



PUBLIC DISCLOSURE

July 29, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Blanco National Bank
Charter Number 8134

416-418 4th Street
Blanco, TX 78606

Office of the Comptroller of the Currency
San Antonio – North Field Office
10001 Reunion Place, Suite 250
San Antonio, TX 78216-4165

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 the 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.”

The Blanco National Bank’s (BNB) lending performance reflects an overall satisfactory response to community credit needs. Factors in our assessment include:

- The bank’s quarterly loan-to-deposit (LTD) ratio meets the standard given the bank’s size, financial condition, and assessment area (AA) credit needs.
- BNB originates a majority of loans within its AA.
- The distribution of loans to borrowers of different income levels reflects reasonable penetration given the performance context of the AA.
- The geographic dispersion of loans to moderate-income census tracts (CTs) within the AA is reasonable, given the demographics of the AA.
- There were no complaints concerning BNB’s Community Reinvestment Act (CRA) performance during the evaluation period.

DESCRIPTION OF INSTITUTION

BNB is a \$157 million financial institution headquartered in Blanco, Texas, with branches located in Fredericksburg, Bulverde, and Wimberley. The bank has an automatic teller machine (ATM) at each of its four locations. BNB is a full-service bank that offers traditional loan products with a primary focus on real estate, commercial, and consumer lending. The bank offers Internet banking including online bill-pay capabilities. BNB received an “Outstanding” rating at its previous CRA examination conducted in July 2007. Since the prior evaluation, there have been no complaints relating to BNB’s CRA performance.

As of June 30, 2013, net loans represent 53% of the bank’s total assets. Based on its financial condition, resources, the local economy, product offerings, and competition, BNB has the ability to meet the various credit needs in its community. No legal impediments or other factors hinder its ability to provide credit in its AAs. Table 1 details the bank’s loan portfolio composition as of June 30, 2013.

Table 1		
LOAN PORTFOLIO COMPOSITION		
Loan Category	\$000s	%
Residential Real Estate	28,027	33%
Construction and Land Development	19,221	23%
Commercial Real Estate	18,557	22%
Consumer	7,812	9%
Commercial and Industrial	7,136	9%
Farmland	2,751	3%
Agricultural	1,028	1%
Other	60	0%
Total	84,592	100%

Source: Institution Consolidated Reports of Condition as of June 30, 2013

DESCRIPTION OF ASSESSMENT AREA(S)

BNB’s AAs include all of five counties: Blanco, Gillespie, Comal, Kendall, and Hays. Blanco and Gillespie County are not part of a metropolitan statistical area (MSA). Both Comal and Kendall Counties are part of the San Antonio MSA. Hays County is part of the Austin-Round Rock MSA.

These counties are part of two MSAs and a non-MSA; the bank effectively has three AAs. Geographically, BNB's four branches are physically located in either middle- or upper-income CTs. Blanco, Gillespie, and Kendall County do not have any low- or moderate-income (LMI) CTs. The LMI CTs are located in Comal and Kendall County. Comal County has one moderate-income CT located in the urban city of New Braunfels, and no low-income CTs. Hays County has six moderate-income CTs and one low-income CT located in the urban city of San Marcos. While BNB primarily banks to the rural CTs of the aforementioned counties, the CTs located in the urban areas of New Braunfels and San Marcos are contiguous to the rural CTs in Comal and Hays Counties, respectively, and therefore, are included in the AAs. The AAs meet the requirements of the regulation and does not arbitrarily exclude any LMI geographies.

Description of Gillespie and Blanco Counties

BNB's main office in Blanco and branch in Fredericksburg are located in Blanco and Gillespie Counties respectively, and comprise a Non-MSA AA as defined by CRA regulatory requirements.

Blanco is located on US Highway 281 approximately 40 miles north of San Antonio and 50 miles southwest of Austin. Blanco is a primarily rural, bedroom community of both San Antonio and Austin. A majority of the cities' work force drives to either San Antonio or Austin for employment. Blanco's largest employer is the local school district and main industry is construction. In Blanco, BNB competes directly with the branches of other national and state banks.

