



PUBLIC DISCLOSURE

March 22, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Brazos National Bank
Charter Number 17383

2300 Brazosport Blvd.
Richwood, TX 77531

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 CRA RATING: This institution is rated Satisfactory

Brazos National Bank (BNB) has a *satisfactory* record of meeting community credit needs based on the following:

- A *substantial majority* of loans was originated in the assessment areas (AAs), and lending in the assessment areas is satisfactory.
- The loan-to-deposit (LTD) ratio is *more than reasonable*, and exceeds the ratio of peer group banks.
- The distribution of borrowers reflects *reasonable* penetration among individuals of different income levels (including low- and moderate-income), given the demographics of the assessment areas,.
- The geographic distribution of loans is *excellent* in the Brazoria County AA and *reasonable* in the Dallas AA.

Scope of Examination

Brazos National Bank (BNB) was evaluated under the Small Bank Evaluation Procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of the AA through lending activities. The lending test for BNB covers performance from January 1, 2014 through December 31, 2015, as this is representative of the lending strategy since the last CRA evaluation.

BNB's primary loan products are residential mortgage and consumer loans. We selected statistically valid samples of loan originations in those two categories using bank reports. Our samples consisted of 20 home loans and 20 consumer loans. The samples were used to determine the loan origination amount, consumer borrower income levels, and the income levels of the census tracts where loans were originated. We used the sample for analysis of lending to borrowers of different incomes in the AAs, and the geographic distribution of loans in the AAs. 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 in the lending test analysis. Residential mortgage lending is the only type of loans generated in the Dallas AA and Fort Worth Arlington MSA.

Loan Originations - All Loans in - January 1, 2014 through December 31, 2015				
Loan Type	Dollars of Loans		Numbers of Loans	
	\$000	%	#	%
Residential	236,601	99.73%	1043	95.16%
Consumer	629	0.27%	52	4.74%
Commercial	10	0.00%	1	0.09%
Total	237,240	100%	1,096	100%

Source: loan population

Description of the Institution

BNB is a community bank headquartered in Richwood, Brazoria County, Texas that opened in 1982. BNB is a wholly owned subsidiary of Gulfport Bancshares of Delaware, Inc., a one-bank holding company. No branches have been opened or closed since the last CRA evaluation. There have not been any significant changes to BNB's corporate structure, including merger or acquisition activities, since the last CRA evaluation. The last CRA evaluation was January 24, 2011 and the bank was rated *Satisfactory*. As of December 31, 2015, total assets were \$30 million.

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

- 1625 North Stemmons Freeway, Dallas, TX 75207
- 7606 Lyndon B. Johnson Freeway, Suite 650, Dallas, TX 75251
- 3700 Legacy Drive, Frisco, TX, 75034

The bank has no other offices. However, a deposit-taking Automated Teller Machine (ATM) is located at the Stemmons Freeway LPO. The main bank location has reasonable operating hours to meet the community's needs. The lobby is open Monday thru Friday 9am-3pm and re-opens from 4pm-6pm on Thursdays. The drive-in is open Monday thru Friday 8am-6pm and Saturday from 9am-12noon. BNB's website is available 24 hours a day, and offers multiple bank services, including online bill payment and balance inquiries. The site also allows customers to transfer funds between BNB accounts. The bank provides a comprehensive line of deposit products and banking services including safe deposit boxes, checking accounts, negotiable orders of withdrawal (NOW), money market deposit accounts, certificates of deposit, and wire transfers.

The bank offers a full range of loan products and services. Residential mortgage and consumer lending are BNB's primary business focus, with small business loans comprising a small portion of the loan portfolio. Within the residential mortgage portfolio, the bank originates long-term mortgage loans for sale on the secondary market. As of December 31, 2015, total loans and leases were \$22 million.

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) evaluation dated January 24, 2011.

Description of Assessment Areas

BNB has two AAs in Texas. The Brazoria AA consists of a portion of the Houston-The Woodlands-Sugarland, TX MSA. The Dallas AA is the entire Dallas-Fort Worth-Arlington, TX MSA, which is delineated into two metropolitan divisions (MD); Dallas-Plano-Irving, TX MD and Fort Worth-Arlington, TX MD.

We did not identify any evidence of redlining or discriminatory practices as it related to the delineation of the AA, as all CTs are contiguous. Both AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income census tracts (CTs).

