



PUBLIC DISCLOSURE

January 04, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Post Oak Bank, National Association
Charter Number 24491

2000 West Loop South, Suite 100 Houston, TX 77027

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 Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Post Oak Bank, National Association (POB) has a Satisfactory record of meeting community credit needs. This conclusion is based on the following:

- A substantial majority of lending is inside the assessment area (AA) by number and dollar amount of loans originated and purchased. Of the number of business and residential mortgage loans originated/purchased during the evaluation period, 91 percent by number and 90 percent by dollar amount were within the AA.
- The loan-to-deposit (LTD) ratio is more than reasonable. Since the prior Community Reinvestment Act (CRA) Performance Evaluation, the quarterly LTD ratio averaged 88.13 percent.
- POB had reasonable penetration to small businesses with revenues of \$1 million or less in both the Houston AA and the Beaumont AA. However, there was very poor penetration to borrowers of different income levels for residential mortgage loans in the Houston AA.
- The geographic distribution of small business loans reflects excellent dispersion in the Houston AA and reasonable dispersion in the Beaumont AA for borrowers in different geographies, but very poor dispersion for residential mortgage loans in the Houston AA.
- The bank has not received any CRA-related complaints during the evaluation period.
- Community development (CD) activities demonstrate adequate responsiveness to CD needs in the AA.

Scope of Examination

We completed a full-scope review of POB's CRA activities in its two AAs. We evaluated POB under the Intermediate Small Bank (ISB) performance evaluation 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 AA through lending activities. The CD Test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD lending, investments and donations, and services. The bank was also evaluated as an ISB during the prior evaluation cycle.

As an ISB, management is not required to collect and report information on business lending; however, management has elected to do so. We completed a data integrity review in April 2015 to determine the accuracy of the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) and the bank's Small Business LAR used for this evaluation. The review deemed the HMDA LAR to be reliable. The Small Business LAR was deemed unreliable due to key field errors in excess of five percent; however, management corrected the errors subsequent to the review, and prior to this CRA evaluation. The data was sampled and found to be reliable.

POB's primary lending products are business financing, consisting primarily of loans to small and medium-size businesses; and residential mortgage loans, consisting of 1-4 family residential mortgage loans. The Lending Test covered the period from January 1, 2013 through September 30, 2015, for business loans, and all originated 1-4 family residential mortgage owner-occupied loans for the same period. In all instances, business loans represented a higher percentage of total loans by dollar volume and by number. As a result, more weight was placed on business loans for the lending tests.

For business loans, we used the entire small business loan portfolio in our analysis, which consisted of 1,354 loans in number and \$293 million by dollar amount. The number of small business loans for years 2014-2015 was 856, and in 2013 was 498. The dollar amount of small business loans totaled \$183 million for 2014-2015 and \$110 million for 2013.

For residential mortgage loans, we used all of the loans originated and reported on the HMDA LAR, which consisted of 214 loans in number and \$112 million by dollar amount. The number of residential mortgage loans totaled 148 for 2014-2015, and 66 for 2013. The dollar amount of residential mortgage loans totaled \$86 million for 2014-2015 and \$26 million for 2013.

Our analysis also considered the bank's percentage of deposits and lending volume by AA. The bank had 96 percent of its deposits in the Houston AA and 4 percent in the Beaumont AA. In addition, regarding lending volume, 93 percent of the loans were granted in the Houston AA and 7 percent in the Beaumont AA. Therefore, we placed more weight on the Houston AA.

For the CD Test, our review included all CD loans, investments and donations, and services since the date of the last CRA performance evaluation, November 26, 2012, through the date of this performance evaluation, January 4, 2016.

Description of Institution

Post Oak Bank is a full-service community bank headquartered at 2000 West Loop South, Suite 100 in Houston, Texas. POB is a wholly owned subsidiary of Post Oak Bancshares, Inc. (Post Oak Bancshares). In December 2015, Post Oak Bancshares, did a plan of merger with SSB Bancshares, whereby Post Oak Bancshares acquired all of the outstanding stock of SSB Bancshares.

