



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 24, 2011**

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

Brazos National Bank  
Charter Number 17383

2300 State Highway 288 B  
Richwood, TX 77531-0000

Office of the Comptroller of the Currency

Houston Field Office  
1301 McKinney Street Suite 1410  
Houston, TX. 77010-3031

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

Brazos National Bank has a Satisfactory record of meeting community credit needs. This is based on the following:

- A substantial majority of loans were originated within the Assessment Area (AA).
- The loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.
- Borrower distribution of consumer loans exceeds the percent of AA families for both low-income and moderate-income borrowers.
- The geographic distribution of both consumer loans and home mortgage loans in the AA is excellent. The percent of loans for both loan products either exceeded or was near to the demographic comparator for the AA.

**SCOPE OF EXAMINATION**

Brazos National Bank (BNB) was evaluated under the Small Bank examination procedures, which includes the Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. Our examination evaluated the bank's lending performance from January 1, 2006 through January 24, 2011.

The bank's primary loan products are residential real estate loans and consumer loans. Residential real estate loans are the largest product by dollar volume, while consumer loans are the largest product by number. Small business loans did not represent a significant lending product by number or dollar amount. An analysis of this product would not have been meaningful. The table below reflects the relative proportions of loan originations by loan type during the evaluation period.

Loan Originations - All Loans - January 1, 2006 through January 24, 2011				
Loan Type	Dollars of Loans		Numbers of Loans	
	\$000	%	#	%
Residential	70,095	81%	483	39%
Consumer	6,933	8%	603	49%
Commercial	3,693	4%	108	9%
Residential Construction	4,023	5%	19	2%
Commercial Real Estate	2,230	3%	16	1%
Total	86,975	100%	1,229	100%

We selected statistically valid samples of loan originations in the two primary categories referenced above using bank reports. Our samples consisted of 20 residential real estate loans and 20 consumer loans. The samples were used to determine the loan origination amount, consumer borrower income level, and the income level of census tracts where loans were originated for the analysis of lending to borrowers of different incomes in the AA, and the geographic distribution of loans in the AA. We also used the samples to verify the accuracy of county information in the bank's reports. As we determined the data to be reliable, we used the full report totals for the analysis of lending inside and outside the AA. The borrower distribution and geographic distribution analyses were performed on the sampled loans.

## **DESCRIPTION OF INSTITUTION**

BNB is a commercial bank headquartered in Richwood, Brazoria County, Texas, which opened in 1982. BNB is a wholly-owned subsidiary of Gulfport Bancshares of Delaware, Inc., a one-bank holding company. As of September 30, 2010, total assets were \$25 million.

BNB serves the community from its main office located at 2300 Highway 288 B, in Richwood, Texas. The bank also has three loan production offices (LPOs) located in the Dallas metropolitan area:

- 1625 N. Stemmons Freeway., Dallas, TX 75207
- 7606 LBJ Freeway, Suite 650, Dallas, TX 75251
- 3700 Legacy Dr., Frisco, TX, 75034

A deposit-taking Automated Teller Machine (ATM) was installed in Dallas a week prior to the commencement of this examination. The ATM was still in test phase and was not available for public use during our review.

BNB offers a full range of credit products within its AA including consumer, commercial, commercial real estate, and residential real estate products. The primary loan products are residential real estate and consumer loans.

No legal or financial factors impede BNB from meeting the credit needs of its community. The bank was rated Satisfactory at the prior Community Reinvestment Act (CRA) examination dated July 26, 2005.

*Please refer to BNB's CRA Public File for more information about the institution.*

## **DESCRIPTION OF ASSESSMENT AREA**

BNB defines its AA as Brazoria County (Brazoria AA). Brazoria County is part of the Houston-Sugarland-Baytown MSA. The bank's AA complies with legal requirements of the CRA and does not arbitrarily exclude low- or moderate-income areas. The county seat of Brazoria County is located in Angleton, Texas. BNB's primary market is in the sector of Brazoria County known as Brazosport. Brazosport is a multi-city community

located in south Texas at the mouth of the Brazos and San Bernard rivers, approximately 50 miles south of Houston. The area includes the following cities: Brazoria, Clute, Freeport, Jones Creek, Lake Jackson, Oyster Creek, Quintana, Richwood and Surfside Beach. Brazoria County demographic characteristics are detailed below.

