



PUBLIC DISCLOSURE

MARCH 28, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**LAWSON BANK
RSSD# 652753**

**401 NORTH PENNSYLVANIA
LAWSON, MISSOURI 64062**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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.

TABLE OF CONTENTS

Institution’s Community Reinvestment Act Rating..... 2

Scope of Examination 2

Description of Institution..... 3

Description of Assessment Area 3

Conclusions with Respect to Performance Criteria 6

Community Reinvestment Act Appendix A
Additional Lending Analysis Tables..... 14

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING: *This institution is rated Satisfactory.*

Lawson Bank (the bank) has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including lending in low- and moderate-income (LMI) geographies and to small businesses in a manner consistent with the bank's resources and operating philosophy. Four of the five core criteria used in evaluating small bank lending performance under the Community Reinvestment Act (CRA) were relevant to this review and are as follows:

- Net Loan-to-Deposit (NLTD) Ratio
- Lending Inside the AA
- Geographic Distribution of Loans Among Tracts of Different Income Levels
- Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

The bank's responsiveness to complaints under the CRA was not evaluated, as the bank has not received any complaints since the prior CRA evaluation.

The bank's 16-quarter average NLTD ratio reflects a reasonable effort to extend credit given the bank's competition, economic conditions within the AA, and community credit needs. The bank originates a substantial majority of loans within its AA. The bank's geographic distribution of loans reflects reasonable dispersion throughout its AA. The penetration of loans to individuals of different income levels is reasonable, while the penetration of loans to businesses of different revenue sizes is excellent.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) Interagency Small Institution Examination Procedures. Conclusions regarding the bank's lending performance were based on a review of the bank's key product lines, commercial loans and all residential real estate loans. The evaluation was based on all loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan/Application Register (LAR) between January 1, 2014 and December 31, 2015, and a sample of 55 small business loans originated between January 1, 2015 and December 31, 2015.

For evaluative purposes, the bank's performance of HMDA-related loans was compared to local demographic data using the U.S. Census 2010 five-year estimated American Community Survey (ACS) data, 2015 aggregate HMDA data, and 2015 Dun & Bradstreet (D&B) data. While conclusions regarding the bank's HMDA lending performance were evaluated for both years, only lending tables displaying 2015 loan data will be presented. For reference, the bank's 2014 lending data is available in Appendix A.

To supplement the evaluation, local community members were interviewed to gain an

understanding of local economic conditions, credit needs within the local communities, and lenders' responsiveness to the credit needs of the community.

DESCRIPTION OF INSTITUTION

The bank is wholly owned by Lawson Financial Corporation, a shell bank holding company. The bank is headquartered in Lawson, Missouri, which is approximately 40 miles northeast of Kansas City, Missouri. Lawson is a community with a population of approximately 2,423 individuals based on 2014 ACS data. In addition to its main office, the bank has three branches located in Gladstone, Excelsior Springs, and Kansas City, Missouri. Each of the four bank locations operates a full-service automated teller machine.

The analysis of the bank's CRA performance considered the bank's financial capacity, local economic conditions, market demographic factors, and competitive environment. The bank reported total assets of \$120.5MM, total loans of \$51.9MM, and total deposits of \$108.9MM on the December 31, 2015 Reports of Condition and Income. Commercial and residential real estate loans comprise the substantial majority of the bank's loan portfolio, at 91.2 percent. Table 1 provides the distribution of the bank's credit portfolio by loan product type.

Loan Type	Amount \$(000)	Percent of Total
Commercial	31,432	60.6
Residential Real Estate	15,872	30.6
Agricultural	2,883	5.6
Consumer	1,612	3.1
Other	114	0.1
Gross Loans	51,913	100.0

Based on the bank's product offerings, asset size, and financial condition, the bank has the ability to meet the credit needs of its AA. No financial or legal impediments exist that would negatively impact the institution's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at the prior CRA examination dated January 30, 2012, conducted by the Federal Deposit Insurance Corporation (FDIC).

