



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

October 21, 2019

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SouthTrust Bank, National Association  
Charter Number 14012

601 Guadalupe St  
George West, Texas 78022

Office of the Comptroller of the Currency

10001 Reunion Place, Suite 250  
San Antonio, Texas 78216

**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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The Lending Test is rated: Satisfactory.**

**The Community Development test is rated: Satisfactory.**

The major factors that support this rating include:

- The bank exhibits reasonable geographic distribution of loans within its assessment areas (AAs).
- The bank exhibits reasonable borrower distribution of loan to individuals of different income levels and businesses sizes within its AAs.
- Community development (CD) activities exhibit satisfactory responsiveness to AA needs considering the bank's capacity to lend and opportunities in the bank's AAs.
- A majority of the bank's loans are inside its AAs.
- There were no CRA-related complaints during the evaluation period.

The Lending Test rating is based on the primary products offered by the bank with equal consideration of loans originated in each of the bank's AAs. Less weight was given to AAs or products where lending activity was not sufficient to provide for a meaningful analysis. The CD Test rating is based on all CD activity provided in the bank's AAs. CD activity includes loans, investments, and CD services. We consider the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AAs, the bank's loan-to-deposit ratio is reasonable. The bank's average loan-to-deposit (LTD) ratio of 67.9 percent meets the standards for satisfactory performance. To assess SouthTrust Bank, National Association's (STB) performance with respect to its LTD ratio, we compared the quarterly average LTD ratio of four other similarly situated institutions (SSI). During the period from June 30, 2016 to December 31, 2018, the quarterly average LTD ratio for the four SSIs was 83.1 percent, ranging from a low quarterly average of 73.2 percent to a high quarterly average of 90.8 percent. During the same timeframe, STBs LTD ratio has declined from 82.7 percent to 59.7 percent. Management attributes this decrease in LTD to competitive pressures and strategic changes in the composition of the loan portfolio. Declining lending activity paired with an increasing trend in deposits contributed to the reduction in the bank's LTD ratio.

### Lending in Assessment Area

A majority of the bank's loans are inside its AAs. The bank originated and purchased 65.8 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA level. Greater emphasis was given to the number of originations, as it is a better indicator of overall lending activity. This percentage does not include extensions of credit by affiliates

that may be considered under the other performance criteria.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	42	70.0	18	30.0	60	2,126	43.3	2,780	56.7	4,905
Consumer	37	61.7	23	38.3	60	1,542	36.3	2,705	63.7	4,246
<b>Total</b>	<b>79</b>	<b>65.8</b>	<b>41</b>	<b>34.2</b>	<b>120</b>	<b>3,668</b>	<b>40.1</b>	<b>5,485</b>	<b>59.9</b>	<b>9,152</b>

## Description of Institution

STB is a \$392 million intrastate bank headquartered in George West, Texas that was chartered in 1934. The bank is wholly owned by Live Oak Bancshares Corporation, a single bank holding company. There have not been any significant changes to STB's corporate structure, including merger or acquisition activities, since the last CRA performance evaluation. STB has a main office located in George West and six branches: each in Three Rivers, Pleasanton, Floresville, San Antonio, and two in Houston, Texas. The bank recently opened a branch in East Houston, which was approved on May 28, 2019. The bank has selected an assessment area that includes Atascosa County, Wilson County, Live Oak County, Harris County, and eight CTs adjacent to the branch in Bexar County.

STB provides full service loan and deposit products at all branches. The main office and all six branches have a walk-in teller lobby and an automated teller machine (ATM). All branches, with the exception of the two Houston locations, have drive-up tellers. All offices accept loan applications and close all loans in the office where the application originated. Additionally, customers can access their depository accounts through the internet, ATMs, and telephone banking system.

