



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 24, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Right Bank For Texas, National Association
Charter Number 24263**

**13100 Northwest Freeway, Suite 100
Houston, TX 77040**

**Comptroller of the Currency
Houston Field Office
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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Right Bank for Texas, National Association (Right Bank) meets the credit needs of its assessment area (AA). The following factors support this conclusion:

- The loan-to-deposit ratio exceeds the standard for satisfactory performance.
- The geographic distribution of loans to businesses meets the standards for satisfactory performance.
- Lending to businesses of different sizes is reasonable.
- Officers have originated several multi-family property loans that provide affordable housing for low- or moderate-income individuals.

DESCRIPTION OF INSTITUTION

Right Bank is a \$54 million full service bank located in northwest Houston, Texas. Right Bank has a main office at 13100 Northwest Freeway and a branch located at 1455 West Loop South. The bank offers a full range of credit products within its assessment area including commercial, real estate, and consumer loan products. Primary loan products are commercial real estate and commercial loans. Also, residential loan products, mostly non-owner occupied are another major product. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. This is Right Bank's first Community Reinvestment Act (CRA) examination since it opened on May 13, 2002. The branch on West Loop South opened on April 1, 2004.

Please refer to Right Bank's CRA public file for more information about the institution.

DESCRIPTION OF HARRIS COUNTY

The bank operates in a highly competitive market, the Houston Metropolitan Area (HMA) with the designated AA of Harris County, only one of the ten counties in the HMA. Not only does the area have all branches of the nation's largest banks, it also has many community banks competing directly in the small business market as well as credit unions, mortgage companies, finance companies, and other financial institutions.

Harris County is the third largest county in the United States with a population of over 3.4 million residents, and it covers 1,788 square miles. Houston is the largest city in the county, the capital seat, and the fourth largest city in the United States. Houston is home to the Houston Livestock Show and Rodeo, the largest rodeo in the world attracting 1.8 million visitors per year. Houston also has the largest medical center in the world, the Texas Medical Center. Its economic impact is \$10 billion annually, 52 thousand people work in its facilities, and the center has 21 million square feet of space. Approximately 4.8 million patients are treated at the Texas Medical Center annually. Also, eighteen Fortune 500 companies and more than 5 thousand energy related firms are located in the city that is considered by many as the "Energy Capital" of

the world. The Port of Houston is the nation's largest in international tonnage and second in total tonnage. Major employers include Continental Airlines, Administaff, Halliburton, Wal-Mart Stores, Exxon Mobil, Kroger Company, Memorial Hermann Healthcare System, and The University of Texas Medical Branch, all with more than 13 thousand employees each. There are 667 thousand owner occupied single-family housing units and 599 thousand rental housing units. The median value of a single-family residence is \$101 thousand, and the median family income is \$59,100. The weighted average monthly gross rent is \$606. The county has 62 low-income census tracts, 222 moderate-income census tracts, 179 middle-income census tracts, and 179 upper-income census tracts. Also, it has seven census tracts without a designation. Harris County has a large number of financial institutions of all sizes offering a wide variety of products and services, and competition is intense. The unemployment rate for Harris County as of November 2003 was 6.4%, a slight increase from the 2002 annual rate of 6.1%.

We reviewed contacts completed during examinations of other area banks and contacted a local Chamber of Commerce representative. The contact stated the greatest need in Northwest Houston was more manufacturing businesses. Manufacturing has a greater multiplier effect on the economy than retail businesses and will provide more and better paying jobs. The contact spoke favorably of the performance of local banks in meeting credit needs of the community.

Please refer to Right Bank's CRA public file for more information about the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our review focused on residential real estate loans, commercial real estate loans, and commercial loans. Owner occupied residential units, residential rental units, and multi-family units were considered separately. Residential real estate loans in total were 14% of the total loan portfolio of \$49 million. Commercial real estate loans were 23%, and commercial loans were the largest at 39% of the loan portfolio. For residential real estate, we compared the information to the 2000 U. S. Census information. Commercial lending was compared to Dunn and Bradstreet data for 2002 and 2003.

Loan-to-Deposit Ratio

The average quarterly loan-to-deposit ratio exceeds the standards for satisfactory performance. Since the bank opened on May 13, 2002, the seven-quarter average as of December 31, 2003 is 87%. The seven-quarter average of similarly situated financial institutions in the assessment area is 73% for the same time period. Since the bank was not open the entire quarter ending June 30, 2002, the last six quarters were analyzed also. If only the last six quarters are considered, the loan-to-deposit ratio is 97%, and the ratio for similarly situated financial institutions for the same period is 75%. The loan-to-deposit ratio for just the quarter ended March 31, 2004 was 97%.

Lending in Assessment Area

The bank satisfactorily originates a majority of its loans in its assessment area. The analysis included a total of 113 loans including residential real estate, commercial real estate, and commercial. Performance in each loan category is shown in the following table:

Lending in Harris County										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Residential Real Estate	21	84	4	16	25	5,829	93	432	7	6,261
Commercial Real Estate	43	90	5	10	48	13,890	95	690	5	14,580
Commercial Loans	32	80	8	20	40	5,399	91	547	9	5,946
Totals	96	85	17	15	113	25,118	94	1,669	6	26,787

Source: loan sample.

