



## **PUBLIC DISCLOSURE**

January 30, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Southwestern National Bank  
Charter Number 23081

6901 Corporate Drive Houston, TX 77036

Office of the Comptroller of the Currency

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.**

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

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

Southwestern National Bank (SWNB) has a satisfactory record of meeting community credit needs based on the following:

- SWNB maintained a reasonable loan-to-deposit ratio on a quarterly basis when compared to similarly sized peer banks.
- A substantial majority of the bank's lending is inside the assessment areas (AAs) by number and dollar amount of loans originated.
- Lending to businesses of different sizes reflects satisfactory penetration of small businesses with gross annual revenues of \$1 million or less compared to the AAs census characteristics.
- Geographic distribution of loans reflects excellent dispersion of small business loans in low- and moderate-income (LMI) census tracts (CT) in both the Houston and Dallas AAs.
- The level of community development (CD) activities is satisfactory in relation to the bank's performance context, and reflects adequate responsiveness to AA needs.

## **Scope of Examination**

We evaluated SWNB's Community Reinvestment Act (CRA) performance within its AAs. SWNB was evaluated under the intermediate small bank (ISB) CRA procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of the AAs through lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments, and services.

SWNB's primary lending products consist of business loans, which represent 98 percent of all loans. Although, the bank is a Home Mortgage Disclosure Act (HMDA) reporter, there was insufficient loan volume for a meaningful assessment. By category of business loans, commercial real estate loans were 92 percent and commercial and industrial loans were three percent of the loan portfolio. Construction and land development loans were two percent of the remaining business loans. All other loans comprise three percent of the total loan portfolio with 1-4 family residential real estate at one percent and multifamily real estate at two percent. Multifamily loans were considered in the CD test. Consumer lending and other loans were insignificant at less than one percent.

Most loans are originated in the Houston AA. The Houston AA accounts for approximately 60 percent of the number of loans originated, the Dallas AA for 40 percent, and the Austin AA for less than one percent.

Prior to this evaluation, we performed a data integrity review in October 2016 to verify information maintained by management on originated or renewed loans. As an ISB, management is not required to collect data on business loans. However, management collects this information for the key data fields, which includes revenue. A random sample of business loans during the data integrity review determined the data to be reliable. Therefore, we used the full loan population for the CRA evaluation rather than a sample.

For the lending test, our analysis included loans originated, renewed or purchased in 2014, 2015, and 2016 in the Houston and Dallas AAs. The Austin AA was not included in the business size penetration or geographic distribution tests, since the bank originated only one business loan in the AA during the evaluation period. The Houston and Dallas AAs represent 56 percent and 41 percent of SWNB's deposit accounts, respectively. The bank has one branch in the Austin AA, which represents three percent of the bank's total deposit accounts.

For the CD test, our review included all CD loans, investments, and services in each of the bank's AAs since the date of the last CRA evaluation, March 3, 2014, through the date of this evaluation, January 30, 2017.

## **Description of Institution**

SWNB is a full-service community bank headquartered at 6901 Corporate Drive, Houston, Texas. SWNB is a wholly-owned subsidiary of SWNB Bancorp, Inc., a one-bank holding company. The bank has five branches located in Texas in three AAs, including the main location in Houston and branches in Sugar Land, Plano, Richardson, and Austin. Since the last evaluation, a loan and deposit production office was opened in Irvine, California. The main location, the Plano branch, and the Richardson branch have drive-in services. Banking hours are reasonable and meet the needs of the community.

SWNB offers a variety of deposit products including business, personal, low-cost, and money market checking accounts. Also, SWNB offers savings accounts, individual retirement accounts, certificates of deposit, and Visa debit cards. All Visa debit card automatic teller machine (ATM) transactions are free of charge. Personal and commercial online and mobile banking, and personal online bill pay are available at no charge. The bank offers banking services in several languages, including, but not limited to: Taiwanese, Mandarin, Cantonese, Korean, Vietnamese, Japanese, Filipino, and English.

The Board of Directors indicated in SWNB's strategic business plan that they intend to continue to diversify the bank's customer base, providing financial services to all communities in the market areas served. In addition to future locations, the Board and Management will explore methods and products to support their customers.

As of September 30, 2016, assets totaled \$368 million and the Tier One Leverage Capital Ratio was 12.60 percent of adjusted average assets.