Intense competition exists from other financial institutions in the AAs. According to the Federal Deposit Insurance Corporation (FDIC) June 30, 2015 Market Share Report, there are 103 financial institutions in the Houston-The Woodlands-Sugarland, TX Metropolitan Statistical Area (MSA) and 160 financial institutions in the Dallas-Fort Worth-Arlington, TX MSA.

BNB has one branch that holds 0.01 percent of the market share among the institutions in the Houston-The Woodlands-Sugarland, TX MSA. The largest deposit market shareholders in this area are JPMorgan Chase Bank, National Association (N.A.) and Wells Fargo Bank South Central, N.A.

In the Dallas-Fort Worth-Arlington, TX MSA, BNB has three Loan Production Offices. In this MSA, the largest deposit market shareholders are Bank of America, N.A. and JPMorgan Chase Bank, N.A. Since BNB does not have a branch location in this county, there is not a notable deposit market share.

Houston-The Woodlands-Sugarland MSA

Brazoria County

The bank designated all 50 CTs in Brazoria County as its AA. Of these CTs, none are low-income, 10 are moderate-income (20%), 23 are middle-income (46%), and 17 are upper-income (34%). The population for the county was 313,166 as of the 2010 United States (U.S.) Census data. Although the county seat is Angleton, Pearland is the largest city.

The economic climate in Brazoria County is good. According to the Economic Development Alliance for Brazoria County, major employers include The Dow Chemical Company, Fluor Corporation, Zachry Group, Alvin Independent School District (ISD), Pearland ISD, and Texas Department of Criminal Justice. Per the United States (U.S.) Bureau of Labor Statistics, unemployment is low at 4.5 percent as of December 2015. According to U.S. Census data of 2010, 9.9 percent of the population lives in poverty and the median household income was \$69,092.

Banking competition is intense. The June 30, 2015 FDIC Market Share Report lists 27 financial institutions in Brazoria county, excluding credit unions, of which BNB holds a deposit market share of 0.31 percent. Of these institutions, the five largest competitors include Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., Compass Bank, Bank of America, N.A., and Texas Gulf Bank, N.A. In addition, Texas Dow Employees Credit Union is a primary competitor in the county.

Dallas-Fort Worth-Arlington, TX MSA

Dallas-Plano-Irving, TX MD

Collin County

The bank designated all 152 CTs in Collin County as part of the AA. Of these CTs, 1 is low-income (1%), 11 are moderate-income (7%), 34 are middle-income (22%), and 106 are upper-income (70%). The population for the county was 782,341, as of the 2010 U.S. Census data, making it the seventh-most populous county in Texas and the 63rd largest county by population in the United States. The county seat is McKinney. The economic climate in Collin County is good. According to the McKinney Chamber of Commerce, top employers include Raytheon Company, McKinney ISD, Collin County, Medical Center of McKinney, and Encore Wire Corporation. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.3 percent as of December 2015. Per the U.S. Census data of 2010, 7.0 percent of the population lives in poverty and the median household income was \$84,233.

Banking competition is moderate. The five largest competitors in the county include JP Morgan Chase Bank, N.A., Legacy Texas Bank, Bank of America, N.A., Wells Fargo Bank, N.A., and Capital One, N.A. As BNB does not have a branch location in this county, there is no significant deposit market share.

Dallas County

The bank designated all 529 CTs in Dallas County as part of the AA. Of these CTs, 107 are low-income (20%), 176 are moderate-income (33%), 124 are middle-income (24%), and 122 are upper-income (23%). The population for the county was 2,368,139 as of 2010 U.S. Census data. The county seat is the city of Dallas, which is the third-largest city in Texas and the ninth-largest city in the US.

The economic climate in Dallas County is good. Many companies have headquarters in the county including Texas Instruments, Kimberly-Clark, and Southwest Airlines. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.8 percent as of December 2015. According to U.S. Census data of 2010, 19.3 percent of the population lives in poverty and the median household income was \$49,925.

Banking competition is moderate. The five largest competitors in the county include Bank of America, N.A., JPMorgan Chase Bank, N.A., Texas Capital Bank, N.A., Wells Fargo Bank, N.A., and Compass Bank. As BNB does not have a branch location in this county, there is no significant deposit market share.

Delta County

The bank designated the two CTs in Delta County as part of the AA. Of these, 1 is middle-income (50%), and 1 is upper-income (50%). The population for the county was 5,231 as of the 2010 U.S. Census data. The county seat and largest city is Cooper, TX.

The economic climate in Delta County is good. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.8 percent as of December 2015.

According to the U.S. Census data of 2010, 20.0 percent of the population lives in poverty and the median household income was \$40,988.

