



VERITEX[®]
COMMUNITY BANK

2022

**ENVIRONMENT AND SOCIAL
REPORT**



FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “could,” “may,” “will,” “should,” “seeks,” “likely,” “intends,” “plans,” “pro forma,” “projects,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Forward-looking statements involve numerous risks and uncertainties, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data, or methods that may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: business and economic conditions generally and in the bank, nationally and within our local market areas; our ability to mitigate our risk exposures; our ability to maintain our historical earnings trends; changes in management personnel; interest rate risk; credit risk associated with our loan portfolio; lack of seasoning in our loan portfolio; deteriorating asset quality and loan charge-offs; time and effort necessary to resolve nonperforming assets; inaccuracy of the assumptions and estimates we make in establishing reserves for probable credit losses and other estimates; risks related to the integration of acquired businesses and any future acquisitions; lack of liquidity; fluctuations in the fair value and liquidity of the securities we hold for sale; impairment of investment securities, goodwill, other intangible assets, or deferred tax assets; our risk management strategies; environmental liability associated with our lending activities; increased competition in the bank, nationally, regionally, or locally, which may adversely affect pricing and terms; the accuracy of our financial statements and related disclosures; material weaknesses in our internal control over financial reporting; system failures or failures to prevent breaches of our network security; the institution and outcome of litigation and other legal proceedings against us or to which we become subject; changes in carry-forwards of net operating losses; changes in federal tax law or policy; the impact of recent and future legislative and regulatory changes, including changes in banking, securities, and tax laws and regulations, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd Frank Act”) and their application by our regulators; governmental monetary and fiscal policies; changes in the scope and cost of the Federal Deposit Insurance Corporation insurance and other coverages; failure to receive regulatory approval for future acquisitions; and increases in our capital requirements. While forward-looking statements reflect our good-faith beliefs, they are not guarantees of future performance. All forward-looking statements are necessarily only estimates of future results. Accordingly, actual results may differ materially from those expressed in or contemplated by the particular forward-looking statement, and, therefore, you are cautioned not to place undue reliance on such statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events or circumstances, except as required by applicable law. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” and the forward-looking statement disclosure contained in Veritex’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 1, 2022.



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Veritex Community Bank is a mid-sized community bank serving its customers with a full suite of banking products and services. The bank has convenient branch locations in Houston, Fort Worth and Dallas, Texas, with total assets of over \$9 billion.

The bank, headquartered in Dallas, Texas, specializes in providing depository and credit services small- to mid-size businesses, which have been largely neglected by national banks.

The name “Veritex” is derived from the Latin word “veritas,” meaning truth, and “Texas.”

Our purpose is truth in everything we touch.

TRUTH IN TEXAS BANKING



WHO WE ARE





COMMITMENT TO “TRUE YOU”



The Veritex Commitment Philosophy

We believe that our tight-knit teams, customers, communities, and shareholders benefit from a commitment philosophy. Our Board of Directors and management are committed to maintaining an environment where team members are treated with dignity and respect, free from the threat of discrimination and harassment. We strive to apply this standard to our shareholders, customers, vendors, and independent contractors. Veritex also believes in applying this standard to those with whom we do business externally. Through its commitment philosophy, Veritex advocates for human rights and works to conduct its operations free from human rights abuses, including human trafficking, child labor, and slavery.



INVESTING IN OUR PEOPLE

“TRUE YOU” CULTURE

Our “True You” principles impact our interactions with each other and our clients every day. This approach encourages each person to contribute their unique talents, contributions, experiences, and perspectives to our collective success – making us **ALL** better.

TRAINING & DEVELOPMENT

We are focused on compliance and strive to provide training to all employees so each understand and implement policies, regulations, and laws, as applicable. In addition, the bank has a social learning platform called “**Degreed**” that delivers internal bank training as well as informal learning from books, articles, podcasts, etc. The bank purchases licenses for every employee to learn through the bank’s internal systems, internet, or corresponding applications on their mobile device. Further, employees can share and promote their favorite learning opportunities with each other.

DOING THE RIGHT THING

We believe in holding ourselves, and each other, to the highest standard of conduct and integrity, as outlined in our **Code of Conduct, EEO Policy, Anti-Harassment and Anti-Discrimination Policies**. Our standards of integrity are also highlighted in our labor relations and workplace safety postings which are available to all employees at each of our locations. We strive to for our culture, communications, and daily interactions to embody this standard of integrity. The bank also provides a publicly-available, anonymous whistleblower hotline for internal and external parties to report human relations/rights, financial, fraud, or other concerns.