The formal enforcement action with the Comptroller of the Currency that the Board of Directors signed on March 24, 2011 was terminated on March 13, 2014. This action related to asset quality may have affected the bank's ability to meet the credit needs of its community. The bank received a "Satisfactory" rating at the prior CRA evaluation dated March 3, 2014.

## **Description of Assessment Areas**

Southwestern National Bank has three assessment areas for determining performance under CRA. The Houston AA consists of a portion of the Houston –The Woodlands-Sugar Land TX Metropolitan (MSA). The Dallas AA consists of a portion of the Dallas-Fort Worth-Arlington MSA. The Austin AA consists of a portion of the Austin-Round Rock MSA. All AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

### **Houston AA**

The Houston AA includes all census tracts (CTs) in Harris, Fort Bend, Brazoria, Montgomery and Galveston Counties. The entire Houston AA consists of 1,039 Census tracts (CTs) comprised of 130 low- (13 percent), 295 moderate- (28 percent), 274 middle- (26 percent), 334 upper-income CTs (32 percent) and 6 unknown CTs (1 percent).

### **Harris County**

Harris County is located in southeast Texas. The city of Houston is the county seat, the largest city in Texas and the fourth largest city in the U.S. Other surrounding cities are Bellaire, Cypress, Humble, Katy, Kingwood, Pearland, and Spring. Harris is the largest county in Texas by population and the third largest in the U.S. The population of Harris County is 4,538,028, according to the 2015 U.S. Census Estimates, a growth of 11 percent since 2010. The following table provides demographics in Harris County:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS HARRIS COUNTY ASSESSMENT AREA</b>	
<b>Population</b>	
Number of Persons	4,538,028
Number of Households	1,499,528
<b>Geographies</b>	
Number of Census Tracts	786
% Low-Income Census Tracts	15%
% Moderate-Income Census Tracts	32%
% Middle-Income Census Tracts	23%
% Upper-Income Census Tracts	29%
% Unknown	1%
<b>Median Household Income (MHI)</b>	
2010 MHI for AA	\$51,444
2015 MHI for AA	\$54,457
<b>Economic Indicators</b>	
Unemployment Rate	5.3%
Median Value of Housing	\$137,800
% of Owner-occupied Properties	55%
% of Households Below Poverty Level	17%

*Source: US Census Bureau and Bureau of Labor Statistics*

The economy in Harris County is stable and broad-based in energy, manufacturing, aeronautics, healthcare and transportation industries. The business climate is favorable with many Fortune 500 companies headquartered in Harris County. The Greater Houston Partnership reports that the major employers in the Houston region include Memorial Hermann Health System, The University of Texas MD Anderson Cancer Center, Houston Methodist, Exxon Mobil Corporation, and United Airlines, along with local independent school districts, universities, and public entities.

There is strong banking competition in Harris County. As of June 30, 2016, the Federal Deposit Insurance Corporation (FDIC) reports 79 financial institutions operating 998 branches in the county. The five largest competitors are JP Morgan Chase Bank, National Association (N.A.), Wells Fargo Bank, N.A., Bank of America, N.A., Compass Bank, and Amegy Bank, N.A. SWNB has one branch in Harris County for a market share of 0.07 percent.

### **Fort Bend County**

Fort Bend County is located in the Houston metropolitan area. It is the tenth most populous county in Texas. The city of Richmond is the county seat. Sugar Land is the largest city in the county. Other surrounding cities are Fulshear, Missouri City, Richmond and Stafford. For more than 20 years, Fort Bend has been in the top 20 counties in the United States for economic excellence and population growth.

The population of Fort Bend County is 716,087, according to the 2015 U.S. Census Estimates, a growth of 22 percent since 2010. The following table provides demographics in Fort Bend County:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS FORT BEND COUNTY ASSESSMENT AREA</b>		
<b>Population</b>		
Number of Persons		716,087
Number of Households		206,188
<b>Geographies</b>		
Number of Census Tracts		76
% Low-Income Census Tracts		0%
% Moderate-Income Census Tracts		11%
% Middle-Income Census Tracts		36%
% Upper-Income Census Tracts		53%
<b>Median Household Income (MHI)</b>		
2010 MHI for AA		\$79,845
2015 MHI for AA		\$89,152
<b>Economic Indicators</b>		
Unemployment Rate		5.1%
Median Value of Housing		\$200,200
% of Owner-occupied Properties		79%
% of Households Below Poverty Level		7%

*Source: US Census Bureau and Bureau of Labor Statistics*

The economic climate in Fort Bend County is good. Engineering, healthcare, manufacturing, and energy technology companies are major sources of employment within the county. According to the Fort Bend Economic Development Council, major employers include the Fort Bend Independent School District (ISD), Lamar Consolidated ISD, Fort Bend County, Fluor Corporation, Schlumberger Technology and Houston Methodist Sugar Land Hospital.

