



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 29, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Icon Bank of Texas, National Association
Charter Number 24660

7908 North Sam Houston Tollway West
Houston, TX 77064-0000

Office of the Comptroller of the Currency

Houston Field Office
1301 McKinney Street Suite 1410
Houston, TX. 77010-3031

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Icon Bank of Texas, N.A. (Icon) reflects satisfactory lending performance in its efforts to meet credit needs of its community, including low- and moderate-income individuals and geographies in its assessment area (AA). Factors that support the overall rating include:

- The loan-to-deposit (LTD) is more than reasonable given the bank's size, financial condition, and AA credit needs.
- A substantial majority of loans are in the bank's AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

We completed a full-scope review of the bank's Community Reinvestment Act (CRA) activities in the AA. Our review was focused on the primary loan product both by number and dollar amount of loans to businesses. This product was assigned the most weight in arriving at our conclusion as to the bank's performance. In addition, we reviewed a secondary loan product of residential real estate loans that was second to business loans in the number of loans originated. Residential real estate lending was assigned less weight in arriving at our conclusions.

For the borrower gross revenue distribution of loans to businesses, we selected a statistically valid sample of 21 loans of which 20 loans were originated in the AA. For residential loans, our sample consisted of all owner-occupied purchase money and refinance loan originations for 2007, 2008, and 2009 through June 30, for a total of 22 loans. All of the residential loans sampled were originated in the AA. We determined the information reported on the HMDA-LAR to be reliable.

Management does not always collect the census tract location information; however, when provided it was reliable. For the geographic distribution of loans, we determined the census tract location for the business loans. For residential loans, we verified the census tract location for the loans in our sample.

DESCRIPTION OF INSTITUTION

Icon is an independently owned institution located in Houston, Texas, chartered on February 15, 2007. The bank is not owned by a holding company, but by many shareholders with small percentages. Icon has one main location at 7908 N. Sam

Houston Parkway West, Houston, Texas and two branch locations at 16610 Highway 3 in Webster, Texas and 18111 Katy Freeway in Katy, Texas.

All branches have reasonable operating hours and drive-thru facilities to meet the community's needs. All of the branch lobby hours are 9:00 AM until 5:00 PM Monday through Friday, and drive-thru facility hours are 8:30 AM until 5:00 PM Monday through Friday. However, at the Webster location the drive-thru facility hours are 8:00 AM until 6:00 PM Monday through Friday. The bank offers remote deposit capture which allows customers to make deposits electronically. Management has extended the cutoff time to 6:00 PM every week day, for these electronic transactions. Because extended processing times are available for customers using remote deposit capture, Saturday hours are not offered at any branch location.

Total bank assets of \$149 million were reported as of March 31, 2009. At March 31, 2009, the loan portfolio represented 77 percent of total assets. The primary lending focus is commercial lending at \$62.5 million or 56 percent of the loan portfolio and residential real estate lending at \$18.9 million or 17 percent. Icon offers many other loan products; however, these are not primary. In addition to a variety of loan products, Icon offers several deposit products including business, personal, low-cost, and money market checking accounts, savings accounts, individual retirement accounts, and certificates of deposit. There are no financial or legal impediments that prevent Icon from meeting the credit needs of the community.

Please refer to the bank's CRA Public File for more information about this institution.

DESCRIPTION OF ASSESSMENT AREA(S)

The bank's assessment area (AA) includes all census tracts (CTs) in the contiguous Texas counties of Harris, Galveston, Brazoria, Fort Bend, and Montgomery. The bank currently has three branch locations, including the main office, all are located in Harris county. One branch location in Webster, Texas is located in the southeast corner of Harris County and can reasonably service Galveston and Brazoria counties. Another branch location is in Katy, Texas on the far west of Harris County. Additionally, the bank has applied for a new branch location near Katy and Richmond, Texas, still in Harris County. Both of these locations can reasonably service Fort Bend County. The new branch is anticipated to open in 2010. The main office location is in the north part of Harris County and can satisfactorily service Montgomery County. However, there are plans for future expansion into Montgomery County. The AA has a total of eight hundred sixty (860) CTs. Of the CT income designations, seventy (70) or 8 percent are low-income CTs, two hundred sixty nine (269) or 31 percent are moderate-income CTs, and two hundred fifty seven (257) or 30 percent are middle-income. Upper-income CTs are two hundred fifty six (256) or 30 percent of the total, and the bank has eight (8) tracts in its AA that are designated NA, without an income designation. The entire AA has an approximate population of 4.5 million persons and 1.7 million housing units of which 961 thousand are owner-occupied units. The weighted average of the HUD 2008 updated MSA median family income is \$63,800 for the AA.

