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Public Disclosure

April 10, 2000

Community Reinvestment Act Performance Evaluation

**Republic National Bank
Charter Number: 23675**

**6809 FM 1960 West
Houston, Texas 77069**

**Office of the Comptroller of the Currency
Houston Field Office
1301 McKinney Street, Suite 3750
Houston, Texas 77010**

NOTE: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Republic National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 10, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated *satisfactory*.

Republic National Bank has a *satisfactory* record of meeting credit needs within the community. The bank meets the factors considered to assign the rating as evidenced by:

- ! A loan-to-deposit ratio that meets the standards for satisfactory performance;
- ! A majority of loan originations within the bank's assessment area;
- ! A reasonable distribution of loan originations to borrowers of different income levels and businesses of different sizes; and,
- ! A reasonable geographic distribution of loan originations within the assessment area.

Description of Institution

As of March 31, 2000, Republic National Bank has total assets of \$132 million serving its customers through four locations, all with drive-in facilities and an automated teller machine. The bank began operations on November 13, 1998. The main office is in Harris County at 6809 FM 1960 West in Houston, Texas. All three branches are located in Harris, County, Texas. The address of the branches are: 1055 FM 1960 West, Houston, Texas 77090; 4200 Westheimer #101, Houston, Texas 77027; and 10301 Katy Freeway, Houston, Texas 77024. The bank is not part of a holding company. Hours of operation are reasonable and similar to surrounding financial institutions. The bank offers a diverse range of commercial and consumer products and services.

Net loans at March 31, 2000 were \$97 million and represented 73 percent of total assets. The bank is primarily a commercial lender. The following table reflects lending per the Consolidated Reports of Condition and Income for March 31, 2000.

Table 1

Loan Category	Dollar Amount (In 000's)	Percentage
Commercial and Commercial Real Estate	69,280	70%
1 - 4 Family Residential	11,878	12%
Consumer	10,640	11%
Construction and Land Development	5,992	6%
All Other	681	1%
Total Loans	98,471	100%

The bank does not have any legal or financial circumstances that impede its ability to help meet the credit needs in its assessment area. This evaluation period is from November 13, 1998, the date the bank began operations, through April 10, 2000. This is the bank's first Community Reinvestment Act examination; therefore no prior rating has been assigned.

Description of Assessment Area

The assessment area meets the requirements of the regulation and does not arbitrarily

exclude low- or moderate-income geographies. The assessment area is Harris County, Texas. The area includes 582 census tracts located in the Houston Metropolitan Statistical Area (MSA). The tracts have the following income characteristics: 73 low (13 percent), 179 moderate (31 percent), 169 middle (29 percent), 147 upper (25 percent), and 14 other (2 percent).

The weighted average of the MSA/Non-MSA Census Median Family Income was \$39,468 as of 1990. The updated MSA Median Family Income for 1999 is \$54,100. The income levels and percentages of families in the assessment area are: low (8 percent), moderate (27 percent), middle (33 percent), and upper income (32 percent). Approximately 14 percent of the families live below the established poverty level and 21 percent receive public assistance or social security.

The assessment area had 1.2 million housing units with 63 percent being 1 - 4 family units and multifamily units total 33 percent. The remaining 4 percent consist of mobile homes and boarded up units. Owner-occupied units were 45 percent, and rental units were 42 percent. Vacant housing units were 13 percent of the total. The weighted average of the median housing value was \$75 thousand, and the monthly gross rent weighted average was \$415. The weighted average of the median year built was 1969. The 1990 census placed the total population of the assessment area at 2.8 million. Some of the largest employers in the assessment area are several independent school districts. According to the Houston Northwest Chamber of Commerce, some of the largest private employers in the northwestern area of Harris County include Brown & Root Environmental (8,731 employees), MW Kellogg (8,711 employees), and Baker-Hughes, Inc. (8,111 employees).

The economic condition of the area is strong. According to the Texas Workforce Commission, unemployment in Houston was 4.3 percent in March of 2000, on par with the national average of 4.3 percent and just below the Texas average of 4.4 percent. The primary industry is oil and gas, but Houston continues to diversify away from dependence on this sector. Other significant industries include export-related fields, medical and medical research facilities, and business services. According to the Greater Houston Partnership, more than one-half of the world's one hundred largest non-U.S. based corporations have operations in Houston. Among United States ports in 1996, Houston was first in foreign tonnage, first in import tonnage, and fourth in export tonnage and ranks eighth worldwide in total tonnage.

U.S. Census Bureau 1990 business demographic data shows 139 thousand businesses in the assessment area. A significant majority of those that reported income information (73 percent) had revenues of less than \$1 million. These businesses are located in low-income tracts (6 percent), moderate tracts (28 percent), middle tracts (30 percent), and upper income tracts (36 percent).

Competition is intense from numerous small banks, non-bank financial entities, brokerage office, and branches of regional and multinational financial institutions. The competition offers the same basic banking products.

For a community contact, we met with a representative of the Houston Northwest Chamber of Commerce to determine the credit needs of the community. We solicited information on the performance of area institutions. Our contact was positive concerning the efforts of local financial institutions and did not reveal any unaddressed credit needs.

