



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**December 30, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Green Bank, National Association  
Charter Number 24749

4000 Greenbriar  
Houston, TX 77098-0000

Office of the Comptroller of the Currency

Houston Field Office  
1301 McKinney Street, Suite 1410  
Houston, TX. 77010-3031

**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.**

Green Bank, N.A. (Green Bank) reflects satisfactory lending performance in its efforts to meet credit needs of its community, including low- and moderate-income individuals and geographies in its assessment area (AA). Factors that support the overall rating include:

- The loan-to-deposit (LTD) is reasonable given the bank's size, financial condition, and AA credit needs.
- A substantial majority of loans are in the bank's AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.

**SCOPE OF EXAMINATION**

We completed a full-scope review of the bank's Community Reinvestment Act (CRA) activities in the AA. Our review was focused on the primary loan product both by number and dollar amount of loans to businesses. This product was assigned the most weight in arriving at our conclusion as to the bank's performance. In addition, we reviewed a secondary loan product of owner occupied, residential real estate that was second to business loans in the number and dollar of loans originated. Residential real estate lending was assigned significantly less weight in arriving at our conclusions.

Although not required to collect the information as a small bank, management collected reliable census tract information and income or revenue information on all business and residential real estate loans originated during the evaluation period of January 1, 2007 to September 30, 2009. Therefore, we were able to include all business loans and all owner occupied, residential real estate loans originated during the evaluation period in our analysis. As detailed in Table 1 below, this is a total of 710 loans originated in the AA.

**DESCRIPTION OF INSTITUTION**

Green Bank, National Association is a \$481 million community bank headquartered in Houston, Texas. Green Bank is a wholly owned subsidiary of Green Bancorp, Inc. The bank, which was originally chartered as Redstone Bank, National Association in 1999, was renamed Green Bank in 2007 following completion of the acquisition of Redstone Bank by Green Bancorp, Inc. Green Bank serves Harris County, Texas, South Montgomery County Texas and Travis County, Texas through five full-service banking locations: (1) the main office is located at 4000 Greenbriar, Houston, Texas, (2) the Memorial branch, located at 109 Post Oak Lane, Houston Texas, (3) the Tanglewood

branch, located at 5018 San Felipe, Houston, Texas (4) Barton Oaks, located at 901 S. MoPac Expressway, Austin, Texas, and (5) The Woodlands, located at 9595 Six Pines Drive, The Woodlands, Texas. In addition to drive-up facilities at the Tanglewood and Greenbriar locations, Green Bank has a dedicated drive-up facility located at 8611 Memorial Drive, Houston, Texas and a courier facility located at 109 N. Post Oak Lane, Houston, Texas.

All branches have reasonable operating hours to meet the community's needs. Lobby hours are 8:00 to 5:00, Monday to Friday. The drive-up facilities at Tanglewood and Greenbriar are open from 7:30 to 6:00, Monday to Friday, while the Memorial drive-up is open from 8:00 to 6:00. The bank offers remote deposit capture which allows customers to make deposits electronically. Because extended processing times are available for customers using remote deposit capture, Saturday hours are only offered at the Tanglewood location.

As of September 30, 2009, the bank had \$481 million in assets and a Tier One Leverage Capital ratio of 9.45 percent. The loan portfolio represents 83 percent of total assets. The primary lending focus is business lending at 76 percent of the loan portfolio by dollar amount. Although the primary loan product is business lending, they have not ignored the need for consumer and residential lending. Green Bank does not have many applications for mortgage loans due to the number of larger financial institutions in Houston and Austin. Other loan products by dollar amount include residential real estate lending at 18 percent and multifamily residential at 3 percent. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The bank's assessment area (AA) includes 666 census tracts (CTs) in Harris County and the southern portion of Montgomery County, Texas and 180 census tracts in Travis County, Texas. The bank currently has five branch locations, including the main office, located in Harris, South Montgomery and Travis counties. The locations can satisfactorily service Harris, South Montgomery and Travis counties. The AA has a total of eight hundred forty six (846) CTs. Of the CT income designations, eighty three (83) or 10 percent are low-income CTs, two hundred seventy four (274) or 32 percent are moderate-income CTs, and two hundred thirty eight (238) or 28 percent are middle-income. Upper-income CTs are two hundred forty one (241) or 28 percent of the total, and the bank has ten (10) tracts in its AA that are designated NA, without an income designation.

Community contacts in the bank's AA have identified needs for small business financing, including to start-up small businesses and also to help existing businesses that are considering moving into this area. Since the bank's primary lending product is commercial lending, they have the products and the willingness to help service these needs.

