



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 27, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas Premier Bank, National Association
Charter Number 18148**

**4821 South Front
Brookshire, Tx. 77423**

**Comptroller of the Currency
Assistant Deputy Comptroller - Houston West
1301 McKinney Street, Suite 3410
Houston, Tx. 77010**

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.

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INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING

This institution is rated “Satisfactory.”

Texas Premier Bank, National Association (Texas Premier) is responsive to the credit needs of its community including small businesses and low- and moderate-income individuals in the bank’s assessment area. The following factors support this conclusion:

- The loan-to-deposit ratio exceeds the standard for satisfactory performance. The ratio has averaged 83.55% since the prior examination and exceeds a peer group average ratio.
- Texas Premier’s lending in the assessment area meets the standards for satisfactory performance with a majority of loans granted in the assessment area.
- Lending to small businesses is at a reasonable level, and the geographic distribution of these loans is acceptable.

DESCRIPTION OF INSTITUTION

Texas Premier is a \$64 million full service bank headquartered in Brookshire, Texas opened in 1984. It is approximately forty miles west of downtown Houston in southern Waller County in a moderate-income census tract. The first branch was opened approximately ten miles east of the main office in Katy, Texas in March 1994. This location is in a middle income census tract in Fort Bend County. Texas Premier opened a second branch facility in the Galleria area of Houston, Texas approximately thirty miles east of the main office in July 1997. This branch is in an upper income census tract in Harris County. The bank has not closed any branches since the prior examination. The bank is not a subsidiary of a holding company. In addition, the bank does not have any legal or financial circumstances impeding the bank’s ability to help meet the credit needs in its assessment area. There have not been any changes in the bank’s corporate structure since the prior evaluation.

Banking hours are reasonable and meet community needs with lobby hours Monday through Friday and extended lobby hours on Friday till 6:00 PM at the Brookshire and Katy locations and 5:00 PM at the Houston Galleria location. Saturday Drive-In banking is offered from 8:00 AM until 12:30 PM at Brookshire and Katy. The Houston location does not have a Drive-In facility. Automated Teller Machines are located in Katy, Houston, and Christus Saint Catherine Hospital.

The bank is primarily a commercial lender. At March 31, 2003, loans were 80% of total assets of approximately \$64 million. The loan portfolio composition is displayed in the table below:

Loan Category	\$ (000)	%
Commercial Loans	\$15,963	31.03%
Commercial Real Estate Loans	\$8,660	16.84%
Residential Real Estate Loans	\$8,645	16.81%
Construction, Land Development	\$7,495	14.57%
Consumer Loans	\$6,223	12.10%
Agriculture and Farmland Loans	\$3,795	7.37%
Other Loans	\$658	1.28%
Total	\$51,439	100.00%

In addition to the loan products above, the bank offers a full range of deposit products including twenty-four hour depositories and telephone banking. Significant variances do not exist between locations.

Texas Premier obtained a “Satisfactory “ rating in the prior CRA evaluation dated November 13, 1998.

DESCRIPTION OF WALLER, FORT BEND, AND HARRIS COUNTIES

Texas Premier’s three county assessment area meets the requirements of the regulation.

Brookshire and Pattison are the two cities served most by the bank in southern Waller County. Brookshire was incorporated in 1946 as an agricultural community. Pattison was settled in 1839, organized in 1877, and incorporated in 1972. Combined population is slightly more than 3,300. Access to Interstate 10 and Houston, Texas is close. Both cities are approximately 20 miles from the county seat of Waller County in Hempstead. The area is part woodland, part prairie, and receives its economic support largely from farming, ranching, and transportation dependent industries. Competition from other financial institutions is limited. One branch of a large bank is located in Brookshire. The immediate area does not have any large, major employers but does have several small manufacturing facilities and small commercial businesses offering employment opportunities.