There is strong banking competition in Fort Bend County. As of June 30, 2016, the FDIC reports 38 financial institutions operating 135 branches in Fort Bend County. The five largest competitors in the county include Wells Fargo Bank, National Association (N.A.), JP Morgan Chase Bank, N.A., Bank of America, N.A., Prosperity Bank, and Amegy Bank, N.A. SWNB has one branch in Fort Bend County for a market share of 0.24 percent.

**Community Contact**

A local community contact identified key community needs that banks in the Houston AA could support. The needs include access to affordable housing for LMI individuals, vocational education support, financial literacy education, workforce development programs, and small business support with technical and funding assistance.

During the evaluation period, SWNB personnel assisted in and provided educational training classes and SWNB funded loans to small businesses.

**Dallas AA**

The Dallas AA includes all CTs in Collin, Dallas, Denton, Ellis, Kaufman, and Tarrant Counties. The Dallas AA consists of 1,224 Census tracts (CTs) comprised of 146 low- (12 percent), 316 moderate- (26 percent), 350 middle- (28 percent), 408 upper-income CTs (33 percent) and 4 unknown CTs (1 percent).

**Dallas County**

Dallas County is located in northeast Texas. The city of Dallas is the county seat. Other surrounding cities are Cockrell Hill, Desoto, Duncanville, Farmers Branch, Irving and Richardson. Dallas is the largest city in the AA, the third largest city in Texas and the ninth largest in the U.S. The population of Dallas County is 2,553,385, according to the 2015 U.S. Census Estimates, a growth of 8 percent since 2010.

The following table provides demographics in Dallas County:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS DALLAS COUNTY ASSESSMENT AREA</b>	
<b><i>Population</i></b>	
Number of Persons	2,553,385
Number of Households	881,279
<b><i>Geographies</i></b>	
Number of Census Tracts	529
% Low-Income Census Tracts	20%
% Moderate-Income Census Tracts	33%
% Middle-Income Census Tracts	23%
% Upper-Income Census Tracts	23%
% Unknown	1%
<b><i>Median Household Income (MHI)</i></b>	
2010 MHI for AA	\$47,974
2015 MHI for AA	\$50,270
<b><i>Economic Indicators</i></b>	
Unemployment Rate	3.8%
Median Value of Housing	\$132,700
% of Owner-occupied Properties	51%
% of Households Below Poverty Level	18%

*Source: US Census Bureau and Bureau of Labor Statistics*

The economy in Dallas County is good. The county is home to 21 Fortune 500 company headquarters and 41 Fortune 1,000 headquarters. Per the Dallas Regional Chamber, the major employers include AT&T, Texas Instruments, Incorporation., Texas Health Resources, and Energy Transfer Equity, Limited Partnership.

The official Dallas County website ([www.dallascounty.org](http://www.dallascounty.org)) provides information about economic development within the county. Dallas County operates a community development block grant (CDBG) program in fifteen of its smaller cities so that these cities can have sound infrastructure and housing, and in conjunction with the City of Dallas, it also created the first consolidated city-county job training program in Texas.

There is strong banking competition in Dallas County. As of June 30, 2016, the FDIC reports 101 financial institutions operating 638 branches in the county. The five largest competitors are Bank of America N.A., JP Morgan Chase Bank, N.A., Texas Capital Bank, N.A., Wells Fargo Bank, N.A., and Compass Bank. SWNB has one branch in Dallas County for a market share of 0.02 percent.

### Tarrant County

Tarrant County is adjacent to Dallas County. The city of Fort Worth is the county seat, the fifth largest city in Texas and the sixteenth largest in the U.S. Other surrounding cities are Arlington, Blue Mound, Euless, Hurst and North Richland Hills. The population of Tarrant County is 1,982,498, according to the 2015 U.S. Census Estimates, a growth of 10 percent since 2010.

