



PUBLIC DISCLOSURE

March 10, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Texas Advantage Community Bank, National Association
Charter Number 24693

1701 Fairway Plaza, Suite 18
Alvin, TX 77511

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

Texas Advantage Community Bank, National Association (TACB) has a **Satisfactory** record of meeting community credit needs in its assessment area (AA). The following factors support this rating:

- The loan-to-deposit ratio exceeds the average for other similarly sized and situated institutions, and is more than reasonable given the bank's size, financial condition, and the credit needs of the AA.
- A majority of the bank's lending is inside the AA by number of loans originated or renewed.
- Lending to businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance.
- The geographic distribution of loans exceeds the census demographics, and is more than reasonable.
- The bank did not receive any Community Reinvestment Act (CRA) related complaints during the evaluation period.

SCOPE OF EXAMINATION

TACB was evaluated under the Small Bank Evaluation Procedures, which included a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of the AA through lending activities. The evaluation period is from the date of the prior CRA Evaluation, June 1, 2009, through the start date of the current Evaluation, March 10, 2015. We reviewed loans originated or renewed from January 1, 2013 through December 31, 2014 as reflective of the evaluation period.

As of December 31, 2014, the loan portfolio represents 67 percent of total bank assets. The bank offers residential real estate, consumer, business, and farm loans. We identified business loans (commercial real estate and commercial and industrial) as the primary loan product. At December 31, 2014, business loans represent 72 percent of total loans by dollar amount and 51 percent by number of loans. No other loan product represented a higher percentage by dollar amount or number.

As a small bank for CRA purposes, the bank is not required to collect census tract (CT) or revenue information on business loans. However, management chose to collect CT information. Through testing, we found the data to be reliable; therefore, we used the bank's full report of 180 business loans originated or renewed in 2013 or 2014 in conducting our analysis of the geographic distribution of loans.

For lending to businesses of different sizes, we selected a statistically valid sample using bank reports of loan originations in the major loan product categories. Our sample totaled 60 loans: 30 each in 2013 and 2014.

DESCRIPTION OF INSTITUTION

TACB is a full service community bank headquartered in Alvin, Texas. The bank has been in operation since December 2006, and is not owned by a holding company. TACB has its main location at 1701 Fairway Plaza, Alvin, Texas, and one branch at 2522 E. Broadway in Pearland, Texas. This is the bank's second CRA examination since it was chartered.

TACB provides lobby and drive-through services Monday through Friday, during reasonable hours. Drive-through facilities at both locations also have limited Saturday hours. Automated teller machines and night drop boxes are located at both banking offices.

The bank offers a wide range of loan and deposit products and other banking services, including online banking, check cards, night depository, merchant services, wire transfer, and safe deposit boxes.

As of December 31, 2014, the bank had total assets of \$106 million and a tier one capital ratio of 8.23 percent. At the prior CRA Evaluation dated June 1, 2009, the bank received a Satisfactory rating. There are no legal or financial factors impeding the bank's ability to help meet the credit needs of its AA.

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

DESCRIPTION OF ASSESSMENT AREA

The AA consists of whole CTs within the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA), formerly known as the Houston-Baytown-Sugar Land MSA. The AA consists of all of Brazoria County, where the bank's main office and branch are located, all of Fort Bend County, and contiguous CTs in a portion of Harris County and a portion of Galveston County. AA boundaries consist of county lines or major thoroughfares, and do not arbitrarily exclude any low- or moderate-income areas or reflect illegal discrimination.

According to 2010 U.S. Census data, the population of the AA is just over 3 million, with 13.4 percent of households living below the poverty level. The AA contains 574 CTs. For 2014, the AA consists of 75 low-income CTs (13%), 159 moderate-income CTs (28%), 137 middle-income CTs (24%), 199 upper-income CTs (34%), and 4 CTs with no income designation (1%).

In 2013, there were 77 low-income CTs, 159 moderate-income CTs, 139 middle-income CTs, 195 upper-income CTs, and 4 CTs with no income designation. The adjusted MSA median family income was \$66,200 for 2013 and \$68,400 for 2014, according to Housing and Urban Development data. The AA unemployment rate is 4.5 percent.

Brazoria County

The AA includes all 50 CTs in Brazoria County. The county does not have any low-income CTs. It has 10 moderate-income CTs (20%), 23 middle-income CTs (46%), and 17 upper-income CTs (34%). As of the 2010 U.S. Census, the county had a population of 313 thousand. The county seat is Angleton with 19 thousand residents. The largest city is Pearland with a population of 91 thousand. According to the 2010 U.S. Census, Brazoria County had 10.9 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 7 percent according the Texas Workforce Commission. Major employers include Alvin Independent School District (ISD), Brazosport ISD, Pearland ISD, Brazoria County, Texas Department of Criminal Justice (TDCJ), Dow Chemical Company, Kroger Company, and Wal-Mart Associates, Inc. Banking competition in the county is heavy. According to the FDIC Deposit Market Share Report as of June 30, 2014, there were 26 financial institutions in the county, with 79 branches. TACB's market share was 2.00 percent.

Fort Bend County

The AA includes all 76 CTs in Fort Bend County. The county does not have any low-income CTs. It has eight moderate-income CTs (11%), 27 middle-income CTs (36%), and 40 upper-income CTs (52%), and one CT with no income designation (1%). As of the 2010 U.S. Census, the county had a population of 585 thousand. The county seat is Richmond with 12 thousand residents. According to the 2010 U.S. Census, Fort Bend County had 8.3 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 6.1 percent according the Texas Workforce Commission. Major employers include Administaff, Fluor Corporation, Fort Bend County, Fort Bend ISD, Texas Instruments Inc., United Parcel Service, Schlumberger Technology Corporation, TDCJ, and Wal-Mart Associates, Inc. Banking competition in the county is heavy. According to the FDIC Deposit Market Share Report as of June 30, 2014, there were 40 financial institutions with 138 branches.