Fort Bend County is adjacent to Waller County and is one of the most affluent and fastest growing regions of the Houston metropolitan area. Over 37 planned communities in Fort Bend are announced, under construction, or nearly complete with an average new home sales price of \$183 thousand. Population growth was 8.1% from 2001 to 2002 with an estimated total population of 387 thousand in the county. Projections for 2020 predict a doubling of the population. In addition, projections for 2003 predict a 3.8% population growth, 1.9% job growth, and unemployment of 4.0%. Major employers include Fort Bend Independent School District, Fluor Corporation, Lamar Independent School District, Unolocal Corporation, Schlumberger Company, Texas Department of Criminal Justice, and Fort Bend County. Katy, Texas is at the center of the three county assessment area in Fort Bend County. Katy was

settled in 1875 and formally incorporated in 1945. It is historically an agriculture area with rice as the major crop. Soybeans have become an alternative crop in recent years. Katy is the site of one of the largest gas fields in the early 1940s adding greatly to the economy of the area. Recently, industrial sites and numerous retail businesses and housing additions have expanded the economy as is characteristic of the rest of Fort Bend County. Major employers close to Katy include BP Petroleum, ConocoPhillips, and Exxon Chemical Company. In addition, Katy Mills Mall is located very close to the branch, and it is the third largest shopping center in the Houston area. Chamber of Commerce information indicates per capita income is 50% above national and state levels and at least 24% above neighboring counties. The Katy Independent School District is the fastest growing district in the Houston metro area with total enrollment expected to exceed 66,000 students by 2010. Competition from other financial institutions is significant. The Chamber of Commerce lists twenty-one financial institutions in the immediate Katy area. A community contact, a local Chamber of Commerce leader, stated that more commercial businesses (of any type) are needed in the area. Other needs include workers for small businesses and a bus transportation system to transport those workers. Further, opportunities for small business and home lending are unlimited. The contact stated most small business financing in the area is from small community banks.

Houston is Harris County's largest city, and it is the fourth largest city in the nation. Current population in Harris County is estimated to be 4.4 million in 2003. Local banking competition is significant and includes affiliates of large national banking companies, regional banks, numerous small community banks, credit unions, and non-bank financial service providers. Major employers with 10% or more of the employees include Wal-Mart Stores, Inc., Continental Airlines, Administaff, ExxonMobil Corporation, Halliburton Company, The Kroger Company, Memorial Hermann Healthcare System, McDonald's Corporation, University of Texas M.D. Anderson Cancer Center, and Hewlett-Packard. Although these are the major employers by number of employees, the leading industries are (1) construction of buildings, (2) architectural, engineering, and (3) related services. Behind these three, the next largest industries are services to buildings and dwellings, building equipment contractors, and next, oil and gas extraction. The jobless rate is just below 6%. Residential housing permitting has been booming but is expected to slow down in 2003. House price appreciation is expected to remain depressed through 2003. Further, population growth is expected to slow over the next two years, which should slow the demand for housing.

Houston is first in the nation for foreign shipping tonnage, and second for domestic shipping. Petroleum products and industrial machinery account for over 35% of Texas sea exports and have led the export boom. Houston's downtown commercial real estate market is feeling the current downturn in the economy. Houston is dealing with a national recession, ongoing consolidation in local financial service and energy industries, Enron related energy trading crash, and almost 1 million square feet of office space that became available in 2002.

Combined assessment area information reflects family income levels and percentages as low income (22%), moderate income (16.5%), middle income (20.3%), and upper income (40.8%). The following information is from Demographic Data found on a CRA Wiz report for the entire assessment area:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	773,673
Number of Households	1,105,771
<i>Geographies</i>	
Number of Census Tracts	639
% Low-Income Census Tracts (75)	11.74%
% Moderate-Income Census Tracts (186)	29.11%
% Middle-Income Census Tracts (191)	29.89%
% Upper-Income Census Tracts (172)	26.92%
% N/A Income Census Tracts (15)	2.35%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$40,031
2001 HUD-Adjusted Median Family Inc.	\$58,500
2002 HUD-Adjusted Median Family Inc.	\$59,600
<i>Economic Indicators</i>	
Unemployment Rate	3.58%
1990 Median Housing Value	\$75,243
% of Households Below Poverty Level	13.39%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio exceeds the standards for satisfactory performance. The quarterly loan-to-deposit ratio data since the prior examination has averaged 83.55%.