The following table provides demographics in Tarrant County:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS TARRANT COUNTY ASSESSMENT AREA</b>	
<b><i>Population</i></b>	
Number of Persons	1,982,498
Number of Households	673,737
<b><i>Geographies</i></b>	
Number of Census Tracts	357
% Low-Income Census Tracts	9%
% Moderate-Income Census Tracts	28%
% Middle-Income Census Tracts	35%
% Upper-Income Census Tracts	27%
% Unknown	1%
<b><i>Median Household Income (MHI)</i></b>	
2010 MHI for AA	\$55,306
2015 MHI for AA	\$58,711
<b><i>Economic Indicators</i></b>	
Unemployment Rate	3.8%
Median Value of Housing	\$141,000
% of Owner-occupied Properties	61%
% of Households Below Poverty Level	13%

Source: US Census Bureau and Bureau of Labor Statistics

The economy in Tarrant County is robust and continues to grow in population and business activity. The Fort Worth Chamber of Commerce confirms the major employers in Tarrant County as American Airlines, Lockheed Martin and Fort Worth Independent School District. The Fort Worth Chamber of Commerce works collaboratively with Tarrant County, State of Texas, and Workforce Solutions to identify financial incentives to support businesses relocating or expanding in the area.

There is strong banking competition in Tarrant County. As of June 30, 2016, the FDIC reports 62 financial institutions operating 445 branches in the county. The five largest competitors are JP Morgan Chase Bank, N.A., Wells Fargo Bank, N.A Bank of America N.A., Frost Bank and Compass Bank. SWNB does not have a branch location in this county, there is no significant market share.

### **Community Contact**

Community contacts in the Dallas AA expressed favorable opinions of general business conditions and projected continued expansion in the region. According to a community contact, there is an opportunity for banks to support small business lending through loan programs which encourage retail and commercial development in the Dallas AA. Another contact states there is an opportunity for banks to engage in community development projects and financing programs. The city provides tax abatement agreements or grants to businesses as approved by the city; however, financing must be secured by the business entity. SWNB granted loans to small businesses throughout the review period.

### **Austin AA**

The Austin AA includes all CTs in Travis County. Travis County consists of 218 Census tracts (CTs) comprised of 35 low- (16 percent), 55 moderate- (25 percent), 58 middle- (27 percent), and 67 upper-income CTs (31 percent) and 3 unknown CTs (1 percent).

Travis County is located in south central Texas. The city of Austin is the county seat and the capital of Texas. Other surrounding cities are Bee Cave, Jonestown, Rollingwood, and West Lake Hills. Austin is the largest city in the county, the fourth largest city in Texas and the 11th largest in the U.S. The population of Travis County is 1,176,558, according to the 2015 U.S. Census Estimates, a growth of 15 percent since 2010. The following table provides demographics in Travis County:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS TRAVIS COUNTY ASSESSMENT AREA</b>	
<b>Population</b>	
Number of Persons	1,176,558
Number of Households	428,220
<b>Geographies</b>	
Number of Census Tracts	218
% Low-Income Census Tracts	16%
% Moderate-Income Census Tracts	25%
% Middle-Income Census Tracts	27%
% Upper-Income Census Tracts	31%
% Unknown	1%
<b>Median Household Income (MHI)</b>	
2010 MHI for AA	\$54,074
2015 MHI for AA	\$61,451
<b>Economic Indicators</b>	
Unemployment Rate	3.1%
Median Value of Housing	\$237,100
% of Owner-occupied Properties	52%
% of Households Below Poverty Level	13%

*Source: US Census Bureau and Bureau of Labor Statistics*

The county with its robust and diverse economy is home to many of the region’s technology-based companies, government offices, and five colleges and universities. Major employers include the State of Texas, University of Texas at Austin, Seton Healthcare Family, Dell Technologies, and Apple Inc. The Austin Chamber of Commerce provided details on Opportunity Austin, a five-year, five-county economic development initiative aimed at promoting job creation and business investments. The current five-year program, Opportunity Austin 3.0, sets out initiatives for boosting economic diversification to strengthen the economy and the talent pool.

There is strong banking competition in Travis County. As of June 30, 2016, the FDIC reports 49 financial institutions operating 271 branches in the county. The five largest competitors are Bank of America, N.A., Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., Frost Bank and Compass Bank. SWNB has one branch in Travis County for a market share of 0.03 percent.

