



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

June 28, 2017

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The State National Bank of Big Spring  
Charter Number 12543

901 Main Street, Big Spring, TX 79721

Office of the Comptroller of the Currency  
Lubbock Field Office  
5225 South Loop 289, Suite 108, Lubbock, TX 79424

**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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>3</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>7</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>8</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>12</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>13</b>
LENDING TEST .....	13
COMMUNITY DEVELOPMENT TEST.....	18

## **Overall CRA Rating: Needs to Improve**

**The Lending Test is rated: Needs to Improve.**

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

The State National Bank of Big Spring (SNB) needs to improve its record of meeting its community credit needs. This rating is based on the following:

- SNB's net loan-to-deposit (LTD) ratio is unreasonable with a quarterly average of 17 percent. This does not meet the standard for reasonableness based on the bank's performance context and lending opportunities within the assessment areas (AAs). The lowest LTD ratio of comparable banks is 33 percent.
- SNB originated a majority its loans by number (87 percent) and dollar volume (73 percent) to businesses, farms, and individuals located within the AAs.
- SNB's loan portfolio reflects an overall excellent penetration among businesses and farms of different sizes, and individuals of different income levels within the AAs.
- The geographic distribution of businesses, farm, and consumer loans reflects a reasonable dispersion given the bank's performance context, business strategy, and locations.
- SNB's community development (CD) performance demonstrates an adequate responsiveness to the needs of its AAs through CD loans, qualified investments, and services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 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 income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 MA/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. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**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.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

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

## Description of Institution

SNB is an intrastate community bank headquartered in Big Spring, Texas, which is approximately 100 miles south of Lubbock, Texas. SNB is a wholly owned subsidiary of SNB Financial, Inc. (SNBF), a single-bank holding company. As of March 31, 2017, SNBF's assets totaled \$336 million.

SNB has three offices and operates an ATM and drive-up facility at each office. Locations include the main office in Big Spring, Texas and two branches located in Lamesa and O'Donnell, Texas. Big Spring is located in Howard County and Lamesa is located in Dawson County. The O'Donnell branch is located in Lynn County, which is in the Lubbock, TX MSA.

As of March 31, 2017, SNB had total assets of \$336 million, with net loans and leases comprising 13 percent of this total. In the Howard-Dawson County AA, SNB is primarily a commercial and consumer lender, consistent with its business strategy. In this AA, commercial loans are a primary product by number and dollar volume and consumer loans are a primary product by number of loans. The following table shows the composition of the loans outstanding in the Big Spring (Howard County) and Lamesa (Dawson County) offices as of June 5, 2017.

Loan Portfolio Composition – Howard-Dawson County AA				
Loan Category	\$ of Loans (000's)	% of \$	# of Loans	% of #
<b>Commercial and Commercial Real Estate</b>	27,198	<b>59%</b>	2,819	39%
<b>Consumer</b>	3,462	7%	2,909	<b>41%</b>
Agricultural and Farmland	15,069	33%	1,457	20%
Residential Real Estate (1-4 Family)	131	0%	20	0%
Other	379	1%	10	0%
<b>TOTAL</b>	46,239	100%	7,205	100%

Source: Bank Loan Trial Balance

In the Lynn County AA, SNB is primarily an agricultural and consumer lender, consistent with its business strategy. In this AA, agricultural loans are a primary product by dollar volume and consumer loans are a primary product by number of loans. The following table shows the composition of the loans outstanding in the O'Donnell office as of June 5, 2017.

Loan Portfolio Composition – Lynn County AA				
Loan Category	\$ of Loans (000's)	% of \$	# of Loans	% of #
<b>Agricultural and Farmland</b>	1,931	<b>78%</b>	329	25%
<b>Consumer</b>	379	15%	908	<b>69%</b>
Commercial and Commercial Real Estate	159	7%	75	6%
Residential Real Estate (1-4 Family)	0	0%	4	0%
<b>TOTAL</b>	2,469	100%	1,316	100%

Source: Bank Loan Trial Balance



The bank received a Needs to Improve rating at the April 21, 2014 CRA evaluation. SNB has no legal or financial circumstances that would impede that bank's ability to help meet community credit needs.

## **Scope of the Evaluation**

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

We evaluated SNB using the intermediate small bank (ISB) evaluation procedures, which include Lending and Community Development Tests. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through lending activities, including loan-to-deposit ratio, lending in assessment area, borrower distribution, geographic distribution, and response to complaints. The Community Development Test evaluates the bank's responsiveness to the identified needs in its AAs through lending, qualified investments, and services.

