

# **PUBLIC DISCLOSURE**

**February 17, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Express Bank of Texas  
Certificate Number: 57532**

**3434 East Palm Valley Boulevard  
Round Rock, Texas 78664**

**Federal Deposit Insurance Corporation**

**Division of Supervision and Consumer Protection  
1910 Pacific Avenue, 19th Floor  
Dallas, Texas 75201**

**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.**

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## 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 **The Express Bank of Texas** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 17, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

This is The Express Bank of Texas' first Community Reinvestment Act evaluation since the bank opened for business on July 10, 2003.

Pursuant to the Community Reinvestment Act (CRA), small bank performance factors were applied to this two-office, \$46.5 million bank headquartered in Round Rock, Texas. A small bank is defined as one with assets less than \$250 million at the end of the two preceding calendar years. The small bank performance factors include loan-to-deposit ratio; lending to borrowers of different incomes and businesses of different sizes; lending inside the assessment area; geographic distribution of loans; and response to CRA-related complaints. Management did not request the review of qualified investments and services at this evaluation.

Commercial (small business) loans were chosen as the product upon which to evaluate the bank's record because small business lending represents approximately 79 percent of the loan portfolio as of December 31, 2004. In addition, since there were no CRA-related complaints received since the bank opened, this factor was not weighted in the assignment of the overall rating. A summary of the conclusions derived from the evaluation of each factor to support this rating is noted below. Performance under each test is detailed elsewhere in this evaluation.

- The institution's lending activity, as measured by the average loan-to-deposit ratio, is satisfactory relative to its financial capacities, overall lending focus, and lending opportunities presented in the assessment area.
- The institution demonstrated a satisfactory record of granting credit inside its assessment area as a majority of the sampled loans by number and dollar volume were extended within the assessment area.
- The overall distribution of loans sampled reflects reasonable penetration among businesses of different sizes.
- The institution has achieved a reasonable geographic dispersion of loans in relation to the assessment area's geographic makeup and the location of the bank offices.

## DESCRIPTION OF INSTITUTION

The Express Bank of Texas opened for business on July 10, 2003, as a community bank headquartered in Round Rock, Texas. In addition to the main office, the bank operates a full-service branch, which opened in August 2004 in nearby Hutto. Both offices are located in middle-income census tracts in Williamson County: the main office in tract 215.01 and the branch office in tract 208.01.

The Express Bank of Texas offers a variety of loan products and services, including commercial, real estate, consumer, and agricultural loans. Lobby banking hours are reasonable, and extended hours, as well as Saturday hours, are available at both locations. As of the December 31, 2004, Consolidated Report of Condition and Income, the bank reported \$46.5 million in total assets with net loans representing 28 percent of total assets. A breakdown of the bank's asset mix (Table 1) and loan portfolio (Table 2) as of December 31, 2004, is detailed below.

<b>Table 1 – Asset Mix as of December 31, 2004</b>		
<i>Asset Type</i>	<i>Dollar Amount \$(000)</i>	<i>Percent (%)</i>
Investments	22,359	48
Net Loans	12,776	28
Federal Funds Sold	5,542	12
Premises and Fixed Assets	3,918	8
Cash and Due from Banks	1,564	3
Other Assets	295	1
<b>Total Assets</b>	<b>46,454</b>	<b>100</b>

*Source: Consolidated Report of Condition*

<b>Table 2 – Loan Portfolio Mix as of December 31, 2004</b>		
<i>Loan Type</i>	<i>Dollar Amount \$(000)</i>	<i>Percent (%)</i>
Construction & Land Development	260	2
Secured by Farmland	621	5
1-4 Family Residential	952	7
Nonfarm Nonresidential & Multifamily Residential	5,350	42
<i>Total Real Estate Loans</i>	<i>7,183</i>	<i>56</i>
Agricultural	5	0
Commercial and Industrial	4,542	35
Consumer	1,100	9
Other	6	0
<b>Total Loans</b>	<b>12,836</b>	<b>100</b>

*Source: Consolidated Report of Condition*

Examination staff did not note legal impediments or other factors that would inhibit the bank's ability to meet community credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The Express Bank of Texas has designated the 227 census tracts comprising Williamson and Travis Counties as its official assessment area. Both counties are part of the Austin-Round Rock Metropolitan Area (MA). The assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Table 3 below illustrates general demographic information of the assessment area according to the 2000 U.S. Census.