SSB Bancshares was the holding company for Security State Bank, a \$156 million bank, that operates three locations in Anahuac, Dayton, and Liberty, Texas. The Security State Bank operations were not included in this evaluation, as the branches were not in operation for six months prior to the evaluation.

POB operates eight branches in two assessment areas within the state of Texas. During this evaluation period, The Woodlands branch was opened in December 2013 and there were no branch closures. There are seven branches located in the greater Houston area including Pasadena, Sugar Land, Conroe, and The Woodlands; and one branch in Beaumont, Texas. The composition of branches consist of one branch located in a moderate-income census tract, one in a middle-income census tract, and six in upper-income tracts.

Banking hours are reasonable. All lobby hours are 9:00 am to 5:00 pm, Monday through Friday. Automated Teller Machines are located in all branches except Sugar Land. Drive-thru services are available at the branches with the exception of the main office, Sugar Land, and The Woodlands branches. Night Depositories are located at all branches except the Sugar Land branch.

As of September 30, 2015, total assets were \$1 billion, net loans were \$761 million, and the tier 1 leverage capital ratio was 9.36 percent. The bank's primary loan products are business and residential real estate loans. By dollar amount, business financing represented 54 percent and residential real estate financing represented 24 percent of total loans. By number, business financing represented 52 percent and residential real estate financing represented 31 percent of total loans.

POB was rated "Satisfactory" at its last CRA performance evaluation dated November 26, 2012.

Description of Assessment Areas

The two AAs, Houston and Beaumont, meet the requirements of the regulation and do not arbitrarily exclude low- and moderate-income geographies. POB has eight locations with the main location in Houston. There are seven branches located in the Houston AA, which includes Houston, Pasadena, Sugar Land, Conroe, and The Woodlands and one branch in the Beaumont AA.

The Houston AA is part of the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA). The entire Houston MSA includes ten counties: Harris, Fort Bend, Montgomery, Brazoria, San Jacinto, Galveston, Liberty, Waller, Chambers and Austin. The Beaumont AA is part of the Beaumont-Port Arthur MSA. The entire Beaumont MSA includes four counties: Hardin, Jefferson, Newton, and Orange. The bank's AAs include all of Harris, Fort Bend, Montgomery, and Jefferson Counties, totaling 993 census tracts (CTs).

Houston AA (Harris, Fort Bend, and Montgomery Counties)

Of the 921 CTs included in the Houston AA, there are 126 (14%) that are low-income and 268 CTs (29%) that are moderate-income. Middle-income CTs total 231 (25%), and upper-income CTs total 296 (32%).

Harris County

Of the 224 CTs in Harris County, there are 24 (11%) low-income and 84 CTs (38%) that are moderate-income. Middle-income CTs total 57 (25%), and upper-income CTs total 59 (26%).

Harris County is located on the upper Gulf Coastal Plain of Texas. Harris County is the most populous county in Texas and the third most populous in the nation. As of the 2010 Census, the county had a population of 4 million. Houston is the county seat. Houston is the fourth most populous city in the nation, and is the largest in the southern United States (U.S.) and Texas. The city of Houston had a 2010 population of 2.1 million. The Houston-The Woodlands-Sugar Land MSA population was 5.9 million and is the sixth largest among U.S. metropolitan statistical areas, according to the 2010 U.S. Census. The MSA's population increased 26 percent from 4.7 million in 2000. The American Factor 2010-2014 American Community Survey 5-Year Estimates, reports that manufacturing, trade, service, local government, transportation, warehousing, and construction sectors fuel county employment. This is supported by the 2015 Houston Region Economic Development Profile, published by the Greater Houston Partnership.