Texas Premier was compared to a peer group of twenty-one community financial institutions in Waller, Fort Bend, and Harris Counties with assets of less than \$150 million. Of this group of twenty-one, nine or 43% including Texas Premier had loan-to-deposit ratios in excess of 80% at December 31, 2002. The loan-to-deposit ratios for this peer group ranges from a low of 19.45% (newly chartered bank) to a high of 120.20% at December 31, 2002. A comparison is:

Institution	Assets (December 31, 2002) (000's)	LTD Ratio Average
Peer Group	<\$150,000	71.87%
<i>Texas Premier Bank</i>	\$64,443	85.41%

Texas Premier originated one qualified community development loan in its assessment area during the evaluation period. The loan was to the Pattison Water Supply for a new water well and pump station. Pattison is near the main location in Brookshire, and its location is in a moderate-income census tract.

Lending in Assessment Area

Texas Premier meets the standards for satisfactory performance both in number (88%) and dollar amount (79%) of loan originations. The analysis included 21 commercial loans, 27 commercial real estate loans, and 27 residential real estate loans. Performance in each category is shown in the following table:

TOTAL LOANS REVIEWED (November 15, 1998 through May 28, 2003)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial	20	95.24	759	97.43	1	4.76	20	2.57
Commercial Real Estate	22	81.48	5,861	78.76	5	18.62	1,580	21.24
Residential Real Estate	24	88.89	2,572	74.85	3	11.11	864	25.15
Total Reviewed	66	88.00	9,192	78.86	9	12.00	2,464	21.14

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

Lending to small businesses and borrowers of different income levels meets the standard for satisfactory performance. Lending is focused on small business, and this was identified as a primary need during a community contact as discussed earlier.

We choose the bank's three largest primary loan products for our review. They were commercial loans, commercial real estate loans, and residential real estate loans.

The largest primary loan product, commercial loans, is presented first. For these loans, 2002 Dun and Bradstreet information on businesses in the assessment area was used for comparison. An initial sample of 20 commercial loans was reviewed. The sample yielded results that differed from the demographic characteristics of the assessment area. Results of that sample are reflected in the following table:

BORROWER DISTRIBUTION OF COMMERCIAL LOANS (January 1, 2002 through May 28, 2003)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	91.34%	8.66%
% of Bank Loans in AA #	45.00%	55.00%
% of Bank Loans in AA \$	29.94%	70.06%

Discussions with management revealed the sample of 20 loan originations was not characteristic of the bank's lending to small business borrowers. Management provided business revenue information on all commercial loan borrowers in the assessment area with loans originated since the prior November 13, 1998 CRA evaluation. Since that time, loans were originated to 103 commercial business borrowers with 74 (72%) of those commercial borrowers having revenues equal to or less than \$1 million. The remaining 29 (28%) of the commercial borrowers had revenues greater than \$1 million. Further discussions with management revealed that of the 29 commercial borrowers, many were longtime customers of the bank whose revenues had grown to over \$1 million over the years but who started as small business customers of the bank. The additional analysis shows the bank's lending to small business borrowers is acceptable.

The next category reviewed was commercial real estate. Of the 27 commercial real estate loans originated since the prior CRA evaluation, 22 loans with a total amount of \$5,860,722 were granted in the assessment area. We compared these loans to Dun and Bradstreet 2002 information. Results of that comparison are shown in the table below:

BORROWER DISTRIBUTION OF COMMERCIAL REAL ESTATE LOANS (November 14, 1998 through May 28, 2003)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	91.34%	8.66%
% of Bank Loans in AA #	68.18%	31.82%
% of Bank Loans in AA \$	53.17%	46.83%

Although below the characteristics of the assessment area, the borrower distribution of commercial real estate loans is considered acceptable. Discussions with management revealed many borrowers were longtime bank customers whose revenues have grown to over \$1 million annually over the years.