<i>Table 3 – Demographical Data by Tract Income Level</i>				
<i>Tract Income Level</i>	<i>Census Tracts</i>	<i>Population</i>	<i>Families</i>	<i>Owner-Occupied Housing Units</i>
Low	20	93,680	14,509	6,885
Moderate	56	255,803	55,049	38,375
Middle	86	399,175	98,144	92,230
Upper	63	311,124	85,617	92,024
Not Applicable	2	2,465	0	0
<b><i>Totals</i></b>	<b><i>227</i></b>	<b><i>1,062,247</i></b>	<b><i>253,319</i></b>	<b><i>229,514</i></b>

*Source: 2000 U.S. Census*

As depicted in Table 3 above, the assessment area is comprised of primarily middle-income census tracts (38 percent), followed by upper- (28 percent) and moderate-income (25 percent) census tracts. While the low-income census tracts comprise only 9 percent of the assessment area, the area does include low- and moderate-income families. Low- and moderate-income families represent approximately 6 percent and 22 percent, respectively, of all the families in the assessment area.

The Austin-Round Rock MA is comprised of the following counties: Bastrop, Caldwell, Hays, Travis, and Williamson. As stated earlier, the assessment area includes the cities of Round Rock, Hutto, Georgetown, and Cedar Park in Williamson County, as well as Austin and Pflugerville in Travis County.

According to the Round Rock Economic Development Department, the Austin-Round Rock MA population grew 48 percent to more than 1.2 million over the past decade. Williamson County alone soared 79 percent to 110,400 persons, making it the second-fastest growing urban county in Texas (13th in the nation) over the past decade. The City of Round Rock grew 6.8 percent annually, faster than any comparable competitor, thus making Round Rock the fastest growing city in Texas and the ninth fastest growing city in the United States with a population over 25,000. The City of Round Rock is home to several Fortune 500 companies and boasts a variety of industries such as technology, medical, and mining. Major area employers include Dell Inc., Cypress Semiconductor, Round Rock ISD, and Round Rock Medical Center. For December 2004, Round Rock had an unemployment rate of 3.1 percent, while Williamson County's unemployment rate was 3.3 percent. These rates compare favorably to the statewide average unemployment rate of 5.4 percent for the same time period.

The institution encounters strong competition within the community as several community banks, branches of larger regional financial institutions, and credit unions of large employers in Austin are located within the assessment area. Providing added competition for the bank are mortgage companies and finance companies that are now offering traditional bank loan products in the area.

### ***Community Contact***

An interview with a community member provided additional information regarding the condition of the local economy and community credit needs. The contact stated that Round Rock is a wonderful place to live and work due to its growing economy and wide variety of local resources. Round Rock has numerous parks and is home to the Round Rock Express minor league baseball team. Further, the contact stated a home in Round Rock costs less than it would in nearby Austin and has the lowest property taxes in Central Texas. The contact had favorable views of local financial institutions, and was not aware of any unmet credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### *Sampling Information*

As previously noted, the CRA record for The Express Bank of Texas is evaluated using five criteria established for small banks. Since there were no CRA-related complaints, the bank's performance in each of the other criteria, except the loan-to-deposit ratio, is based upon a sample of loans. According to the Consolidated Report of Condition for December 31, 2004, the bank reported 79 percent of total loans as commercial, 9 percent as consumer, 7 percent as residential real estate, and 5 percent as agricultural.

The Express Bank of Texas originated 119 loans aggregating \$17.9 million in the one-year period ended December 31, 2004. Refer to Table 4 for a listing of loan originations detailed by loan category.

<b>Loan Category</b>	<b>Number</b>	<b>Percent of Number (%)</b>	<b>Dollar Amount \$(000)</b>	<b>Percent of Amount (%)</b>
Commercial	65	55	14,923	83
Consumer	49	41	1,651	9
Residential Real Estate	4	3	957	6
Agricultural	1	1	400	2
<b>Gross Loans</b>	<b>119</b>	<b>100</b>	<b>17,931</b>	<b>100</b>

*Source: Bank Records*

As reflected in Table 4, the bank's primary lending focus during the one-year period ended December 31, 2004, in terms of dollar volume, is commercial lending at 83 percent. As such, a sample of commercial (small business) loans was selected for analysis using a minimum sampling guideline with a 90 percent confidence interval and a 15 percent precision level. Examiners randomly sampled 26 small business loans to evaluate the bank's overall performance.