STB reported total assets of \$392 million and tier 1 capital of \$44 million at June 30, 2019. Total loans were \$206 million, generating a net loans and leases to total assets ratio of 50.74 percent. STB's business strategy is focused on originating commercial loans, namely commercial real estate. The balance sheet includes a residual one- to four-family real estate portfolio that was suspended prior to the evaluation period. However, management has established a relationship to begin originating one- to four-family loans for sale to a third-party. As of June 30, 2019, the loan portfolio was centered in real estate loans at 90.5 percent of average gross loans and leases. Real estate loans consist primarily of non-farm non-residential loans at 52.8 percent of real estate loans, with construction and developments loans at 19.7 percent and one- to four-family residential loans at 10.2 percent. Additionally, commercial and industrial loans represented 5.8 percent average gross loans and leases and loans to individuals were 2.2 percent.

There are no financial or legal impediments to hinder the bank's ability to help meet the credit needs of the communities it serves. The bank received a "Satisfactory" rating on its prior CRA Performance Evaluation dated September 27, 2016.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

We evaluated STB under the Intermediate Small Bank (ISB) examination procedures, which includes a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AA through qualified lending, investment, and service activities.

The evaluation period under review covers January 1, 2017, through December 31, 2018. We obtained comparative data for the Lending Test from the 2015 American Community Survey. Primary products evaluated for the Lending Test include consumer loans and small loans to businesses. Primary products include those with the majority of originations by both number and dollar volume during the evaluation period. The selected primary products are representative of the bank's lending strategy since the last CRA examination.

### **Selection of Areas for Full-Scope Review**

We performed a full-scope review of all AAs, with the exception of the Harris County AA. We conducted a limited-scope review of this AA due to reduced lending volume during the evaluation period.

### **Ratings**

The overall rating is based on a full-scope review of the Atascosa-Wilson-Bexar (A-W-B) metropolitan statistical area (MSA) and Live Oak County AAs and a limited-scope review of the Harris County AA. Both primary loan products that we evaluated were given equal consideration for each AA in review. When an analysis was not meaningful, due to reduced lending activity or non-applicable AA data, greater weight was given to the AAs with available bank and AA data.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Description of Institution's Operations

The bank operates six branches throughout south-central Texas. AA descriptions below address the specific geographies in the AA and provide additional information regarding economic conditions and other factors specific to the geography. STB offers a traditional mix of financial products for individual and business customers. Lending activities are centered primarily in commercial/small business lending and small dollar consumer lending. Competition varies depending on geography, and ranges from small local businesses to large national financial institutions, including non-traditional financing companies.

As a part of this review, we conducted outreach to a community contact (CC) for each AA. The contacts for this review included government, private, and non-profit organizations that provide various business and housing related services. The CCs provided information about the local economy, the housing market in the area, insight into opportunities for various CD activities, among other information. Key points regarding the information provided by CCs are included in the applicable AA description.

### **Atascosa-Wilson-Bexar (A-W-B) MSA AA**

The A-W-B MSA AA consists of Atascosa County, Wilson County, and eight census tracts (CTs) immediately surrounding the bank branch in Bexar County. The AA is located in the San Antonio-New Braunfels MSA, primarily on the southern portion of San Antonio and the surrounding counties. Noteworthy cities in the AA include San Antonio, Floresville, Pleasanton, and Jourdan. The A-W-B MSA AA designation is reasonable and does not arbitrarily exclude low- or moderate-income CTs.

San Antonio is known as “Military City USA”, with four military installations comprising joint base San Antonio. Local employment includes government and healthcare, with a strong financial services sector. The military provides employment to approximately 77,000 individuals directly, and another 283,000 indirectly. United Services Automobile Association (USAA) is a local financial institution headquartered in the city and employing approximately 18,000 individuals. The San Antonio area also has a rapidly growing biomedical, biotechnology, IT, and cybersecurity fields. Although the bank's AA captures limited population in Bexar County, the 2018 U.S. Census Bureau population estimate in San Antonio is \$1.5 million. Population growth is a factor that continues to be present in the area. Between the 2010 census and an estimated census for 2017, the city grew by approximately 11 percent. The local population is expected to grow approximately 7.5 percent by 2022.

