



PUBLIC DISCLOSURE

March 26, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Brenham National Bank
Charter Number 13678

2211 South Day 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, and should not 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.

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Overall CRA Rating: This institution is rated Outstanding

The Brenham National Bank (Brenham NB) is responsive to the credit needs of low- to moderate-income (LMI) individuals within its assessment areas (AAs). The bank also provides outstanding community development (CD) activities. The following factors support this conclusion:

- Borrower distribution of consumer loans reflects excellent penetration.
- Geographic distribution of consumer loans in the Washington AA reflects excellent dispersion among borrowers in LMI census tracts (CTs)
- The quarterly average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and financial condition when compared to similarly situated peer banks.
- A majority of the bank's lending is inside the bank's AA by number and dollar amount of loan originations/renewals.
- The overall level of CD activities is excellent with 17 CD services, demonstrating responsiveness in the bank's AA.
- There were no Community Reinvestment Act (CRA) related complaints during the evaluation period.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Brenham NB is headquartered in Brenham, Texas and had total assets of \$316 million as of December 31, 2017. The bank was established in 1933 and is wholly owned by Brenham Bancshares, Inc. The bank's main banking center is located at 2211 Day St. Brenham, TX. Brenham NB has two additional branches located at 2470 Earl Rudder Freeway, College Station, TX and 9005 U.S. Highway 290, Chappell Hill, TX.

All locations are full service branches and have reasonable hours of operation during the week. Lobby hours at the Brenham and Chappell Hill branches are opened for additional hours on Saturday to help meet the banking needs of the community. Drive-thru hours are uniform, including Saturday service, across the three branches. For customer convenience, the bank has five deposit-taking automated teller machine (ATM) locations with four located throughout Brenham and one located in College Station. The bank provides its customers with 24-hour account access through online banking. Additionally, the bank offers mobile banking and remote deposit capture to its customers.

Brenham NB offers a wide variety of loan and deposit products and services to appeal to their customers and their credit needs. Consumer and commercial lending are the bank's primary focus, with credit concentrations in construction and development loans. The bank offers traditional deposit products and services of a community bank.

There are no legal or financial impediments to the bank's ability to meet the credit and community development needs of its AAs. The bank was rated Satisfactory at its last CRA examination dated March 10, 2015.

Please refer to the bank's Public File for additional information.

Scope of the Evaluation

Brenham NB was evaluated under the Small Bank evaluation procedures and included a Lending Test. The Lending Test evaluates the bank's history of meeting the credit needs of its AAs through loan originations. We reviewed loans originated or renewed from January 1, 2015 through December 31, 2016. We also reviewed loans from January 1, 2017 through December 31, 2017, as CTs changed from 2016 to 2017. The consideration and evaluation of CD activities is optional under the Small Bank examination procedures. At management's request, we evaluated CD activities during this evaluation period.

To evaluate borrower and geographic distributions, we selected a sample of the bank's primary products, which were identified as commercial and consumer loans. Our sample included 280 loans, of which, 134 were commercial and 146 were consumer.

The CD evaluation covered activities submitted since the previous evaluation through March 26, 2018, the start date of this evaluation.

Selection of Areas for Full-Scope Review

Both Brazos and Washington AAs received a full-scope review as management has selected the entire AAs without arbitrarily excluding any low- or moderate-income CTs. The bank's overall rating is based primarily on those areas that received full-scope reviews. However, more weight was given to the performance in the Washington AA due to the bank's large market share. The deposit market share in the Washington AA is 88 percent compared to Brazos AA of 12 percent.

Description of Assessment Area

Brenham NB has two AAs in Texas located in the adjacent Washington and Brazos Counties. Brazos County is located in the College Station-Bryan, TX Metropolitan Statistical Area (MSA) and is the 23rd most populated county in Texas. Washington County is located in a non-MSA and is the 89th most populated county in Texas. Neither of the AAs arbitrarily exclude low-or moderate-income CTs. From 2016 to 2017, there were changes in the income-level designations in CTs for both Washington and Brazos County.