For the residential real estate review, all loans granted in 2001, 2002, and 2003 listed on the Home Mortgage Disclosure Act Loan Application Register for personal residences were reviewed. This was a total of 24 loans with dollar amount of \$2,572,000. The results of that review follow:

RESIDENTIAL REAL ESTATE (January 1, 2001 through May 28, 2003)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	22.4%		16.5%		20.3%		40.8%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	4.17%	4.86%	12.50%	3.30%	8.33%	2.72%	75.00%	89.11%

Although below the income characteristics of the assessment area, Texas Premier did not have a lack of originations in the low-income category. For moderate-income borrowers, the bank's number of loans originated approximates the characteristics of the assessment area. Overall, the bank's performance is adequate considering opportunities are limited in lending to low- and moderate-income borrowers, especially low-income, in residential real estate. There is a limited number of owner occupied properties (see Geographic Distribution for additional information), and the bank's branches are not close to low-income census tracts further limiting opportunities for lending.

Geographic Distribution of Loans

The geographic distribution of loans meets the standards for satisfactory performance.

The same primary loan products were chosen for geographic distribution that were used for lending to borrowers of different incomes and to businesses of different sizes.

For the borrower geographic distribution of commercial and commercial real estate loans to businesses, a comparison to 2002 Dun and Bradstreet information was used to analyze. Geographic distribution is satisfactory overall for these two products. The analysis included 20 commercial loans (\$758,980) and 22 commercial real estate loans (\$5,860,722) originated in the assessment area. Although no loans were granted in low-income census tracts, the bank's lending in moderate-income census tracts significantly exceeds the characteristics of the assessment area. Lending in low-income census tracts is limited because none of the bank's branches are located in or near low-income tracts. Texas Premier's performance is reflected in the following table:

BUSINESS LOANS (November 14, 1998 through May 28, 2003)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	5.94%		25.04%		30.77%		38.25%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Commercial	0.00%	0.00%	45.00%	44.32%	25.00%	35.69%	30.00%	19.99%
Commercial Real Estate	0.00%	0.00%	36.36%	30.91%	36.36%	35.82%	27.27%	33.27%
Totals	0.00%	0.00%	40.48%	32.45%	30.95%	35.81%	28.57%	31.74%

For residential real estate, the analysis included all loans granted to individuals as recorded on the Home Mortgage Disclosure Act Loan Application Register for 2001, 2002, and 2003, a total of 24 loans with a dollar amount of \$2,672,000 originated in the assessment area. These loans were compared to owner occupied units in the census tracts as determined by census information. The table below illustrates that lending opportunities are limited in low-income census tracts because of a low percentage of owner occupied homes. In addition, none of the bank's branches are located close to low-income census tracts. Although no loans were granted in low-income tracts, Texas Premier's lending in moderate-income tracts is similar to the tract characteristics for the number of loans. Overall, lending in residential real estate is satisfactory. The following table summarizes the bank's performance:

RESIDENTIAL REAL ESTATE (January 1, 2001 through May 28, 2003)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	5.26%		21.38%		32.69%		40.67%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0.00%	0.00%	20.83%	7.81%	8.33%	5.75%	70.83%	86.43%

Responses to Complaints

There were no complaints relating to the bank's CRA performance made since the last CRA evaluation.

Fair Lending Review

An analysis of four years of public comments, consumer complaint information, and Home Mortgage Disclosure Act information was performed according to the Comptroller of the Currency's risk based fair lending approach. Based on its analysis of the information, the Comptroller of the Currency decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

Other Information

The bank grants other loans in the ordinary course of business that do meet the regulatory definition of a Community Development Loan that benefit the community as a whole. For example, officers have granted loans to churches where the membership appears to be predominantly low- and moderate-income in this evaluation period. Officers also granted a loan to a volunteer emergency ambulance service that serves all income levels in the Brookshire - Pattison area in the prior evaluation period, but the loan is still active on the bank's books.