According to the Texas Medical Center (TMC) website, Houston based TMC is the largest medical center in the world with a local economic impact of \$10 billion annually. The TMC comprises 21 renowned hospitals, 14 support organizations, 10 academic institutions, eight academic and research institutions, seven nursing programs, three public health organizations, three medical schools, two pharmacy schools, and a dental school. More than 106,000 people work within its facilities. The TMC is the eighth largest business district in the country, totaling 1,345 acres. Altogether, 4.8 million patients visit TMC each year.

The Houston area is one of the world's largest manufacturing centers for petrochemicals. According to the Port of Houston website, the \$15 billion petrochemical complex that lines the Houston Ship Channel is the largest in the nation. The Houston-Galveston Customs District handles more industrial machinery than any other U.S. Customs District. In 2011, the Houston district exported \$14.5 billion worth of industrial machinery. Manufacturing employs more than 237,000 Houstonians, or one in every 11 workers in the region. Compensation in Houston's manufacturing sector exceeded \$17.6 billion in 2011. Chemical manufacturing accounted for 14.8 percent of total manufacturing employment; fabricated metals product manufacturing accounted for 22 percent; and machinery manufacturing accounted for 21 percent. The Port of Houston is the busiest in the nation if measured by foreign tonnage.

Thirty-two energy companies based in Texas made Fortune magazine's 2013 list of the top 500 U.S. companies, ranked by revenue. Of those energy companies, 68.8 percent are based in Houston.

The Houston-The Woodlands-Sugar Land MSA recorded 2.9 million payroll jobs in September 2014, more than the job counts of 36 U.S. states. Total nonfarm employment in the MSA was over 3 million in October 2015, up 36,200, or 1.1 percent, from one year earlier, according to the U.S. Bureau of Labor Statistics. According to the office of the Texas Governors website, major employers include Memorial Hermann, The University of Texas M.D. Anderson Cancer Center, H-E-B, United Airlines, McDonald's Corp., Kroger Co., Exxon Mobil, and the Methodist Hospital System, all with more than 14 thousand employees each. According to the 2010 U.S. Census, Harris County's median income was \$53,822. The U.S. Census Bureau estimates, as of 2014, 18.4 percent of the county's residents live below the poverty level. The unemployment rate for 2014 was 5.86 percent per the U.S. Bureau of Labor Statistics.

Banking competition in Harris County is intense. According to the June 30, 2015 FDIC Deposit Market Share Report, there were 80 financial institutions operating 1,006 branches in Harris County. The five largest competitors in Harris County include 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. POB had a market share of 0.40 percent in Harris County with four Harris County locations.

Fort Bend County

There are 76 CTs in Fort Bend County with one low-income (1%), eight moderate-income (11%), 27 middle-income (36%), and 40 upper-income (52%).

Fort Bend County is located in the Houston metropolitan area of southeast Texas. It encompasses a total of 875 square miles (562,560 acres). For more than 20 years, Fort Bend has been in the top 20 counties in the U.S. for economic excellence and population growth. As of the 2010 U.S. Census, Fort Bend County had a population of 585,375. Richmond is the county seat. Engineering, healthcare, manufacturing, and energy technology companies are major sources of employment within the county. Fort Bend County is home to seven of the ten most active Houston master planned communities and more master planned communities than any other county in Texas, which contributes to education being the major employer in the county.

According to the Fort Bend County website, Fort Bend Independent School District (ISD) and Lamar Consolidated ISD are the two largest employers in the county. The two ISDs employ over 13 thousand people. The Richmond State School is a special education facility with approximately 1,200 employees. Fort Bend ISD is Texas' seventh largest school system with close to 73,000 students and one of the most diverse in the nation. Lamar Consolidated ISD has over 29,000 students.

The Fort Bend County website reports that Fluor Corporation and Schlumberger Technology Corporation are major employers.