Fredericksburg is located 65 miles northwest of San Antonio, is primarily a retirement community and tourism is the main economic driver, as indicated by the numerous local bed and breakfast inns. The largest single employer is the local hospital. BNB experiences competition in Fredericksburg from numerous state and national banks, savings associations, and credit unions. The following Table 2 provides more demographic information on the AA:

Table 2	
DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS -BLANCO-GILLESPIE COUNTY ASSESSMENT AREA	
Population	
Number of Persons	29,232
Number of Families	8,483
Number of Households	11,824
Geographies	
Number of Census Tracts	7
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	28.57%
% Upper-Income Census Tracts	71.43%
Median Family Income (MFI)	
2010 MFI for AA	\$45,423
2012 HUD-Adjusted MFI	\$48,600
Economic Indicators	
Unemployment Rate	2.03%
2012 Median Housing Value	\$103,703
% of Owner-occupied Properties	66.04%
% of Households Below Poverty Level	10.72%

Source: 2010 US Census Data

In order to gather information that is more current on the nature of the community and potential lending opportunities in the area, we contacted the Blanco Chamber of Commerce and met with the Executive Director. The contact indicated that the City is well-served by the local financial institutions and there are no known unmet credit needs in the area. However, she stated that opportunities for bank involvement are present in senior housing facilities for the elderly and also for young families that are currently renting their residences and do not qualify for home purchase loans. The contact was unaware of any negative public perception of the institutions.

Description of Comal and Kendall Counties

The bank’s Bulverde branch is located 23 miles north of downtown San Antonio. The Bulverde/Spring Branch area is along the western portion of Comal County and borders the northeast portion of Kendall County. The area is best known for its outdoor recreation and acreage homes. Many new housing developments continue to be built as the suburban population of San Antonio expands north. This has encouraged further retail and commercial development. BNB faces strong competition from branches of large national banks, savings associations, and credit unions located throughout the surrounding areas of New Braunfels, Boerne, Bulverde, Spring Branch, and San Antonio. Table 3 provides more information on the demographics of the AA.

Table 3	
DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS - COMAL-KENDALL ASSESSMENT AREA	
Population	
Number of Persons	101,764
Number of Families	28,701
Number of Households	37,696
Geographies	
Number of Census Tracts	15
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	6.67%
% Middle-Income Census Tracts	60.00%
% Upper-Income Census Tracts	33.33%
Median Family Income (MFI)	
2010 MFI for AA	\$54,422
2012 HUD-Adjusted MFI	\$59,900
Economic Indicators	
Unemployment Rate	2.30%
2012 Median Housing Value	\$112,428
% of Owner-occupied Properties	29,299
% of Households Below Poverty Level	8.45%

Source: 2010 US Census Data

Description of Hays County

Wimberley is a bedroom community to San Antonio and Austin. The town is located approximately 47 miles northeast of San Antonio and 32 miles southwest of Austin. Established in 1848, Wimberley is primarily a resort and retirement area, featuring numerous inns, vacation resorts, and youth camps. The primary industries are retail commerce, construction, and public education. BNB experiences competition in Wimberley from branches of two local and one major national bank. The following Table 4 provides more information on the AA.

Table 4	
DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS - HAYS COUNTY ASSESSMENT AREA	
Population	
Number of Persons	97,589
Number of Families	22,394
Number of Households	33,465
Geographies	
Number of Census Tracts	14
% Low-Income Census Tracts	7.14%
% Moderate-Income Census Tracts	42.86%
% Middle-Income Census Tracts	35.71%
% Upper-Income Census Tracts	14.29%
Median Family Income (MFI)	
2010 MFI for AA	\$57,800
2012 HUD-Adjusted MFI	\$74,900
Economic Indicators	
Unemployment Rate	4.40%
2012 Median Housing Value	\$112,017
% of Owner-occupied Properties	60.83%
% of Households Below Poverty Level	14.37%

Source: 2010 US Census Data

SCOPE OF EXAMINATION

We evaluated BNB under the Small Bank CRA procedures. Our review focused on the bank's two primary product lines - residential real-estate and consumer loans. Residential loans represent BNB's primary loan product based on total dollar volume of loans originated and consumer loans represent the primary loan product based on the number of loans originated. In evaluating the bank's LTD ratio, we compared BNB to four similarly situated banks using historical balance sheet information. To determine the lending performance inside and outside BNB's AA, we randomly sampled 20 loans, for each primary product line, that originated during the prior three calendar years and the first two quarters of the current year. To determine the bank's performance in lending to borrowers of differing incomes, sizes, and geographies, we expanded the initial sample to obtain a minimum of 20 loans originated within each AA for each primary loan product.