Based on information received from a local community contact, the current economic condition of the Brazos and Washington AAs is good with stable growth prospects. The unemployment rate in the area is low compared to recent years given Blue Bell Creameries resurgence. With the continued expansion of Texas A&M University, various employment opportunities continue to present themselves in the Brazos AA. Credit needs include real estate and small business loans.

Washington County

The Washington AA includes all six CTs in Washington County. For 2016, four CTs were designated as upper (67 percent), and two middle (33 percent). In 2017, the designations changed to three upper (50 percent), two middle (33 percent), and one moderate (17 percent). Per 2017 Census data, the estimated population was 35,000, a four percent growth from the 2010 Census. Brenham is the county seat and the largest city in the county.

The economic outlook for the county is good, with the city of Brenham located midway between Houston and Austin. Brenham's major employers include Brenham State Supported Living Center, Blue Bell Creameries, Brenham ISD, Blinn College, and Wal-Mart Supercenter. Per 2016 Census data, the median household income was \$53,157 and 14.1 percent of the population lived below the poverty level. According to the 2017 BLS data, unemployment was 3.6 percent.

Banking competition is moderate with the top competitors holding 22 percent of the total deposit market share in the county. As of June 30, 2016, the FDIC reported that Brenham NB held 24 percent of the market share. Of the 10 institutions in the market, the five largest competitors are Bank of Brenham, NA (22 percent), Citizens State Bank (14 percent), JPMorgan Chase Bank, NA (11 percent), Wells Fargo Bank, NA (10 percent), and Compass Bank (8 percent).

Brazos County

The Brazos AA includes all 42 CTs in Brazos County. For 2016, 14 CTs were designated as upper (33 percent), 11 middle (26 percent), nine moderate (21 percent), six low (14 percent), and two unknown (5 percent). In 2017, the designations were 12 upper (29 percent), 10 middle (24 percent), 13 moderate (31 percent), five low (12 percent), and two unknown (5 percent). Per 2017 Census data, the estimated population was 223,000, a 13 percent growth from the 2010 Census. Bryan is the county seat and the largest city in the county is College Station.

The economic outlook is good as the cities of Bryan and College Station anchor what is known as the Research Valley. Texas A&M University System is the largest employer in the AA with over 17,000 employees. Other major employers include Bryan Independent School District (ISD), College Station ISD, Texas A&M Health Science Center, and Reynolds & Reynolds. Per 2016 Census data, the median household income was \$42,279 and 24.9 percent of the population lived below the poverty level. According to the 2017 Bureau of Labor Statistics (BLS) data, unemployment was 2.5 percent.

Banking competition is strong, with the top five competitors holding 66 percent of the total deposit market share in the county. As of June 30, 2016, the Federal Deposit Insurance Corporation (FDIC) reported that Brenham NB held 0.67 percent of the market share. Of the 19 institutions in the market, the five largest competitors are Branch Banking and Trust Company (18 percent), Wells Fargo Bank, NA (17 percent), Prosperity Bank (14 percent), The Bank & Trust of Bryan/College Station (10 percent), and Bank of America, NA (8 percent).

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

Overall, performance under the Lending Test is satisfactory, given the performance context. Penetration to LMI borrowers and to small businesses is reasonable. The geographic distribution of loans in low- or moderate-income CTs is reasonable, especially given the limited number of LMI tracts in the Washington AA. Greater weight was given to the performance in the Washington AA given the bank's large market share in this area.

Loan-to-Deposit Ratio

Brenham NB's LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. Brenham NB's quarterly average LTD ratio was 55.36 percent, ranging from a low of 38.25 percent to a high of 59.83 percent. Four similarly situated banks in the bank's AAs ranging in total asset size from \$272 million to \$526 million had a quarterly average LTD of 36.62 percent for the same period. The peer quarterly average ratios ranged from a low of 15.46 percent to a high of 68.16 percent. The only other community bank headquartered in Brenham, Texas had a quarterly average LTD ratio of 15.46 percent.