The predominant primary loan products for the Howard-Dawson County AA are commercial, and then consumer. The predominant primary loan products for the Lynn County AA are agricultural, and then consumer. To evaluate small business, small farm, and consumer lending, we reviewed a random sample of 30 loans for each primary product in each AA originated between April 22, 2014 and March 31, 2017. Loans originated during this period are combined and evaluated against 2010 Census data.

The evaluation period for the Community Development Test uses information from the end of the previous CRA evaluation period, March 31, 2014 through June 30, 2017.

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

The bank has designated two AAs, the Howard-Dawson County AA and the Lynn County AA. This is a change from the last CRA Performance Evaluation (PE) when all three counties comprised a single AA. Lynn County has since been included in the Lubbock, TX MSA, which required the bank to designate it as a separate AA. We performed a full scope review for both AAs. Specific demographic data and economic data for the two AAs are listed in the following table.

<b>Demographic and Economic Characteristics</b>		
<b>Assessment Area</b>	<b>Howard-Dawson County AA</b>	<b>Lynn County AA</b>
<b>Population</b>		
Number of Families	10,622	1,703
Number of Households	15,504	2,165
<b>Geographies</b>		
Number of Census Tracts (CTs)	14	3
% Low-Income CTs	0	0
% Moderate-Income CTs	35.71	33.33
% Middle-Income CTs	50.00	66.67
% Upper-Income CTs	14.29	0
% N/A CTs	0	0
<b>Median Family Income (MFI)</b>		
2010 MFI for AA	\$48,945	\$46,034
2013 HUD-Adjusted MFI	\$52,400	\$60,400
<b>Economic Indicators</b>		
Unemployment Rate	5.0%/5.9%	4.5%
2010 Median Housing Value	\$54,680	\$71,524
% of Households Below Poverty Level	15.61	15.20

*Source: 2010 Census data and updated HUD income data*

## **Howard-Dawson County AA**

The Howard-Dawson County AA is the bank's primary AA and carries substantial weight in evaluating the bank's CRA performance. Big Spring is the largest city and the county seat of Howard County. The main bank is located in Big Spring. Lamesa is the largest city and the county seat of Dawson County. One of two SNB branches is located in Lamesa. Combined, these branches are responsible for 95 percent of the bank's outstanding loan volume, and approximately 96 percent of the deposit volume.

The AA consists of whole geographies and does not arbitrarily exclude any low- or moderate-income geographies. According to the 2010 Census, the AA includes 14 CTs of which five are moderate-, seven are middle-, and two are upper-income CTs. There are no low-income CTs in the AA. About 16 percent of households are below the poverty level.

Based on the 2010 Census Data, the AA has a total population of 48,845. Twenty-two percent of families in the AA are low-income. Moderate-income families approximate 18 percent, while middle- and upper-income families make up the remaining 60 percent. The median housing value is \$54,680 with the median age of housing stock at 54 years.

As of June 30, 2017, the unemployment rate in Dawson County was 5.9 percent, while Howard County was 5.0 percent; both slightly above the state of Texas and the United States unemployment rates at 4.7 percent, and 4.4 percent, respectively. The AA's economy is centered in energy production, agriculture, and government entities. Oil and gas production is prevalent in the AA and includes production, service, and refining. The agriculture economy is driven primarily by cotton production. Other agricultural related businesses include cotton

ginning, chemical/seed companies, and farm equipment sales and service. Government entities, primarily in Howard County, include the Veterans Administration Hospital, Big Spring State Hospital, and a Federal Prison. Other primary employers include local school districts, Wal-Mart, private correctional facilities, local governments, and Howard College in Big Spring.

Banking competition within the AA is strong. There are eight other banks, five credit unions, and numerous finance companies operating within the AA. As of June 30, 2016, SNB's deposit market share in the AA was 25 percent, ranking second among nine banks. In Howard County, where SNB has its most substantial presence, the bank's market share is more pronounced at 38 percent, ranking first among eight banks. There are five credit unions chartered in the AA, ranging in asset size from \$128 million to \$7 million. They collectively represent \$247 million in assets and \$214 million in deposits, well below the size of SNB. Management mainly notes competition for consumer loans from these credit unions.