As of the 2010 Census, the US Census Bureau revised its approach to collecting most of the population and demographic data used in the CRA performance evaluation (PE) process. Data collection requirements and CRA PEs were impacted by 2010 census data changes beginning January 1, 2012. The data changes required separate analysis for each year of CRA activity evaluated between 2011 through our examination date of June 30, 2013. Therefore, for this CRA examination, we analyzed and evaluated loan data against the applicable demographic for the years subject to our review. We tested three prior years and the first two quarters of the current year. For each loan product, these data changes required the use of two sets of tables for each AA - a table reflecting 2000 Census Data demographics for the loans originated in 2010 and 2011 and a table reflecting 2010 Census Data demographics for loans originated in 2012 and the first two quarters of 2013. Therefore, the lending performance evaluation in the latter portion of this PE includes a total of 12 tables for the borrower distribution and 12 tables for the geographic distribution.

In order to assess BNB’s level of lending performance in meeting the credit needs of the AAs, we utilized internally generated management reports, reviewed data reported to HMDA of all residential real estate loans originated in 2012 and the first two quarters of 2013, and sampled 68 residential real estate loans that originated in 2010 and 2011. In addition, we sampled a total of 138 consumer loans that originated between January 1, 2010 and June 30, 2013.

Table 5				
SAMPLING INFORMATION				
Loan Type	Blanco-Gillespie County AA	Comal-Kendall County AA	Hays County AA	Total Sample
Consumer (Originated 2010 & 2011)	23	20	21	64
Consumer (Originated 2012 & 2013)	25	25	24	74
Residential Real Estate (Originated 2010 & 2011)	22	24	22	68
Total Sample	70	69	67	206

Source: Data reported under HMDA; Bank Sample

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

We evaluated the institution using five criteria established for small banks. The criterion includes individual assessments of the average level of total loans as a percentage of total deposits, the level of loans originated within the AA, the reasonableness of loan dispersion to individuals of different income levels and geographies, and management’s response to complaints received. Additionally, we reviewed any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Based on our analysis and recognition of the demographic characteristics of the AAs, we conclude that BNB’s level of lending performance is satisfactory in meeting the credit needs of the community, including low- and moderate-income individuals, consistent with its resources and capabilities.

Loan-to-Deposit Ratio

BNB’s LTD ratio is reasonable given its asset size, financial condition, and lending opportunities available in its AAs. Since the last CRA examination, the bank’s LTD ratio has steadily declined. During this period from June 2007 to June 2013, the LTD ratio decreased from 77% to 59%. The LTD ratio averaged 66% over the past 24 quarters. This compares well with other AA banks with similar lending opportunities. BNB ranks second out of four other comparable banks in terms of highest LTD ratio. The asset size and average LTD ratios for BNB and its competing banks are listed below in Table 6.

Table 6		
LOAN-TO-DEPOSIT RATIO COMPARISON		
Institution	Assets as of 6/30/13 (000's)	Average LTD Ratio %
The Blanco National Bank	\$156,840	65.66
Security State Bank and Trust, Fredericksburg	688,057	81.72
Sage Capital Bank, Gonzales	313,339	61.60
Lone Star Capital Bank, San Antonio	240,115	52.77
Ozona National Bank, Ozona	215,892	59.76

Source: Institution Consolidated Reports of Condition

Lending Performance

BNB originates a substantial majority of loans within its AAs, making 88% of a total sample of 310 loans within the AA. The bank made 80% of the dollar volume of all loans sampled to borrowers located in the AA. Table 7 below details BNB's record of lending in the AA.