The Fluor Corporation is located in Sugar Land, Fort Bend County, and employs 2,812 people in engineering, construction, maintenance, and technical services. Schlumberger Technology Corporation supplies geoscience, engineering, drilling, data management software, and computing services for the petrochemical exploration and production industry with headquarters in Sugarland. Over 2,000 people work for Schlumberger in Sugar Land.

According to the 2010 U.S. Census, Fort Bend County's median income was \$86,407. The U.S. Census Bureau estimates, as of 2014, that 8.7 percent of the county's residents live below the poverty level. The unemployment rate for 2014 was 4.5 percent per the U.S. Bureau of Labor Statistics.

There is strong banking competition in Fort Bend County. According to the June 30, 2015 FDIC Deposit Market Share Report, there were 39 financial institutions operating 134 branches in Fort Bend County. The five largest competitors in Fort Bend County include Wells Fargo Bank N.A.; JP Morgan Chase Bank, N.A.; Bank of America, N.A.; Prosperity Bank; and Amegy Bank, N.A. POB has a market share of 0.19 percent in Fort Bend County with only one Fort Bend County branch.

Montgomery County

There are 59 CTs in Montgomery County with one low-income (1%), nine moderate-income (15%), 21 middle-income (36%), and 28 upper-income (48%).

Montgomery County is located on Interstate 45 forty miles north of downtown Houston in the East Texas Timberlands region. Montgomery County covers 1,047 square miles. At the 2010 U.S. Census, the population of the county totaled 455,746. The county seat is Conroe. Conroe is the only city in the Houston area that made the U.S. Census' list of the top 15 fastest-growing cities with populations over 50,000. Census figures show from 2013 to 2014, its population jumped by 5.2 percent to 65,871. Montgomery County includes The Woodlands and the cities of Shenandoah and Oak Ridge North. The area's economic base is well diversified with over 8,210 businesses, including all sectors, located in the area.

Employment information was obtained from The Woodlands Economic Development Partnership website that states the leading employers in Montgomery County include Anadarko Petroleum Corporation, Conroe ISD, Aon Hewitt, CB&I, Chevron Phillips Chemical Company, Baker Hughes, Huntsman Petrochemical Corporation, Maersk Line, McKesson Specialty Health, Repsol USA, Talisman Energy USA, and Waste Connections, Inc.

Anadarko Petroleum Corporation is the largest employer in the county with 3,920 employees, as of May 2015. It is an energy provider with a large and diverse portfolio of oil and natural gas resources. The second largest employer is Conroe ISD with 3,476 employees throughout the county. Over 57,500 students attend the 60 campuses. According to the Conroe ISD website, student enrollment has increased by approximately 1,500 students per year.

Aon Hewitt employs 1,800 people. It is among the world's top global human capital and management consulting firms, providing a complete array of consulting, outsourcing and insurance brokerage services.

According to the 2010 U.S. Census, Montgomery County's median income was \$68,840. The U.S. Census Bureau estimates, as of 2014, 12.3 percent of the county's residents live below the poverty level. The unemployment rate for 2014 was 4.4 percent per the U.S. Bureau of Labor Statistics.

Banking competition is robust in Montgomery County. According to the June 30, 2015 FDIC Deposit Market Share Report, there were 32 financial institutions operating 145 branches. The five largest competitors in Montgomery County include Wells Fargo Bank, N.A.; JP Morgan Chase Bank, N.A.; Woodforest National Bank; Bank of America, N.A.; and Amegy Bank, N.A. POB had a market share of 0.44 percent with two Montgomery County branches.

Beaumont AA (Jefferson County)

Of the 72 CTs in Jefferson County, there are 10 (14%) low-income and 27 CTs (38%) that are moderate-income. Middle-income CTs total 19 (26%), and upper-income CTs total 16 (22%).