DESCRIPTION OF THE BANK'S ASSESSMENT AREA¹

The bank delineated its AA to include Caldwell, Clay, Clinton, Jackson, Platte, and Ray Counties; all located in the Kansas City, Missouri-Kansas Metropolitan Statistical Area (MSA). The AA is comprised of 273 census tracts, including 48 low-, 72 moderate-, 86 middle-, and 61 upper-income census tracts, as well as the 6 census tracts with unknown income designations.

¹ Sources of economic and demographic data include the U.S. Bureau of Labor Statistics, 2015 FFIEC census data, Clay County Economic Development Council, and 2010 ACS data.

Population Trends and Characteristics

Overall, the AA's population presents a more mature and stable demographic profile, with 54.0 percent of the area residents between the ages of 25 to 64 years of age and moderate population growth. Based on 2010 ACS data, the population of the bank's AA was 1,039,080, which was an increase of approximately 7.8 percent from 2000 ACS data. The number of residents over the age of 65 is 12.3 percent of the population, which is slightly below the statewide Missouri average of 14.0 percent, but similar to the Kansas City, Missouri MSA average of 11.9 percent.

Income Characteristics

The AA is home to 263,898 families; of which, 42.5 percent are designated as LMI as presented in Table 2. The 2010 median family income (MFI) in the bank's AA was \$63,005, approximately 9.3 percent above the statewide Missouri MFI of \$57,661 and approximately 9.3 percent below the Kansas City, Missouri MSA MFI, of \$68,846. The AA percentage of families living below poverty is at 9.6 percent and is similar to the statewide Missouri average of 9.9 percent. Overall, the AA is more affluent than the state of Missouri, but less affluent than the Kansas City, Missouri MSA.

Economic and Employment Characteristics

A community contact indicated the local economy in the AA is strong, and employers are having a difficult time finding qualified employees. However, new training and educational programs are being created by local community colleges in the AA to ensure local residents have the opportunity to obtain the necessary skill set for the area's employers. According to the U.S. Bureau of Labor Statistics, the estimated annual average of unemployment for the bank's AA is 4.7 percent. Major industries in the area include educational services, manufacturing, school districts, and local government agencies. Largest employers in the area include Ford, Cerner (healthcare information technology), several major hospitals, North Kansas City School Districts (those school districts north of the Missouri River), and Harrah's Casino.

Housing Characteristics

Overall, there is a significant demand for single-family homes and affordable housing in the bank's AA. The AA contains approximately 464,838 housing units; of which, 58.9 percent are owner-occupied and 41.1 percent are either rental or vacant (30.0 percent rentals and 11.1 percent vacant units). Of the rental housing units, 45.4 percent were rented to those in low-income census tracts, and 38.9 percent were rented to moderate-income census tracts. The AA's median housing value as of the 2010 Census was \$140,968, which is slightly above the statewide Missouri average of \$137,700 and below the Kansas City, Missouri MSA average of \$158,603, resulting in a low affordability ratio² of 35.9 percent. A community

² The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

contact indicated there is a need for affordable housing in the AA, particularly in Clay County, Missouri. Another community contact indicated Clay County, Missouri, has 50.0 percent of its land area still undeveloped, which is prime land available for business and residential relocation. However, the contact stated that building affordable housing is difficult because most builders are unable to build a home for less than \$200,000 in the AA. In addition, a community contact indicated housing inventory is limited, and there is high demand for single-family homes in the AA. The median age of housing stock is older, at 40 years, only slightly above the state and Kansas City, Missouri MSA housing stock averages, of 35 years.

Table 2 demonstrates additional income, housing, and census tract characteristics for the bank's AA based on 2010 ACS data, 2015 FFIEC Census information, and 2015 D&B data.