Table 7										
LENDING IN ASSESSMENT AREA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE (2010 & 2011)	60	88.24	8	11.76	68	\$9,097	77.46	\$2,647	22.54	\$11,744
Residential RE (2012 & 2013)	78	75.73	25	24.27	103	\$11,087	81.43	\$2,528	18.57	\$13,615
Consumer (2010 & 2011)	63	96.92	2	3.08	65	\$445	83.46	\$88	16.54	\$533
Consumer (2012 & 2013)	72	97.30	2	2.70	74	\$563	98.06	\$11	1.94	\$574
Totals	273	88.06	37	11.94	310	\$21,192	80.07	\$5,274	19.93	\$26,466

Source: Data reported under HMDA; Loan Sample

Lending to Borrowers and Individuals of Different Incomes

BNB's level of lending to borrowers and individuals of different incomes is reasonable overall. This conclusion was formed after considering individual borrower distribution of all three AAs. Borrower distribution in the Blanco-Gillespie AA and Comal-Kendall AA meets performance standards for residential real estate and consumer loans in LMI CTs while borrower distribution in Hays County is excellent.

The bank's overall distribution of loans to low-, moderate- and high-income individuals is in line with area demographics with the exception of residential real estate loans to low-income individuals. There is a low penetration to low-income borrowers for residential real estate loans in all of the AA areas but this is largely due to the difficulty that these borrowers have in qualifying for BNB's underwriting standards, which require an 85% LTV for any 1-4 family residential real estate loan. The distribution of loans to moderate-income individuals for residential real estate loans is in line with or exceeds area demographic in each of the AAs. In addition, the bank's distribution of consumer loans to LMI individuals exceeds demographics for most of the AAs.

Residential Real Estate Loan Tables

The tables for residential real estate loans originated in 2010 and 2011 for each AA (Tables 8A, 10A, and 12A) appear different from the tables for residential real estate loans originated in 2012 and 2013 for each AA (Tables 8B, 10B, and 12B). This is because the tables for 2010 and 2011 are based on a sample we conducted with results shown in comparison to 2000 US Census demographics, while the tables for 2012 and 2013 are based on HMDA data reported by BNB shown in comparison to 2010 US Census demographics. Tables 8A, 10A, and 12A show the results of the sample of residential real estate loans, without differentiating between the type of residential real estate loan. In contrast, HMDA data stratifies 1-4 family residential real estate loans into home purchase, home improvement, and refinances.

Blanco-Gillespie County Assessment Area

BNB’s borrower distribution in the Blanco-Gillespie AA reflects reasonable penetration, overall, based on the aggregate lending performance of residential and consumer loans originated between January 1, 2010 and June 30, 2013.

Table 8A compares 1-4 Family residential real estate lending in the Blanco-Gillespie AA during 2010 and 2011 to families by income level based on 2000 US Census data. US Census demographics indicate 12% of the combined AA consists of low-income families and 13% is moderate-income. BNB did not originate any loans secured by residential real estate to low-income families. However, BNB originated 14% of sampled loans to moderate-income borrowers, meeting the standard. Overall, borrower distribution reflects reasonable penetration in the Blanco-Gillespie County AA.

Table 8A								
BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN BLANCO-GILLESPIE COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Total Residential	12.24	0.00	13.08	13.64	22.37	13.64	52.30	72.73

Source: Loan Sample; 2000 US Census data

Table 8B compares 1-4 Family residential real estate lending in the Blanco-Gillespie AA during 2012 and 2013, based on HMDA data, to families by income level, based on 2010 US Census data. Approximately 12% of the combined AA consists of low-income families and 15% is moderate-income. BNB did not originate any loans secured by residential real estate to low-income families. However, the lack of lending to low-income borrowers was countered by excellent penetration to moderate-income borrowers as BNB originated 21% of HMDA reportable home purchase loans and 19% of HMDA reportable refinances to moderate-income borrowers, which is substantially above area demographics. Consequently lending to moderate-income families offsets the lack of lending to low-income borrowers for an overall reasonable borrower distribution.

