Development Investments

- SBIC (Small Business Investment Corporations) – The SBA’s Small Business Investment Company (SBIC) program assists qualified small businesses in receiving sound financing of their business operations and for their growth, expansion and modernization when such capital is not available in adequate supply.
- CDFI (Community Development Financial Institution) – Equity Investments in CDFI’s provide the CDFI with necessary funding to continue assisting economic and consumer vitality in low- and moderate-income areas
- Low Income Housing Tax Credits (LIHTC) - Low Income Housing Tax Credits (LIHTCs) play a key role in the development and preservation of affordable rental housing for low-income households.
- Targeted Mortgage-Backed Securities
- CRA Fund – Helping the low- and moderate- income communities through targeted investments.



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Business Lending Highlights

Cultivating small businesses with financial innovation. Small businesses can struggle to grow when faced with a shortage of capital or lack of access to financial expertise. Happy aims to help small businesses bridge these gaps by offering a mix of products and services tailored to meet local needs and expanding access to capital.

Supporting our community partners. Whether serving on boards and committees or rolling up their sleeves to lend a helping hand, Happy's employees volunteer their time to help meet the needs of local partners and those they serve. By matching the needs of our nonprofit partners with in-house expertise, we are able to forge mutually beneficial partnerships far beyond raising charitable dollars.



Paycheck Protection Program Loans (2020-2021)

5,449 loans originated for \$307 million assisting in payroll – and helping save jobs – for 56,775 employees



Small Business Loans

Originated 5,825 CRA Small Business, Small Farm loans for \$592,846

- Micro Loans:
 - \$100,000 or less – 873 loans for \$66,937
 - \$50,000 or less – 1,037 loans for \$39,576
 - \$25,000 or less – 2,416 loans for \$29,984
- Low-to-Moderate (LMI) Income loans originated
 - 926 originations for \$105,978
- HMDA qualified loans originated
 - 1,696 originations for \$537,831



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Valuing our Team

Diversity and Inclusion

Women and minorities - vice president and above –comprise approximately **48.6 % of Happy's workforce.**

Corporate Culture

How Happy treats its employees is further evidenced by the fact that *Texas Monthly* magazine named Happy one of the **Top 100 Best Places to Work in Texas** in 2009, 2011, 2012 and 2013. Happy has also been named one of the **Top Banks to Work For** by *American Banker* every year since 2014.

COVID-19 Response

In March 2020, Happy's IT and Facilities teams helped relocate over 500 employees to home offices within a few days – something banks twice our size weren't able to do with such precision. Thanks to the creativity, flexibility and can-do attitudes of the Happy team, plus the use of Zoom technology, email and YouTube video links, Happy began gathering employees together for team meetings, rallies and other scheduled and impromptu meetings, and we continue to do so today.

For Happy's Sake

For Happy's Sake is a benevolence program funded by employees – for employees. Employees can voluntarily contribute up to \$5 per paycheck, and donations are matched dollar-for-dollar by the bank. In 2020, over \$180,000 went to the care and support of those in need, with more than 20% of payments related to COVID-19 alone.



**Best Banks
to Work For**
8 YEARS IN A ROW



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