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	48	17.6	26,931	10.2	8,603	31.9	62,382	23.6
Moderate	72	26.4	65,359	24.8	9,117	13.9	49,863	18.9
Middle	86	31.5	103,071	39.1	5,513	5.3	57,480	21.8
Upper	61	22.3	68,537	26.0	1,980	2.9	94,173	35.7
Unknown	6	2.2	0	0.0	0	0.0	0	0.0
Total AA	273	100.0	263,898	100.0	25,213	9.6	263,898	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	62,303	20,292	7.4	32.6	28,266	45.4	13,745	22.1
Moderate	132,872	62,998	23.0	47.4	51,705	38.9	18,169	13.7
Middle	167,915	111,790	40.9	66.6	43,297	25.8	12,828	7.6
Upper	101,738	78,579	28.7	77.2	16,400	16.1	6,759	6.6
Unknown	10	0	0.0	0.0	10	100.0	0	0.0
Total AA	464,838	273,659	100.0	58.9	139,678	30.0	51,501	11.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
				Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported
	#	%	#	%	#	%	#	%
Low	4,763	10.0	4,094	9.5	638	15.5	31	14.3
Moderate	11,801	24.9	10,521	24.4	1,229	30.0	51	23.5
Middle	17,096	36.1	15,785	36.6	1,217	29.7	94	43.3
Upper	13,669	28.8	12,635	29.3	995	24.3	39	18.0
Unknown	81	0.2	55	0.1	24	0.6	2	0.9
Total AA	47,410	100.0	43,090	100.0	4,103	100.0	217	100.0
Percentage of Total Businesses:				90.9		8.7		0.5

Based on 2010 ACS five-Year estimate, 2015 FFIEC census tract designations, and 2015 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its AA is considered satisfactory based on an evaluation of its 16-quarter average NLTD ratio. The bank originates a substantial majority of loans within its AA. The bank's geographic distribution of loans reflects reasonable dispersion throughout its AA. The penetration of loans to individuals of different income levels is reasonable, while the penetration of loans to businesses of different revenue sizes is excellent. Factors considered for this analysis included the bank's loan performance data, AA demographic characteristics, and feedback from members of the local community based on interviews.

The primary focus for the geographic and borrower distribution analyses in the following tables is the bank's percentage of lending by number of originations as opposed to dollar amount, to better assess the number of affected borrowers. While dollar amount is evaluated, the dollar amount is sometimes skewed as borrowers with more income and/or revenues require and are able to access higher loan amounts. The bank's home improvement and multifamily loans were not considered in the bank's evaluation due to limited volume and loan activity. In addition, the following lending tables only reflect 2015 data, with 2014 loan data considered for performance context and displayed in Appendix A.

Net Loan-to-Deposit Ratio:

This criterion utilizes the bank's average NLTD ratio to evaluate the reasonableness of its lending in light of its capacity to lend, availability of lending opportunities, and demographic and economic factors present in the AA.

The bank's NLTD ratio is considered reasonable given the bank's size, financial condition, competition, and current local economic conditions. The bank's 16-quarter average NLTD ratio of 45.7 percent was below three similarly-situated institutions and comparable to one similarly-situated institution. The competitor banks located throughout the AA had average NLTD ratios ranging from 51.3 percent to 72.7 percent over the same time period. The bank operates in an extremely competitive environment, as there are 138 institutions with headquarters or branches in the AA that hold \$48 billion in FDIC-insured deposits. The number of institutions has increased approximately 70.4 percent since the last CRA evaluation, resulting in an additional 57 institutions competing in the area and an increase of \$20 billion of FDIC-insured deposits. According to the June 30, 2015 FDIC Market Share Report, the bank ranked 57th (down from 27th from the prior examination) in the AA based on deposits and has 0.23 percent of the market share (down from 0.53 percent of market share from the prior examination). While the bank's average NLTD ratio is well below three of four of its peers, it is still considered reasonable due to competitive factors, particularly in Clay County. In interviews, bank management attributed the bank's decline in loans since the last examination to significant competition among area financial institutions.