Table 8B								
BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN BLANCO-GILLESPIE COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	11.69	0.00	15.00	20.83	19.42	25.00	53.89	50.00
Home Improvement	11.69	0.00	15.00	9.09	19.42	9.09	53.89	81.82
Refinance	11.69	0.00	15.00	16.67	19.42	16.67	53.89	58.33

Source: Data reported under HMDA; 2010 US Census data

BNB’s lending performance in 2010 and 2011 to consumers of different income levels within Blanco and Gillespie Counties is reasonable overall. The 2000 US Census demographic information indicates 17% of the AA households are low-income, while 14% are moderate-income. While the bank did not originate any sampled consumer loans to low-income borrowers, performance in the 2012 and 2013 time period is much better as shown in Table 9B. In addition, the bank’s penetration to moderate-income borrowers is well above area demographics at 22% of sampled consumer loans. See Table 9A.

Table 9A								
BORROWER DISTRIBUTION OF CONSUMER LOANS IN BLANCO-GILLESPIE COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	16.72	0.00	13.68	21.74	17.49	26.09	52.11	52.17

Source: Loan sample; 2000 US Census data

BNB’s lending performance in 2012 and 2013 to consumers of differing income levels within Blanco and Gillespie Counties is reasonable overall. The 2010 US Census demographic information indicates 17% of the AA households are low-income, while 14% are moderate-income. The bank originated 12% of its consumer loans to low-income borrowers and 24% to moderate-income borrowers, which reflects excellent penetration. See Table 9B below for further details.

Table 9B								
BORROWER DISTRIBUTION OF CONSUMER LOANS IN BLANCO-GILLESPIE COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	17.26	12.00	13.79	24.00	17.42	40.00	51.53	24.00

Source: Loan sample; 2010 US Census data

Comal-Kendall County Assessment Area

BNB’s borrower distribution in the Comal-Kendall AA reflects reasonable penetration based on the aggregate lending performance of residential and consumer loans originated between January 1, 2010 and June 30, 2013.

Table 10A compares 1-4 Family residential real estate lending in the Comal-Kendall AA during 2010 and 2011, to families by income level, based on 2000 US Census data. US Census demographics indicate 30% of the combined AA consists of LMI families. Comparatively, BNB’s range of performance is below area demographics with 18% of sampled loans secured by residential real estate.

Table 10A								
BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN COMAL-KENDALL COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Total Residential	14.09	8.70	15.54	8.70	20.00	8.70	50.37	78.26

Source: Loan Sample; 2000 US Census data

Table 10B compares 1-4 Family residential real estate lending in the Comal-Kendall AA during 2012 and 2013, based on HMDA data, to families by income level, based on 2010 US Census data. US Census demographics indicate that 14% of the AA families are low-income, while 13% are moderate-income. The bank did not originate any 1-4 family residential real estate loans to low-income borrowers. However, the bank’s level of lending to moderate-income borrowers of 31% of home purchase and 33% of refinanced home loans is well above area demographics.

Table 10B								
BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN COMAL-KENDALL COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	13.75	0.00	13.12	30.77	17.16	15.38	55.96	53.85
Home Improvement	13.75	0.00	13.12	0.00	17.16	0.00	55.96	0.00
Refinance	13.75	0.00	13.12	33.33	17.16	0.00	55.96	66.67

Source: Data reported under HMDA; 2010 US Census data

BNB’s lending performance in 2010 and 2011 to consumers of differing income levels within Comal and Kendall Counties is excellent. The 2000 US Census demographic information indicates 16% of the AA households are low-income, while 14% are moderate-income. BNB originated 45% of its consumer loans to low-income borrowers and 25% to moderate-income. See Table 11A for further details.

Table 11A								
BORROWER DISTRIBUTION OF CONSUMER LOANS IN COMAL-KENDALL COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	15.92	45.00	13.63	25.00	18.41	5.00	52.04	25.00

Source: Loan sample; 2000 US Census data

BNB’s lending performance in 2012 and 2013 to consumers of differing income levels within Comal and Kendall County is excellent. The 2010 US Census demographic information indicates 16% of AA households are low-income, while 14% are moderate-income. BNB originated 28% of its consumer loans to low-income borrowers and 32% to moderate-income borrowers. See Table 11B for further details.