Brenham NB continues to partner with the Blinn College Small Business Development Center (SBDC) to help provide financing to small businesses. Blinn's SBDC offers a variety of services to local and potential business owners to assist with starting a new business or expanding an existing business at no cost. Brenham NB has provided an excellent level of CD loans. During the evaluation period, BNB originated seven loans totaling \$7.1 million. These CD loans were for economic development, for community service, and to revitalize/stabilize. The majority of the loans were for economic development that created jobs for LMI individuals or were for the franchising of hotels through the Small Business Administration (SBA) 504 program.

Lending in Assessment Area

Brenham NB originated a majority of loans inside its AA. During the evaluation period, 76.43 percent by number and 53.03 percent by dollar were originated or refinanced within the bank's AAs. Of significant note is that several of the commercial loans originated outside of the AA are large dollar loans to small business customers that live in Brenham, Texas with previous loan relationships with the bank, which have expanded their business outside of the bank's AA. Several of these are also SBA 504 loans. The following table details the bank's lending performance in the AA by product type.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	100	74.63	34	25.37	134	\$23,813	52.15	\$21,854	47.85	\$45,667
Consumer	114	78.08	32	21.92	146	\$1,441	73.84	\$511	26.16	\$1,952
Totals	214	76.43	66	23.57	280	\$25,254	53.03	\$22,365	46.97	\$47,619

Source: Loan sample

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

Overall, the distribution of loans reflects a reasonable penetration among households of different income levels and to businesses of different sizes, when considering the bank’s level of competition and product offerings.

Business Loans

Overall, borrower distribution of loans to small businesses with gross annual revenues of \$1 million or less is reasonable.

Washington AA

For borrower distribution in the Washington AA, we put greater weight on the 2015-2016 performance than 2017, as numerous small dollar loans were originated to one large business in 2017.

The borrower distribution of loans to businesses for 2015-2016 reflects reasonable penetration amongst small businesses. Based on demographic data, 83.45 percent of business in the area are considered small businesses. Penetration of loans to small businesses was 66.67 percent, which is below but near to the AA characteristics. The following table shows the distribution of commercial loans among small and large businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Washington AA 2015-2016				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.45	5.33	11.22	100%
% of Bank Loans in AA by #	66.67	24.44	8.89	100%
% of Bank Loans in AA by \$	49.91	49.70	0.29	100%

Source: Loan sample; Dun & Bradstreet data

The borrower distribution of loans to businesses for 2017 reflects poor penetration amongst small businesses. Based on demographic data, 83.05 percent of businesses in the AA are considered small businesses. Penetration of loans to small businesses was below the comparator at 32.35 percent. The following table shows the distribution of commercial loans amongst small and large businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Washington AA 2017				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	83.05	5.82	11.13	100%
% of Bank Loans in AA by #	32.35	50.00	17.65	100%
% of Bank Loans in AA by \$	58.31	32.50	9.19	100%

Source: Loan sample; Dun & Bradstreet data

Brazos AA

There were insufficient commercial loan originations in the Brazos AA to allow for meaningful analysis. We reviewed 100 percent of the bank’s commercial loans for the evaluation period. For 2015-2016, four loans or 57 percent of commercial loan originations were to small businesses. For 2017, 10 loans or 71 percent of commercial loans were to small businesses.

Consumer Loans

Overall, distribution of consumer loans reflects excellent penetration. For the borrower distribution of consumer loans, we put more weight on the performance in the Washington AA due to the bank’s large market share. The deposit market share in the Washington AA is 88 percent compared to 12 percent for the Brazos AA. Brenham NB continues to service the community by offering small dollar loan amounts, even though the profitability from these loans are typically low. In 2015, 2016, and 2017, a total of 205 consumer loans totaling \$531,328 were originated for \$5,000 or less.