Assessment Area Concentration:

This criterion evaluates the bank’s concentration of lending within its AA. Table 3 illustrates that a substantial majority of the bank’s loans were made within its AA. Of the 83 loans sampled, 92.8 percent by number and 79.8 percent by dollar amount were originated within the bank’s AA. Only loans originated within the AA were considered for the remaining analysis.

TABLE 3 LENDING INSIDE AND OUTSIDE THE BANK'S AA								
Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Home Purchase	11	1,094	100.0	100.0	0	0	0.0	0.0
Home Refinance	11	2,225	100.0	100.0	0	0	0.0	0.0
Home Improvement	2	18	50.0	39.1	2	28	50.0	60.9
Multifamily	2	650	100.0	100.0	0	0	0.0	0.0
Total HMDA-related	26	3,987	92.9	99.3	2	28	7.1	0.7
Small Business	51	9,354	92.7	73.6	4	3,350	7.3	26.4
Total Loans	77	13,341	92.8	79.8	6	3,378	7.2	20.2

Distribution by Income Level of Geographies:

This criterion evaluates the bank’s distribution of loans among geographies of various income levels, with emphasis placed on lending in the LMI geographies.

Overall, the bank’s geographic distribution of HMDA-related and small business loans is considered reasonable. The HMDA-related loans were compared to the percentage of owner-occupied units located in each geographic income category as well as the performance of other lenders who reported HMDA data (aggregate lenders). The bank’s small business loans were compared to the percentage of small businesses in each geographic income area.

It is important to note the Missouri River is a natural geographic boundary that separates the bank’s closest branch (approximately 5 miles away) from low-income census tracts in the AA. While two major highways, I-29 and I-435, allow passage over the Missouri River, the natural geographic boundary does hinder the bank’s efforts in low-income census tracts.

Table 4 displays the bank’s geographic HMDA-related lending performance, while Table 5 shows the bank’s geographic distribution of small business lending, both of which are compared to other HMDA or CRA lenders and relevant demographic data.

Total Home Mortgage Loans

The geographic distribution of the bank’s 2015 HMDA-reportable loans is considered reasonable. The bank’s lending in the low-income census tract was above aggregate lenders, at 3.8 percent by number (4.4 percent by dollar amount), and below the percentage of owner-occupied units in the tract, at 7.4 percent. The bank’s lending in the moderate-income census tracts, at 19.2 percent by number (23.6 percent by dollar amount), exceeded aggregate

lenders but was slightly below the percentage of owner-occupied units, at 23.0 percent, for the tract. The bank's lending in middle-income census tracts exceeded both aggregate lenders and the percentage of owner-occupied units. The bank's percentage of lending in the upper-income census tracts, at 11.5 percent (11.9 percent by dollar amount), was below aggregate lenders and the percentage of owner-occupied units, at 40.4 percent (49.0 percent by dollar amount) and 28.7 percent, respectively. 2014 performance was similar, with the exception of the bank not originating any loans in low-income census tracts, compared to one loan being originated in a low-income census tract in 2015.

Home Purchase Loans

The geographic distribution of the bank's home purchase loans reflects a reasonable dispersion throughout the Kansas City, Missouri MSA AA. The bank made no home purchase loans in low-income census tracts. As discussed, a natural geographic boundary limits the bank's ability to effectively penetrate low-income geographies. The bank's lending in moderate-income census tracts exceeded aggregate lenders by both number and dollar amount, but trailed the percentage of owner-occupied units. The bank's home purchase loans in 2014 revealed a consistent trend.

Refinance Loans

The geographic distribution of the bank's refinance loans reflects a reasonable dispersion throughout the Kansas City, Missouri MSA AA. The bank's geographic distribution of refinance loans made in low-income geographies exceeded aggregate lenders and demographic data by both number and dollar amount, although the bank's performance is based on only one loan. The bank's lending in moderate-income geographies was slightly below aggregate lenders by number and above aggregate lenders by dollar amount.