PHYSICAL / MENTAL / FINANCIAL WELLBEING

We believe in providing our people with market competitive pay and holistic benefit programs, including, but not limited to, **medical benefits, physical health programs, retirement programs with bank matching and financial wellbeing resources, emotional support programs, legal assistance, identity protection and tuition reimbursement**. We are committed to providing our employees with certain rights and freedoms, such as positive good working conditions, open communication, reasonable job security, personal growth opportunities, training and education, and communication of job expectations.

WORK LIFE BALANCE / REMOTE OPPORTUNITIES

We believe we are better TOGETHER. When our talented people come together to brainstorm on business opportunities, we create better solutions. However, we also encourage our employees to have fulfilling and prosperous lives outside of work. Approximately 90% of our workforce has the ability to work remotely when family or personal situations arise. The ability to work remotely is tied to the individual job function; some functions are performed 100% in-office, some have a hybrid approach, while a few positions are 100% remote.

EMPLOYEE DISASTER RELIEF FUND

The bank has an Employee Disaster Relief Fund created in tribute to a former employee, **Melanie Davis**. Last year, this fund assisted several of our employees who experienced significant hardship during the Texas ice storm in February 2021. The fund continues to be available to our people if they experience a qualifying crisis event.



DIVERSITY & INCLUSION

Our approach to diversity and inclusion is to celebrate individuals and strive to bring out the best in every person in our organization. We appreciate the unique talents and abilities of our people and recognize how diverse contributions, experiences, and perspectives create a culture of collective success. We promote diversity and inclusion through our commitment to providing equal employment and advancement to all qualified employees without discrimination or harassment. Our belief in these principles is further reflected in our Glassdoor ratings which constantly update from anonymous employee and candidate reviews.



Reviews

4.2

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| Culture and Values | 4.5 | |
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Recommend to a friend



Approve of CEO



Malcolm Holland
19 reviews

Jan. 2022

TALENT PROSPECTING

Veritex partners with several diversity and inclusion groups and job boards to identify top diverse talent to join our team. These include, but are not limited to:

- 44 veteran groups
- 16 general diversity groups
- 8 disability specific groups
- 5 Texas workforce groups
- 5 women groups
- 2 indigenous peoples groups

CAMPUS RECRUITING – EARLY CAREER TALENT

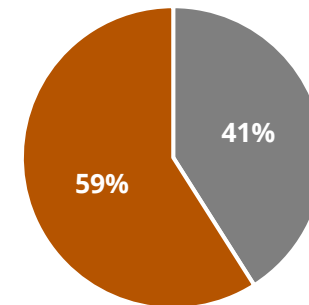
Veritex partners with the following universities that are primarily diverse.

- **Texas Southern University** – a Historically Black College
- **Texas Tech University** – a Hispanic Serving Institution
- **Variety of other universities**, we partner with diversity groups on campus to attract diverse candidates

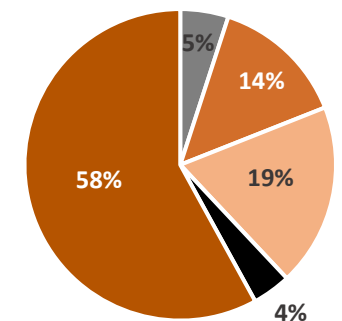
BOARD & LEADERSHIP DIVERSITY

- The CEO's direct leadership team is **50% male and 50% female**
- The Board of Directors includes **two** female and **two** diverse members

ORGANIZATION COMPOSITION



■ Female ■ Male
(Various experience, races and ethnicities)



■ Asian ■ African American
■ Hispanic/Latino ■ Caucasian



Our core commitment focuses on our customers and the daily interactions with them to **Be Better** and **Be Reliable**

We work to implement processes and procedures for the purpose of protecting customers, and third-party data through technology and training meant to deter unauthorized access or use, deter and detect fraud and the improper disclosure of sensitive information. Risk assessments are regularly updated, at the executive level, and assessed to maintain oversight. Information security also applies a layered security strategy to mitigate data security risks, including but not limited to, vulnerability assessments, prevention and detection controls, and internal and external audit scrutiny.

How does Veritex address data security risk and vulnerabilities?