Washington AA

The borrower distribution of consumer loans for 2015-2016 reflects excellent penetration among borrowers of different income levels. Lending to low-income borrowers reflects poor penetration. However, we considered that a low-income household in this AA has income up to \$21,503 annually; therefore, lending to this income level is difficult. Lending to moderate-income borrowers significantly exceeded the standard and reflects excellent penetration. The table below shows the distribution of consumer loan products among borrowers of different income levels.

Table 2B - Borrower Distribution of Consumer Loans in Washington AA 2015-2016								
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	23.05	8.70	16.63	26.09	13.53	34.78	46.79	21.73

Source: Loan sample; Dun & Bradstreet data. Income information was unavailable for 8.70 percent of households.

The borrower distribution of consumer loans for 2017 reflects excellent penetration among borrowers of different income levels. Distribution of loans to both low- and moderate-income borrowers exceeds the comparators, demonstrating excellent performance. The table below shows the distribution of consumer loan products among borrowers of different income levels.

Table 2B - Borrower Distribution of Consumer Loans in Washington AA 2017								
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	18.98	20.41	14.53	16.33	16.11	20.41	50.38	8.16

Source: Loan sample; Dun & Bradstreet data. Income information was unavailable for 34.69 percent of households.

Brazos AA

The borrower distribution of consumer loans for 2015-2016 reflects excellent penetration among borrowers of different income levels in the Brazos AA. Lending to low-income individuals at 13.64 percent reflects poor penetration. However, lending to moderate-income individuals at 40.91 percent significantly exceeds the comparator ratio of 13.07 percent and reflects excellent penetration. The table below shows the distribution of consumer loan products among borrowers of different income levels.

Table 2B - Borrower Distribution of Consumer Loans in Brazos AA 2015-2016								
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	30.47	13.64	13.07	40.91	13.14	22.73	43.32	22.72

Source: Loan sample; Dun & Bradstreet data

The distribution of consumer loans for 2017 reflects reasonable penetration among borrowers of different income levels. Lending to low-income individuals at 5 percent reflects very poor penetration. Borrower distribution for moderate-income households at 10 percent was below but near to the comparator of 14.53 percent and considered reasonable. The table below shows the distribution of consumer loan products among borrowers of different income levels.

Table 2B - Borrower Distribution of Consumer Loans in Brazos AA 2017								
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	27.77	5.00	14.53	10.00	14.96	10.00	42.74	75.00

Source: Loan sample; Dun & Bradstreet data.

Geographical Distribution of Loans

Overall, the geographic distribution of loans to borrowers in low- or moderate-income CTs was reasonable. The Washington AA did not contain any low- or moderate-income CTs for 2015-2016. After the CT change, there was only one moderate-income CT in the Washington AA. Greater weight was placed on the performance of the Washington AA given the bank's large market share.

Business Loans

Overall, the geographic distribution of business loans reflects reasonable dispersion.

Washington AA

The Washington AA did not contain any low- or moderate-income CTs for the 2015-2016 evaluation period.

For 2017, the geographic distribution of loans in the Washington AA reflects reasonable dispersion. There were no low-income CTs; however, of the 12.47 percent of businesses located in a moderate-income CT, the bank originated 8.82 percent of loans. Given that there is only one moderate-income CT, making it difficult to lend to this CT, this is considered reasonable. The table below shows the geographic distribution of commercial loans among the CTs of different income levels.

Table 3A - Geographic Distribution of Loans to Businesses in Washington AA 2017								
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
Commercial Loans	0.00	0.00	12.47	8.82	27.25	23.53	60.28	67.65

Source: Loan sample; Dun & Bradstreet data.

Brazos AA

As previously mentioned, there were insufficient loans originated in the Brazos AA during the evaluation period to allow for a meaningful analysis. We reviewed 100 percent of commercial loans originated during the evaluation period. For 2015-2016, the bank originated seven loans. For 2017, the bank originated 14 loans.

