



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 22, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Brazos Valley Bank, National Association
Charter Number 24457**

**4030 Highway 6 South
College Station, TX 77845**

**Comptroller of the Currency
Houston Field Office
1301 McKinney Street, Suite 3410
Houston, TX 77010**

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.

Brazos Valley Bank, National Association (BVB) has a satisfactory record of meeting credit needs within the community. The following supports this rating:

- The Loan-to-Deposit ratio exceeds the standards for satisfactory performance.
- A majority of the loans originated are in the Assessment Area (AA).
- Lending to small businesses is good, and consumer lending is adequate.
- The geographic distribution of loans to businesses is good.

DESCRIPTION OF INSTITUTION

BVB is an independently owned institution located in College Station, Texas with its office at 4030 Highway 6 South in a temporary building. A drive-up facility and an ATM are attached to the building. Nationwide Money Service provides ATM services for the bank at ten locations in the AA. The bank will soon be moving into a new building next to the temporary location. BVB has also received regulatory approval for a new full service branch at 2112 West Briargate Drive in Bryan, Texas. At December 31, 2006, total assets are \$62 million. The primary loan product by dollar is business loans comprising 75 percent of the total loan portfolio. Consumer loans are insignificant by dollar at 3 percent. By number, consumer loans are 33 percent of the total loan portfolio. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. This is the bank's first Community Reinvestment Act (CRA) examination. BVB was chartered July 26, 2004.

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

DESCRIPTION OF BRAZOS COUNTY

Brazos County has approximately 157 thousand residents. The two largest cities are adjacent. Bryan has a population of 64 thousand, and College Station has a population of 73 thousand. Bryan was established in 1859 in honor of William Joel Bryan, nephew of Texas pioneer Stephen F. Austin. In 1876, the State of Texas established the Agricultural and Mechanical College of Texas, now Texas A & M University south of Bryan. College Station was planned as a model community by college professors when the college could no longer accommodate their living needs on campus. The Postal Service named College Station as a railway stop in 1877. College Station is the home of Texas A & M University with more than 45 thousand students. Blinn College with approximately 12 thousand students also has a campus in Bryan. Both have a significant influence on Brazos County.

Major employers include Texas A & M University with approximately 16 thousand employees, Bryan Independent School District (ISD) with 2 thousand, and St. Joseph's Regional Health Center with 1.6 thousand. Other major employers with more than 1 thousand employees include Sanderson Farms and College Station ISD.

According to the 2000 U. S. Census, the county has 25 thousand owner occupied units and 32 thousand rental units. The median value of a single family residence is \$89 thousand. The county only has one low-income census tract (CT) located next to the university. It has ten moderate-income CTs, eleven middle-income CTs, and seven upper-income CTs. One tract that includes the university does not have a designation and is reflected as NA in the footnotes in the geographic distribution tables in this evaluation. The updated median family income for 2006 is \$52,300. The recent unemployment rate is 4.4 percent, and 28 percent of the population live below the poverty level. Competition is intense. Chamber of Commerce information shows sixteen financial institutions with multiple branches in the Bryan College Station area.

We completed a community contact earlier with a local Chamber of Commerce leader who stated home construction and small business lending are the two greatest lending needs in the area. Both are part of the bank's lending strategy although small business lending is primary. We also reviewed a community contact with an economic development organization who stated residential and commercial real estate construction continues to thrive.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's Loan-to-Deposit ratio (LTD) exceeds the standards for satisfactory performance. It has averaged 125 percent since the bank was chartered. Recently, the ratio was 101 percent at September 30, 2006, and it was 84 percent at December 31, 2006. Of the deposit totals, approximately 20 percent are QuickRate deposits from outside the AA. The LTD ratio exceeds a peer group average of 65 percent for banks in Brazos, Grimes, Washington, Burleson, and Madison counties. For the quarter end September 30, 2006, the peer group ratio ranged from a low of 31 percent to a high of 90 percent.

Lending in Assessment Area

Lending in the AA area is a majority and meets the standards for satisfactory performance. A majority of loans by number and dollar have been originated within the AA.

We verified the information for a sample of 28 bank selected business loans and found the information was reliable. We supplemented the bank sample with 18 additional loans originated in 2004, 2005, 2006 and year-to-date 2007. This is a total of 46 loans reviewed. Management reviewed a sample of consumer loans for 2004, 2005, and 2006. We also found the information for the 21 loans in this consumer sample to be reliable. The details of this review are in the following table:

Table 1 – Lending in Brazos County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Business	32	69.57	14	30.43	46	11,333,003	70.83	4,666,403	29.17	15,999,406
Consumer	17	80.95	4	19.05	21	234,100	78.61	63,713	21.39	297,813
Totals	49	73.13	18	26.87	67	11,567,103	70.98	4,730,116	29.02	16,297,219

Source: loan sample.