Atascosa and Wilson Counties have benefitted from proximity to the San Antonio economy and Eagle Ford Shale oil and gas activity. Per the 2018 U.S. Census Bureau population estimate, Wilson and Atascosa counties have a combined population of 100,534. Local oil and gas activity have introduced and sustained employment opportunities in retail businesses, hotels, and restaurants. Additionally, proximity to San Antonio allows for increased employment opportunities for commuters. Consequently, an improving economy has driven housing prices up, and competition from nearby financial institutions remains high.

The CC for the AA indicated that the area continues to show strong economic activity with strong consumer confidence. The CC identified affordable housing as a continuing need as economic conditions have increased housing prices, resulting in a sellers' market. The greatest needs identified by the CC are towards the center of the city, with recent growth pushing outwards from the city. The inner parts of the city contain several LMI CT, with LMI housing aging and in need of revitalization. There are additional opportunities for economic development through financing small business and community services. It

should be noted that the Bexar County CT included as a part of the AA is located towards the southern edge of San Antonio.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: SouthTrust 2018 Atascosa-Wilson-Bexar A-W-B MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	27	0.0	37.0	44.4	18.5	0.0
Population by Geography	131,082	0.0	30.3	47.7	22.0	0.0
Housing Units by Geography	46,762	0.0	28.0	50.0	22.0	0.0
Owner-Occupied Units by Geography	30,939	0.0	23.4	49.9	26.7	0.0
Occupied Rental Units by Geography	11,103	0.0	42.5	45.2	12.4	0.0
Vacant Units by Geography	4,720	0.0	24.6	62.0	13.4	0.0
Businesses by Geography	5,802	0.0	24.7	45.9	29.4	0.0
Farms by Geography	302	0.0	7.3	72.5	20.2	0.0
Family Distribution by Income Level	32,530	24.5	17.0	20.4	38.2	0.0
Household Distribution by Income Level	42,042	25.3	14.8	19.0	40.9	0.0
Median Family Income MSA - 41700 San Antonio-New Braunfels, TX MSA		\$62,228	Median Housing Value			\$115,981
			Median Gross Rent			\$791
			Families Below Poverty Level			13.1%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

### **Live Oak County AA**

The Live Oak County AA consists of the entire county and contains four middle income CTs. All CT have received an underserved designation from FFIEC. There are two main population centers in the county, George West and Three Rivers. The largest employer in the AA is the school district. The town of Three Rivers is also home to a Valero oil refinery, another major employer in town. The AA is on the edge of the Eagle Ford Shale with a substantial portion of the population working in the oil and gas industry.

The CC indicated that local individuals who are not employed by the school district or in the oil and gas industry face financial difficulties. There are limited opportunities for LMI housing availability inside or outside the city limits of George West. The CC indicated that rents for the limited supply of housing and apartments is elevated due to the oil and gas activity in the area with some units maintaining waiting lists. The CC was not aware of any governmental or private CD activities, indicating that opportunities for financial institution involvement is limited and centered on education to individuals and small business in the area.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: SouthTrust 2018 AA Live Oak</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	4	0.0	0.0	100.0	0.0	0.0
Population by Geography	11,873	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	6,097	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,993	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	706	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	2,398	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	656	0.0	0.0	100.0	0.0	0.0
Farms by Geography	63	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,508	20.7	17.5	19.4	42.5	0.0
Household Distribution by Income Level	3,699	20.8	15.7	13.9	49.6	0.0
Median Family Income Non-MSAs - TX		\$52,076	Median Housing Value			\$89,922
			Median Gross Rent			\$734
			Families Below Poverty Level			13.0%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## **Harris County AA**

Harris County is a major county that includes much of the city of Houston and is in the Houston-The Woodlands-Sugar Land MSA. During the evaluation period, the bank operated a single branch in the southwest corner of the city. Proceeding the evaluation period, the bank opened a second branch in East Houston, which was approved on May 28, 2019. Houston is a major metropolitan area with significant competition from local, regional, and national financial institutions.