## **Houston AA (Harris and South Montgomery Counties)**

The entire Houston MSA includes the counties of Harris, Fort Bend, Montgomery, Brazoria, San Jacinto, Galveston, Liberty, Waller, Chambers and Austin. Green Bank has selected Harris county and the southern portion of Montgomery county, where the bank has branches located. There are 666 CTs located in the Houston AA, which is comprised of contiguous CTs located in Harris County and the southern portion of Montgomery County, which surround and include Green Bank's respective business locations. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Of the CT income designations, sixty three (63) or 9 percent are low-income CTs, two hundred twenty three (223) or 33 percent are moderate-income CTs, and one hundred seventy nine (179) or 27 percent are middle-income. Upper-income CTs are one hundred ninety three (193) or 29 percent of the total, and the bank has eight (8) tracts in its AA that are designated NA, without an income designation.

There are 697 thousand owner occupied single-family housing units and 546 thousand rental housing units. The median value of a single-family residence is \$101 thousand, and the median family income is \$61,100. The weighted average monthly gross rent is \$620.

Harris and South Montgomery Counties are highly competitive markets for financial services. Financial service providers include branches of the nation's largest banks as well as many community banks. Also competing in the small business market are credit unions, mortgage companies, finance companies, and other financial service providers.

## **Harris County**

Harris County is the third largest county in the United States with a population of over 3.9 million, and covers a land area of 1,788 square miles. Houston is the largest city in the county, the county 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, 75 thousand people work in its facilities, and the center has 21 million square feet of space. Approximately 5 million patients are treated at the Texas Medical Center annually. Also, 18 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.

The county also has a large number of financial institutions of all sizes offering a wide variety of products and services, and competition is intense. The average

unemployment rate for Harris County during 2008 was 4.8 percent, an increase from the 2007 annual rate of 4.3 percent.

### **Montgomery County**

Montgomery County, known as the “Birthplace of the Lone Star Flag,” covers over 1,000 square miles and is the 15<sup>th</sup> largest county in Texas. The southern portion of the county consists of the county encompasses the communities of The Woodlands, and Shenandoah.

South Montgomery County is one of the fastest growing communities in the nation. According to the 2000 census, Montgomery County had a population of approximately 293,000. The 2007 U.S. Census estimates indicate the current population is 412,000 which is a 40 percent growth rate in seven years.

Financial services competition in Montgomery County and particularly in The Woodlands is intense. There are numerous branches of large multi-state national and regional financial institutions as well as entrenched local community banks competing for the small business market. In addition, Montgomery County has a large and competitive credit union located in the Conroe area as well as mortgage companies, finance companies, and other financial institutions.

### **Austin MSA (Travis County)**

The entire Austin MSA includes the counties of Travis, Williamson, Hays, Caldwell and Bastrop. Green Bank has selected Travis county where it operates one full service branch. Travis County comprises 989 square miles on the eastern edge of the Edwards Plateau and is divided by the Balcones Escarpment. There are 180 CTs located in the Austin AA. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Of the CT income designations, twenty (20) or 11 percent are low-income CTs, fifty one (51) or 28 percent are moderate-income CTs, and fifty nine (59) or 33 percent are middle-income. Upper-income CTs are forty eight (48) or 27 percent of the total, and the bank has two (2) tracts in its AA that are designated NA, without an income designation.

There are 164 thousand owner occupied single-family housing units and 154 thousand rental housing units. The median value of a single-family residence is \$141 thousand, and the median family income is \$69,100. The weighted average monthly gross rent is \$738.

In the year 2008, the population was 998,543; the county has gained more than 400,000 residents since 1990. The county seat is Austin, the capital of Texas and home to the University of Texas. The county is named in honor of William Barret Travis, the commander of the Republic of Texas forces at the Battle of the Alamo. Major employers include Austin ISD, City of Austin, Dell, IBM, Seton Healthcare, St. David's Healthcare Partnership, State of Texas, and the University of Texas.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance given the bank’s size, financial condition, and credit needs of the assessment area. The bank’s quarterly LTD ratio since the last examination is 79.75 percent, which is comparable to other banks of similar size, location and product offering. The average LTD ratio of 37 banks, located in Harris, Montgomery and Travis Counties with assets of less than \$500 million for the same period was 82.87 percent, and ranged from 29.02 percent to 119.19 percent.

### Lending in Assessment Area (AA)

The percentage of loans or other lending related activities in the assessment area is satisfactory. A substantial majority of the loans originated during the evaluation period were within the bank's AA, with 78.98 percent of the number originated and 81.91 percent of the dollar amount originated falling within the bank's AA. The table below details the bank's lending within the AA by number and dollar amount of loans originated during the evaluation period.

<b>Table 1 - Lending in Green Bank Assessment Area (AA)</b>										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	71	83.53	14	16.47	85	52,619	88.09	7,112	11.91	59,731
Business	639	78.50	175	21.50	814	543,148	81.36	124,470	18.64	667,618
Totals	<b>710</b>	<b>78.98</b>	189	21.02	899	<b>595,767</b>	<b>81.91</b>	131,582	18.09	727,349

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

Overall, lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance.