Jefferson County, located on Interstate Highway 10, is in the Coastal Plains region of extreme southeastern Texas. Jefferson County is part of the Beaumont-Port Arthur MSA. The Port Arthur ship canal, on the west shore of Sabine Lake, connects with the Neches and Sabine rivers to provide deep water ports at Beaumont, Port Arthur, Nederland, and Port Neches. Per the Comprehensive Housing Market Analysis from the U.S. Department of Housing and Urban Development, deepwater transportation and petrochemical industries are among the county's economic mainstays. Beef cattle and rice yield major farm income, and the majority of wage earners are employed in the petrochemical, shipbuilding, and rubber industries. The county comprises 937 square miles.

The county seat is Beaumont, which is an important shipping point, petrochemical producer, and hospital and nursing home center. It is located on the Neches River at the county's approximate midpoint. The U.S. Census Bureau website states that the Beaumont-Port Arthur MSA had a population of 408,190 in April 2010 with a growth rate of 0.8 percent since 2000. Jefferson County's population totaled 252,273 in 2010, per U.S. Census data. Beaumont's population stood at 118,296 at the 2010 census.

According to the Port of Beaumont 2016 Centennial publication, the Port of Beaumont is a deep-water port. With well over 200 ships visiting the port annually, the port has become the economic engine of southeast Texas.

The port is recognized as the Premier Gulf Coast Port for virtually every type of cargo, and is the number one military cargo port in the world. There are many companies located in the Beaumont-Port Arthur MSA because of the shipping access provided by the Port of Beaumont. ExxonMobil is a major employer in this area with more than 2,000 employees. It generates approximately one in every seven jobs in the region. The James J. Flanagan Shipping Corporation maintains about 300 local employees to operate a fleet of cargo handling equipment and cranes. Other companies that provide significant employment at the Port of Beaumont include Ports America, BOMAC Contractors, Lanier and Associates Consulting Engineers, and Jefferson Energy Terminal.

Christus Southeast Texas St. Elizabeth is a 431-bed acute care and trauma center, and is a regional leader in spine and orthopedics, cardiology, oncology, general surgery, critical care and trauma, birthing, neonatal care, and bariatrics. As the largest magnet hospital between Houston and Baton Rouge, the hospital employs over 3,000 people, according to most recent U.S. Department of Housing and Urban Development Comprehensive Housing Market Analysis of the Beaumont-Port Arthur area.

According to the 2010 U.S. Census, Jefferson County's median income was \$42,368. The U.S. Census Bureau estimates, as of 2014, that 21.3 percent of the county's residents live below the poverty level. The unemployment rate for 2014 was 5.8 percent per the U.S. Bureau of Labor Statistics.

There is substantial banking competition in Jefferson County. According to the June 30, 2015 FDIC Deposit Market Share Report, there were 32 financial institutions operating 145 branches. The five largest competitors in Jefferson County include Bank of America, N.A.; Community Bank of Texas, N.A.; Capital One, Compass Bank, and Wells Fargo Bank N.A. POB had a market share of 0.71 percent with one Jefferson County branch.

Conclusions with Respect to Performance Tests

LENDING TEST

POB'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 88 percent. Two similarly sized peer group banks headquartered in counties in POB's AA had an average LTD ratio of 75 percent, collectively, for the same period. The LTD ratios for the peer group banks ranged from a low average of 53 percent to a high average of 96 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. Of the number of business and residential mortgage loans originated/purchased in the evaluation period, 91 percent were within the AA. By dollar amount, 90 percent of loans were within the AA. The following table details the bank's lending inside and outside the AA by number and dollar amount:

Loan Type	Number of Loans					Dollars of Loans (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	380	83	76	17	456	159,732	87	24,193	13	183,925
Business	1,354	93	105	7	1,459	293,244	92	26,045	8	319,289
Totals	1,734	91	181	9	1,915	452,976	90	50,238	10	503,214

Source: HMDA; CRA loans

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

The overall distribution of loans reflects reasonable penetration of businesses of different sizes, but very poor penetration of borrowers of different income levels for residential mortgage loans in the Houston AA. The Beaumont AA reflects reasonable penetration of businesses of different sizes but there were too few home mortgage loans originated during the evaluation period to perform a meaningful analysis. In all instances, business loans represented a higher percentage of total loans per AA; therefore, more weight was placed on business loans.

