



PUBLIC DISCLOSURE

November 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Texas Premier Bank, N.A.
Charter Number 18148**

**4821 South Front
Brookshire, Texas 77423**

**Office of the Comptroller of the Currency
Southwestern District Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

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 Community Reinvestment Act (CRA) performance of **Texas Premier Bank, N.A., Brookshire, Texas (Texas Premier)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 13, 1998. 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**.

Texas Premier's performance rating is supported by:

- ▶ A strong loan to deposit ratio.
- ▶ A satisfactory record of lending to borrowers within the bank's assessment area.
- ▶ A reasonable distribution of loans to individuals and businesses of varying income characteristics.
- ▶ A satisfactory geographic distribution of loans among all census tracts.

The following table indicates the performance level of Texas Premier Bank, N.A. with respect to each of the five performance criteria. The bank's level of performance under each criteria is indicated by the inclusion of an "X" in the appropriate column.

SMALL INSTITUTION ASSESSMENT CRITERIA	Texas Premier Bank, N.A. Brookshire, Texas Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since our previous examination.		

Description of Institution:

Texas Premier's main office is located in Brookshire, Texas approximately forty miles west of downtown Houston, Texas along Interstate 10. The bank is a \$43 million full service institution which serves Harris, Waller, and Fort Bend Counties with a main office and two branch locations. The bank offers drive-in facilities at the Brookshire main office and the Katy branch office only. The Houston Galleria area office and the Katy office offer Automated Teller Machines. The bank offers a limited alternative delivery system via their telephone dial in voice response system. This system enables customers to check loan and deposit balances and make transfers between accounts. Additionally, the bank is test marketing banking by personal computer.

The bank's trade area is primarily characterized by agricultural, small locally owned businesses, and some bedroom communities to Houston. The main office is located in a moderate income census tract. The bank opened its first branch facility approximately ten miles east of the main office in Katy, Texas in March of 1994. This location is in an upper income census tract. The Katy location is a large bedroom community of Houston and is characterized by residential developments, major retail shopping centers, small businesses and intense competition from numerous banks and alternative financial entities. Texas Premier opened a second branch facility in the Galleria area of Houston approximately thirty miles east of the main office in July of 1997, subsequent to the most recent CRA examination. This area is characterized by major, upscale shopping centers, major office buildings, and high income residential communities. This branch facility is located in a high income census tract.

Texas Premier Bank, N.A. is independently owned and does not have any identified affiliate or subsidiary organizations. The bank's primary business focus is real estate lending and lending to small businesses. At June 30, 1998, Texas Premier's loan portfolio was comprised of: 40% real estate loans; 34% commercial loans; 19% loans to individuals; and 7% agricultural loans. There are no legal, financial, or other factors impeding Texas Premier's ability to help meet the credit needs of its assessment area.

The bank's most recent CRA examination was conducted as of September 6, 1996, at which time the bank received a "Satisfactory" rating.

Description of Assessment Area

The bank's assessment area includes all of Waller, Harris, and Fort Bend Counties. The majority of the bank's loans and deposits are centered in far west Harris and Waller Counties. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Waller and Fort Bend Counties are bedroom communities to Houston. Waller County has retained more of its agricultural base, while Fort Bend County has realized explosive growth in upper income residential developments and retail shopping developments. Both areas are highly dependent on the Houston economy in general.

The local Harris County economy is strong and continues to grow moderately and create jobs. In 1997, the Houston MSA created some 85,000 new jobs, however, job growth has slowed during 1998 due to falling oil/gas prices. For June, July, and August of 1998, job growth has been flat with government agencies reporting a loss of 3,700 jobs in this three-month period. Large new residential and retail areas are under development and construction. Major shopping malls have opened in the past few years and housing construction continues at a strong pace. While the oil/gas and petrochemical industries continue

to play a large part in the economy's overall health, significant diversification has occurred into other industries. Financial and insurance related businesses are thriving, while retail stores and restaurants are enjoying solid growth. The Houston area is also home to a number of large high-tech computer and related companies. The Texas Medical Center and the National Aeronautics & Space Administration (NASA) agency also provides employment opportunities. Competition for banking services is high in Harris County, with hundreds of offices of commercial banks, savings institutions, credit unions, brokerage firms, finance companies, and other companies providing financial services.

The following chart reflects population and income characteristics of the bank's assessment area. The assessment area does not exclude Low-and-Moderate Income areas.