- Vulnerability scans, including daily, weekly and periodic internal scanning, annual penetration testing, annual external and internal vulnerability assessments
- Robust network monitoring, including a Security Operations Center, Managed Intrusion, Detection and Response Service, and conducting domain monitoring security and mobile application monitoring
- Email filtering and other rules meant to block phishing or other malicious email
- Annual security awareness and training campaigns, not limited to internal phishing campaigns
- Internet content filtering
- Access rights reviews on a cadence (based on criticality of the software)
- Remote access requiring multifactor authentication
- Information security with an Incident Response Program
- Secure customer portal for confidential customer information
- Enabling data loss prevention rules
- Encrypted email communication, including confidential customer information



CORPORATE RESPONSIBILITY AND GOVERNANCE

DATA SECURITY AND INFORMATION

Veritex's data and information systems are actively monitored for various attacks across technology domains leveraging multiple security-based tools. The most frequent of these attacks have been email based phishing campaigns using various social engineering tactics. Email security risk continues to trend upwards as one of the most persistent business risks, and Veritex's email protection systems block 60,000 malicious emails, on average, per month.

DISCLOSURE OF CUSTOMER INFORMATION BREACHES

Veritex responds to and discloses security related incidents applicable to customer information in accordance with federal, state and local law. If customer information is not compromised, management may decide to add general notification to the Veritex website for security awareness, including tips that customers can use to help secure their information. Customer notice may be delayed if an appropriate law enforcement agency determines that notification will interfere with a criminal investigation and provides Veritex with a written request for delay. In the case of delay, pursuant to such written notice, Veritex will notify the affected customers as soon as notification no longer interferes with the investigation.

NEW AND EMERGING CYBER THREATS TO THE FINANCIAL SERVICE INDUSTRY

Veritex's cyber resiliency program addresses new and emerging threats confronting the financial service industry. To address these threats, Veritex has a "Defense-in-Depth" strategy including, but not limited to, the following protections and controls:

- Firewall detection and protection
- Email and Internet content filtering
- Email encryption
- Endpoint detection and protection solutions
- Multi-factor authentication for critical systems and customers (certificate-based)
- Mobile Banking application protection and monitoring
- Bank and Digital Banking domain monitoring

Veritex monitors its compliance with Gramm-Leach-Bliley and Sarbanes-Oxley Acts. Additionally, we evaluate our control environment against Federal Financial Institutions Examination Council's Cyber Assessment Tool to assist in implementing security related best practices.

In 2021, Veritex experienced a phishing incident with minimal impact to customer data. The Bank's Incidence Response Program immediately went into effect and was successful while all other controls and processes operated as designed.

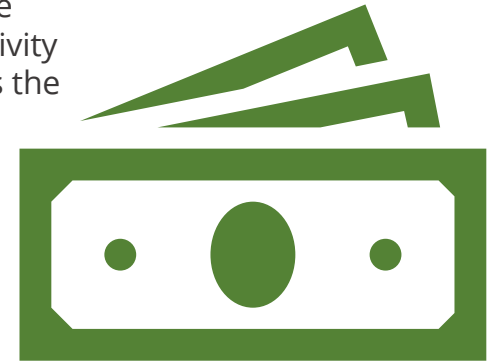


CORPORATE RESPONSIBILITY AND GOVERNANCE

BANK SECRECY ACT / ANTI-MONEY LAUNDERING AND COUNTER TERRORIST GOVERNANCE

Veritex has established an Anti-Money Laundering/Counter Terrorism Financing Policy as well as a Sanctions Policy that employees are required to review and attest to reviewing on an annual basis. The Board of Directors' Risk Committee is committed to establishing an effective BSA/AML program to help to identify, report and prevent money laundering and terrorist financing activity. We believe the policy complies with all relevant legislation. Veritex's BSA/AML department is responsible for monitoring the bank's transaction activity for any activity that appears suspicious. Veritex utilizes "Top of Class" AML monitoring software, Verafin, which analyzes and learns the transactional behavior of our customers and alerts on suspicious activity. This software alerts for the following types of activity:

- Money Laundering
- Terrorist Financing
- Human trafficking (including sex trafficking)
- Transaction behavior outside of expectations for type of business
- Transfers of funds to sanctioned countries and/or individuals



Veritex's policy states that employees who recognize suspicious activity should report such activity to the BSA/AML department for further investigation. Applicable employees also receive detailed annual compliance training. Veritex also provides a quarterly BSA/AML update report to the Board of Directors' Risk Committee. This report includes recent trends, emerging risks, and regulatory changes in BSA.