In addition to the sample above, we reviewed the bank’s analysis of loans by zip code in the AA completed as of December 22, 2006. This analysis revealed that 74 percent of the bank’s loans by number and 72 percent by dollar were in the AA.

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

The borrower distribution in 2004 of loans to small businesses by number of loans is somewhat lower than the characteristics of the AA but is adequate. By dollar, the percentage of loans is lower than the characteristics of the AA by number. However, this was the bank’s first year of operation, and performance in subsequent years significantly improved. The details of our review are in the following table:

Table 2A – Borrower Distribution of Loans to Businesses in Brazos County (2004)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62.89	4.30	32.81	100%
% of Bank Loans in AA by #	40.00	60.00	0.00	100%
% of Bank Loans in AA by \$	23.62	76.38	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The borrower distribution in 2005 of loans to small businesses by number and by dollar exceeds the characteristics of the AA and is excellent. The details of our review are in the following table:

Table 2B - Borrower Distribution of Loans to Businesses in Brazos County (2005)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.72	4.11	32.17	100%
% of Bank Loans in AA by #	84.21	15.79	0.00	100%
% of Bank Loans in AA by \$	77.76	22.24	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

The borrower distribution in 2006 and year-to-date 2007 of loans to small businesses by number and by dollar exceeds the characteristics of the AA and is excellent. The details of our review are in the following table:

Table 2C - Borrower Distribution of Loans to Businesses in Brazos County (2006 to Year-to-Date 2007)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.92	4.09	30.99	100%
% of Bank Loans in AA by #	87.50	12.50	0.00	100%
% of Bank Loans in AA by \$	79.94	20.06	0.00	100%

Source: Loan sample; Dunn and Bradstreet data.

Overall, consumer lending meets the standards for satisfactory performance. The borrower distribution of consumer loans for 2004, 2005, and 2006 is lower than the characteristics of the AA for lending to low-income borrowers, but lending to moderate-income borrowers far exceeds the percentage of households categorized as such. The details of our review are in the following table:

Table 2D - Borrower Distribution of Consumer Loans in Brazos County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans						
Consumer Loans	28.71	11.76	13.90	29.41	13.68	17.65	43.71	41.18

Source: data collected by the bank; U.S. Census data.

Geographic Distribution of Loans

BVB did not originate any loans to small businesses in low- or moderate-income census tracts in 2004. However, this was the bank's first year of operation, and performance in subsequent years significantly improved. The details of our review are in the following table:

Table 3A - Geographic Distribution of Loans to Businesses in Brazos County (2004)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	1.79	0.00	27.27	0.00	36.08	80.00	34.76	20.00

Source: loan sample; U.S. Census data. NA census tract is 0.10%.

The geographic distribution of loans to small businesses is excellent and far exceeds the characteristics of the AA in 2005. BVB originated a significant percentage of loans in the one low-income CT and in the ten moderate-income CTs. The details of our review are in the following table:

Table 3B - Geographic Distribution of Loans to Businesses in Brazos County (2005)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	1.69	5.26	26.94	42.10	35.84	26.32	34.88	26.32

Source: loan sample; U.S. Census data. NA census tract is 0.65%.

The geographic distribution of loans to small businesses is excellent and far exceeds the characteristics of the AA in 2006 in the low-income CT. Lending in moderate-income CTs is below the characteristics of the AA. Overall performance is satisfactory based on lending in the one low-income CT. The details of our review are in the following table:

Table 3C - Geographic Distribution of Loans to Businesses in Brazos County (2006 and Year-to-Date 2007)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	1.73	12.50	26.22	12.50	36.08	50.00	35.42	25.00

Source: loan sample; U.S. Census data. NA census tract is 0.55%.

BVB did not originate any consumer loans in low- or moderate-income CTs during the evaluation period. Opportunities for consumer lending in the low-income CT are very limited and somewhat limited in the moderate-income CTs. In addition, the bank is not conveniently located for the low- and moderate-income CTs. The details of our review are in the following table:

Table 3D - Geographic Distribution of Consumer Loans in Brazos County								
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	2.86	0	29.65	0	40.47	41.18	27.00	58.82

Source: data collected by bank; U.S. Census data. NA census tract is 0.02%.

Community Development Loans

BVB originates a reasonable level of community development lending and originated one loan meeting the regulatory definition of affordable housing. It is a sixty unit apartment complex with rents below 80 percent of the weighted average of rents per the U. S. census for Brazos County.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

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