**Community Contact**

A local community contact identified affordable housing and home improvement lending as a key need in the Austin AA. Most LMI borrowers in the area do not qualify for standard mortgage lending. Some organizations are beginning to work on long-term affordability options for LMI borrowers, but there is no official plan in the pipeline. Land values in Austin are higher than most areas resulting in higher taxes that many LMI individuals cannot afford. This makes affordable housing difficult to obtain.

## Conclusions with Respect to Performance Tests

### LENDING TEST

SWNB's performance under the lending test is satisfactory.

#### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the bank's performance context. The LTD ratio is below average for similarly sized and situated institutions (peer group banks). Since the prior CRA evaluation of SWNB, the quarter-end LTD ratios of 14 peer banks averaged 81.84%, and ranged from 54.16% to 95.81%.

The bank's quarterly average LTD ratio of 46.48% is considered reasonable in light of information from the performance context. In March 2014 SWNB fulfilled of the requirements of a 2011 formal enforcement action. The considerations of the enforcement action resulted in negative impact to the LTD ratio. Since the fulfillment, the bank's ratio increased each quarter over the evaluation period, from a low of 37.36 percent on March 31, 2014 to a high of 57.31 percent on September 30, 2016.

#### Lending in Assessment Area

A substantial majority of the SWNB's lending is inside the AAs by number and dollar amount of loans originated, renewed, and purchased. During the evaluation period, 87.57 percent by number and 82.09 percent by dollar amount business loans originated, renewed, or purchased were within its AAs. The following table details SWNB's lending inside and outside the AAs by number and dollar amount:

<b>Lending in All Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	162	<b>87.57</b>	23	12.43	185	167,878	<b>82.09</b>	36,628	17.91	204,506
Totals	162	<b>87.57</b>	23	12.43	185	167,878	<b>82.09</b>	36,628	17.91	204,506

*Source: 2010 US Census; Data collected by bank*

#### Lending to Businesses of Different Sizes

Distribution of loans to small businesses with gross annual revenues of \$1 million or less reflects reasonable penetration compared to AA census characteristics.

**Houston AA**

Within the Houston AA, distribution of loans to small businesses with gross annual revenues of \$1 million or less is reasonable. Penetration of small business loans was 84.43 percent, which is near to the AA census characteristic of 85.31 percent. SWNB’s performance is shown in the following table:

<b>Borrower Distribution of Loans to Businesses in Houston AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	85.31	5.79	8.90	100%
% of Bank Loans in AA by #	<b>84.43</b>	15.37	0.20	100%
% of Bank Loans in AA by \$	<b>81.25</b>	15.63	3.12	100%

*Source: Dunn and Bradstreet data and 2010 US Census; data collected by bank*

**Dallas AA**

The distribution of loans to small businesses with gross annual revenues of \$1 million or less reflects a reasonable penetration. Penetration of small business was 84.85 percent by number and 84.86 by loan amount, which is near to the AA census characteristic of 84.92 percent. SWNB’s performance is shown in the following table:

<b>Borrower Distribution of Loans to Businesses in Dallas AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	84.92	4.92	10.16	100%
% of Bank Loans in AA by #	<b>84.85</b>	15.15	0	100%
% of Bank Loans in AA by \$	<b>84.86</b>	15.14	0	100%

*Source: Dunn and Bradstreet data and 2010 US Census; data collected by bank*

**Austin AA**

The bank did not originate, renew, or purchase a sufficient number of business loans to enable meaningful analysis.

**Geographic Distribution of Loans**

Geographic distribution of loans to businesses reflects excellent dispersion in low-income census tracts and moderate-income census tracts. No unexplained conspicuous gaps in the geographic distribution of loans were identified in our review.

**Houston AA**

The geographic distribution of loans to businesses in the Houston AA is excellent. Dispersion of loans in low-income CTs was 26.56 percent, which exceeds the AA census tract characteristic of 8.11 percent.

Dispersion of loans in moderate-income CTs was 37.60 percent, which exceeds the AA census tract characteristic of 19.06 percent.