Harris County is in the southeastern part of Texas, and, with an estimated population of 4.7 million, is the most populous county in Texas and the third most populous in the United States. Harris County economic levels and trends are consistent with US averages. Primary industries in Harris County are construction, manufacturing, retail trade, and healthcare and social assistance. The top five employers in Houston include Walmart, Memorial Hermann Health System, HEB, The University of Texas MD Anderson Cancer Center, and McDonald's. Banking competition in Harris County remains high with 120 financial institutions, 981 branches, and \$217.8 billion in deposits. The top five financial institutions by market share of Harris County are JP Morgan Chase Bank, Wells Fargo, Bank of America, Compass, and Zions Bank.

The CC for the AA indicated that the area is generally thriving and doing well. There are efforts from the local government to help new businesses open in the city. However, Hurricane Harvey negatively affected the city and local businesses. There are many areas, and some businesses, that have not fully recovered from the event. The CC identified affordable housing as an ongoing concern, which is typical in many large metropolitan areas.



<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: SouthTrust 2018 AA Harris</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	786	18.7	31.8	21.2	27.5	0.8
Population by Geography	4,356,362	15.8	30.7	25.3	27.9	0.4
Housing Units by Geography	1,660,235	16.5	29.0	24.1	30.0	0.4
Owner-Occupied Units by Geography	823,646	7.5	25.8	27.9	38.8	0.1
Occupied Rental Units by Geography	675,882	25.1	32.4	21.0	20.9	0.7
Vacant Units by Geography	160,707	26.3	31.6	18.6	23.2	0.4
Businesses by Geography	331,665	13.3	22.3	21.4	42.7	0.3
Farms by Geography	4,479	8.4	19.6	24.7	47.2	0.2
Family Distribution by Income Level	1,024,967	27.7	17.1	17.0	38.1	0.0
Household Distribution by Income Level	1,499,528	27.2	16.9	17.0	38.9	0.0
Median Family Income MSA - 26420 Houston-The Woodlands-Sugar Land, TX MSA		\$69,373	Median Housing Value			\$171,147
			Median Gross Rent			\$954
			Families Below Poverty Level			14.9%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation

The scope of the evaluation included a Lending Test sample of 106 loans originated between January 1, 2017, and December 31, 2018. The lending sample includes a sample of loans from each primary product in each of the bank's AAs. STB has designated their AA as Atascosa County, Wilson County, Live Oak County, Harris County, and eight adjacent CTs to the branch in Bexar County. We combined Atascosa, Wilson, and Bexar Counties to create one AA located in the San Antonio-New Braunfels MSA. Harris County is in the Houston-The Woodlands-Sugar Land MSA, and Live Oak County is not located in an MSA. Our review included the following three AAs: A-W-B MSA, Live Oak County, and Harris County.

We selected A-W-B MSA and Live Oak County for a full-scope review based on lending activity in the AA during the evaluation period. The Harris County AA received a limited-scope review for the lending test due to limited lending volume during the evaluation period. The bank originated only two consumer loans and 18 small loans to businesses during the evaluation period.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The bank's performance under the Lending Test is rated Satisfactory.

Based on full- and limited-scope reviews, the bank's lending performance is reasonable. We performed the Lending Test for STBs primary products, with a conclusion driven primarily by a full-scope review of the bank's lending performance in the A-W-B MSA and Live Oak County AAs. We performed a limited-scope review for Harris County AA due to limited consumer and small business originations during the evaluation period. Lending activity in the Harris County AA was reviewed, included in lending test tables, and considered when arriving at an overall Lending Test rating. Lending activity in the Harris County AA does not significantly improve or weaken the overall state rating.

## **Distribution of Loans by Income Level of the Geography**

The bank exhibits reasonable geographic distribution of loans throughout its entire AA. We compared loans originated during the evaluation period to the 2015 ACS CT distribution of households and small businesses in each income level CT, in the applicable AA.

