



PUBLIC DISCLOSURE

September 08, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Icon Bank of Texas, National Association
Charter Number 24660

7908 North Sam Houston Tollway West, Houston, TX 77064

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 COMMUNITY REINVESTMENT ACT RATING:

This institution is rated Outstanding.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

Icon Bank of Texas, National Association (Icon) has an Outstanding record of meeting community credit needs based on the following:

- Icon has maintained a loan-to-deposit ratio on a quarterly basis that is more than reasonable compared to similarly sized peer banks.
- A substantial majority of the bank's lending is inside the assessment area (AA) by number and dollar amount of loans originated.
- Lending to businesses of different sizes reflects reasonable penetration of small businesses with gross annual revenues of \$1 million or less compared to the AA characteristics.
- Geographic distribution of loans reflects reasonable dispersion of small business loans in census tracts (CT) in the AA.
- The bank's performance under the Community Development (CD) Test is Outstanding and shows excellent responsiveness to the needs of its AA.

Scope of Evaluation

We completed a review of Icon's Community Reinvestment Act (CRA) performance. Icon 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 its AA through lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AA through qualified CD lending, investments, and services.

Icon's primary lending products are business loans, which represent 57 percent of total loans by dollar amount as of June 30, 2014. By category of business loans, commercial real estate loans were 36 percent and commercial and industrial loans were 21 percent of the loan portfolio. Other loan categories such as residential, farmland and agricultural production, and consumer loans each represent less than 20 percent of total loans.

As an ISB, the bank is not required to collect or report loan data for business loans, and management elected not to collect this information during this evaluation period. Therefore, we based our analyses under the Lending Test on a statistically valid random sample of 60 business loans originated or renewed from January 1, 2012 through December 31, 2013.

For the CD Test, our review included all CD loans, investments, and services in the AA since the date of the last CRA evaluation, June 29, 2009, through the date of this evaluation, September 8, 2014.

Description of Institution

Icon is a full service community bank headquartered in Houston, Texas. The bank is wholly owned by Icon Capital Corporation, a one-bank holding company. Icon's main location is at 7908 North Sam Houston Tollway West in Houston, Texas. The bank has six branch locations: Tomball (Augusta Pines Banking Center), Sugar Land, Webster, two in Katy (Katy Banking Center and Cinco Ranch Banking Center), and one in the Galleria area in Houston.

Banking hours are reasonable. Lobby hours and motor bank hours are generally between 8:00 a.m. and 5:00 p.m. None of the banking locations are open on Saturdays. Motor banking services are offered at all branch locations. The Cinco Ranch Banking Center and Galleria Banking Center were opened in December 2010, the Augusta Pines Banking Center was opened in November 2011, and the Sugar Land Banking Center was opened in March 2013. No branches were closed during the evaluation period.

In addition to a variety of business and residential loan products, the bank also offers various deposit products, such as business and personal checking accounts, individual retirement accounts, savings accounts, and certificate of deposits. The bank also offers remote deposit services, debit cards, and online banking services.

As of June 30, 2014, Icon reported Total Assets of \$597 million and Tier One Capital of \$55 million. The bank received a Satisfactory rating at the last CRA evaluation dated June 29, 2009. There are no financial or legal factors that impede the bank's ability to meet the credit needs of its community.

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

Description of Assessment Area

Icon has one AA comprising five contiguous whole counties in the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA), formerly known as the Houston-Sugar Land-Baytown MSA. The counties in the AA are Brazoria, Fort Bend, Galveston, Harris, and Montgomery. According to the 2010 United States (U.S.) Census, the population of the AA is approximately 5.7 million. There are 1,037 CTs in the AA. Of these CTs, 134 (13%) are low-income, 296 (29%) are moderate-income, 274 (26%) are middle-income, 329 (32%) are upper-income, and 4 are undesignated. Brazoria County is no longer part of the AA as of the end of April 2014. However, performance in this county is included in the analyses for the purpose of this evaluation as it was part of the AA for most of the review period.

Brazoria County

Brazoria County has 50 CTs. The county does not have any low-income CTs. It has 10 moderate-income (20%), 23 middle-income (46%), and 17 upper-income CTs (34%). As of the 2010 U.S. Census, the county had a population of 313 thousand. The county seat is Angleton with 19 thousand residents. The largest city is Pearland with a population of 91 thousand. According to the 2010 U.S. Census, Brazoria County had 10.9 percent of its residents living below the poverty level. The unemployment rate as of 2010 was 7.0 percent according the Texas Workforce Commission.

Pearland is located adjacent to the south side of Houston, Texas, and is the fastest growing suburb in the Greater Houston area. Significant retail, housing, and commercial growth is attributed to several master planned communities. The largest employers in Pearland are Pearland Independent School District (ISD), Wal-Mart, Home Depot, City of Pearland, Target, Kemlon Products, Inc., Packaging Service Company, HEB Grocery Company, L.P., Lowe's, Dillard's, and Macy's.

