



## **PUBLIC DISCLOSURE**

March 24, 2014

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

Bank of Brenham, National Association  
Charter Number 24153

501 S. Austin Street  
Brenham, TX 77833

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**

Bank of Brenham, National Association has a satisfactory record of meeting community credit needs based on the following:

- Bank of Brenham, National Association (N.A.), has maintained a reasonable loan-to-deposit ratio on a quarterly basis when compared to similarly situated peer banks.
- A substantial majority of the bank's lending is inside the assessment area by number and dollar amount of loans originated.
- Loans to businesses of different sizes and households of different incomes within the assessment area reflects reasonable penetration.

**SCOPE OF EVALUATION**

Bank of Brenham, National Association (BOB) was evaluated under the Small Bank Community Reinvestment Act (CRA) procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. Our review focused on the bank's primary loan products, consisting of residential and commercial loans. At December 31, 2013, loans secured by 1-4 family residential real estate represented 49 percent of total loans, and business loans represented 29 percent of total loans. Other loans consisted of construction loans at 10 percent of the loan portfolio, consumer loans at eight percent, multifamily at two percent, farm and agricultural production loans at one percent, and all other loans represented one percent of total loans.

Using bank reports, we selected statistically valid random samples of residential and small business loans originated between January 1, 2012 and December 31, 2013. Our sample consisted of 25 residential loans and 30 business loans.

**Description of Institution**

BOB is a full-service community bank with a single location at 501 South Austin Street, Brenham, Texas. The bank was chartered in 2001. Drive-in services and an automated teller machine (ATM) are available at the banking facility. Banking hours are reasonable and meet the needs of the community.

BOB offers a variety of deposit products including low-cost business and personal checking, money market, and savings accounts. Additionally, BOB provides its customer base with access to certificate of deposit accounts, Individual Retirement Accounts, and ATM/debit cards. BOB offers a variety of loan products designed to meet the needs of the community such as commercial, agriculture, and home loans.

As of December 31, 2013, assets totaled \$101 million and the Tier One Leverage Capital Ratio was 9.87 percent. There are no legal or financial circumstances that impede BOB's ability to help meet the credit needs in its AA. The bank received a "Satisfactory" rating at the prior CRA evaluation dated October 14, 2008.

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

## **Description of Assessment Area**

Washington County is BOB's only AA and it includes all six census tracts (CT) in the county. There are no low-income CTs, no moderate-income CTs, two middle-income CTs (33%), and four upper-income CTs (67%). The county seat is Brenham.

The county is located south of Lake Somerville and bordered on the North side by Yegua Creek and on the East side by the Brazos River. There are two major highways running through Washington County, which are U.S. Highway 290 and State Highway 36. Washington County is home to Washington On-The-Brazos State Park, where the Texas Declaration of Independence was signed. It is known as the "Birthplace of Texas". Brenham is the home of Blue Bell Creameries.

According to the 2010 U.S. Census, the population of Washington County is 33,718. Washington County Chamber of Commerce reports the four largest employers as Brenham State Supported Living Center, Blue Bell Creameries, Brenham Independent School District, and Blinn College. According to the Bureau of Labor Statistics, the unemployment rate in Washington County is 4.3 percent as of December 31, 2013. Statewide, the unemployment rate is 5.6 percent.

Competition from other financial institutions in the Washington County AA is heavy. According to the FDIC Market Share Report, as of June 30, 2013, there were 10 financial institutions in the AA. BOB has one location in Washington County and 10.71 percent of the deposit market share. The largest deposit market shareholders in the AA are The Brenham National Bank, Citizens State Bank, Wells Fargo, N.A., and JP Morgan Chase Bank, N.A.

During the evaluation, contact was made with a representative of a local business association, who is knowledgeable of the economic and business development environment in the community. The representative believes there is a need for multifamily rental properties; however, they stated that the local banks are responding to those needs. In addition, the representative felt that local banks are responding to small business needs.

## Conclusions with Respect to Performance Criteria

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable. The ratio is slightly below the average for similarly situated institutions or peer group banks. BOB’s quarterly LTD ratio averaged 51 percent since the prior CRA evaluation. Eighteen banks headquartered in Washington and adjacent counties had an average LTD ratio of 53 percent for the same time period. The LTD ratios for the peer group banks ranged from 27 to 101 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. During the evaluation period, 76.36 percent by number and 75.00 percent by dollar amount of residential and business loans were originated within the bank’s AA. The following table details the bank’s lending inside and outside the AA by number and dollar amount:

Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	20	80.00	5	20.00	25	1,641	62.99	964	37.01	2,605
Commercial	22	73.33	8	26.67	30	2,010	88.82	253	11.18	2,263
<b>Total</b>	<b>42</b>	<b>76.36</b>	<b>13</b>	<b>23.64</b>	<b>55</b>	<b>3,651</b>	<b>75.00</b>	<b>1,217</b>	<b>25.00</b>	<b>4,868</b>

Source: Data collected by bank.

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

Lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration compared to AA census characteristics.

The distribution of residential real estate loans reflects a reasonable penetration among borrowers of different incomes given the demographics. We analyzed residential real estate lending using borrower income compared to the median family income (MFI) levels in the AA. Our sample of 20 residential loans in the AA area reflects no penetration of low-income families but reasonable penetration of moderate-income families, which meets the demographics standard.

According to the 2010 U.S. Census, the average housing cost in the AA was \$135,496. The 2013 updated MFI for the AA was \$49,300 in 2012 and \$50,500 in 2013. A low-income family in this AA had annual income of less than \$24,650 in 2012 and \$25,250 in 2013. Census data also reflects that 10.5 percent of families in the AA have income below the poverty level. Our evaluation considered the challenges faced by the bank in originating residential real estate loans to families with incomes at or below these levels.

Management provided us with two examples of residential loans originated in the evaluation period to low-income families, which were not in our loan sample. We focused on the bank’s residential lending to moderate-income families, which is at the level of the AA census demographics. The bank’s performance is shown in the following table:

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in AA</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	19.90	<b>0.00</b>	15.14	<b>15.00</b>	16.84	25.00	48.12	60.00

Source: loan sample; U.S. Census data.

Penetration of loans to small businesses with gross annual revenues of \$1 million or less was 54.55 percent by number of loans. This is reasonable when compared to the AA census characteristics. The bank’s performance is shown in the following table:

<b>Table 2 - Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.43	3.39	21.18	100.00%
% of Bank Loans in AA by #	<b>54.55</b>	22.73	22.72	100.00%
% of Bank Loans in AA by \$	50.66	37.50	11.84	100.00%

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

### Geographic Distribution of Loans

The bank's AA does not contain any low- or moderate-income CTs, or any distressed or underserved CTs. Therefore, a geographic distribution analysis would not be meaningful.

### Community Development Loans

In addition to the sampled loans, we identified five loans with a community development purpose totaling \$334,986. All five loans were originated or renewed within the evaluation period. One loan was made to a local charitable organization whose mission is providing affordable housing. The other four loans were made to individuals to supply affordable housing to local residents through rental properties.

### Responses to Complaints

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

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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