### **A-W-B MSA AA**

#### ***Small Loans to Businesses***

Refer to Table Q in appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The percentage distribution of the number of small loans to businesses originated and purchased by the bank in low-, moderate, middle-, and upper-income geographies was compared to the percentage distribution of all businesses and aggregate markets data throughout applicable geographies.

The geographic distribution of small loans to businesses to CTs of different income levels is reasonable. The A-W-B MSA AA does not include any low-income CTs, therefore our assessment was focused on the distribution of the bank's small loans to businesses in moderate-income CTs. The bank originated 15.3 percent of the loan sample to borrowers located in moderate-income CTs, compared to an AA distribution of 22.3 percent of businesses and an aggregate lending volume of 22.5 percent.

Strong competition in the AA and changes to lending staff and strategy during the evaluation period has impacted STBs lending activity in the A-W-B MSA AA. Additionally, the AA includes a total of 5,802 non-farm businesses. Of these businesses, 81 percent are small businesses with revenue under \$1 million and 67 percent employ 4 or less individuals. The primary business type in the AA is services at 38 percent, which typically provide limited lending opportunities for financial institutions. As such, lending demand in the AA is met with competition from large financial institutions in the San Antonio area.

#### ***Consumer Loans***

Refer to Table U in appendix D for the facts and data used to evaluate the geographic distribution of the bank's consumer loan originations and purchases.

With no aggregate industry data available for consumer lending, the bank's percentage of the number of consumer loans in each income level of geography is compared to the percentage of households in those geographies.

The geographic distribution of consumer loans to CTs of different income level is reasonable. Our analysis focused on the bank's performance within moderate-income CTs, as the A-W-B MSA AA does not include any low-income CTs. The Lending Test sample dispersion included 10.0 percent of consumer loans to households located in moderate-income CTs. Per the 2015 ACS Census, 28.4 of households were in moderate-income CTs. Distribution of STB loans to moderate-income CTs is less than CT distribution of households, but aggregate lending activity is not measured.

Factors considered are how many households may not have a consumer loan of any type from any institution, the ability for the individuals or households to qualify for traditional consumer lending products, and the potential that borrowers have the ability and might seek out alternative financing options. Shifting consumer lending strategies in the AA and competitive pressures in the San Antonio area has resulted in reduced lending activity in moderate-income CTs.

### **Live Oak County AA**

The Census Bureau has classified all CTs in the AA as middle-income; therefore, an assessment of geographic distribution in the Live Oak County AA was not meaningful. However, the bank supports all underserved middle-income nonmetropolitan tracts CTs in the Live Oak County AA.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

### **A-W-B MSA AA**

#### ***Small Loans to Businesses***

Refer to Table R in appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of small loans to businesses with annual revenues of \$1 million or less is excellent. The bank originated 96.4 percent of the A-W-B MSA loans in our sample to businesses with annual revenues less than \$1 million. This far exceeds the AA distribution of 81.6 percent and aggregate lending of 42.0 percent. The bank provides credit opportunities to small businesses in the A-W-B MSA AA, particularly in Atascosa and Wilson counties.

#### ***Consumer Loans***

Refer to Table V in appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of consumer loans by income category of the borrower is satisfactory. The A-W-B MSA AA Lending Test sample resulted in 10.0 percent distribution to low-income borrowers and 15.0 percent to moderate-income borrowers. This compares reasonably to the AA distribution of households of 25.3 percent low-income and 14.8 percent moderate-income. Competitive pressures and lending strategy changes in the San Antonio market has affected dispersion to low-income borrowers. As described in the distribution by geography section, we considered additional factors when determining the reasonableness

of distribution which included accounting for the likelihood that not every household obtained consumer credit, competition in the local market, ability to qualify for credit, and the availability of non-traditional financing options.

### **Live Oak County AA**

#### ***Small Loans to Businesses***

Refer to Table R in appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The distribution of small loans to businesses with annual revenues of \$1 million or less is excellent. The bank originated 90.0 percent of the A-W-B MSA loans in our sample to businesses with annual revenues less than \$1 million. This far exceeds the AA distribution of 77.7 percent and aggregate lending of 33.1 percent. Despite an underserved designation, STB provides lending opportunities to small businesses in the Live Oak County AA.