Income and Population Characteristics of Texas Premier's Assessment Area	
	Characteristic
1990 Census Population	3,067,010
1990 Census Weighted Average Median Family Income	\$40,031
1997 Updated H.U.D. Weighted Average Median Family Income	\$50,400

The following charts depict some of the demographic information for Texas Premier's assessment area which is Harris, Waller, and Fort Bend Counties.

Harris, Waller, and Fort Bend Counties Assessment Area				
Type of Census Tract	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low Income	75	12%	88,481	8%
Moderate Income	186	30%	291,925	26%
Middle Income	191	31%	365,236	33%
Upper Income	172	27%	360,129	33%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The loan to deposit ratio is strong when compared to other commercial banks within the assessment area and to the Houston MSA in general. The loan to deposit ratio was 76% at June 30, 1998. The quarterly loan to deposit ratio average for Texas Premier since the 1996 CRA examination is 80%. A customized peer group analysis on all banks within the assessment area revealed a 64% average quarterly loan to deposit ratio since the most recent CRA examination of this bank. In comparison to sixty-three other commercial bank charters operating in the assessment area, Texas Premier ranked sixth in loan to deposit ratio as of June 30, 1998. The average loan to deposit ratio for the sixty-three banks is 61%, with a low of 24% to a high of 112%.

Lending in the Assessment Area

A majority of the dollar volume and number of the bank's loans are within its assessment area. The following chart reflects an analysis performed by management of the percentages of the dollar amount of loans made within the assessment area as of September 30, 1998. This sample included 100% of the total dollar volume of the loan portfolio. Information was not available concerning the total number of loans made within and outside of the assessment area.

Lending Within and Outside of the Assessment Area As of September 30, 1998		
	Percentage of the Dollar Volume of Loans	Percentage of the Number of Loans
Loans Within the Assessment Area	74%	N/A
Loans Outside of the Assessment Area	26%	N/A

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

The lending patterns of this institution indicate the bank is doing a good job of lending to small businesses and a reasonable job of lending to consumers in the assessment area. Texas Premier is primarily commercial and business oriented. Information on business revenue or individual borrowers is not collected by the bank. As of June 30, 1998, the loan portfolio comprised 74% commercial and real estate lending with another 19% of loans to individuals and another 7% in agricultural operations.

Since this income information is not available, loan size was used by proxy to determine lending to businesses of different sizes. Of the total commercial and non-residential real estate loans, 99% were originated for less than \$1 million. Additionally, 97% of the 232 small business loans originated were for less than \$250 thousand. Further, the average size of business loans originated during this period was \$46 thousand and the average size of consumer loan originations was \$9 thousand.

Geographic Distribution of Loans

There is reasonable distribution of loans extended within the moderate, middle and upper income census tracts. Only one loan was originated in a low income census tract. The bank has loans extended in 13% of the census tracts in its assessment area based on the limited sampling performed during this evaluation. The following chart reflects the distribution of all types of loans within the bank's assessment area by income designation of the census tract. This analysis is based on a regulatory sample of 102 loans taken during the examination which originated during 1997 and the first six months of 1998. Bank management does not perform any type of analysis in-house.

Geographic Analysis of Loans Within the Assessment Area As of June 30, 1998			
Type of Census Tract	Percentage of the Number of Loans Within Each Census Tract	Percentage of the Dollar Amount of Loans Within Each Census Tract	Percentage of Census Tracts by Income Characteristic
Low Income	1%	0%	12%
Moderate Income	37%	33%	29%
Middle Income	20%	21%	30%
Upper Income	42%	46%	27%
Not Applicable *	N/A	N/A	2%

* The assessment area has fourteen census tracts identified which have no permanent residences. This is common in flood control areas (such as Addicks Reservoir), and heavy industrial areas (such as the Houston Ship Channel area).

This distribution is reasonable considering the geographic location of the bank offices and the large geographic size of the assessment area. The vast majority of low income census tracts included within the assessment area are not in close proximity to any Texas Premier office location. Further, only 9% of the area households live in these low income census tracts. The bank reflects a strong lending performance in the moderate income census tracts with 37% of the number of loans and 33% of the dollar amount of loans originated in moderate income census tracts.

Summary

The bank is in substantial compliance with the spirit, intent, and technical aspects of anti-discrimination laws. No violations of fair lending laws were noted. Management has also adopted satisfactory policies and procedures to promote equal credit opportunities for all applicants regardless of race, color, religion, national origin, sex, marital status, age, or the fact that all or part of the applicant's income is derived from a public assistance program. The bank's loan to deposit ratio, lending within the assessment area, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans is reasonable for the resources of the institution.