<b>Demographic and Economic Characteristics of Brazoria County Assessment Area</b>	
<b>Population</b>	
Total Population	241,767
Number of Families	63,513
Number of Households	82,020
<b>Geographies</b>	
Number of Census Tracts	45
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	15.6%
% Middle-Income Census Tracts	57.8%
% Upper-Income Census Tracts	26.7%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$50,117
2010 HUD-Adjusted MFI	\$65,100
<b>Economic Indicators</b>	
Unemployment Rate (Source: U.S. Bureau of Labor Statistics - November 2010)	9.0%
Median Housing Value (Source: U.S. Census Fact Sheet)	\$135,200
% Households Below Poverty Level	9.7%

*Source: 2000 Census data and HUD updated income data (Activity Year 2010).*

Area economic conditions reflect the broader state and national economies. Unemployment as of November 2010 was 9%, slightly higher than the state average of 8.3%. Major employment sectors are chemical, manufacturing, petroleum processing, offshore maintenance services, commercial fishing, and agriculture. Large area employers include Dow Chemical, U.S. Contractors, Gulf States, Inc., Texas Department of Criminal Justice, BASF Corp., and local school districts. Competition is provided from several community banks, branches of large national banks, a large credit union, and several non-bank financial service providers.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable considering the bank's asset size, legal lending limit and the level of competition in Brazoria County. The quarterly average ratio since the prior CRA examination dated July 26, 2005 is 35%, which is below the average of 46% for seven other banks in Brazoria County for the same period. All of the other banks in the county are larger in asset size. The bank's average LTD ratio is higher than two other banks in the county and about the same as a third bank in the county. In addition, the bank's ratio has been much higher over the last five quarters, ranging from 33% at June 30, 2009 to 90% at June 30, 2010.

### Lending in Assessment Area

A majority of the bank's loans by number were originated in the bank's AA, which meets the standards for satisfactory performance. The dollar amount of loans is less than a majority. This is due to the majority of BNB's mortgage loans originated through the LPOs in Dallas, which are not included in the bank's AA for this evaluation period. All loans originated from January 1, 2006 through January 24, 2011 are included in the table below.

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
All Loans	652	53.05	577	46.95	1,229	18,327	21.07	68,648	78.93	86,975

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

The borrower income distribution of loans within the AA is reasonable. We sampled residential loans and consumer loans as these are the primary lending products; business loans are not a primary lending product by number or percentage.

Borrower distribution of consumer loans exceeds the percent of AA families for both low-income and moderate-income borrowers. Borrower distribution of residential loans is significantly below the percent of AA families for both low-income and moderate-income borrowers. The lower penetration of residential real estate loans is due to several factors. One factor is that the 2010 median family income in the AA is \$65,100; a low-income family in the AA has income up to \$32,549. We considered the level of difficulty for the bank to originate residential real estate loans to families at or below the low-income level. Another factor is that the bank did not offer longer term fixed-rate mortgages until it established LPOs in Dallas. These loans were not included in the borrower income distribution analysis during this evaluation period, as they are outside the AA.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	18.80	5.00	16.45	5.00	21.02	25.00	43.73	60.00

<b>Table 2B - Borrower Distribution of Consumer Loans in the Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	22.87	30.00	16.88	35.00	19.42	20.00	40.83	0.00

**Geographic Distribution of Loans**

The geographic distribution of loans within the AA is excellent. The AA has no low-income CTs. Therefore the analysis focused on moderate-income census tracts (CTs). The number of home mortgage loans originated in moderate-income CTs is near to the percent of AA owner occupied housing units. The bank’s origination of consumer loans exceeded the percent of AA households.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Census Tract 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
Residential	0.00	0.00	10.10	10.00	53.37	45.00	36.53	45.00

<b>Table 3B - Geographic Distribution of Consumer Loans in the Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	0.00	0.00	13.28	15.00	52.87	60.00	33.85	25.00

### **Responses to Complaints**

No complaints related to CRA performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

### **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.