**TABLE 4
DISTRIBUTION OF 2015 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY
LAWSON BANK 2015 ASSESSMENT AREA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner- Occupied Units ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	1	176	3.8	4.4	2.4	3.1	7.4
Moderate	5	941	19.2	23.6	16.3	12.7	23.0
Middle	17	2,394	65.4	60.0	40.8	35.2	40.9
Upper	3	476	11.5	11.9	40.4	49.0	28.7
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	26	3,987	100.0	100.0	100.0	100.0	100.0
Home Purchase Loans							
Low	0	0	0.0	0.0	2.3	1.7	7.4
Moderate	2	152	18.2	13.9	17.0	11.1	23.0
Middle	7	587	63.6	53.7	40.4	35.6	40.9
Upper	2	355	18.2	32.4	40.3	51.6	28.7
Unknown ³	0	0	0.0	0.0	0.0	0.1	0.0
Total	11	1,094	100.0	100.0	100.0	100.0	100.0
Home Refinance Loans							
Low	1	176	9.1	7.9	2.2	1.5	7.4
Moderate	1	291	9.1	13.1	14.7	9.7	23.0
Middle	8	1,637	72.7	73.6	41.6	35.7	40.9
Upper	1	121	9.1	5.4	41.5	52.9	28.7
Unknown ³	0	0	0.0	0.0	0.0	0.1	0.0
Total	11	2,225	100.0	100.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	4.2	2.1	7.4
Moderate	1	3	50.0	16.7	20.3	11.5	23.0
Middle	1	15	50.0	83.3	40.1	37.6	40.9
Upper	0	0	0.0	0.0	35.3	48.7	28.7
Unknown ³	0	0	0.0	0.0	0.1	0.1	0.0
Total	2	18	100.0	100.0	100.0	100.0	100.0
Multifamily Loans							% of Multifamily Units²
Low	0	0	0.0	0.0	29.5	18.6	20.8
Moderate	1	495	50.0	76.2	32.9	34.4	35.0
Middle	1	155	50.0	23.8	28.8	29.8	28.1
Upper	0	0	0.0	0.0	8.9	17.3	16.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	2	650	100.0	100.0	100.0	100.0	100.0

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

2 Based on 2010 ACS five-year estimate data and 2015 FFIEC census tract designations.

3 Only includes loans with unreported geocode information. Does not include loans in tracts where the income category is 'unknown', which is 0.0 percent for the bank and 0.1 percent for aggregate.

(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The geographic distribution of small business loans reflects a reasonable penetration in the bank's AA. The bank's geographic distribution of small business loans made in low-income geographies is below percentages of businesses in the area and below aggregate lenders by both number and dollar amount. Again, the Missouri River serves as a natural geographic boundary which limits the bank's lending to geographies located in low-income census tracts. The bank's lending in moderate-income geographies exceeds the percentage of businesses in the area and other CRA reporters by both number and dollar amount.

**TABLE 5
DISTRIBUTION OF 2015 SMALL BUSINESS LOANS
BY INCOME LEVEL OF GEOGRAPHY
LAWSON BANK 2015 ASSESSMENT AREA**

Census Tract Income Level	Small Business Loans ¹				Aggregate CRA Data ²		% of Businesses ³
	#	\$(000)	#%	\$%	#%	\$%	
Low	3	617	5.9	6.6	9.0	10.6	9.5
Moderate	14	2,869	27.5	30.7	23.1	26.5	24.4
Middle	21	3,042	41.2	32.5	34.5	33.9	36.6
Upper	13	2,827	30.2	30.2	31.9	28.3	29.3
Unknown ³	0	0	0.0	0.0	0.1	0.1	0.1
Tract Unknown ⁴	0	0	0.0	0.0	1.4	0.5	0.0
Total	51	9,354	100.0	100.0	100.0	100.0	100.0

1 Aggregate loan data reflects all small business loan originations in the bank's AA reported by all CRA filers. CRA data reports only business loans in amounts of \$1MM or less.