We conducted two community contacts for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. The contacts indicated that the local economy is currently stable. The contacts indicate primary opportunities center around the building of a business loop around Big Spring adjacent to the city's industrial park. Other opportunities within the community include lending to smaller independent oil and gas service companies that support the larger oil and gas industry in the area. The contacts indicate the local financial institutions are involved in meeting the community's credit needs.

### **Lynn County AA**

The O'Donnell branch is located in southern Lynn County, just north of the Dawson county line. Tahoka is the largest town and county seat of Lynn County. Lynn County is part of the Lubbock, TX MSA. The bank delineated only Lynn County in the Lubbock TX, MSA as SNB cannot reasonably expect to serve the entire Lubbock MSA. O'Donnell is located on the far southern edge of Lynn County, with a portion of the town extending into Dawson County.

The AA comprises whole geographies and does not arbitrarily exclude any low- or moderate-income geographies. According to the 2010 Census, the AA includes three CTs of which one is moderate- and two are middle-income CTs. There are no low- or high-income CTs in the AA. About 15 percent of households are below the poverty level.

Based on 2010 Census Data, the AA has a total population of 5,915. Twenty-two percent of the families in the AA are low-income. Moderate-income families are 21 percent, while middle- and upper-income families make up the remaining 57 percent.

As of June 30, 2017, the unemployment rate in Lynn County was 4.5 percent, which is similar to both the state of Texas and the United States unemployment rates at 4.7 percent, and 4.4 percent, respectively. The AA's economy is centered in agriculture, with cotton being the main crop. The larger non-agricultural employers are Lyntegar (electric cooperative), the independent school districts within the county, Lynn County Hospital, and local government agencies.

Banking competition within the AA is strong. There is one bank located in Tahoka, two branches of a larger institution headquartered in Lubbock located in Tahoka and Wilson, and

one credit union. In addition, Ag Texas Farm Credit Services, a statewide agricultural lending cooperative, operates a branch in Tahoka. As of June 30, 2016, SNB's deposit market share in the AA was 9 percent, ranking last among three banks.

## **Ratings**

The bank's overall rating is based on the two AAs. We placed more emphasis on the Howard-Dawson County AA as the majority of the bank's lending and deposit activity occurs in that AA.

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

Pursuant to 12 C.F.R. §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 assessment area 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 Consumer Financial Protection Bureau, 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.

# Conclusions with Respect to Performance Tests

## LENDING TEST

SNB’s performance under the Lending Test needs to improve. Lending volumes are not reasonable given the bank’s size, financial condition, and AA credit needs. In reaching this conclusion, significant emphasis is placed on the bank’s LTD ratio, which is approximately one-half of the lowest similarly-situated bank. In our assessment of borrower and geographic distribution, more emphasis is placed on the Howard-Dawson County AA. The Lynn County AA is substantially less significant when considering the bank’s overall operations, lending and deposit levels, and deposit market share. Of the loans originated, a majority are located within the bank’s AAs. Borrower distribution is excellent and geographic distribution is reasonable.

### Loan-to-Deposit Ratio

The LTD ratio is unreasonable given the bank's size, financial condition, and AA credit needs. The quarterly average net LTD ratio from March 31, 2014 through March 31, 2017 is 17.08 percent, which is a slight improvement from the ratio noted at the last evaluation of 12.38 percent. During the evaluation period, SNB’s net LTD ratio ranged from a low of 11.34 percent to a high of 23.21 percent. The highest LTD ratios during the evaluation period occurred during September of each year at the peak of the agricultural lending cycle. The average net LTD ratio of similarly situated banks within the AAs for the same period was 44.67 percent. Bank management cites local credit unions as significant competition, particularly for consumer loans. Our analysis of six credit unions chartered in the AAs show an average net LTD ratio of 34.13 percent.

The quarterly average LTD ratio for each similarly situated bank in or contiguous to the AAs is listed below. Please note that no ranking is intended or implied.

