ENCOREBANCSHARES, INC.

March 6, 2009

By FedEx and Email
(SIGTARP.response@do.treas.gov)

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, NW, Suite 1064
Washington, D.C. 20220

Re: Information regarding participation by Encore Bancshares, Inc. in the Troubled Asset Relief Program ("TARP") Capital Purchase Program ("CPP")

Dear Mr. Barofsky:

On behalf of Encore Bancshares, Inc. (the "Company"), the purpose of this letter is to respond to your correspondence dated February 6, 2009 regarding the anticipated use of the funds the Company received under the CPP and certain other matters related to the Company's participation in the CPP. On December 5, 2008, the Company issued 34,000 shares of preferred stock, liquidation value $1,000 per share, and a warrant to purchase up to 364,026 shares of the Company's common stock at an exercise price of $14.01 per share to the U.S. Department of Treasury ("Treasury") for aggregate consideration equal to $34.0 million. In order to help you better understand the Company, we have included some background information about the Company:

- The Company is the parent company of Encore Bank, N.A., (the "Bank"), headquartered in Houston, Texas. Through the Bank, the Company operates eleven (11) banking offices in the greater Houston, Texas area and six (6) banking offices in southwest Florida.
- In addition to commercial banking, the Company also provides wealth management, financial planning, trust and insurance services to its customers. The Company operates five (5) wealth management offices in Texas through Encore Trust, a division of the Bank ("Encore Trust"), and Linscomb & Williams, Inc., a subsidiary of the Bank ("Linscomb & Williams"). The Company also operates three (3) insurance offices in Texas through Town & Country Insurance Agency, Inc., a subsidiary of the Company ("Town & Country").
- The current management and business strategies of the Company are relatively new, with investors and some current management acquiring and recapitalizing the Company in 2000. As part of its transformation, the Company recruited lending officers and began to change its asset mix, replacing lower yielding

investment securities and purchased mortgage loans with its own higher yielding originated loans. The Company also began to actively solicit deposits, replacing brokered deposits with core deposits.

- As of December 31, 2008, the Company's total assets were $1.6 billion. Since 2000, the growth of the Bank was due to internal growth. The Company has not made any bank acquisitions, although it did acquire Town & Country in 2004 and Linscomb & Williams and the predecessor of Encore Trust in 2005.

- During 2008 and for each of the previous four years, the Company has grown its originated loans and decreased its purchased loans. As of December 31, 2008, total loans were $1.2 billion, with 91.3% of those loans being originated by the Company.

- The Company decided to participate in the CPP and accept $34.0 million from Treasury for to guard against uncertainty in the capital and financial markets and to support the Bank's lending activities.

Use of CPP Funds

Anticipated Use of CPP Funds

The Company has no immediate plans to utilize CPP funds for activities other than to fund prudent loans in its markets of the types the Company has historically originated. Additionally, the Company plans to use the CPP funds to strengthen the capital position of the Company and the Bank, providing the Company with flexibility to meet future capital needs as they may arise, and to support losses that may occur in the future.

[redacted] b(4)

Segregation of CPP Funds

The Company has not segregated and does not plan to segregate the CPP funds. (b) (4) [redacted]

Actual Use of CPP Funds

Since December 5, 2008, the date the Company received the CPP funds, the Company has used such funds to support its lending activities. For the period of December 1, 2008 through February 28, 2009, the Company originated $53.2 million in new loans.

Executive Compensation Matters

Plans for Addressing CPP Executive Compensation Requirements

Letter Agreement and Waiver of SEOs. The Company and each of the senior executive officers (the "SEOs"), who as of December 5, 2008 consisted of James S. D'Agostino Jr., President and Chief Executive Officer, L. Anderson Creel, Chief Financial Officer, Robert D. Mrlik, Executive Vice President, Thomas N. Ray, Executive Vice President, and J. Harold Williams, Executive Vice President, entered into a letter agreement (the "Letter Agreement") amending the compensation arrangements and benefit plans with respect to such SEO as may be necessary during the period that Treasury owns any debt or equity securities of the Company acquired pursuant to the Securities Purchase Agreement or the Warrant, to comply with Section 111(b) of the Emergency Economic Stabilization Act of 2008 and related Treasury guidance. The SEOs also executed a waiver (the "Waiver") in conjunction with the closing of the CPP funding voluntarily waiving any claim against Treasury or the Company for any changes to such SEO's compensation or benefits that are required to comply with the regulations issued by Treasury under the CPP.

b(6)

As of the date of this letter, [redacted] no longer serves as an Executive Vice President of the Company or the Bank and accordingly, will no longer be considered a SEO. Based on the Company's preliminary analysis of total compensation earned in 2008, it appears that [redacted] will be included among the five most-highly compensated employees of the Company and therefore, will be included as an SEO for purposes of the executive compensation restrictions for the 2009 year. Upon final determination of the SEOs for 2009, the Company will enter into a Letter Agreement with any new SEO.

b(6)

Compensation Committee Involvement. The Compensation Committee of the Company's Board of Directors is comprised of three directors, each of whom the Board of Directors determined to be independent. On February 19, 2009, the Compensation Committee and the appropriate senior risk officers met and reviewed the current executive compensation arrangements with the SEOs and the other highly-compensated employees to ensure that the compensation arrangements do not encourage such officers or employees to take unnecessary and excessive risks that threaten the Bank's or Company's value. Based on such review, the Compensation Committee and the senior risk officers determined that such arrangements do not encourage the SEOs and other highly-compensated employees to take unnecessary and excessive risks that threaten the Company's or Bank's value.

Further, the Compensation Committee and the appropriate executive officer will perform the annual analyses and make the certifications required by the CPP and will include those certifications in the Company's proxy statement for its 2009 annual meeting of shareholders (and for subsequent annual shareholder meetings) and will file such proxy statements with the Securities and Exchange Commission. The Company's appropriate executive officer also will submit required certifications to the TARP Chief Compliance Officer.

Loan Risk Assessment and Executive Compensation. The executive compensation program for the Company's SEOs includes five principal elements that the Company believes, taken together, constitute a flexible and balanced method of establishing total compensation.

b(4)

(b) (4) [redacted] (b) (4) [redacted] For 2008, no bonuses were paid to any of the Company's SEOs.

Implementation of Limitations. The Compensation Committee is responsible for developing and making recommendations to the Board with respect to the Company's executive compensation policies. The Compensation Committee's intent regarding compensation of executive officers is to provide salary levels and incentive compensation opportunities that (1) are competitive within the market in which positions are located, (2) attract and retain individuals of outstanding ability in these key positions and [redacted] b(4) The Compensation Committee intends to consider the limitations on executive compensation under the CPP and related laws and guidance in determining executive compensation so that such compensation is within the required parameters of the CPP.

No Plans to Offset. The Compensation Committee has no immediate plans to offset any of the executive compensation limitations under the CPP by other changes to other, longer-term or deferred forms of executive compensation.

I, James S. D'Agostino, Chief Executive Officer of the Company, certify that I have reviewed this response and, based on my knowledge, this response does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

If you require further information regarding the Company's participation in the CPP, please contact me at (713) 787-3100.

Very truly yours,

James S. D'Agostino, Jr.
Chief Executive Officer

cc: William T. Luedke IV
Bracewell & Giuliani LLP

L. Anderson Creel
Chief Financial Officer
Encore Bancshares, Inc.