2 The percentage of businesses by tract is based on 2015 D&B data and 2015 FFIEC census tract designations.

3 Does not include loans in tracts where the income level is unknown, which is 1.4 percent by number and 0.5 percent by dollar. Only includes loans with no tract location reported.

(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

4 Tract unknown according to D&B data for 2015.

Distribution by Borrower Income and Revenue Size of the Businesses:

This criterion evaluates the bank's lending to borrowers of different income levels, particularly LMI individuals, and the bank's lending to businesses of different revenue sizes, particularly those with gross annual revenues of \$1MM or less.

Overall, the bank's lending to borrowers of different income levels is considered reasonable, while its lending to businesses of different revenue sizes is considered excellent.

Total Home Mortgage Loans

The borrower distribution by different income levels is considered reasonable for the bank's total home mortgage loans. Borrower income was unknown for 12 of the 26 total home loans, resulting in an analysis of only 14 of the 26 total home mortgage loans. The bank's lending to borrowers of different income levels remains reasonable, as half of the total home mortgage loans were made to LMI borrowers. The bank's lending to middle- and upper-income borrowers was below aggregate lender and demographic data both by number and dollar

amount. The bank's lending performance in 2014 revealed a consistent lending trend.

Home Purchase Loans

The distribution of home purchase loans in the bank's AA reveals a reasonable distribution of loans to borrowers of different income levels based on the amount of loans available for analysis. Borrower income was unknown for three of the 11 home purchase loans, resulting in only eight home purchase loans used in this analysis. No home purchase loans were made to low-income borrowers. Three of the eight home purchase loans (37.5 percent) were made to moderate-income borrowers. The bank's lending to moderate-income borrowers exceeded the percentage of families and aggregate lenders both by number and dollar amount. The bank made no home purchase loans to middle-income borrowers, which is below aggregate lenders and below the percentage of families. The bank's percentage of loans by both number and dollar amount to upper-income borrowers exceeded aggregate lenders and demographic data.

Refinance Loans

The borrower distribution by different income levels is considered reasonable for the bank's refinance product, based on a limited volume of loans. Borrower income was unknown for seven of the bank's 11 refinance loans resulting in only four loans used in this analysis. 50.0 percent (two of the four refinance loans) of the loans used in this analysis were to low-income borrowers. No refinance loans were made to moderate-income borrowers. The remaining two refinance loans were made to middle-income borrowers. No refinance loans were made to upper-income borrowers.

**TABLE 6
DISTRIBUTION OF 2015 HMDA LOANS BY BORROWER INCOME LEVELS
LAWSON BANK 2015 ASSESSMENT AREA**

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans³							
Low	3	470	11.5	11.8	10.0	5.0	23.6
Moderate	4	248	15.4	6.2	19.1	13.1	18.9
Middle	2	158	7.7	4.0	20.6	17.9	21.8
Upper	5	524	19.2	13.1	29.1	36.6	35.7
Unknown	12	2,587	46.2	64.9	21.2	27.4	0.0
Total	26	3,987	100.0	100.0	100.0	100.0	100.0
Home Purchase Loans							
Low	0	0	0.0	0.0	11.7	6.5	23.6
Moderate	3	233	27.3	21.3	21.9	16.8	18.9
Middle	0	0	0.0	0.0	21.4	21.2	21.8
Upper	5	524	45.5	47.9	28.0	39.6	35.7
Unknown	3	337	27.3	30.8	17.0	15.9	0.0
Total	11	1,094	100.0	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	2	467	18.2	21.0	7.4	3.9	23.6
Moderate	0	0	0.0	0.0	15.0	10.5	18.9
Middle	2	158	18.2	7.1	19.5	17.1	21.8
Upper	0	0	0.0	0.0	30.5	40.4	35.7
Unknown	7	1,600	63.6	71.9	27.7	28.1	0.0
Total	11	2,225	100.0	100.0	100.0	100.0	100.0
Home Improvement Loans							
Low	1	3	50.0	16.7	9.1	3.9	23.6
Moderate	1	15	50.0	83.3	17.5	12.2	18.9
Middle	0	0	0.0	0.0	23.5	20.8	21.8
Upper	0	0	0.0	0.0	36.8	51.1	35.7
Unknown	0	0	0.0	0.0	13.2	11.9	0.0
Total	2	18	100.0	100.0	100.0	100.0	100.0
Multifamily Loans							
Low	0	0	0.0	0.0	0.0	0.0	23.6
Moderate	0	0	0.0	0.0	0.0	0.0	18.9
Middle	0	0	0.0	0.0	0.0	0.0	21.8
Upper	0	0	0.0	0.0	0.0	0.0	35.7
Unknown	2	650	100.0	100.0	100.0	100.0	0.0
Total	2	650	100.0	100.0	100.0	100.0	100.0