Community contacts in the bank's AA have identified needs for small business financing, including to start-up small businesses and also to help existing businesses that are considering moving into this area. Since the bank's primary lending product is commercial lending, they have the products and the willingness to help service these needs.

Harris County

Harris County has 63 of the 70 low-income CTs and 223 of the 269 moderate-income CTs. Harris County in conjunction with nine neighboring counties constitutes the Houston Metropolitan Area (HMA). Harris County is a highly competitive market for financial services. Financial service providers include branches of the nation's largest banks as well as many community banks. Also competing in the small business market are credit unions, mortgage companies, finance companies, and other financial service providers.

Harris County is the third largest county in the United States with a population of over 3.9 million, and covers a land area of 1,788 square miles. Houston is the largest city in the county, the county seat, and the fourth largest city in the United States. Houston is home to the Houston Livestock Show and Rodeo, the largest rodeo in the world attracting 1.8 million visitors per year. Houston also has the largest medical center in the world, the Texas Medical Center. Its economic impact is \$10 billion annually, 75 thousand people work in its facilities, and the center has 21 million square feet of space. Approximately 5 million patients are treated at the Texas Medical Center annually. Also, 18 Fortune 500 companies and more than 5 thousand energy related firms are located in the city that is considered by many as the "Energy Capital" of the world. The Port of Houston is the nation's largest in international tonnage and second in total tonnage. Major employers include Continental Airlines, Administaff, Halliburton, Wal-Mart Stores, Exxon Mobil, Kroger Company, Memorial Hermann Healthcare System, and The University of Texas Medical Branch, all with more than 13 thousand employees each.

There are 667 thousand owner occupied single-family housing units and 538 thousand rental housing units. The median value of a single-family residence is \$131 thousand, and the median family income is \$61,100. The weighted average monthly gross rent is \$620. Harris County has numerous income CTs that include 63 low-income CTs, 223 moderate-income CTs, 179 middle-income CTs, and 179 upper-income CTs. There are 7 CTs without a designation. The county also has a large number of financial institutions of all sizes offering a wide variety of products and services, and competition is intense. The average unemployment rate for Harris County during 2008 was 4.8 percent, an increase from the 2007 annual rate of 4.3 percent.

Galveston County

Galveston County has 5 of the 70 low-income CTs and 26 of the 269 moderate-income CTs of the AA. Galveston County is located within the Houston-Sugar Land-Baytown metropolitan statistical area. According to 2006 U.S. Census estimates, the county has a population of 284 thousand. The City of Galveston is the county seat with a population of 57 thousand, and League City is the largest city with a population of

61 thousand. Galveston County includes the following cities: Galveston, Bacliff, Bayou Vista, Clear Lake Shores, Crystal Beach, Port Bolivar, Gilchrist, High Island, Dickinson, Friendswood, Hitchcock, Jamaica Beach, Kemah, La Marque, League City, Santa Fe, Texas City, and the Village of Tiki Island.

The City of Galveston is a major tourist destination and also a docking port for pleasure cruise ships. The city had approximately 4.4 million visitors in 2002. Also, it is a cargo ship port of entry and a port of call for repairs. The top employers in Galveston include: University of Texas Medical Branch (UTMB), American National Insurance Company, Galveston Independent School District (ISD), Landry's Seafood, Inc., Galveston County, Moody Gardens, City of Galveston, Fertitta Hospitality, Texas A&M University at Galveston, and U.S. Army Corp of Engineers. By far, UTMB is the largest with more than 12 thousand employees and a payroll of \$851 million annually. UTMB is currently recovering from the effects of Hurricane Ike. Employees returned to work in early October 2008. Restaurants are the largest business category in the city.