#### ***Consumer Loans***

Refer to Table V in appendix D for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The distribution of consumer loans by income category of the borrower is reasonable. The Live Oak County AA Lending Test sample resulted in 20.0 percent distribution to low-income borrowers and 20.0 percent to moderate-income borrowers. This compares favorably to the AA distribution of households of 20.8 percent low-income and 15.7 percent moderate-income. STB provides satisfactory credit opportunities to low- and moderate-income borrowers in the underserved Live Oak County AA.

### **Responses to Complaints**

STB has not received any complaints concerning its performance in meeting the AAs' credit needs during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test is rated Satisfactory.

Based on a full-scope review, the bank exhibits adequate responsiveness to CD needs through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AAs.

### **Number and Amount of Community Development Loans**

Refer to the Lending Activity tables below for the facts and data used to evaluate the bank's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

STB demonstrates adequate responsiveness to CD needs in its AAs. The bank did not originate any CD loans in their AAs since the last CRA evaluation. The lack of CD opportunities, large number of competing

institutions, and dominance from the top lenders in STBs AAs somewhat affect the bank's ability to make CD loans. Additionally, STB has experienced regulatory and strategic changes in the composition of the loan portfolio. However, the bank has maintained three CD loans from the last CRA evaluation on their books.

With limited opportunities in the bank's AAs, STB has made CD loans that are near, but outside, their AAs. STB originated these loans in CTs that are adjacent to the AAs to borrowers who are building multifamily housing in LMI CTs in Galveston County. CD loans made during the evaluation period to adjacent CTs include the following:

- \$410M for the construction of a multifamily six-plex to lease in a moderate-income CT (Galveston County)
- \$689M for the construction of a multifamily five-plex and six plex to lease in a moderate-income CT (Galveston County)

### Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Harris County AA	0	0	2	50	2	100	50	100	0	0

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

STB demonstrated adequate responsiveness to CD needs in the bank's AAs using qualified investments. STB has committed \$50,000 to various minority-owned institutions in its AAs that is used to promote CD. STB also has an ongoing opportunity to invest in PeopleFund which is a Community Development Financial Institution that provides small business loans, as well as business assistance and education, to people with otherwise limited access to such resources. The bank continues to seek CD investment opportunities when they occur in the institutions AAs. Though not occurring during the CRA evaluation period, STB has recently purchased a \$5 million bond that will provide housing for LMI individuals in the Harris County AA.

### Extent to Which the Bank Provides Community Development Services

Qualified CD services must meet the definition of "community development" in the CRA regulation and must be related to providing financial services to qualified individuals and organizations.

STB CD services reflect adequate responsiveness to CD needs in its AAs during the evaluation period. Several STB employees are involved in organizations located in the bank's AAs to offer financial technical assistance through roles as officers, directors, and board members. Some of these organizations

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\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

include the Three Rivers Chamber of Commerce; Court Appointed Special Advocates (CASA) of Live Oak, McMullen, and Bee Counties; Community Relation Board Federal Correction Institution; George West Lions Club; and the Old Marbach School Water Supply Corporation. Additionally, many employees of the bank volunteer for the George West Storyfest nonprofit organization that works to revitalize and stabilize the LMI region and participate in Career Day for Live Oak & McMullen County.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	(01/01/17 to 12/31/18)	
<b>Bank Products Reviewed:</b>	Small business and consumer loans. Community development loans, qualified investments, community development services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>MMSA(s)</b>		
NA	NA	NA
<b>Texas</b>		
A-W-B MSA	Full-scope	This AA includes all CTs in Atascosa and Wilson Counties, and the eight adjacent CTs to the branch in Bexar County. The AA includes a total of 27 CTs, consisting of zero low income, 10 moderate income, 12 middle income, and five upper income CTs. All counties in the A-W-B AA are in the San Antonio-New Braunfels MSA.
Live Oak County	Full-scope	This AA includes all four CTs in Live Oak County. All four CTs are classified as middle income and the AA is designated as underserved.
Harris County	Full-scope	This AA includes all 786 CTs in Harris County. The AA consists of 147 low income, 250 moderate income, 167 middle income, 216 upper income, and 6 NA income CTs. Harris County is in the Houston-The Woodlands-Sugar Land MSA.