Veritex implements Customer Information Program (CIP) and Beneficial Ownership rules that employees follow when conducting due diligence on customers. The Veritex principle of "Know Your Customer" applies to all employees.

Veritex's commercial credit approval process involves loans being thoroughly reviewed by our lending team, underwriting team and credit officers and customers are subjected to a robust due diligence process.

For further governance, Veritex has a BSA/AML Governance Committee that meets on a monthly basis.



COMMUNITY ENGAGEMENT

SERVICE



**NON-PROFIT/CHARITABLE
INITIATIVES**



**COLLEGE BANKING
PROGRAMS**



DONATIONS





COMMUNITY ENGAGEMENT

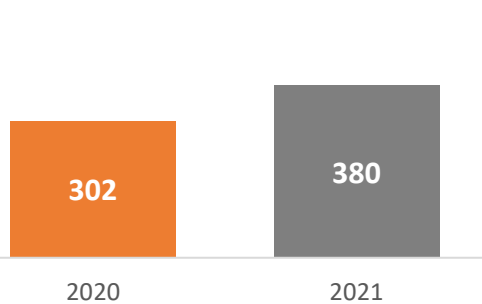
COMMITMENT TO THE NEXT GENERATION AND COMMUNITY

Veritex is committed to the communities it serves to provide loans, deposits and top tier community based service. Veritex also engages with communities through our small business and CRA lending, community development lending, investments/donations, service and commitment to diversity in the financial community.

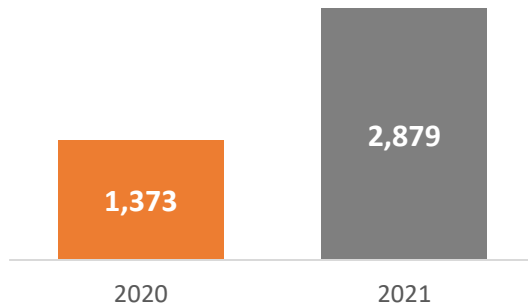
Veritex has partnerships with two diverse university banking programs, as previously discussed. Veritex financially supports Texas Southern University, a Historically Black College and Texas Tech University, a Hispanic Serving Institution.

Veritex is also committed to focused lending to the communities it serves. This includes low-to moderate income (“LMI”) individuals and geographies and minority individuals. The bank strives to maintain compliance with the Community Reinvestment Act “CRA” and serve its communities through lending, investment and service. Veritex monitors its CRA and Fair Lending performance on a quarterly basis and these reports are provided to the Risk Management Committee for review and discussion.

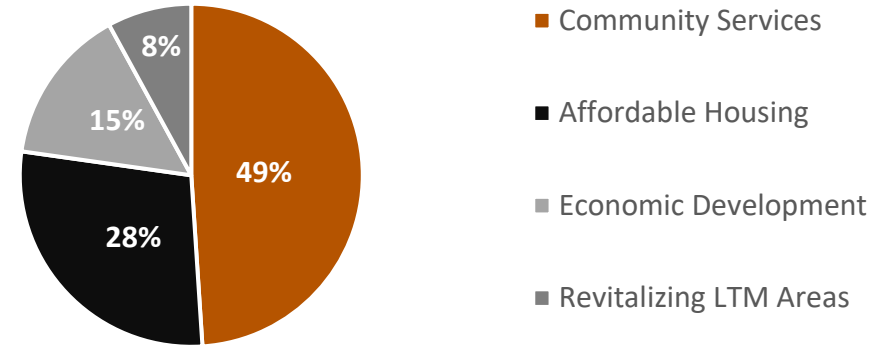
Organizations Supported



Employee Service Hours Logged



CRA Investments (as of 2021)



Other Investments

- **COVID Relief**
 - Food banks, shelters and virtual learning support
- **Watermark Community Development Corp.**
 - Helping previously incarcerated individuals get back on their feet with savings match incentives, support and guidance
- **Behind Every Door**
 - Transforming LMI communities to build life long relationships, provide resources and be persistent in creating a prosperous community
- **SCORE**
 - Supporting SCORE programs that focus on small business owners to mentor, train and provide continued advice and business support
- **JAM FINTOP**
 - Building central platform for Minority Depository Institutions to participate in syndicated transactions via updated technology to remain relevant