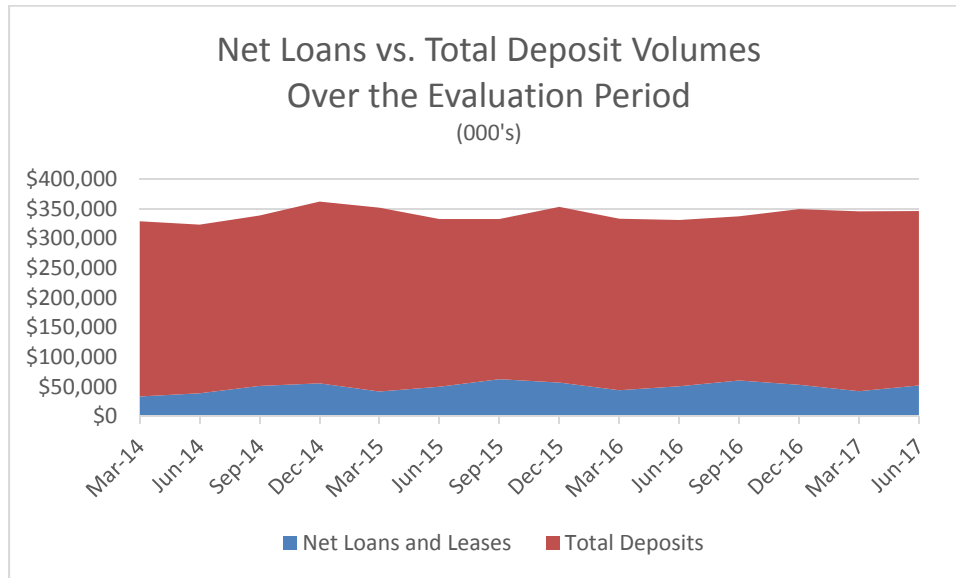
Loan-to-Deposit Ratios		
Institution	Total Assets \$000s	Average Net Quarterly Loan-to- Deposit Ratio
<b>State National Bank of Big Spring</b>	<b>335,562</b>	<b>17.08</b>
Lamesa National Bank	312,328	33.11
Western Bank – Lubbock	210,094	67.47
The First National Bank of Tahoka	54,135	33.43

*Source: Institution Reports of Condition from March 2014 to March 2017*

Lamesa National Bank (LNB) is the best comparable to SNB due to its size, product offerings, and location within the Howard-Dawson County AA. LNB ranks first in market share within the Howard-Dawson AA at 26 percent, slightly ahead of SNB at 25 percent. Western Bank-Lubbock is less comparable with its main branch in a metropolitan area, but has two branch locations within the Howard-Dawson AA and ranks six out of nine banks at 7 percent in the AA’s deposit market share. First National Bank of Tahoka is the least comparable due to significantly smaller size than SNB. However, it is wholly-located within the Lynn County AA and has similar product offerings.

We identified no internal or external factors prohibiting the bank from lending. SNB has sufficient resources and capacity to lend. The Board and management took some actions to

improve lending volume over the evaluation period. These actions include revising the loan policy in 2014 to not require a deposit account to be open 6-months prior to accepting a loan application, lower loan-to-value requirements, and longer loan amortization on several types of real estate loans. In addition, management began targeted advertising of the bank’s lending products, primarily in the Howard-Dawson AA. However, those efforts have not resulted in a significant increase in lending, as can be seen in the following chart.



Of the three similarly situated banks we reviewed, SNB’s net quarterly LTD ratio is approximately one-half of the lowest, and most comparable, average quarterly ratio. The Board’s conservative corporate risk tolerance continues to be one of the primary reasons for the low LTD ratio. As an example of the Board’s conservative nature, 84 percent of the balance sheet is centered in cash and short-term investments. In addition, the Board chooses not to offer residential loans due to regulatory complexity. Management indicates it does refer individuals who inquire about such loans to area institutions that provide those products, although was not able to provide specific data as to the number of customers or amounts requested.

**Lending in Assessment Area**

A majority of the SNB’s primary loan products were made inside the bank’s AAs. To assess performance, we sampled 30 commercial loans, 30 agricultural loans, and 60 consumer loans originated between January 1, 2014 and June 5, 2017. Our analysis determined that 87 percent of the number of loans and 73 percent of the dollar amount of loans in the sample originated within the bank’s combined AAs. Results by loan category are depicted in the following table.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business	28	93	2	7	30	4,133	67	2,072	33	6,205
Farm	21	70	9	30	30	3,094	81	745	19	3,839
Consumer	55	92	5	8	60	558	95	31	5	589
Totals	104	<b>87</b>	16	13	120	7,785	<b>73</b>	2,848	27	10,633

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

The distribution of loans made to business and farms of different sizes, and individuals of different income levels reflects an overall excellent penetration. The distribution of loans to businesses and farms in the AAs is excellent. The distribution of loans to individuals is reasonable, with reasonable penetration noted in the Howard-Dawson AA and excellent penetration noted in the Lynn County AA

### Howard-Dawson County AA

The distribution of loans to businesses reflects an excellent penetration among businesses of different sizes. Borrower distribution is excellent, with 86 percent of commercial loans by number and 85 percent by dollar amount originated to businesses with revenues less than \$1 million. This exceeds the demographic data showing 76 percent of the AA's businesses are considered small. The following table shows the distribution of loans.