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
2 Based on 2010 ACS five-year estimate data and 2015 FFIEC census tract designations.
3 Multifamily loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

Overall, small business lending reflects excellent penetration among businesses of different revenue sizes. In 2015, the bank exceeded demographic data and aggregate lenders, having originated 100.0 percent by number and 100.0 percent by dollar amount of loans to businesses with annual revenues of \$1MM or less.

TABLE 7 DISTRIBUTION OF 2015 BUSINESS LOANS BY REVENUE SIZE LAWSON BANK 2015 ASSESSMENT AREA							
Business Revenue by Size¹	Bank Loans				Aggregate CRA Data²		% of Businesses³
	#	\$(000s)	#%	\$%	#%	\$%	
\$1MM or less	51	9,354	100.0	100.0	45.5	31.9	90.9
Over \$1MM	0	0	0.0	0.0	Not Reported		8.7
Not Known	0	0	0.0	0.0			0.5
Total	51	9,354	100.0	100.0			100.0

1 CRA defines small business loans in the amount of \$1MM or less.
 2 Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.
 3 The percentage of businesses in the AA is based on 2015 D&B data.
 (NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No signs of discrimination were identified. Furthermore, the bank has not engaged in any other illegal credit practices inconsistent with helping to meet community credit needs.

COMMUNITY REINVESTMENT ACT APPENDIX A

TABLE A – 1 DISTRIBUTION OF 2014 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY LAWSON BANK 2014 ASSESSMENT AREA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Owner- Occupied Units ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans							
Low	0	0	0.0	0.0	3.0	4.6	7.4
Moderate	5	295	15.6	9.1	37.7	30.4	23.0
Middle	24	2,261	75.0	69.5	25.4	15.6	40.9
Upper	3	696	9.4	21.4	14.5	19.2	28.7
Unknown ³	0	0	0.0	0.0	0.1	0.1	0.0
Total	32	3,252	100.0	100.0	100.0	100.0	100.0
Home Purchase Loans							
Low	0	0	0.0	0.0	2.3	1.6	7.4
Moderate	2	61	12.5	4.1	16.4	10.3	23.0
Middle	12	1,152	75.0	77.9	41.4	36.1	40.9
Upper	2	265	12.5	17.9	39.8	52.0	28.7
Unknown ³	0	0	0.0	0.0	0.1	0.0	0.0
Total	16	1,478	100.0	100.0	100.0	100.0	100.0
Home Refinance Loans							
Low	0	0	0.0	0.0	3.5	2.4	7.4
Moderate	3	234	33.3	23.7	18.2	12.1	23.0
Middle	6	755	66.7	76.3	41.6	37.8	40.9
Upper	0	0	0.0	0.0	36.6	47.6	28.7
Unknown ³	0	0	0.0	0.0	0.1	0.1	0.0
Total	9	989	100.0	100.0	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0	0.0	0.0	6.2	3.1	7.4
Moderate	0	0	0.0	0.0	18.4	12.5	23.0
Middle	5	194	100.0	100.0	39.7	36.9	40.9
Upper	0	0	0.0	0.0	35.6	47.2	28.7
Unknown ³	0	0	0.0	0.0	0.1	0.3	0.0
Total	5	194	100.0	100.0	100.0	100.0	100.0
Multifamily Loans							% of Multifamily Units²
Low	0	0	0.0	0.0	22.5	34.9	20.8
Moderate	0	0	0.0	0.0	37.7	30.4	35.0
Middle	1	160	50.0	27.1	25.4	15.6	28.1
Upper	1	431	50.0	72.9	14.5	19.2	16.1
Unknown ³	0	0	0.0	0.0	0.0	0.0	0.0
Total	2	591	100.0	100.0	100.0	100.0	100.0