Table 11B								
BORROWER DISTRIBUTION OF CONSUMER LOANS IN COMAL-KENDALL COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	16.07	28.00	14.00	32.00	14.80	24.00	55.13	16.00

Source: Loan sample; 2010 US Census data

Hays County Assessment Area

BNB’s borrower distribution in Hays County AA reflects excellent penetration based on the aggregate lending performance of residential and consumer loans originated between January 1, 2010 and June 30, 2013. Table 12A compares 1-4 Family residential real estate lending in the Hays County AA during 2010 and 2011, to families by income level based on 2000 US Census data. US Census demographics indicate 40% of the combined AA consists of LMI families. Comparatively, BNB’s range of performance to LMI individuals of 23% is well below area demographics.

Table 12A								
BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN HAYS COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Total Residential	19.47	4.55	20.57	18.18	24.04	4.55	35.91	72.73

Source: Loan Sample; 2000 US Census data

Table 12B compares 1-4 Family residential real estate lending in the Hays County AA during 2012 and 2013, based on HMDA data, to families by income level, as per 2010 US Census data. US Census demographics indicate 36% of the combined AA consists of LMI families. Based on the HMDA data for residential real estate loans, BNB’s range of performance exceeds the ratio and the distribution to LMI borrowers is considered excellent.

Table 12B								
BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN HAYS COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	19.34	9.09	16.77	27.27	21.51	18.18	42.38	45.45
Home Improvement	19.34	50.00	16.77	50.00	21.51	0.00	42.38	0.00
Refinance	19.34	0.00	16.77	50.00	21.51	0.00	42.38	50.00

Source: Data reported under HMDA; 2010 US Census data

BNB’s lending performance in 2010 and 2011 to consumers of different income levels within Hays County is excellent. The 2000 US Census demographic information indicates 27% of AA households are low-income, while 17% are moderate-income. BNB originated 52% of its consumer loans to low-income borrowers and 14% to moderate-income borrowers. See Table 13A for more details.

Table 13A								
BORROWER DISTRIBUTION OF CONSUMER LOANS IN HAYS COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	26.68	52.38	16.98	14.29	19.57	14.29	36.77	19.05

Source: Loan sample; 2000 US Census data

BNB’s lending performance in 2012 and 2013 to consumers of different income levels within Hays County is excellent. The 2010 US Census demographic information indicates 27% of the AA households are low-income, while 15% are moderate-income. The bank originated 33% of its consumer loans to low-income borrowers and 21% of its consumer loans to moderate-income borrowers. See Table 13B on the following page for further details.

Table 13B								
BORROWER DISTRIBUTION OF CONSUMER LOANS IN HAYES COUNTY ASSESSMENT AREA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	26.87	33.33	14.99	20.83	16.87	37.50	41.27	8.33

Source: Loan sample; 2010 US Census data

Geographic Distribution of Loans (to LMI CTs within the AA)

BNB’s lending performance to borrowers and individuals located in LMI CTs meets the standards for satisfactory performance, overall.

As stated above in the description of the AAs, Comal County has only one moderate-income CT and Hays County has six moderate-income CTs and only one low-income CT. The remainder of the CTs in all three AAs are either middle- or upper-income. While there is poor loan dispersion to LMI CTs, the overall geographic distribution is reasonable in light of the performance context. The moderate-income CT in Comal County is located in New Braunfels on the geographic edge of the AA, a relatively substantial distance from the Bulverde Branch. The low-income CT and moderate-income CTs in Hays County are located in San Marcos by Interstate Highway-35, which are on the geographic edge of the AA and separated from the majority of Hays County, including the Wimberley branch.

Blanco-Gillespie County Assessment Area

As there are no LMI geographies in Blanco or Gillespie County, a meaningful geographic distribution analysis to determine penetration into the LMI areas could not be performed for Blanco and Gillespie Counties.