Business Loans

Houston

The distribution of business loans reflects reasonable penetration for businesses with gross annual revenues of \$1 million or less for the Houston AA. The bank's penetration by number and dollar amount of loans is somewhat lower than the percentage of area businesses with revenues less than \$1 million. The bank had somewhat stronger penetration in 2013. The bank's performance is shown in the following tables:

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.91	4.62	16.48	100%
% of Bank Loans in AA by #	49.62	46.95	3.43	100%
% of Bank Loans in AA by \$	32.24	65.73	2.03	100%

Source: Dun and Bradstreet data; CRA loans.

Table 2B - Borrower Distribution of Loans to Businesses in Houston AA – 2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.64	3.88	24.48	100%
% of Bank Loans in AA by #	52.05	43.20	4.75	100%
% of Bank Loans in AA by \$	39.08	58.86	2.06	100%

Source: Dun and Bradstreet data; CRA loans.

Beaumont

The distribution of business loans reflects reasonable penetration for businesses with gross annual revenues of \$1 million or less for the Beaumont AA. The bank's penetration by number of loans is somewhat lower than the percentage of area businesses with revenues less than \$1 million. The bank's penetration by dollar amount of loans is weaker than the penetration by number of loans. The bank had somewhat stronger penetration in 2014 and 2015. The bank's performance is shown in the following tables:

Table 2C - Borrower Distribution of Loans to Businesses in Beaumont AA – 2014 and 2015				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.36	4.76	19.88	100%
% of Bank Loans in AA by #	45.59	52.94	1.47	100%
% of Bank Loans in AA by \$	30.75	67.79	1.46	100%

Source: Dun and Bradstreet data; CRA loans.

Table 2D - Borrower Distribution of Loans to Businesses in Beaumont AA – 2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.04	3.92	25.04	100%
% of Bank Loans in AA by #	40.00	57.14	2.86	100%
% of Bank Loans in AA by \$	30.85	68.34	0.81	100%

Source: Dun and Bradstreet data; CRA loans.

Residential Mortgage Loans

Overall, the bank had very poor penetration for home mortgage loans in the Houston AA. For residential mortgage loans, the bank had too few home improvement and refinanced home mortgage loans to perform a meaningful analysis during the evaluation period. For home purchase loans, the bank had very poor penetration to low-and-moderate income families in the Houston AA. In 2014 and 2015, the bank originated 1.64 percent of its home purchase loans to low-income families compared to the percentage of low-income families in the Houston AA, which was 24.31 percent. In 2013, the bank originated 1.89 percent of its home purchase loans to low-income families.

There was no penetration during the evaluation period to moderate-income families in the Houston AA. Bank personnel identified 13 loans that were granted through the bank’s Mortgage Guidance Loan Program that benefited low- and moderate-income (LMI) families. However, the volume was not sufficient to affect the overall rating. In the Beaumont AA, the bank had too few home mortgage loans during the evaluation period to perform a meaningful analysis.

Geographic Distribution of Loans

The overall geographic distribution of loans reflects reasonable dispersion of loans to small businesses located in low-and-moderate CTs. Performance was stronger in the Houston AA for small business loans. The overall geographic distribution of HMDA loans reflects very poor dispersion. In all instances, business loans represented a higher percentage of total loans per AA; therefore, more weight was placed on business loans.