### **LOAN-TO-DEPOSIT RATIO**

The Express Bank of Texas' lending performance, as measured by the net loan-to-deposit ratio, is satisfactory.

The loan-to-deposit (LTD) ratio is a means of measuring a bank's lending activity by comparing it to the volume of deposits held. Using data from the Consolidated Reports of Condition for the five quarters since the bank opened on July 10, 2003, the bank's *average* quarterly net LTD ratio is 37.9 percent. As of December 31, 2004, the net LTD is at 30.7 percent and is indicative of the relatively stable level of performance for this institution. Considering the bank opened just 19 months ago, management's ability to maintain a satisfactory LTD ratio reflects positively on this performance factor.

Table 5 presents a summary of the average quarterly net LTD ratios for this institution and two other competing institutions serving the same general area and offering similar products. There are a number of branch offices of larger nationwide banks and credit unions in the assessment area; however, there was no readily available financial data available on a branch only basis. Therefore, these financial institutions are not listed for comparison.

<b>Bank Name/Location</b>	<b>Total Assets \$(000)</b>	<b>Net Loans \$(000)</b>	<b>Total Deposits \$(000)</b>	<b>Current LTD Ratio (%)</b>	<b>Average LTD Ratio (%)</b>
<i>The Express Bank of Texas / Round Rock, Texas</i>	41,179	11,060	36,097	30.64	37.87
Independent Bank / Coupland, Texas	57,115	17,305	46,295	37.38	38.92
First Texas Bank / Round Rock, Texas	146,780	70,881	134,203	52.82	50.79

*Source: Consolidated Report of Condition September 30, 2004*

As stated earlier, the comparisons noted in Table 5 were selected because they are competitors of The Express Bank of Texas serving a similar general geographic area. Management indicated its most fierce competition in terms of both deposits and loans are the big regional bank branches located in the communities served by the bank. However, as stated previously, financial information on those branches individually is not readily available. While the Independent Bank is slightly larger, the First Texas Bank is more than three times larger than The Express Bank of Texas and they have been operating in the assessment area for a long time. Although The Express Bank of Texas is headquartered in Round Rock, it has been operational only since July 2003.

Overall, subject bank’s level of lending activity is satisfactory relative to its financial capacities, overall lending focus, and lending opportunities presented in the assessment area.

### **LENDING IN ASSESSMENT AREA**

The bank’s proportion of lending activity within the assessment area is satisfactory. According to the regulation, a financial institution can obtain a satisfactory rating in this factor if a majority of its lending activity is within its assessment area. An assessment area is a geographical area in which the bank intends to concentrate the majority of its lending. Criteria for a bank’s lending performance is based on the number and dollar volume of loans originated within the assessment area.

From January 1, 2004, to December 31, 2004, the bank originated a majority of the sampled small business credits within the assessment area indicating satisfactory performance. Specifically, 73 percent of the number (19 loans) and 84 percent of the dollar volume (\$2,604,000) of the sampled small business loans were made within the assessment area. This lending performance represents satisfactory responsiveness to assessment area credit needs.

## LENDING TO BUSINESSES OF DIFFERENT SIZES

The bank's record of lending to businesses of different sizes reveals reasonable penetration among businesses of different sizes. This conclusion is based on adequate performance with respect to the volume of loans made to businesses with gross annual revenues (GARs) of \$1 million or less when compared with industry (Dun & Bradstreet) data. Examiners reviewed both the GARs of the businesses and the size of the business loans to determine the performance regarding this factor. The emphasis of this review was placed on the distribution of small business loans by GARs since this is a direct indicator of a bank's efforts of providing credit to smaller companies. Only those loans extended within the assessment area are included in the analysis.