Geographic Distribution of Loans to Businesses in Houston AA								
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
	8.11	<b>26.56</b>	19.06	<b>37.60</b>	24.73	21.88	48.06	14.06

Source: D & B data and 2010 US Census; data collected by bank

### Dallas AA

Geographic distribution of loans to businesses in the Dallas AA is excellent. The 24.24 percent dispersion of business loans in low-income CTs exceeds the AA census tract characteristic of 4.95 percent. Dispersion of loans in moderate-income CTs meets the standard at 21.21 percent compared to the census tract characteristic of 21.84 percent.

Geographic Distribution of Loans to Businesses in Dallas AA								
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
	4.95	<b>24.24</b>	21.84	<b>21.21</b>	33.52	<b>42.42</b>	39.51	12.12

Source: D & B data and 2010 US Census; data collected by bank

### Austin AA

The bank did not originate, renew or purchase a sufficient number of business loans to enable meaningful analysis

### **Responses to Complaints**

The bank did not receive any complaints related to CRA during the evaluation period, as such, this criterion is not applicable.

## **COMMUNITY DEVELOPMENT TEST**

SWNB's performance under the community development (CD) test is adequate. We qualified eight CD loans totaling \$13.7 million and 16 investments and donations totaling \$427 thousand. SWNB officers and employees also provided 17 qualifying financial services to four organizations and nine financial-related classes were provided to LMI individuals and small business owners. The bank's CD activities are described below.

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

During the evaluation period, SWNB originated or refinanced eight qualifying CD loans totaling \$13.7 million which is adequate performance. All CD loans were in the Houston AA and were to six organizations. Four loans, totaling \$6 million supported affordable housing for LMI individuals and four loans totaling \$7.7 million supported community services through loans granted to a non-profit organization that provides healthcare and related services to LMI individuals and one loan to a grocery store where almost 70 percent of the tracts surrounding the grocery store have families reporting below median income.

### **Number and Amount of Qualified Investments**

SWNB's performance under the investment test is adequate. The bank made 16 qualified investments and donations totaling \$433 thousand. There were four prior period investments including three certificates of deposits to three minority-owned financial institutions with increases of \$11.3 thousand and a prior period \$1 million commitment to a Small Business Investment Corporation (SBIC) in which \$410 thousand funded during the review period. There were also 12 donations totaling \$11.8 thousand that were provided to 11 organizations.

In the Houston AA investments and donations totaled \$17,935. There were two prior period certificates of deposits with increases totaling \$6,335 and 11 donations to ten organizations totaling \$11,600. Majority of the donations were to organizations that benefited LMI individuals through providing school supplies, scholarship programs, adult financial education, and financial literacy programs.

In the Dallas AA, there was a certificate of deposit to a minority-owned financial institution that increased by \$5,011 during the review period.

In the Austin AA, there was a \$200 donation to an organization that provide programs to LMI individuals.

### **Broader Statewide or Regional Area**

There was a prior period commitment to a SBIC that funded \$410 thousand during the review period. The purpose of the SBIC fund is to invest in debt and/or equity securities of companies to help businesses grow as well as retain and increase job opportunities in businesses located within the bank's AA.

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

We qualified 17 CD services performed by bank officers and employees which is adequate performance. CD services were performed to six organizations and nine financial-related classes were performed in the bank-owned community center.

Nine Bank officers and employees performed as board members, provided financial expertise, and assisted in classes that benefited LMI individuals and small business owners.

In the Houston AA, five bank employees provided services to four organizations totaling 331.5 hours for community services and economic development. One bank officer performed as a board member and on various committees of an organization that provides healthcare services to LMI and under-insured individuals. Two bank employees assisted in providing career building opportunities to LMI high school students and two bank employees participated in a financial assistance programs to an organization that benefited minority, women-owned, and small business enterprises.

In the Dallas AA, one employee spent 51 hours assisting in the preparation of income tax returns for LMI individuals.

In the Austin AA, one employee spent 192 hours performing as treasurer and financial advisor for a non-profit healthcare organization that cater to LMI individuals.

## **Responsiveness to Community Development Needs**

The bank's level of CD activities demonstrates adequate responsiveness to the needs and opportunities in the AAs.

We performed community contacts in each AA. Community feedback in two primary AAs of Houston and Dallas referenced the need for small business lending and support with technical and funding assistance. In the both AAs, small business lending is the bank's primary loan product. In the Austin AA, the contact indicated a need for affordable housing but also noted that the land values in the Austin AA are higher than most areas resulting in higher taxes that many LMI individuals cannot afford.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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