Business Loans

Houston

The distribution of loans to businesses in low-income CTs in the Houston AA for 2014-2015 was 6.09 percent compared with 8.53 percent of the AA's businesses. The distribution of loans to businesses in moderate-income CTs exceeded the percentage of AA businesses with 23.10 percent compared with 19.66 percent of the AA's businesses. This is considered excellent dispersion. The 2013 period reflected similar performance with reasonable dispersion in low-income CTs and the percent of bank loans exceeding the demographic comparator in moderate-income CTs. The bank’s performance is shown in the following tables:

Table 3A - Geographic Distribution of Loans to Businesses in Houston AA – 2014-2015								
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
Business	8.53	6.09	19.66	23.10	24.30	19.16	47.43	51.65

Source: Dun and Bradstreet data; CRA data collected by bank.

Note: Census tract income data was not available for 0.07% of AA businesses.

Table 3B - Geographic Distribution of Loans to Businesses in Houston AA – 2013								
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
Business	8.80	6.70	20.48	20.73	24.47	20.73	46.19	51.84

Source: Dun and Bradstreet data; CRA data collected by bank.

Note: Census tract income data was not available for 0.06% of AA businesses.

Beaumont

The distribution of loans to businesses in low-income CTs in the Beaumont AA for the 2014-2015 period was 1.47 percent compared to 3.37 percent of the AA's businesses. This represents poor dispersion. The distribution to businesses in moderate-income CTs was 23.53 percent compared to 31.10 percent of the AA's businesses. This represents reasonable dispersion. The 2013 period reflected similar performance. There was no penetration in low-income CTs and reasonable dispersion in moderate-income CTs. The bank's performance is shown in the following tables:

Table 3C - Geographic Distribution of Loans to Businesses in Beaumont AA – 2014-2015								
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
Business	3.37	1.47	31.10	23.53	29.62	16.18	35.64	57.35

Source: Dun and Bradstreet data; CRA data collected by bank.

Note: Census tract income data was not available for 1.47% of AA businesses and 0.27% of the loans.

Table 3D - Geographic Distribution of Loans to Businesses in Beaumont AA – 2013								
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
Business	3.44	0.00	30.93	22.86	29.46	22.86	35.99	45.71

Source: Dun and Bradstreet data; CRA data collected by bank.

Note: Census tract income data was not available for 0.18% of AA businesses and 8.57% of the loans

Residential Mortgage Loans

For residential mortgage loans, the bank had too few home improvement and refinanced home mortgage loans, in the Houston AA, to perform a meaningful analysis during the evaluation period. For residential home purchase loans in 2014-2015, 0.82 percent of the bank's loans were within low-income CTs compared with 4.39 percent of the AA's owner occupied housing. Distribution within moderate-income CTs was 4.10 percent of the bank's loans compared to 21.65 percent for the AA's owner occupied housing. The dispersion of the bank's loans is lower than the AA characteristics and is considered very poor dispersion. The bank did not penetrate any LMI tracts during 2013. The bank's performance is shown in the following table:

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.39	0.82	21.65	4.10	28.99	13.93	44.97	81.15
Total	4.39	0.82	21.65	4.10	28.99	13.93	44.97	81.15

Source: U.S. Census data; HMDA data.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	4.39	0.00	21.65	0.00	28.99	15.09	44.97	84.91
Total	4.39	0.00	21.65	0.00	28.99	15.09	44.97	84.91

Source: U.S. Census data; HMDA data.

In the Beaumont AA, the bank had too few home mortgage loans during the evaluation period to perform a meaningful analysis.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank demonstrated a satisfactory record regarding the Community Development Test. Factors supporting this conclusion include an excellent record regarding CD loans and an adequate record regarding qualified investments, donations, and services, combined with good responsiveness to community development needs.

Number and Amount of Community Development Loans

POB has provided an excellent level of CD loans in its AAs. During the evaluation period, we qualified 12 originated loans and five renewed loans totaling \$15.1 million. Qualified loans included 11 originated and five renewed loans in the Houston AA totaling \$14.9 million and one originated loan totaling \$207 thousand in the Beaumont AA. The composition of loans includes 12 loans to provide affordable housing to LMI individuals totaling \$8.3 million and five revitalization or stabilization loans that benefit LMI geographies totaling \$6.8 million.