As revealed in Table 6, The Express Bank of Texas has an adequate record of extending loans by number and dollar volume to businesses of various sizes with GARs of \$1 million or less. The bank's 79 percent by number is within a reasonable range of the industry data for 2003 of 92 percent 92 percent of the businesses in the assessment area with GARs of \$1 million or less.

<b>Gross Annual Revenue \$(000)</b>	<b>Number</b>	<b>Percent of Number (%)</b>	<b>Number of Businesses 2003 (% of #)</b>	<b>Dollar Volume \$(000)</b>	<b>Percent of Volume (%)</b>
≤ 100	7	37		896	34
100-250	6	22	N/A	581	22
250-500	2	10		515	20
500-1,000	0	0		0	0
≤ 1,000	15	79	92	1,992	76
> 1,000	4	21	8	612	24
<b>Total</b>	<b>19</b>	<b>100</b>	<b>100</b>	<b>2,604</b>	<b>100</b>

Source: Bank Records and Dun & Bradstreet Data

Since data relative to loan size is an indirect measure of small business lending performance, small business loans were also analyzed by loan size. As revealed in Table 7, The Express Bank of Texas originated a majority of its small business loans in amounts less than or equal to \$100,000 indicating satisfactory lending efforts regarding smaller-sized businesses.

<b>Loan Size \$(000)</b>	<b>Number</b>	<b>Percent of Number (%)</b>	<b>Dollar Volume \$(000)</b>	<b>Percent of Volume (%)</b>
≤ 100	11	58	363	14
> 100 to ≤ 250	3	16	481	18
> 250 to ≤ 1,000	5	26	1,760	68
> 1,000	0	0	0	0
<b>Total</b>	<b>19</b>	<b>100</b>	<b>2,604</b>	<b>100</b>

Source: Bank Records

Considering the fact that The Express Bank of Texas has only been operational for 19 months, management has made a reasonable effort to serve the needs of smaller-sized businesses in the bank's assessment area.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

The Express Bank of Texas has a geographic distribution of loans that reflects a reasonable penetration throughout its assessment area.

As previously mentioned, the assessment area is comprised primarily of middle- and upper-income geographies. In fact, there are no low-income and only five moderate-income census tracts in Williamson County, which is where both of the bank's offices are located. The lack of low-income census tracts coupled with the small number of moderate-income tracts (5) minimizes the relevance of this performance factor in the overall evaluation. An analysis of the small business loans extended inside the assessment area revealed 10 percent were made in moderate-income geographies, 58 percent in middle-income geographies, and 32 percent in upper-income geographies. Such analysis depicts a reasonable dispersion of loans given the bank's locations and delivery systems.

### **RESPONSE TO COMPLAINTS**

The bank has procedures in place to address all complaints. There have been no CRA-related complaints received since the bank opened.

### **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS**

An analysis of compliance with applicable fair lending regulations identified no violations of the substantive provisions of anti-discrimination laws. Applications were received from all segments of the communities served. There were no indications of any prescreening or discouragement of applicants. All denied applications were supported and consistent with approved applications.

## GLOSSARY

**Census Tract** - a small locally demarcated area, usually in a metropolitan neighborhood, defined by the decennial census to consist generally of stable boundaries and an average population of 4,000.

**HMDA** - Home Mortgage Disclosure Act (see HMDA-LAR)

**Low-income** -

- for a census tract - this refers to income levels less than 50% of the MFI for the MA in which the tract is located.
- for a block numbering area - this income range is less than 50% of the MFI for all non MA areas in the state in which the block numbering area is located.
- for individuals - this refers to income levels less than 50% of the most recent year's estimation of the MFI by the Department of Housing and Urban Development.

**MFI** - median family income as determined by either the Census Bureau or adjusted by HUD.

**Middle-income** - determined using the same methodology as for low-income. The percentage used for middle-income designation is 80% - 119%.

**Moderate-income** - determined using the same methodology as for low-income. The percentage used for moderate-income designation is 50%-79%.

**MA** - metropolitan statistical area as determined by the Census Bureau. Usually consists of contiguous census tracts and block numbering areas comprising one or more counties including a large population nucleus and nearby communities that have a high degree of interaction and which usually have a combined population of greater than 50,000.

**Upper-income** - determined using the same methodology as for low-income. The percentage used for upper-income designation is greater than or equal to 120%.