Borrower Distribution of Loans to Businesses in Howard-Dawson County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.46	5.43	18.11	100%
% of Bank Loans in AA by #	<b>85.71</b>	14.29	0.00	100%
% of Bank Loans in AA by \$	<b>85.19</b>	14.81	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of consumer loans reflects a reasonable penetration among borrowers of different income levels. SNB originated 29 percent of consumer loans by number to low-income households and 21 percent to moderate-income households, exceeding the AA demographics of 24 percent and 19 percent, respectively. The following table shows the distribution of loans.

Borrower Distribution of Consumer Loans in Howard-Dawson County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.12	<b>28.57</b>	18.63	<b>21.43</b>	14.76	32.14	42.49	17.86

Source: Loan sample; 2010 U.S. Census data.



## Lynn County AA

The distribution of loans to farms reflects an excellent penetration among farms of different sizes. Borrower distribution is excellent, with 100 percent of farm loans by number and dollar amount originated to farms with revenues less than \$1 million. This is above demographic data showing 96 percent of the AA's farms are considered small. The following table shows the distribution of loans.

Borrower Distribution of Loans to Farms in Lynn County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96.36	3.64	0.00	100%
% of Bank Loans in AA by #	<b>100.00</b>	0.00	0.00	100%
% of Bank Loans in AA by \$	<b>100.00</b>	0.00	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The distribution of consumer loans reflects excellent penetration among borrowers of different income levels. SNB originated 56 percent of consumer loans by number to low-income households, compared to the AA demographic of 20 percent low-income households. The percentage of SNB consumer loans by number to moderate-income households at 15 percent is below the AA demographic of 22 percent for moderate-income households. However, the significant amount of loans originated to low-income households provides for an overall excellent penetration. The following table shows the distribution of loans.

Borrower Distribution of Consumer Loans in Lynn County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	19.86	<b>55.56</b>	21.52	<b>14.81</b>	16.03	18.52	42.59	11.11

Source: Loan sample; 2010 U.S. Census data.

## **Geographic Distribution of Loans**

The geographic distribution of loans is reasonable. Loans to businesses reflect excellent dispersion and loans to consumers reflect reasonable dispersion in the Howard-Dawson County AA. Loans to farms reflect poor dispersion and loans to consumers reflect very poor dispersion in the Lynn County AA.

### Howard-Dawson County AA

The percentage of SNB commercial loans by number originated in moderate-income tracts is above the ratio of AA businesses in moderate-income tracts, reflecting excellent dispersion. Forty-six percent of business loans were originated in moderate-income tracts, compared to 39 percent of AA businesses located in moderate-income tracts.

Geographic Distribution of Loans to Businesses in Howard-Dawson County 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
Commercial Loans	0.00	0.00	39.00	<b>46.43</b>	46.11	32.14	14.89	21.43

Source: Loan sample; D & B data; 2010 US Census

The percentage of SNB consumer loans by number originated in moderate-income tracts is above the ratio of AA households in moderate-income tracts, reflecting a reasonable dispersion. Thirty-six percent of consumer loans are located in moderate-income tracts, compared to 31 percent of households located in moderate-income tracts.

Geographic Distribution of Consumer Loans in Howard-Dawson County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	30.66	<b>35.71</b>	54.17	46.43	15.16	17.86

Source: Loan sample; 2010 U.S. Census data.

### Lynn County AA

The percentage of SNB farm loans by number originated in moderate-income tracts is significantly lower than the ratio of AA farms in moderate-income tracts, reflecting poor dispersion. Five percent of farm loans were originated in the moderate-income tract, compared to 17 percent of AA farms located in the moderate-income tract. This is reasonable as the O'Donnell branch is located in one of two middle-income CTs, while the one moderate-income CT is in the City of Tahoka, which is more directly served by First National Bank of Tahoka.