Harris County

The AA includes 406 CTs in Harris County. The AA consists of 72 low-income CTs (18%), 133 moderate-income CTs (33%), 73 middle-income CTs (18%), 125 upper-income CTs (30%), and three CTs with no income designation (1%). As of the 2010 U.S. Census, the county had a population of 4.1 million. The county seat is Houston with a population of 2.1 million. According to the 2010 U.S. Census, Harris County had 17.9 percent of its residents living below the poverty level. The unemployment rate as of 2012 was 6.8 percent according the Texas Workforce Commission.

Major employers include Harris County, City of Houston, Houston ISD, Exxon Mobil Corporation, United Continental Holdings, Memorial Hermann Hospital System, and Wal-Mart Associates, Inc. Banking competition in the county is intense. According to the FDIC Deposit Market Share Report as of June 30, 2014, there were 82 financial institutions with 1,024 branches.

Galveston County

The AA includes 42 CTs in Galveston County. The AA consists of three low-income CTs (7%), eight moderate-income CTs (19%), 14 middle-income CTs (33%), and 17 upper-income CTs (41%). According to the 2010 U.S. Census, Galveston County has a population of 291 thousand. The city of Galveston is the county seat and is a major docking port for pleasure cruise ships. Approximately 12.8 percent of the population lives below the poverty line. The unemployment rate as of 2012 was 7.7 percent according to the Texas Workforce Commission. The top employers include American National Insurance Company, BP Products North America, University of Texas Medical Branch, Landry's, Inc., Moody Gardens, Wal-Mart Associates, Inc., and the following ISDs: Clear Creek, Dickenson, Galveston, and Texas City. Banking competition in the county is heavy. According to the FDIC Deposit Market Share Report as of June 30, 2014, there were 20 financial institutions with 85 branches.

Community Contacts

During the evaluation period, representatives from our office contacted several organizations in the bank's AA. We spoke with a representative of a nonprofit organization involved with minority-owned small business development (SBD) located in Harris County. The organization directly serves small businesses owned by ethnic minorities exclusively, but also serves as a referral agency to other small business owners. The representative stated that there is a need in the Houston area for sources of funding outside of Small Business Administration loans; specifically lines of credit (LOC) for construction projects, working capital, and asset-backed LOCs and loans.

We also spoke with a representative of a SBD center in Galveston County. The organization provides consulting and training to entrepreneurs and other small business owners at all stages of business development. The representative stated that there is a primary need for credit to low- and moderate-income owners of small businesses. Additionally, we spoke to a non-profit organization representative involved with SBD in both Harris and Galveston counties. The representative stated that the greatest needs are those to provide contracts, loans, and procurement opportunities.

Finally, we interviewed the director of a local SBD center in Brazoria County who spoke very positively about the center's experience with financial institutions in the area, including Alvin and Pearland. Due to the growing economic development in the area, the representative of the center identified a need for more funds for start-up businesses.

In response to the community credit needs noted above, and as previously noted, commercial lending is TACB's primary loan product. TACB extends credit to qualified small businesses as well as start-up small business owners.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

TACB'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 84 percent. Six other banks with \$100 million to \$300 million in total assets, and fewer than three branches, headquartered in any of the counties in TACB's AA, had an average LTD ratio of 61 percent, collectively, for the same time period. The LTD ratios for the peer group banks ranged from 24 to 90 percent.

Lending in Assessment Area

A majority of the bank's lending is inside the AA by number of loans originated, purchased, or renewed. By number, 70.00 percent of loans were originated within the bank's AA. By dollar amount, 45.55 percent of loans originated 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 (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	126	70.00	54	30.00	180	19,168	45.55	22,910	54.45	42,078

Source: Data collected by bank.

Lending to Businesses of Different Sizes

The distribution of loans to small businesses with gross annual revenues of \$1 million or less is reasonable. In both 2013 and 2014, penetration of loans to small businesses was below but near to the AA characteristics.

The bank's performance is shown in the following tables:

Table 2a - Borrower Distribution of Loans to Businesses in AA in 2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.21%	3.81%	24.98%	100.00
% of Bank Loans in AA by #	65.00%	35.00%	0.00%	100.00
% of Bank Loans in AA by \$	71.24%	28.76%	0.00%	100.00

Source: Dun and Bradstreet data; loan sample.

Table 2b - Borrower Distribution of Loans to Businesses in AA in 2014				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71.14%	4.37%	24.49%	100.00
% of Bank Loans in AA by #	59.26%	40.74%	0.00%	100.00
% of Bank Loans in AA by \$	79.17%	20.83%	0.00%	100.00

Source: Dun and Bradstreet data; loan sample.

Geographic Distribution of Loans

The bank's performance under this category is more than reasonable. The geographic distribution of business loans in low-income CTs in 2013 was below but near to the AA characteristics; however, dispersion in moderate-income CTs in 2013 and in low-income and moderate income CTs in 2014 exceeds the AA characteristics. The bank's performance is shown in the following tables:

Table 3a - Geographic Distribution of Loans to Businesses in AA in 2013								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	8.58	5.36	19.33	25.00	19.83	42.86	52.17	26.79

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

Note: Income information unavailable for .09% of census tracts.

Table 3b - Geographic Distribution of Loans to Businesses in AA in 2014								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	8.36	12.86	18.88	20.00	19.30	48.57	53.35	18.57

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

Note: Income information unavailable for .11% of census tracts.

Responses to Complaints

The bank did not receive any CRA-related complaints 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.