Fort Bend County

There are 76 CTs in Fort Bend County with one low-income (1%), eight moderate-income (11%), 27 middle-income (36%), 40 upper-income (52%) and 1 undesignated CT (0%). Fort Bend County has a high potential for loan growth as one of the fastest growing counties in the U.S. As of the 2010 census, the county had a population of 585 thousand, and a growth rate of 65 percent in the decade between 2000 and 2010. As of 2011, Fort Bend County was the wealthiest county in Texas and ranked as the 27th wealthiest county in the country. The county seat is Richmond, Texas. Major employers include Fort Bend ISD with more than 9 thousand employees and Lamar Consolidated ISD with 3 thousand employees. Approximately 8.3 percent of the county's population lives below the poverty line. The unemployment rate as of 2012 was 6.1 percent according to the Texas Workforce Commission.

Local banking competition is intense and includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions.

According to the FDIC Market Share Report as of June 30, 2013, Icon has a .61 percent deposit market share, ranking 20th among financial institutions in the county. The largest deposit competitors are 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.

Galveston County

There are 66 CTs in Galveston County. There are eight low-income (12%), 17 moderate-income (26%), 21 middle-income (32%), and 20 upper-income CTs (30%). Per the 2010 U.S. Census, the county had a population of 291 thousand. The city of Galveston is the county seat, with 47 thousand residents as of 2010. A number of Galveston residents are still recovering from the effects of the 2008 Hurricane Ike, but rebuilding continues to support a thriving community. The largest city in the county is League City with 84 thousand residents. According to the 2010 U.S. Census, Galveston County had 13 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 7.7 percent according to the Texas Workforce Commission.

Galveston is a major tourist destination and is a port of entry for cruise ships. It is also a port of call for cargo ships. The largest employers are American National Insurance Company, BP Products North America, Clear Creek ISD, Dickinson ISD, Galveston ISD, Landry's Inc., Moody Gardens, Texas City ISD, University of Texas Medical Branch (UTMB), and Wal-Mart Associates, Inc. The number of banks competing for the deposit market share in Galveston County has decreased slightly over the past few years. According to the FDIC Market Share Report as of June 30, 2013, the bank's largest deposit competitors are Moody National Bank, Texas First Bank, Hometown Bank, N.A., and Mainland Bank.

Harris County

Of the 786 CTs in Harris County, there are 125 low-income (16%), 250 moderate-income (32%), 183 middle-income (23%), 225 upper-income (29%), and three undesignated CTs (0%). Harris County is the most populous county in Texas and the third most populous in the nation. According to the U. S. Census Bureau as of 2010, the county had a population of 4.1 million, an increase of nearly 20 percent since 2000. The county seat is Houston, which is the largest city in Texas and the fourth largest city in the nation, with a population of 2.1 million. Houston has the largest medical center in the world, the Texas Medical Center. The Center's estimated economic impact exceeds \$14 billion annually, and it has approximately 106 thousand employees.

Houston is known as the Global Energy Capital of the oil and gas industry with over five thousand firms doing business in the region. Texas has more Fortune 500 companies than any other state in the nation, and many of those firms are headquartered in Houston.

According to the 2010 U.S. Census, Harris County had 17.9 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 6.8 percent according to the Texas Workforce Commission.

Local banking competition is intense and includes branches of large national banks, regional banks, small community banks, and non-bank financial institutions. According to the FDIC Market Share Report as of June 30, 2013, Icon has a .21% deposit market share, ranking 31st among financial institutions in the county. The largest deposit competitors are JP Morgan Chase Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., Amegy Bank, N.A., and Compass Bank.

Montgomery County

Montgomery County, which is north of the Houston area, has 59 CTs. It has 1 low-income (1%), 11 moderate-income (19%), 20 middle-income (34%), and 27 upper-income CTs (46%). As of the 2010 U.S. Census, the county had a population of 456 thousand. The largest city and county seat is Conroe, with a population of 56 thousand. According to the U.S. Census Bureau in 2012, approximately 13% of the population lived below the poverty line. In 2010, the unemployment rate was 7.5%, according to the Texas Workforce Commission.

According to the Greater Conroe Economic Development Council Web site, Conroe was once a primarily agricultural town, but the economy has shifted over the past twenty years with the migration of various manufacturing, retail, healthcare, construction and tourism companies to the area. Conroe ISD's 2013 Comprehensive Annual Financial Report lists the top five employers in Montgomery County as Conroe ISD, Anadarko Petroleum Corporation, Montgomery County, Hewitt Associates, and Memorial Hermann The Woodlands Hospital.

Community Contacts

During the evaluation period, we contacted several organizations in the bank's AA. We contacted a representative of a nonprofit organization involved with minority-owned small business development located in Harris County. The organization directly serves small businesses owned by ethnic minorities, but also serves as a referral agency to other small business owners. The representative stated that there is a need in the Houston area for sources of funding outside of Small Business Administration loans; specifically lines of credit (LOC) for construction projects, working capital, and asset-backed LOCs and loans. Furthermore, the representative indicated that there is a need for banks to provide clients with training and educational opportunities as it pertains to bonding and insurance in the construction industry.