The two banking competitors in the county include The First National Bank in Cooper and Enloe State Bank. As BNB does not have a branch location in this county, there is no significant deposit market share.

Denton County

The bank designated all 137 CTs in Denton County as part of the AA. Of these CTs, 4 are low-income (3%), 18 are moderate-income (13%), 44 are middle-income (32%), and 71 are upper-income (52%). The population for the county was 662,614 as of the 2010 U.S. Census data. Denton is the county seat and the ninth-most populous county in Texas.

The economic climate in Denton County is good. Many companies have headquarters in the county including Peterbilt Motors, Jostens, United Copper industries, Acme Brick, Victor Technologies, and Sally Beauty Company. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.2 percent as of December 2015. According to the U.S. Census data of 2010, 8.7 percent of the population lives in poverty and the median household income was \$34,528.

Banking competition is moderate. The five largest competitors in the county include Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., Bank of America, N.A., Northstar Bank of Texas, and Compass Bank. As BNB does not have a branch location in this county, there is no significant deposit market share.

Ellis County

The bank designated all 31 CTs in Ellis County as part of the AA. Of these CTs, 3 are low-income (10%), 4 are moderate-income (13%), 16 are middle-income (52%), and 8 are upper-income (25%). The population for the county was 149,610 as of the 2010 U.S. Census data. The county seat is Waxahachie.

The economic climate in Ellis County is good. Top employers with 500-1,000 employees include Dart Container Corp, Owens Corning Fiberglass, Waxahachie ISD, and Walgreens Company. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.6 percent as of December 2015. According to the U.S. Census data of 2010, 11.0 percent of the population lives in poverty and the median household income was \$25,924.

Banking competition is moderate. The five largest competitors in the county include Citizens National Bank of Texas, Prosperity Bank, Wells Fargo Bank, N.A., InterBank, and Compass Bank. As BNB does not have a branch location in this county, there is no significant deposit market share.

Hunt County

The bank designated all 19 CTs in Hunt County as part of the AA. Of these CTs, 3 are low-income (16%), 7 are moderate-income (37%), 7 are middle-income (37%), and 2 are upper-income (10%). The population for the county was 86,129 according to the 2010 U.S. Census data. The county seat is Greenville.

The economic climate in Hunt County is good. Major employers include L-3 Communications Integrated Systems, McKesson, Cytex Engineered Materials, Weatherford International, and Raytheon. Per the U.S. Bureau of Labor Statistics, unemployment is low at 4.2 percent as of December 2015. According to U.S. Census data of 2010, 20.5 percent of the population lives in poverty and the median household income was \$44,898.

Banking competition is moderate. The five largest competitors in the county include The American National Bank of Texas, Alliance Bank, JPMorgan Chase Bank, N.A. Bank of America, N.A., and Guaranty Bank and Trust, N.A. As BNB does not have a branch location in this county, there is no significant deposit market share.

Johnson County (Fort Worth-Arlington, TX MD)

The bank designated all 28 CTs in Johnson County as part of the AA. Of these, 1 is low-income (3%), 7 are moderate-income (25%), 15 are middle-income (54%), and 5 are upper-income (18%). The population for the county was 150,934 as of the 2010 U.S. Census data. The county seat is Cleburne.

The economic climate in Johnson County is good. According to the Johnson County Economic Development Commission, major employers include AFGD Inc., Burleson ISD, Car Transport Inc., City of Burleson, City of Cleburne, and Clarksville Refrigerated Lines. Per the U.S. Bureau of Labor Statistics, unemployment is low at 4.1 percent as of December 2015. According to the U.S. Census data of 2010, 13.3 percent of the population lives in poverty and the median household income was \$24,787.

Banking competition is moderate. The five largest competitors in the county include Wells Fargo Bank, N.A., First Financial Bank, N.A., Pinnacle Bank, Northstar Bank of Texas, and Grandview Bank. As BNB does not have a branch location in this county, there is no significant deposit market share.

Kaufman County

The bank designated all 18 CTs in Kaufman County as part of the AA. Of these CTs, 1 is low-income (7%), 6 are moderate-income (33%), 7 are middle-income (38%), and 4 are upper-income (22%). The population for the county was 103,350 as of the 2010 U.S. Census data. The county seat is Kaufman.

The economic climate in Kaufman County is good. According to the Kaufman Texas Chamber of Commerce, long-standing employers include Kaufman County and Kaufman ISD. Combined, they employ more than 1,000 people. Abox Packaging and Falcon Steel also employ more than 200 workers.

Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.7 percent as of December 2015. According to the U.S. Census data of 2010, 13.8 percent of the population lives in poverty and the median household income was \$61,459.

Banking competition is moderate. The five largest competitors in the county include The American National Bank of Texas, City Bank, Wells Fargo Bank, N.A., Texan bank and Trust Company, and Bank of America, N.A. As BNB does not have a branch location in this county, there is no significant deposit market share.

Fort Worth-Arlington, TX MD

Parker County

The bank designated all 19 CTs in Parker County as part of the AA. Of these, none are low-income, 3 are moderate-income (16%), 11 are middle-income (58%), and 5 are upper-income (26%). The population for the county was 116,927 as of the 2010 U.S. Census data. The county seat is Weatherford.

The economic climate in Parker County is good. According to the Weatherford Economic Development Authority, major employers include Weatherford ISD, Parker County, and Weatherford Regional Medical Center. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.9 percent as of December 2015. According to the U.S. Census data of 2010, 9.9 percent of the population lives in poverty and the median household income was \$30,934.

Banking competition is moderate. The five largest competitors in the county include First Financial Bank, N.A., Compass Bank, Plains Capital Bank, First National Bank and Trust Company of Weatherford, and Texas Bank Financial. As BNB does not have a branch location in this county, there is no significant deposit market share.

Rockwall County

The bank designated all 11 CTs in Rockwall County as part of the AA. Of these, none are low-income or moderate-income, 5 are middle-income (45%), and 6 are upper-income (55%). The population for the county was 78,337 as of the 2010 U.S. Census data. The county seat is Rockwall.

The economic climate in Rockwall County is good. According to the Rockwall Economic Development Corporation, major employers include Rockwall ISD, Lake Point Medical Center, Texas Star Express, and Walmart Super Center. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.4 percent as of December 2015. According to the U.S. Census data of 2010, 6.8 percent of the population lives in poverty and the median household income was \$86,597.

Banking competition is moderate. The five largest competitors in the county include The American National Bank of Texas, JPMorgan Chase Bank, N.A., Bank of America, N.A., Northstar Bank of Texas, and Wells Fargo Bank, N.A. As BNB does not have a branch location in this county, there is no significant deposit market share.

Tarrant County

The bank designated all 357 CTs in Tarrant County as part of the AA. Of these, 34 are low-income (10%), 101 are moderate-income (28%), 125 are middle-income (35%), and 97 are upper-income (27%). The population for the county was 1,809,034 as of the 2010 U.S. Census data. The county seat is Fort Worth.

The economic climate in Tarrant County is good. Major employers include American Airlines, Lockheed Martin, Fort Worth ISD, Texas Health Resources, and Arlington ISD. Per the U.S. Bureau of Labor Statistics, unemployment is low at 3.7 percent as of December 2015. According to the U.S. Census data of 2010, 15.2 percent of the population lives in poverty and the median household income was \$57,727.

Banking competition is moderate. The five largest competitors in the county include JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., Frost Bank, and Compass Bank. As BNB does not have a branch location in this county, has no significant deposit market share.

Wise County

The bank designated all 11 CTs in Wise County as part of the AA. Of these, none are low-income, 2 are moderate-income (18%), 8 are middle-income (73%), and 1 is upper-income (9%). The population for the county was 59,127 as of the 2010 U.S. Census data. The county seat is Decatur.

The economic climate in Wise County is good. Major employers include Poco Graphite, United Rotorcraft, Air Evac Lifeteam, and Landmark Fabrication. Per the U.S. Bureau of Labor Statistics, unemployment is low at 4.5 percent as of December 2015. According to the U.S. Census data of 2010, 10.0 percent of the population lives in poverty and the median household income was \$56,338.

Banking competition is moderate. The five largest competitors in the county include Wells Fargo Bank, N.A., First State Bank (Federal Charter), First Financial Bank, N.A., Legend Bank, N.A., and First State Bank (State Charter). As BNB does not have a branch location in this county, there is no significant deposit market share.

Community Contact

We completed a contact in the bank's Brazoria AA with a director of an economic development organization. The organization is committed to working with businesses for expansion, relocation and start-ups. The representative stated that there is a need for small business and home mortgage lending, particularly for first-time homebuyers and small or startup businesses.

We also contacted the president of an organization located in the bank's Dallas AA. This organization is involved with small business development and focuses on setting a new standard for growth in the southwest section of Dallas County. The representative stated that there is a need for Small Business Administration (SBA) lenders.