League City has income levels above the average for the MSA and the City of Galveston. The League City Economic Development Corporation estimates the most recent median household income as \$78,129 per year. Because of its close proximity to Houston, Texas, many of League City's residents work in Houston. The major employers in the area include: American National Insurance, Bayshore Medical Center, Chevron Phillips Chemical Company, Clear Lake Regional Medical Center, Landry's Kemah Restaurants, Lockheed Martin, Lyondell-Citgo Refining, NASA/Johnson Space Center, and United Space Alliance.

As with League City, Friendswood has income levels above the average for the MSA and the City of Galveston. The City of Friendswood estimates the median family income at \$90,232 per year. Recent estimates place the population at 29 thousand. Many residents work in Houston because of the close proximity. The major employers include: Friendswood ISD, Clear Creek ISD, H. E. Butt Grocery Company, Kroger Grocery, and the City of Friendswood.

Banking competition in Galveston County is intense and includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions. The five largest competitors are: Capital One, National Association (N.A.) Citibank USA, N.A., GE Capital Financial, Inc., Chase Bank USA, and Bank of America, N.A.

Brazoria County

Brazoria County has 7 of the AA's 269 moderate-income CTs. The county does not have any low-income CTs. As of the 2000 U. S. Census, the county had a population of 242 thousand. The county seat is Angleton, and its largest city is Pearland.

Pearland is the fastest growing city south of Houston. Retail, housing, and commercial growth is attributed to several master planned communities in the area. There is vast commercial development in the area including two new outpatient/emergency care hospitals. The top employers in Pearland include: Pearland ISD, Wal-Mart, City of

Pearland, Kemlon, Weatherford, TurboCare, Super Target, Lowes, Davis-Lynch, and Packaging Service Company.

Banking competition in Brazoria County is intense. The five largest competitors include: Texas Dow Credit Union, Guaranty Bank, Wells Fargo Bank, N.A., Texas Gulf Bank, N.A., and First Community Bank, N.A.

Fort Bend County

Fort Bend County has 1 of the 70 low-income CTs and 4 of the 269 moderate-income CTs. Fort Bend is one of the fastest growing counties in the United States. The county had a population of 510 thousand according to the 2007 U.S. Census Bureau estimate with a growth rate since the 2000 Census of 44 percent. The unemployment rate is 7 percent and 7.5 percent of the population live below the poverty level. Major employers include the Fort Bend Independent School District with more than 8 thousand employees and Fluor Corporation with approximately 3 thousand employees.

Sugar Land has the second largest economic activity after Houston and is the third largest city in the Houston metropolitan area. Sugar Land has the most important and fastest growing economic center in Fort Bend County. It is the headquarters for Western Airways and home to a major manufacturing facility for Nalco Chemical Company. Engineering firms and other related industries serve as an economic engine for Sugar Land and Fort Bend County.

Banking competition is intense. Major competitors in the area include Capital One, Wells Fargo Bank, N.A., Chase Bank USA, N.A., Citibank, N.A., and GE Capital Financial, Inc.

Montgomery County

Montgomery County has 1 of the 70 low-income CTs and 9 of the 269 moderate-income CTs. The county, known as the "Birthplace of the Lone Star Flag," covers over 1,000 square miles and is the 15th largest county in Texas. The county consists of 39 CTs and encompasses the communities of Conroe, Montgomery, Magnolia, Willis, Cut and Shoot, Splendora, New Caney, Porter, The Woodlands, and Shenandoah.

According to the 2000 census, Montgomery County had a population of approximately 293,000. The 2007 U.S. Census estimates indicate the current population is 412,000 which is a 40 percent growth rate in seven years.