Our contact stated that the area is involved in numerous diverse projects and estimated the greatest need and opportunity for banks is in housing related loans. The second is small business loans. The bank grants both types of loans.

Conclusions about Performance Criteria

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets the standards for satisfactory performance. The ratio has averaged 79 percent for the five quarters since the bank began operations on November 13, 1998. The ratio was 86 percent as of March 31, 2000. Table 2 shows the bank's ratios compared to two peer groups for the most recent five quarters ended December 31, 1999. The first comparison is to national banks with less than \$100 million in assets throughout the United States. The second comparison is to national banks located in Harris County, Texas. The comparison shows the bank has a loan-to-deposit ratio greater than both groups. The following table shows quarterly information.

Table 2

For the Quarter Ending	Republic National Bank Loan-to-Deposit Ratio*	National Peer Group with Assets Below \$100 Million Loan-to-Deposit Ratio*	National Banks in Harris County Loan-to-Deposit Ratio*
December 31, 1999	71%	70%	71%
September 30, 1999	78%	71%	67%

For the Quarter Ending	Republic National Bank Loan-to-Deposit Ratio*	National Peer Group with Assets Below \$100 Million Loan-to-Deposit Ratio*	National Banks in Harris County Loan-to-Deposit Ratio*
June 30, 1999	83%	77%	69%
March 31, 1999	76%	74%	66%
December 31, 1998	88%	74%	66%
Recent Five Quarter Average	79%	73%	68%

* as determined from Consolidated Report of Condition information.

Lending in the Assessment Area

The level of lending in the assessment area is a majority of its lending and meets the standard for satisfactory performance. Bank reports show that as of March 21, 2000, 93 percent of the number of loans and 90 percent of the loan outstanding balances are in the assessment area. A sample of loans reviewed at this exam show 85 percent of the number of the loans and 92 percent of the loan balances are in the assessment area. The March 31, 2000 Report of Condition and Income list commercial loans to be the largest segment of the loan portfolio at 38 percent. Table 3 details the results of a sample of commercial loan originations granted from when the bank began operation in November 13, 1998 to March 31, 2000. An analysis of the information shows a majority of the loans were originated within the assessment area.

Table 3

COMMERCIAL LOANS	INSIDE AREA	OUTSIDE AREA	TOTAL
Number of Loans	23	3	26

COMMERCIAL LOANS	INSIDE AREA	OUTSIDE AREA	TOTAL
Percentage of Number of Loans	88%	12%	100%
Dollar Amount of Loans	\$1.4 Million	\$0.11 Million	\$1.51 Million
Percentage of Dollar Amount	93%	7%	100%

We reviewed 1 - 4 residential property and consumer loan products to further test originations in the assessment area. The samples were drawn from originations from when the bank began operation in November 13, 1998 to March 31, 2000. The sample shows a majority of loan originations were within the assessment area. The results are reflected in Table 4.

Table 4

1 - 4 FAMILY RESIDENTIAL AND CONSUMER LOANS	INSIDE AREA	OUTSIDE AREA	TOTAL
1 - 4 Family - Number of Loans	19	4	23
Consumer - Number of Loans	49	9	58
Total Number of Loans	68	13	81
Percentage of Number of Loans	84%	16%	100%
1 - 4 Family - Dollar Amount	\$1,107 Thousand	\$412 Thousand	\$1,519 Thousand
Consumer - Dollar Amount	\$4,709 Thousand	\$132 Thousand	\$4,841 Thousand
Total Dollar Amount	\$5,816 Thousand	\$544 Thousand	\$6,360 Thousand
Percentage of Dollar Amount	91%	9%	100%

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

Lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. Although the bank is primarily a commercial

lender, the level of originations in most loan categories was reasonable for the period being examined. Since this bank has been in operations for five quarters, its lending pattern to borrowers of different incomes and businesses of different sizes may not be fully developed. We reviewed originations for 1 - 4 family residential loans, consumer/individual loans, and commercial loans to arrive at our conclusions.

Lending to Individuals

We compared lending in the assessment area for 1 - 4 family residential loan products and consumer loans to the area demographic characteristics. Housing loans were identified as a major activity in the area by our community contact. This comparison revealed a satisfactory level of lending to low- and moderate-income borrowers. The lending characteristics are similar to the area demographics. The results are in Table 5.