Geographic Distribution of Loans to Farms in Lynn AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0.00	0.00	17.27	4.55	82.73	95.45	0.00	0.00

Source: Loan sample; D & B data.

The percentage of SNB consumer loans by number originated in moderate-income tracts is significantly lower than the ratio of AA households in moderate-income tracts, reflecting a very poor dispersion. The bank did not originate any consumer loans in the moderate-income tract, compared to 47 percent of households located in the moderate-income tract. This is reasonable as the O'Donnell branch is located in one of two middle-income CTs, while the one moderate-income CT is in the City of Tahoka, which is more directly served by First National Bank of Tahoka.

Geographic Distribution of Consumer Loans in Lynn AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	46.56	0.00	53.44	100.00	0.00	0.00

Source: Loan sample; 2010 U.S. Census data.

## Responses to Complaints

Neither the bank nor the OCC have received any CRA-related complaints during the evaluation period. This has a neutral effect on SNB's CRA performance.

## COMMUNITY DEVELOPMENT TEST

SNB's performance under the Community Development Test shows adequate responsiveness to CD needs in its AAs through CD loans, qualified investments, and CD services.

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

The level of CD lending reflects an adequate responsiveness to CD needs of the AAs. SNB originated seven qualifying CD loans during the evaluation period totaling \$8.8 million. This represents 27 percent of capital. The majority of the CD loans were originated for revitalization of distressed / underserved census tracts, job creation for LMI individuals, and to provide health services primarily to LMI individuals. SNB fulfilled its CD loan obligation through its normal course of business, i.e., through its normal market niche and following its approved business plan. All CD loans are in the Howard-Dawson County AA. Examples include:

- \$2 million line of credit originated in 2015 for the construction of new residential homes for affordable housing within an underserved/distressed CT in Big Spring.
- \$1.5 million loan originated in 2014 to finance economic development in an distressed/underserved CT near the Big Spring Industrial Park.
- \$3.5 million loan originated in 2016 for the renovation a of medical clinic located in a underserved/distressed CT in Big Spring.

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

The level of qualified investments reflects a reasonable responsiveness to CD needs of the AAs. During the evaluation period, SNB made five qualified investments for \$1.05 million, two grants for \$700, and 22 donations for \$13 thousand, totaling approximately \$1.06 million within the AAs. This represents about 3.3 percent of Tier 1 Capital. Examples include:

#### Lynn County AA

- Purchased two municipal bonds totaling \$445 thousand in 2016 for Tahoka Independent School District (ISD) (Lynn County AA). The school is located in a moderate-income CT, in which over 50 percent of students receive a free/reduced lunch.

- Purchased two municipal bonds totaling \$354 thousand in 2017 for O'Donnell ISD. School statistics indicate 79 percent of the student population within the district is economically disadvantaged.

#### Howard-Dawson County AA

Purchased a \$250 thousand municipal bond in 2016 for Howard College in Big Spring. The college is located in an underserved/distressed CT.

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

The level of CD services reflects an adequate responsiveness to CD needs of the AAs. During the evaluation period, five bank employees provided multiple financial services to nine different qualified CD organizations. The provision of CD services is fully concentrated in the Howard-Dawson County AA, consistent with vast majority of employees being located in this AA. SNB officers and employees provide technical assistance through participation on finance committees of local organizations, which provide CD services. All CD services are conducted in the Howard-Dawson County AA. Examples include:

#### *FDIC Smartmoney – Keep it Safe*

SNB employees have presented the FDIC Smartmoney – Keep it Safe curriculum since early 2014 to residents of the Parkplace Retirement Home located in Big Spring. The curriculum is designed to provide elderly residents financial literacy on FDIC deposit insurance, understanding investments/risk, identity theft, and insurance. Bank staff conduct quarterly classes in the retirement home residences.

#### *Big Spring Economic Development Corporation (BSEDC)*

An SNB employee volunteers 1-3 hours a month since 2016 as Treasurer for the BSEDC. BSEDC works to stimulate the economy in Big Spring to create opportunities for all individuals, including LMI individuals.

#### *Financial Literacy – Big Spring ISD*

SNB staff conducted a financial literacy class to the Goliad Middle School 6<sup>th</sup> graders in 2014. The curriculum included the importance of saving and to keep a deposit register.

#### ***Responsiveness to Community Development Needs***

SNB demonstrates adequate responsiveness to CD needs in its AAs. The levels of CD loans, investments, and services all reflect responsiveness.