Businesses in the development stages do not meet the lending criteria for most community banks for financing. The representative also stated that the local financial institutions have done a good job of providing capital assistance for small businesses, financing for residential homes, and providing loans to people in need. As previously noted, home lending is one of BNB’s primary loan products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank’s performance under the lending test is *satisfactory*. The analysis period for this evaluation is from January 1, 2014 through December 31, 2015. BNB’s overall performance is *satisfactory*, and management has been successful in meeting the credit needs of the bank’s AAs. To evaluate BNB’s lending performance, we considered all home loans and consumer loans originated during the evaluation period.

Loan-to-Deposit Ratio

BNB’s loan-to-deposit (LTD) ratio is *more than reasonable* given its size, financial condition, funding sources, and AAs credit needs. The bank’s quarterly LTD ratio averaged 106.07 percent over the twenty quarters in the evaluation period. Seven banks with total assets of less than \$125 million, headquartered in counties in BNBs AAs, had an average LTD ratio of 46.46 percent for the same period. The LTD ratios for the peer group banks ranged from 54.57 to 58.52 percent. The bank’s average LTD ratio is above its peer group quarterly average LTD ratios and exceeds the standards for satisfactory performance.

Lending in Assessment Area

BNB originated a *substantial majority* of primary loan products inside its AAs during the evaluation period. Our review indicated that approximately 76 percent by number and by dollar amount were originated inside the bank’s AAs during the evaluation period.

With a substantial majority of loans originated within the BNB’s AAs, the bank exceeds the standard for performance within its AAs. The table below shows the comparative data of credit extended inside and outside of the assessment areas.

Table 1 - Lending in Brazoria County and Dallas-Fort Worth-Arlington MSA AAs										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE- Home Loans	779	74.69	264	25.31	1043	178,861	75.60	57,740	24.40	236,601
Consumer Loans	51	98.08	1	1.92	52	613	97.46	16	2.54	629
Totals	830	75.80	265	24.20	1095	179,474	75.65	57,756	24.35	237,230

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

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects *reasonable* penetration among individuals of different income levels (including low- and moderate-income). We assessed home loans and consumer loans as these are the primary lending products. Business loans are not a primary lending product by number or percentage. BNB's performance in the Dallas AA reflects a *reasonable* penetration. Home loans are originated in the Dallas AA LPOs. Consumer loans are originated in the main office in Richwood, Brazoria County, TX. Performance in the Brazoria County AA indicates an *excellent* penetration among borrowers of different income levels.

Performance in the Dallas AA

The borrower distribution of loans in the Dallas AA is *reasonable*. Residents have convenient access to many local lending institutions, including the large mortgage lenders that dominate the mortgage market in this AA. Our analysis reflects BNB's residential real estate lending (home loans) to low-income families in the Dallas-Plano-Irving, TX MD is lower than the percentage of low-income families. The lending to moderate income families is near the percentage of moderate-income families. Residential real estate lending to low and moderate-income families in the Fort Worth-Arlington, TX MD is near the percentage of low and moderate-income families, reflecting a good penetration. When the MD data is combined for the Dallas AA, residential real estate lending for low-income families is lower than the percentage of low-income families. Lending to moderate-income families in the Dallas AA is somewhat lower than the percentage of moderate-income families.

Based on the 2010 U.S. Census data of the Dallas AA, 10.26 percent of families are below the poverty level. Many low-income families are unable to meet BNB credit underwriting standards; however, BNB has a commitment to lend to low- and moderate-income borrowers through membership in the Federal Home Loan Bank of Dallas (FHLB) Homebuyer Equity Leverage Partnership (HELP) Program. Through member institutions, HELP assists low-income-qualified, first-time homebuyers with down payment assistance and closing costs. BNB used HELP funds for nine loans during the evaluation period. The FHLB has an annual member maximum of \$50,000 and a total of \$1 million in funds available for 2016. HELP funds are disbursed annually to members on a first-come first-served basis, beginning the first business day in January and thru December 31st until the funds are exhausted, whichever occurs first.