Comal-Kendall County Assessment Area

As per the 2000 US Census, there were no low-income CTs and one moderate-income CT in the Comal-Kendall County AA, which has a total of 15 CTs. As per the 2010 US Census, there continued to be no low-income CTs and one moderate-income CT. With only one moderate-income CT and no low-income CTs in the AA, BNB’s lending performance based on geographic distribution was considered but does not factor equally into the overall evaluation rating.

Table 14A – Loans Originated in 2010 and 2011								
GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN COMAL-KENDALL COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans
Total Residential	0.00	0.00	3.72	0.00	53.53	39.13	42.75	65.22

Source: Loan Sample; 2000 US Census data

Table 14B – Loans Originated in 2012 through June 30, 2013								
GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN COMAL-KENDALL COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans
Home Purchase	0.00	0.00	6.62	7.69	29.68	30.77	63.70	61.54
Home Improvement	0.00	0.00	6.62	0.00	29.68	0.00	63.70	0.00
Refinance	0.00	0.00	6.62	55.60	29.68	3.25	63.70	41.16

Source: Data reported under HMDA; 2010 US Census data

Table 15A - Loans Originated in 2010 and 2011								
GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN COMAL-KENDALL CO ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	4.32	0.00	58.40	50.00	37.28	45.00

Source: Loan sample; 2000 US Census data

Table 15B – Loans Originated in 2012 through June 30, 2013								
Geographic Distribution of Consumer Loans in Comal-Kendall Co Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	8.38	12.00	33.34	40.00	58.28	48.00

Source: Loan sample; 2010 US Census data

Hays County AA

BNB’s lending to families in LMI CTs in Hays County does not meet the AA demographic standards. Residential real estate lending to families in LMI CTs in Hays County shows poor dispersion. According to 2000 Census information, 4% of AA households are located in low-income CTs and 21% of AA households in moderate-income CTs. According to 2010 Census information, 1% of AA households are in low-income CTs and 14% of AA households in moderate-income CTs. However, based on our sample results, the bank did not make any residential real estate loans to individuals in low-income CTs and made a nominal 5% of residential real estate loans to individuals in moderate-income CTs. Based on HMDA reportable data, the bank did not originate any loans to either low- or moderate-income CTs in 2012 and 2013. Tables 16A and 16B reflect the results of our geographic distribution test of residential real estate loans in Hays County AA.

Table 16A								
GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN HAYS COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans
Total Residential	3.63	0.00	20.63	4.55	47.86	86.36	27.89	9.09

Source: Loan Sample; 2000 US Census data

Table 16B								
GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN HAYES COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans	% of Owner Occupied Housing	% of # of Loans
Home Purchase	0.66	0.00	14.32	0.00	49.76	63.64	35.26	36.36
Home Improvement	0.66	0.00	14.32	0.00	49.76	100.00	35.26	0.00
Refinance	0.66	0.00	14.32	0.00	49.76	100.00	35.26	0.00

Source: Data reported under HMDA; 2010 US Census data

BNB’s consumer lending to individuals in LMI CTs in Hays County, does not meet the AA demographic standards. BNB’s consumer lending to individuals in LMI CTs in Hays County shows poor dispersion. According to 2000 Census information, 12% of AA households are in low-income CTs and 24% in moderate-income CTs. According to 2010 Census information, 5% of AA households are in low-income CTs and 23% are in moderate-income CTs. However, based on our sample, BNB made no loans to individuals in LMI CTs between 2010 and 2013. This also continues to be attributed to the location of the Wimberley branch relative to the LMI CTs in Hays County. Tables 17A and 17B reflect the results of our geographic distribution test of consumer loans in Hays County AA.

Table 17A - Originated 2010 and 2011								
GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN HAYES COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	11.57	0.00	24.11	0.00	44.51	90.48	19.81	9.52

Source: Loan sample; 2000 US Census data

Table 17B - Originated 2012 and 2013								
GEOGRAPHIC DISTRIBUTION OF CONSUMER LOANS IN HAYES COUNTY ASSESSMENT AREA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	5.09	0.00	23.02	0.00	40.89	83.33	31.00	16.67

Source: Loan sample; 2010 U.S. Census data.

Responses to Complaints

BNB has not received any complaints or public comments regarding its CRA performance during this evaluation period.

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.