Consumer Loans

Overall, the geographic distribution of consumer loans reflects reasonable dispersion.

Washington AA

The overall geographic distribution in the Washington AA is excellent. The Washington AA did not contain any low- or moderate-income CTs for the 2015-2016 evaluation period.

In 2017, the geographic distribution of loans in the Washington AA reflected excellent dispersion. There were no low-income CTs; however, originations to moderate-income households at 14.29 percent exceeded the geographic comparator of 9.72 percent. The table below shows the geographic distribution of consumer loans among the CTs of different income levels.

Table 3B - Geographic Distribution of Consumer Loans in Washington AA 2017								
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	9.72	14.29	33.27	36.73	57.01	48.98

Source: Loan sample; Dun & Bradstreet data

Brazos AA

The geographic distribution for consumer loans during the 2015-2016 evaluation period in the Brazos AA reflected reasonable dispersion. Loan originations in low- and moderate-income CTs were near to the geographic comparator, demonstrating reasonable performance. The table below shows the geographic distribution of consumer loans among the CTs of different income levels.

Table 3B - Geographic Distribution of Consumer Loans in Brazos AA 2015-2016								
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	15.66	13.64	22.63	18.18	30.20	31.82	31.46	36.36

Source: Loan sample; Dun & Bradstreet data. Unspecified tracts total .05 percent.

The geographic distribution for consumer loans during 2017 in the Brazos AA reflects poor dispersion. The bank did not originate any loans in low-income tracts and is below the geographic comparator for moderate-income tracts. The table below shows the geographic distribution of consumer loans among CTs of different income levels.

Table 3B - Geographic Distribution of Consumer Loans in Brazos AA 2017								
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	13.32	0.00	34.26	15.00	23.21	10.00	29.21	75.00

Source: Loan sample; Dun & Bradstreet data

Qualified Investments and Community Development Services (Optional)

Brenham NB's CD investment and services are excellent and demonstrate management's responsiveness to AA needs.

CD Services

The bank's responsiveness to CD needs through services is excellent. Throughout the evaluation period, bank employees provided 17 qualified services to nine qualified organizations for a total of 442 hours. Of these activities, 13 services helped support community service organizations, one helped provide affordable housing, and three supported economic development. A majority of these services were provided through active participation as board members throughout the Washington and Brazos AAs. Other services included financial literacy programs at Washington County schools. Of particular note is bank employee involvement with a local organization that provides small consumer loans as an alternative to predatory payday lending, as well as an organization that helps provide easy access to LMI individuals that are under- or un-banked. Both organizations help the Brazos Valley, which includes Washington and Brazos Counties.

Investments

The level of qualified investments is outstanding, with 21 investments/donations in the evaluation period totaling \$402,000. Of those investments/donations, \$375,000 were a result of three prior-period investments to the Small Business Investment Company. The remaining \$27,175 were new donations in 2015 through 2017. Investments/donations benefited both the Washington and Brazos AAs throughout the evaluation period. Sixteen investments/donations helped to promote community services and five helped economic development. The bank donated \$22,825; \$2,475; and \$1,875 in 2017, 2016, and 2015, respectively.

Of particular note was the donation of \$17,000 to the Economic Development Foundation of Brenham in conjunction with a government economic development grant. The funds were used to help construct a job-training center that allows LMI individuals to sustain economic development. This grant was a result of the Blue Bell layoffs in 2015, which greatly affected the local economy. The bank also provided a CD loan and a CD service for this project.

Responses to Complaints

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

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/15 to 12/31/2017) Investment and Service Tests and CD Loans: (03/10/15 to 03/26/18)	
Financial Institution	Products Reviewed	
The Brenham National Bank Brenham, TX	Commercial and consumer loans, CD activities	
Affiliate(s)	Affiliate Relationship	Products Reviewed
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Washington AA Brazos AA	Full Scope Full Scope	