The following tables show the distribution of home loans among borrowers of different income levels for the period of January 1, 2014 through December 31, 2015 as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas –Plano-Irving MD								
Borrower Income Level	Low		Moderate		Middle		Upper	
All Residential Real Estate Loans	% 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
% of Total	23.06	8.94	16.62	15.91	18.27	22.73	42.06	50.15

Table 2 - Borrower Distribution of Residential Real Estate Loans in the Fort Worth-Arlington MD								
Borrower Income Level	Low		Moderate		Middle		Upper	
All Residential Real Estate Loans	% 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
% of Total	21.37	17.86	17.56	16.96	19.68	19.64	41.39	42.86

Table 2 - Borrower Distribution of Residential Real Estate Loans in Dallas-Fort Worth-Arlington MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
All Residential Real Estate Loans	% 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
% of Total	22.48	6.22	16.94	12.69	18.75	17.49	41.83	61.27

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

Performance in the Brazoria County AA

The distribution of consumer loans to borrowers of different incomes represents an *excellent* penetration. BNB’s consumer lending in the Brazoria AA reflects reasonable performance with respect to low-income households and significantly exceeds performance for moderate-income households in the AA. The following table shows the distribution of consumer loan products among borrowers of different income levels for the period of January 1, 2014 through December 31, 2015 as compared to the percent of households in each income category.

Table 2B - Borrower Distribution of Consumer Loans in Brazoria AA								
Borrower 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	19.60	16.67	13.94	28.57	16.93	33.33	49.53	11.90

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

Geographic Distribution of Loans

The geographic distribution of loans is *reasonable* overall. Geographic distribution in the Dallas AA is *reasonable* and is *excellent* in the Brazoria County AA. The analysis used all home and consumer loans originated in 2014 and 2015. The 2014 and 2015 data for the AA census tracts is from the 2010 US Census, as such, is the same for both years. Loan production analysis for geographic distribution combined 2014 and 2015 data.

Home loans and consumer loans are BNB's primary products. For residential real estate lending, the bank's performance is best measured by owner occupied, residential real estate originations (home loans). Home loans are originated in the Dallas AA LPOs. Consumer loans are originated in the main office in Richwood, Brazoria County, TX.

Performance in the Dallas AA

BNB's geographic distribution of loans in this AA reflects reasonable dispersion of different income levels, throughout the census tracts. Residential real estate lending is the only lending performed in the Dallas AA. The Dallas AA consists of the entire Dallas-Fort Worth-Arlington, TX MSA. The MSA includes the Dallas-Plano-Irving, TX MD and the Fort Worth-Arlington, TX MD. Our analysis considered each MD singly and the combined data for the MSA. Lending in low and moderate-income tracts in the Dallas-Plano-Irving, TX MD is lower than the MD characteristics. Lending in low-income census tracts in the Fort Worth-Arlington, TX MD is somewhat lower than the MD characteristics. Lending in the Fort Worth-Arlington, TX MD in moderate-income census tracts is lower than the MD characteristics. Using the U. S. 2010 census data for the MSA, we found that lending in low-income tracts was lower than the AA characteristics. Lending in moderate-income census tracts was somewhat lower than the AA characteristics. Low and moderate-income tracts total 489 tracts, which is 37.21 percent of the 1,314 tracts in the MSA. According to CEO Seib, the availability of single-family homes within the low and moderate-income tracts is limited. In addition, while dispersion is below the demographic comparator, the low level of owner occupied housing units in the AA illustrate a high usage of rental properties, with 47.40 percent of the housing units identified as rental properties. Furthermore, of the households within the low- and moderate-income census tracts, 21.93 percent are below the poverty level. As illustrated by the tables below, the bank's performance reflects a willingness to lend in low- to moderate-income tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Dallas-Plano-Irving MD								
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
	5.33	1.97	19.23	9.39	29.77	21.52	45.68	67.12

Table 3 - Geographic Distribution of Residential Real Estate Loans in Fort Worth-Arlington MD								
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
	3.47	1.79	35.26	12.50	41.65	33.93	35.18	51.78

Total home loan population in Dallas-Fort Worth-Arlington, TX MSA

Table 3 - Geographic Distribution of Residential Real Estate Loans in Dallas-Fort Worth-Arlington MSA AA								
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
	4.67	1.94	19.39	9.84	33.95	23.33	41.99	64.89

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

Performance in Brazoria County AA

BNB's geographic distribution of consumer loans in this AA reflects an excellent dispersion throughout census tracts of different income levels. Brazoria County does not have any low-income census tracts; however, consumer lending in moderate-income tracts exceeds the AA households.

Following is a table that details the bank's performance as compared to the percentage of households in each census tract income level.

Table 3B - Geographic Distribution of Consumer Loans in Brazoria AA								
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	0.00	0.00	10.49	30.95	39.70	45.24	49.81	23.81

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

Responses to Complaints

No complaints related to CRA performance were received during the evaluation period. As such, there is no 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.