## Appendix B: Summary of MMSA and State Ratings

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RATINGS		SouthTrust Bank, NA	
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
SouthTrust Bank, NA	Satisfactory	Satisfactory	Satisfactory
MMSA or State:			
Texas	Satisfactory	Satisfactory	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.



## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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 non-relatives 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 under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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 under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**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 state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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.

**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.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**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.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). 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.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

**Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

**Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

**Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size)

throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																	<b>2017/ 2018</b>	
Assessment Area:	Total Loans to Small Businesses			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	
A-W-B MSA	28	1,150	42.4	0.0	0.0	0.0	24.7	15.3	20.6	45.9	62.4	50.1	29.4	22.3	29.4	0.0	0.0	
Harris County	18	5,456	27.3	13.3	16.7	13.6	22.3	66.7	22.5	21.4	5.6	22.0	42.7	11.1	41.7	0.2	0.0	
Live Oak County	20	520	30.3	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	
<b>Total</b>	<b>66</b>	<b>7,126</b>	<b>100.0</b>	<b>13.1</b>	<b>4.5</b>	<b>13.4</b>	<b>22.3</b>	<b>27.3</b>	<b>22.4</b>	<b>21.9</b>	<b>56.1</b>	<b>22.5</b>	<b>42.4</b>	<b>12.1</b>	<b>41.5</b>	<b>0.2</b>	<b>0.0</b>	

Source: 2018 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data.  
 "--" data not available.  
 Due to rounding, totals may not equal 100.0

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2017/ 2018</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
A-W-B MSA	28	1,150	42.4	1,454	81.6	96.4	42.0	4.3	3.6	14.1	0.0		
Harris County	18	5,456	27.3	103,231	84.2	61.1	44.4	6.6	33.3	9.2	5.6		
Live Oak County	20	520	30.3	166	77.7	90.0	33.1	5.3	5.0	16.9	5.0		
<b>Total</b>	<b>66</b>	<b>7,126</b>	<b>100.0</b>	<b>104,851</b>	<b>84.2</b>	<b>84.8</b>	<b>44.3</b>	<b>6.6</b>	<b>12.1</b>	<b>9.3</b>	<b>3.0</b>		

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data, "--" data not available.  
 Due to rounding, totals may not equal 100.0

<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>													<b>2017/2018</b>	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
A-W-B MSA	20	1,212	50.0	0.0	0.0	28.4	10.0	48.6	45.0	22.9	45.0	0.0	0.0	
Harris County	NA	NA	0.0	15.4	NA	28.8	NA	24.7	NA	30.7	NA	0.4	NA	
Live Oak County	20	336	50.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	
<b>Total</b>	40	1,548	100.0	14.9	0.0	28.7	5.0	25.6	72.5	30.4	22.5	0.4	0.0	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data.  
Due to rounding, totals may not equal 100.0*

<b>Table V: Assessment Area Distribution of Consumer Loans by Income Category of the Borrower</b>													<b>2017/2018</b>	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$ (000's)	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
A-W-B MSA	20	1,212	50.0	25.3	10.0	14.8	15.0	19.1	10.0	40.9	65.0	0.0	0.0	
Harris County	NA	NA	0.0	27.2	NA	16.9	NA	17.0	NA	38.9	NA	0.0	NA	
Live Oak County	20	336	50.0	20.8	20.0	15.7	20.0	14.0	25.0	49.6	35.0	0.0	0.0	
<b>Total</b>	40	1,548	100.0	27.1	15.0	16.9	17.5	17.1	17.5	38.9	50.0	0.0	0.0	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data.  
Due to rounding, totals may not equal 100.0*