Table 5

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS BY NUMBER OF LOANS										
Income of Families	Low Income		Moderate Income		Middle Income		Upper Income		Total	
Area Demographic Characteristics	13%		31%		30%		26%		100%	
Loan Types	#	%	#	%	#	%	#	%	#	%
1 - 4 Residential	0	0%	2	9%	4	18%	16	73%	22	100%
Consumer	10	23%	6	14%	8	18%	20	45%	44	100%
Total	10	15%	8	12%	12	18%	36	55%	66	100%
BY DOLLAR AMOUNT OF LOANS IN THOUSANDS (000)										
1 - 4 Residential	\$0	0%	\$73	5%	\$147	10%	\$1,275	85%	\$1,495	100%
Consumer	143	3%	99	2%	139	3%	4,309	92%	4,690	100%
Total	143	2%	172	3%	286	5%	5,584	90%	6,185	100%

Small Business Loan Originations

A sample of commercial loans in the assessment area revealed a satisfactory level of lending to small businesses with less than \$1 million in revenues. Small business loan

originations are the bank's primary focus and was identified by our community contact as being a need in the assessment area. Also, area characteristics reflect that 73 percent of local businesses are small, further validating the bank's focus. We reviewed 26 business loans and 20 (77 percent) were to businesses with revenues of less than \$1 million. In addition, we found that seven of the 26 loans were granted to businesses with less than \$250 thousand in revenues. The dollar amount of loans granted to businesses with less than \$1 million in revenues is 54 percent of the total amount reviewed. The results of our review are summarized in the following table.

Table 6

COMMERCIAL LOANS				
Borrower Revenue Range	Number	%	Total of Loans \$	%
\$0 to less than \$1,000,000	20	77%	1,148,898	54%
\$1,000,000 and Over	6	23%	996,190	46%
Total	26	100%	2,145,088	100%

Geographic Distribution of Loans

The geographic distribution of loans meets the standard for satisfactory performance and reflects lending of all loan products in all income level census tracts. We sampled loans that originated since the bank began operations on November 13, 1998 through March 31, 2000. Our analysis revealed a geographical distribution similar to the characteristics of the assessment area with satisfactory penetration in low- and moderate-income census tracts. Since this institution has been in operations for five quarters, its geographic distribution may not be fully developed.

Commercial Loans

We compared the loan sample to the geographic distribution of businesses using 1999 Dun & Bradstreet business demographic data. See Table 7 for the results.

Table 7

COMMERCIAL LOANS GEOGRAPHIC DISTRIBUTION OF LOANS BY NUMBER OF LOANS					
Census Tract	Low	Moderate	Middle	Upper	Total

COMMERCIAL LOANS GEOGRAPHIC DISTRIBUTION OF LOANS BY NUMBER OF LOANS										
Designation	Income		Income		Income		Income			
Percent of Businesses by Tracts	7%		28%		30%		35%		100%	
	#	%	#	%	#	%	#	%	#	%
Total Loans	2	10%	3	14%	9	43%	7	33%	21	100%
BY DOLLAR AMOUNT OF LOANS IN THOUSANDS (000)										
	\$	%	\$	%	\$	%	\$	%	\$	%
Total Loans	35	2%	57	3%	1,033	54%	790	41%	1,915	100%

1 - 4 Family Residential Loan Products

We compared the bank's lending to the percent of owner-occupied units in the assessment area. Our analysis revealed a distribution similar to the characteristics of the assessment area. The results of our analysis are shown in the following table.

Table 8

1 - 4 RESIDENTIAL LOAN PRODUCTS GEOGRAPHIC DISTRIBUTION OF LOANS BY NUMBER OF LOANS										
Census Tract Designation	Low Income		Moderate Income		Middle Income		Upper Income		Total	
Percent of Owner Occupied	6%		23%		32%		39%		100%	
	#	%	#	%	#	%	#	%	#	%
Total	0	0%	3	15%	5	25%	12	60%	20	100%
By Dollar Amt.	\$	%	\$	%	\$	%	\$	%	\$	%
Total	0	0%	155	13%	459	39%	560	48%	1,174	100%

We reviewed all the bank's loans as of March 31, 2000 that had census tract information available. Of the 1,247 loans reviewed, 967 had reliable census tract information

available. Of the 252 low- and moderate-income census tracts in the bank’s assessment area, the bank has loans in 67 (27 percent) low- and moderate-income census tracts. The following table illustrates the findings.

Table 9

ALL LOANS GEOGRAPHIC DISTRIBUTION OF LOANS BY NUMBER OF LOANS										
Census Tract Designation	Low Income		Moderate Income		Middle Income		Upper Income		Total	
Area Demographic Characteristics	13%		31%		30%		26%		100%	
	#	%	#	%	#	%	#	%	#	%
Total	39	4%	154	16%	283	29%	491	51%	967	100%
BY DOLLAR AMOUNT OF LOANS IN THOUSANDS (000)										
Loan Types	\$	%	\$	%	\$	%	\$	%	\$	%
Total	1,584	2%	13,443	16%	25,299	30%	44,703	52%	85,029	100%

Responses to Complaints

Republic National Bank has not received any complaints during this evaluation period regarding its Community Reinvestment Act performance.

Record of Compliance with Anti-discrimination Laws

A Fair Lending review was conducted concurrently with this Community Reinvestment

Act examination. Our scope included a review of thirty-five automobile loans and twenty-three loans secured by Certificate of Deposits originated since the bank began operations on November 13, 1998 through March 31, 2000. The prohibited basis group consisted of approved loans to female applicants. Approved loans to male applicants served as the control group. Our file sample comparison focused on ensuring no prohibitive factors was considered in setting loan terms. We found no evidence of any possible discrimination or disparate treatment. We did not identify any violations of anti-discrimination laws and regulations.