Conroe is centrally located in Montgomery County, 45 miles north of downtown Houston. The Greater Conroe Economic Development Council estimates that Conroe, the county seat of Montgomery County, currently has a population of more than 38,000. Conroe's economy has greatly diversified in the last twenty years with the growth of industries such as manufacturing, retail, health care, biotechnology, construction, and tourism. Employment opportunities are largely centered in the trade and service sectors.

Financial services competition in Montgomery County and particularly in The Woodlands is intense. There are numerous branches of large multi-state national and regional financial institutions as well as entrenched local community banks competing for the small business market. In addition, Montgomery County has a large and competitive credit union located in the Conroe area as well as mortgage companies, finance companies, and other financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given Icon’s size and the credit needs of the AA. Since the bank was chartered, the quarterly LTD ratio average is 93 percent. It exceeds the 83 percent average LTD ratio of peer group banks with less than \$500 million in assets in Harris County. We considered this peer group to be the best comparison.

Lending in Assessment Area

Lending in the AA is excellent. A substantial majority of loans were originated both by number and dollar within the AA as shown in the following table:

Table 1 - Lending in Icon Assessment Area (AA)										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	22	100.00	0	0	22	6,525	100.00	0	0	6,525
Business	19	95.00	1	5.00	20	3,836	99.23	30	.77	3,866
Totals	41	97.62	1	2.38	42	10,361	99.71	30	.29	10,391

Source: Loan sample.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance.

Owner occupied residential real estate is not considered a primary product. The distribution of residential real estate loans reflects a reasonable penetration of loans to borrowers of different income levels. Lending to low-income borrowers reflects a poor penetration of the AA, however, there is excellent penetration to moderate-income borrowers. Loan originations were compared to 2000 U.S. Census data about the AA. The bank’s performance is shown in the following table:

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Real Estate	22.47	4.55	17.28	18.18	18.81	9.09	41.44	68.18

Source: Loan sample; U.S. Census data.

The distribution of business loans reflects a reasonable penetration of loans to businesses of different incomes. Our sample included one loan to a start-up business which further illustrates the bank's willingness to lend to businesses of all income levels. Management indicated that their initial business focus included new lenders moving their existing books of business when they joined Icon. As the bank's personnel has been in the community for a number of years, the customers that moved over included many larger, longer established companies and professionals. However, Icon anticipates that their branch network will present new opportunities to lend to smaller businesses within the community. The percentage of sampled loan originations was compared to Dunn and Bradstreet data for businesses in the AA reporting business revenues. The bank's performance is shown in the following table:

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68.37%	4.95%	26.68%	100%
% of Bank Loans in AA by #	50.00%	50.00%	0%	100%
% of Bank Loans in AA by \$	61.22%	38.78%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the bank's AA and meets the standards for satisfactory performance.

The geographic distribution of residential lending shows reasonable dispersion in low- and moderate-income CTs. Owner occupied residential real estate is not a primary product. Loans made in low-income CTs exceed the characteristic for the assessment area. Although loans made in moderate-income CTs fall below the characteristics of the AA, the numbers reflect a willingness to lend in moderate-income areas. Management expects that their branch network will present additional opportunities to lend in low- and moderate-income areas. The bank's lending is compared to U.S. Census data for owner-occupied loans as shown in the following table:

Table 3 - Geographic Distribution of Residential Real Estate Loans in Icon Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	2.97	4.55	22.63	4.55	31.83	22.73	42.57	68.18

Source: loan sample; U.S. Census data.

The geographic distribution of small business loans is excellent. Although there are no loans originated in low-income CTs, 35 percent of our sample included loans originated to businesses in moderate-income CTs, which exceeds the AA characteristic of 7.53 percent of businesses located in moderate-income tracts. The sample of the bank’s loan originations was compared to Dunn and Bradstreet information about the AA. The bank’s performance is shown in the following table:

Table 3A - Geographic Distribution of Loans to Businesses in Icon Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	6.05%	0%	7.53%	35.00%	7.64%	25.00%	76.73%	40.00%

Source: loan sample; Dunn and Bradstreet.

*2.04% of businesses are in NA designated census tracts.

Responses to Complaints

The bank did not receive any CRA related complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.