



SMALL BANK

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

PUBLIC DISCLOSURE

September 15, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Concord Bank, National Association
Charter Number 17772**

**6588 Corporate Drive
Houston, TX 77036**

**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.

Concord Bank, National Association (Concord) is responsive to the small business credit needs of its community. The following factors support this conclusion:

- The loan-to deposit ratio is reasonable and has been slightly above the bank's assessment area (AA) peer group since the prior examination.
- Lending to businesses of different sizes meets the standards for satisfactory performance.
- The geographic distribution of loans to businesses exceeds the standards for satisfactory performance.

DESCRIPTION OF INSTITUTION

Concord is a \$114 million full service bank located in Harris County. The bank has one office at 6588 Corporate Drive in Houston, Texas and does not have any branches. The bank offers a full range of credit products within its assessment area including consumer and business loans although the primary lending focus is commercial real estate. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. The bank was rated satisfactory at the prior examination dated June 28, 1999.

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

DESCRIPTION OF HARRIS COUNTY

The bank operates in a highly competitive market in one of the three largest and fastest growing counties in the Houston Metropolitan Area, Harris County. Not only does Harris County have branches of all the nation's large banks, it also has many community banks competing directly in the consumer and small business market. Competition is intense.

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. According to 2000 U.S. Census information, Harris County increased 21% in population between 1990 and 2000. Houston is the largest city in the county with a population of almost 2 million, the county seat, and the fourth largest city in the United States. The city limits of Houston covers almost 617 square miles. 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 \$13 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 five 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 a \$15 billion

complex and is the nation's largest in international tonnage and second in total tonnage. Major employers in Harris County 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 at least 13 thousand employees each. The city's population is diverse, and ethnic composition is 40% Hispanic, 29% Caucasian, 25% African-American, and 6% Asian. More than ninety languages are spoken in Houston, and the city has more than seventy-eight consulates of foreign countries.

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 in 2003. The county has 62 low-income census tracts, 222 moderate-income tracts, 179 middle-income tracts, and 179 upper-income tracts. Also, it has 7 census tracts without a designation. The unemployment rate for Harris County as of November 2003 was 6.4%, a slight increase from the 2002 annual rate of 6.1%. Median family income in Harris County for 2003 was \$59,100.

During this examination, we included community contacts completed during 2004 in connection with CRA examinations of community banks in Houston and Harris County in our analysis of Concord's lending. One contact did not identify any area credit need not being met. Another contact viewed manufacturing companies as the highest priority for lending because these companies have higher salaries than retail businesses and therefore, a greater multiplier effect. A third contact believed residential real estate lending was a primary need. Concord focuses on commercial real estate and will originate loans to small manufacturing companies. All contacts spoke favorably about the performance of local banks.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our review focused on Concord's two areas of significant lending: commercial real estate and commercial loans. Commercial real estate was the most significant at \$69 million and accounted for 78% of the total \$89 million loan portfolio. The next largest loan product was commercial loans. At \$8 million, commercial loans represented 9% of the total portfolio. All other loan categories were not significant and were not reviewed.

Senior management analyzed the loan portfolio for these two products and recorded gross revenue information as well as geographic location in an analysis. We sampled management's analysis verifying the information on thirty loans and found the information was reliable. Therefore, the information presented in this Performance Evaluation is based on all loan originations in 2002, 2003, and 2004 for commercial real estate and commercial loans.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable considering Concord's size and the credit needs of the assessment area. The quarterly average loan-to-deposit ratio since the prior CRA examination is 86% comparing favorably to a peer group average of small banks in Harris County of 73% for the same period. Similarly, the bank's most recent ratio was 86%, slightly exceeding the peer group average of 83% at June 30, 2004.

Lending in Assessment Area

Concord satisfactorily originates a majority of loans in its AA. Of the 132 commercial real estate and commercial loans originated for 2002, 2003, and 2004, a majority of both the number and dollar amount of these loans were originated in the assessment area as shown below:

Lending in Harris County										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
2002 Commercial Real Estate and Commercial	37	88	5	12	42	32,071	96	1,252	4	33,323
2003/2004 Commercial Real Estate and Commercial	81	90	9	10	90	52,284	93	3,874	7	56,158
Totals	118	89	14	11	132	84,355	94	5,126	6	89,481

Source: Bank's loan analysis.

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

We evaluated the bank's information for originations of commercial real estate and commercial loans in the assessment area, a total of 118 loans. We compared lending in 2002 to Dunn and Bradstreet (D & B) information for that year, and we compared 2003/2004 lending information to 2003 D & B information since 2004 information is not yet available. A significant number of businesses did not report business revenues to D & B in both periods making a direct comparison difficult. However, income information was available for all of Concord's customers. The bank's level of lending to businesses of different sizes is definitely satisfactory as shown in the following tables:

Borrower Distribution of Loans to Businesses in Harris County Commercial Real Estate and Commercial Loans in 2002				
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 #	84	16	0	100%
% of Bank Loans in AA by \$	85	15	0	100%

Source: Bank's loan analysis; Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses in Harris County Commercial Real Estate and Commercial Loans in 2003 and 2004

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 #	94	6	0	100%
% of Bank Loans in AA by \$	91	9	0	100%

Source: Bank's loan analysis; Dunn and Bradstreet data.

Geographic Distribution of Loans

For geographic distribution, we used the same 118 loan originations in the AA as in the previous analysis and compared the information to D & B information on the locations of businesses in Harris County according to the income level of the tract. Concord has traditionally had customers in low- and moderate-income tracts, and lending patterns continue to be similar to previous CRA examinations. The geographic distribution of lending exceeds the standards for satisfactory performance based on a greater number of loans originated in low- and moderate-income census tracts than the characteristics of the assessment area as shown below:

Geographic Distribution of 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
2002 Commercial Real Estate and Commercial	6	13	25	30	30	43	39	14
2003/2004 Commercial Real Estate and Commercial	6	22	28	47	26	28	40	3

Source: Bank's loan analysis; Dunn and Bradstreet data.

Responses to Complaints

Concord did not receive any consumer complaints regarding its CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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