In the Houston AA, there were 11 affordable housing loans totaling \$8.1 million and five revitalization or stabilization loans. A majority of the affordable housing loans were to borrowers with multi-family units that provide below market rents to LMI individuals. Loans originated or refinanced for revitalization and stabilization purposes included a loan used as part of a redevelopment initiative in a planned community and a loan to remodel an elementary school located in a low-income CT. There were also loans for an office building located in a moderate-income CT that has a medical services tenant; a gas station/convenience store/fast food facility located in a low-income CT; and a retail strip center located in a moderate-income CT that includes a grocery store, bakery, and meat market.

In the Beaumont AA, there was one affordable housing loan totaling \$207 thousand to an entity that provided below market rents to LMI individuals.

Number and Amount of Qualified Investments

Based on percentage of deposits, POB has provided an adequate level of CD investments/donations in its AAs. During the evaluation period, we qualified seven investments totaling \$5.8 million and 26 donations totaling \$54 thousand.

All investments were in the Houston AA. Investments included four bond investments totaling \$5 million that benefit LMI individuals and geographies, two renewed certificates of deposits in minority-owned banks totaling \$500 thousand, and one small business investment corporation commitment of \$500 thousand, of which \$223 thousand had been funded. Donations of \$54 thousand included 23 donations totaling \$51 thousand in the Houston AA and three donations totaling \$3 thousand in the Beaumont AA.

In both AAs, donations were to organizations that provide financial and homebuyer counseling and education for individuals in LMI communities and to organizations that benefit disadvantaged children.

Extent to Which the Bank Provides Community Development Services

POB provided an adequate level of CD services. During the evaluation period, POB provided 72 services to 10 organizations that equated to 313 hours. In the Houston AA, 68 services were provided to seven organizations totaling 263 of hours and in the Beaumont AA, four services were provided to three organizations totaling 50 hours.

In the Houston AA, Bank employees provided services and served as board members to various organizations. One bank employee provided 34 individual services totaling 79.50 hours to Houston Money Week (HMW) for LMI individuals. HMW was a weeklong community wide initiative to empower families and individuals with financial education. Also, seven bank employees provided 23 financial literacy classes and two financial literacy presentations to individuals in a non profit organization that provides an 8 day job readiness boot camp for individuals in transition from addiction or incarceration. Additionally, one bank employee provided financial expertise to an organization to assist their board with funding documentation and developer/attorney meetings for potential affordable multi family homes. This organization utilizes income from various partnerships to develop affordable single-family housing located in Harris County.

In the Beaumont AA, one employee provided two financial literacy classes to LMI individuals for a non profit organization that helps with the fundamentals of good credit, and hosts a homebuyer education program.

Seven bank employees held board or committee positions for organizations that serve LMI individuals. Highlights of the services are as follows:

In the Houston AA, an employee provided board services to an organization that works with the FDIC to establish broad-based coalitions in several unbanked and underserved populations into the financial mainstream. Additionally, an employee serves as a board member of a community medical center that targets LMI and uninsured families.

In the Beaumont AA, one employee provided broad services to an organization that provides grants and programs to enhance teaching and learning in the Beaumont Independent School District whose student body consists of 74 percent economically disadvantaged students.

Responsiveness to Community Development Needs

The level of lending and CD efforts demonstrates adequate responsiveness to the needs and opportunities in the AA.

In the Houston AA, we made a community contact with a nonprofit community development corporation that reported various needs including the need for affordable mortgage loan products, workforce development, and economic development for small businesses. During the review period, POB provided loans to small businesses for economic development.

In the Beaumont AA, we made contact with members of a community listening session. Community members indicated the need for financial education, small business development that caters to the needs of LMI residents, and an increased availability of public transportation. During the review period, POB provided loans to small businesses that cater to LMI residents.

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.