We also contacted a representative of a small business development center in Galveston County. The organization provides consulting and training to entrepreneurs and other small business owners at all stages of business development.

The representative stated that there is a primary need for credit to low- and moderate-income owners of small businesses.

Finally, we contacted a non-profit organization representative involved with small business development in both Harris and Galveston counties. The representative stated that the greatest needs are those to provide contracts, loans, and procurement opportunities. Furthermore, there is an opportunity for banks to educate consumers, helping them to gain an understanding in banking fundamentals and debt management.

In response to the community credit needs noted above, Icon conducts various financial education seminars for the community. As previously noted, commercial lending is Icon's primary loan product.

Conclusions with Respect to Performance Tests

LENDING TEST

Icon's performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio exceeds the average for other similarly sized and situated institutions (peer group banks), and is more than reasonable given the bank's performance context. The bank's quarterly LTD ratio since the prior CRA evaluation averaged 90 percent. Seventeen other banks with \$300 million to \$1 billion in total assets, headquartered in any of the counties in Icon's AA, had an average LTD ratio of 73 percent, collectively, for the same time period. The LTD ratios for the peer group banks ranged from 47 to 89 percent.

Lending in Assessment Area

A substantial majority of the bank's lending is inside the AA by number and dollar amount of loans originated and purchased. During the evaluation period, 93 percent by number and 96 percent by dollar amount of loans were originated within the bank's AA. The following table details the bank's lending inside and outside the AA by number and dollar amount:

Table 1 - Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	56	93.33	4	6.67	60	41,558	95.55	1,934	4.45	43,491

Source: loan sample.

Lending to Businesses of Different Sizes

The distribution of loans to small businesses with gross annual revenues of \$1 million or less is reasonable. Penetration of loans to small businesses was 58.93 percent, which is below but near to the AA characteristic of 71.83 percent. The bank’s performance is shown in the following table:

Table 2 - Borrower Distribution of Loans to Businesses in the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.83	3.77	24.40	100.00
% of Bank Loans in AA by #	58.93	41.07	0.00	100.00
% of Bank Loans in AA by \$	47.63	52.37	0.00	100.00

Source: Dun and Bradstreet data; loan sample.

Geographic Distribution of Loans

Geographic distribution of business loans reflects reasonable dispersion in low-income CTs and moderate-income CTs in the bank’s AA. Dispersion of loans in low-income CTs was 7.14 percent, which is close to the AA census characteristic of 8.36 percent. Similarly, dispersion of loans in moderate-income CTs was 19.64 percent, which is very close to the AA census characteristic of 20.03 percent. The bank’s performance is shown in the following table:

Table 3 - Geographic Distribution of Loans to Businesses in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Commercial	8.36	7.14	20.03	19.64	24.98	21.43	46.57	51.79

Source: Dun and Bradstreet data; loan sample.

Note: Income information was not available for .06% of AA census tracts.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

Overall, the bank’s community development performance is Outstanding and reflects excellent responsiveness to the needs of its AA. The bank made a substantial volume of loans for affordable housing purposes, as well as several Small Business Administration (SBA) 504 loans.

The bank made an investment in a minority-owned bank, made a number of donations mostly supporting organizations which target low-and moderate-income (LMI) individuals, and responded to community service needs with bank employees providing services to qualifying organizations in the community. The bank's CD activities are discussed in detail below.

Number and Amount of Community Development Loans

For the evaluation period, we qualified 25 loans that promoted CD within the bank's AA, totaling \$58.1 million. Of the 25 qualifying loans, 21 helped to provide affordable housing in various communities, while 4 loans were SBA 504 loans that helped to promote economic development in the AA. The loans for affordable housing were primarily for either the purchase of or improvements to apartment complexes in LMI communities, for the benefit of LMI individuals.

Number and Amount of Qualified Investments

We qualified one investment in the amount of \$250 thousand and 40 charitable contributions totaling \$72.7 thousand. The investment is a certificate of deposit held at a minority-owned bank. We assigned limited weight to this investment as it was made five days prior to the start of the evaluation. The bank's charitable contributions were to organizations that offer economic development and community services to LMI individuals. These contributions went to services such as building affordable housing, providing housing for homeless and at-risk youth, providing meals to children in poverty, and supporting disadvantaged students in certain school districts.

Extent to Which the Bank Provides Community Development Services

We qualified nine services for CD purposes. Six bank employees and the bank as a whole provided technical assistance on financial matters, assisted in fundraising, and contributed accounting and bookkeeping services to seven CD organizations and/or projects. Bank employees are active in several organizations or projects that provide services for LMI individuals. Notable services are those to schools and school districts with a high number of disadvantaged students, to organizations that provide housing for disadvantaged women, and shelters for homeless and at-risk youth.

Responsiveness to Community Development Needs

Overall, the bank's responsiveness to CD needs in its AA is Outstanding. The bank's CD lending in particular demonstrates excellent responsiveness to needs in its community. The level of investments and services is reasonable given the bank's performance context.

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.