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
2 Based on 2010 ACS five-year estimate data and 2014 FFIEC census tract designations.
3 Only includes loans with unreported geocode information. Does not include loans in tracts where the income category is 'unknown', which is 0.0 percent for the bank and 0.1 percent for aggregate.

TABLE A – 2
DISTRIBUTION OF 2014 HMDA LOANS BY BORROWER INCOME LEVELS
LAWSON BANK 2014 ASSESSMENT AREA

Borrower Income Level	Bank Loans				Aggregate HMDA Data ¹		% of Families ²
	#	\$(000)	#%	\$%	#%	\$%	
Total Home Mortgage Loans³							
Low	4	235	12.5	7.2	10.5	5.2	23.6
Moderate	5	255	15.6	7.8	20.2	13.9	18.9
Middle	2	170	6.3	5.2	20.5	18.0	21.8
Upper	11	1,091	34.4	33.5	28.2	36.0	35.7
Unknown	10	1,501	31.3	46.2	20.6	26.9	0.0
Total	32	3,252	100.0	100.0	100.0	100.0	100.0
Home Purchase Loans							
Low	1	108	6.3	7.3	11.5	6.0	23.6
Moderate	2	47	12.5	3.2	22.4	16.7	18.9
Middle	0	0	0.0	0.0	20.8	20.6	21.8
Upper	6	706	37.5	47.8	27.2	39.7	35.7
Unknown	7	617	43.8	41.7	18.1	17.0	0.0
Total	16	1,478	100.0	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	2	85	22.2	8.6	8.8	4.9	23.6
Moderate	2	175	22.2	17.7	16.8	12.1	18.9
Middle	2	170	22.2	17.2	20.2	17.6	21.8
Upper	2	266	22.2	26.9	29.6	38.2	35.7
Unknown	1	293	11.1	29.6	24.5	27.1	0.0
Total	9	989	100.0	100.0	100.0	100.0	100.0
Home Improvement Loans							
Low	1	42	20.0	21.6	10.2	5.4	23.6
Moderate	1	33	20.0	17.0	17.4	13.7	18.9
Middle	0	0	0.0	0.0	21.1	20.9	21.8
Upper	3	119	60.0	61.3	34.9	46.3	35.7
Unknown	0	0	0.0	0.0	16.4	13.7	0.0
Total	5	194	100.0	100.0	100.0	100.0	100.0
Multifamily Loans							
Low	0	0	0.0	0.0	0.0	0.0	23.6
Moderate	0	0	0.0	0.0	0.0	0.0	18.9
Middle	0	0	0.0	0.0	0.0	0.0	21.8
Upper	0	0	0.0	0.0	0.0	0.0	35.7
Unknown	2	591	100.0	100.0	100.0	100.0	0.0
Total	2	591	100.0	100.0	100.0	100.0	100.0

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

2 Based on 2010 five-year estimate data and 2014 FFIEC census tract designations.

3 Multifamily loans are not considered in the Borrower Analysis.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)