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

Overall, the bank’s level of lending to borrowers of different incomes and to businesses of different sizes meets the standards for satisfactory performance.

The following table displays the bank’s lending to borrowers of different incomes for owner-occupied real estate:

Borrower Distribution of Residential Real Estate Loans in Harris County, TX								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Owner Occupied Residential R/E	24	14	18	14	19	0	39	72

Source: loan sample consisting of seven owner occupied loans; 2000 U.S. Census data

The above analysis is based on a sample of seven loans representing all current loans secured by owner occupied residential real estate. The bank’s performance is below the income characteristics of the assessment area. However, the sample size represents only 3% of the total dollar amount of the lending portfolio. Also, we reviewed 14 additional residential real estate loans secured by non-owner occupied units. Of these, bank officers have granted a significant number and dollar amount of qualified community development loans providing affordable housing for low- or moderate-income individuals. Officers have granted seven loans totaling \$5.4 million for multi-family properties.

The following table displays Right Bank’s lending to businesses of different sizes based on a

sample of 2002 loan originations for commercial real estate and commercial loans:

Borrower Distribution of 2002 Loans to Businesses in Harris County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67	6	27	100%
% of Bank Loans in AA by #	78	22	0	100%
% of Bank Loans in AA by \$	77	23	0	100%

Source: loan sample; Dunn and Bradstreet data for 2002.

At 78% of the number of loans to businesses, this table reveals a reasonable level of lending to small business borrowers with gross annual revenues less than \$1 million. This satisfactorily compares to Dunn and Bradstreet data showing 67% of reporting businesses had gross annual revenues of \$1 million or less considering a high level of businesses did not report gross annual revenues in 2002 according to Dunn and Bradstreet data.

The next table displays lending to businesses based on a sample of 2003 and 2004 originations for commercial real estate and commercial loans:

Borrower Distribution of 2003/2004 Loans to Businesses in Harris County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62	6	32	100%
% of Bank Loans in AA by #	72	28	0	100%
% of Bank Loans in AA by \$	62	38	0	100%

Source: loan sample; Dunn and Bradstreet data for 2003.

This table reveals a reasonable level of lending to small business borrowers, again considering a high level of businesses did not report gross annual revenues in 2003. The table shows that 72% of Right Bank's business borrowers generated gross annual revenues of \$1 million or less. This is a reasonable level compared to the 62% of reporting businesses that had annual revenues of \$1 million or less.

Geographic Distribution of Loans

Overall, the geographic distribution of loans meets the standard for satisfactory performance.

The following table displays the geographic distribution of Right Bank's lending practices based on samples of owner-occupied residential real estate:

Geographic Distribution of Residential Real Estate Loans in Harris County
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Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Owner Occupied Residential RE	4	0	26	14	30	57	40	29

Source: loan sample of seven owner occupied loans; Demographic data source 2000 U.S. Census data.

The geographic distribution of owner occupied residential real estate is below the characteristics of the assessment area; however, we also evaluated non-owner occupied residential mortgages. This produced an additional 14 loans for review, secured by non-owner occupied units. Seven of these were qualified community development loans for multi-family properties providing affordable housing for low- or moderate-income individuals. These loans totaled \$5.4 million, and they evidenced good performance in low- and moderate-income census tracts. Therefore, overall geographic distribution meets the standards for satisfactory performance.

The next table illustrates the distribution of the bank's loans based on our sample of 2002 business borrowers:

Geographic Distribution of 2002 Loans to Businesses in Harris County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial and Commercial RE	6	3	25	32	30	36	39	29

Source: loan sample; Dunn and Bradstreet data for 2002.

This table reveals that 3% of the loans granted to businesses in 2002 were granted in low-income census tracts, slightly below the characteristics of the assessment area. For moderate-income census tracts, lending at 32% is slightly above the characteristics of the assessment area. Overall, the geographic distribution of lending in 2002 compares satisfactorily to Dunn and Bradstreet information for 2002.

The next table shows the same type of comparison of Right Bank's lending to Dunn and Bradstreet information for 2003 and 2004 as follows:

Geographic Distribution of 2003/2004 Loans to Businesses in Harris County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial and Commercial RE	6	18	28	39	26	27	40	16

Source: loan sample; Dunn and Bradstreet data for 2003.

This table shows an increased level of lending in low- and moderate-income areas by bank officers in the two recent years. The bank's level of lending to businesses in low-income census tracts at 18% of the number of loans compares favorably to the Dunn and Bradstreet reported characteristics of 6%. Similarly, 39% of the number of Right Bank's loans to businesses originated in moderate-income census tracts exceeds the Dunn and Bradstreet reported characteristics of 28% for 2003 and 2004.

Responses to Complaints

Right Bank did not receive any consumer complaints regarding its CRA performance during the assessment period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.