### Performance in the Houston AA

Owner occupied residential real estate is not considered a primary product. The distribution of residential real estate loans reflects a poor penetration of loans to borrowers of different income levels. Lending to low- to moderate-income borrowers reflects a poor penetration of the AA. However, to offset this performance and meet the credit needs of the AA, Green Bank purchased a \$1.216 million GNMA investment. The pool is comprised entirely of low- to moderate-income borrowers in Harris County, Texas. Loan originations were compared to 2000 U.S. Census data about the AA. The bank’s performance is shown in the following table:

<b>Table 2 – Borrower Distribution of Residential Real Estate Loans in Houston AA</b>								
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
Real Estate	23.83	<b>0.00</b>	17.64	<b>1.75</b>	18.57	3.51	39.96	97.74

Source: bank provided information; U.S. Census data.

Given the demographics of the AA, the distribution of loans reflects a reasonable penetration among businesses of different sizes. The bank’s lending to small businesses in the Houston AA meets the standard for satisfactory performance. For this analysis, we included all commercial and industrial loans in the portfolio located within the AA. As illustrated by the following table, the percentage of loans to businesses reporting revenue of \$1 million or less by number of loans as well as by dollar of loans is adequate considering the characteristics of the AA.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Houston AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.37%	5.39%	26.24%	100%
% of Bank Loans in AA by #	43.88%	56.12%	0%	100%
% of Bank Loans in AA by \$	42.75%	57.25%	0%	100%

Source: bank provided information; Dunn and Bradstreet data.

In addition, we identified sixteen loans originated to start-up businesses. Green Bank’s consideration of small business borrowers and willingness to aid in the origination of new businesses reflects positively on their commitment to the credit needs of the community.

**Performance in the Austin AA**

Owner occupied residential real estate is not considered a primary product. The distribution of residential real estate loans reflects a poor penetration of loans to borrowers of different income levels. Lending to low- to moderate-income borrowers reflects a poor penetration of the AA.

<b>Table 2B – Borrower Distribution of Residential Real Estate Loans in Austin AA</b>								
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
Real Estate	21.62	<b>0.00</b>	18.01	<b>0.00</b>	21.04	0.00	39.34	100.00

Source: bank provided information; U.S. Census data.

Given the demographics of the AA, the distribution of loans reflects a more than reasonable penetration among businesses of different sizes. The bank’s lending to

small businesses in the Austin AA exceeds the standard for satisfactory performance. For this analysis, we included all commercial and industrial loans in the portfolio located in the AA. As illustrated by the following table, the percentage of loans to businesses reporting revenue of \$1 million or less by number of loans as well as by dollar of loans is more than reasonable considering the characteristics of the AA.

<b>Table 2C - Borrower Distribution of Loans to Businesses in Austin AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.19%	4.74%	28.07%	100%
% of Bank Loans in AA by #	70.59%	29.41%	0%	100%
% of Bank Loans in AA by \$	72.37%	27.28%	0%	100%

Source: bank provided information; Dunn and Bradstreet data.

### Geographic Distribution of Loans

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the bank's AA and meets the standards for satisfactory performance.

### Performance in the Houston AA

For residential real estate lending, the bank's performance is best measured by owner occupied, residential real estate originations. As shown in the table below, lending to consumers in low- and moderate-income tracts is below the characteristics of the AA. However, as illustrated by the table below, the bank's performance does reflect a willingness to lend in low- to moderate-income tracts, which is further supported by the number of loans originated to businesses in low- and moderate-income tracts as discussed below.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Houston AA</b>								
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
Residential RE	3.78	<b>1.72</b>	24.84	<b>1.72</b>	29.29	3.45	42.10	93.10

Source: bank provided information; U.S. Census data.

As the following table illustrates, the bank is lending to businesses in all census tracts, and the geographic distribution of loans to businesses in low- and moderate-income census tracts is reasonable. It is close to the characteristics of the AA compared to Dunn and Bradstreet data. The bank's performance is shown in the following table:



Table 3A - Geographic Distribution of Loans to Businesses in Houston AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	5.92	5.59	27.01	23.25	25.89	18.71	40.46	52.45

Source: bank provided information; U.S. Census data. \*.72% of businesses are in NA designated census tracts.

### Performance in the Austin AA

Our analysis of each loan type for the Austin AA is presented in the following tables. For residential real estate lending, the bank’s performance is best measured by owner occupied, residential real estate originations. 7.69 percent of owner-occupied, residential real estate loans made in made in Travis County during the evaluation period were made in low-income CT, which exceeds the AA characteristic of 4.19 percent. Loans made in moderate-income CTs are near the characteristics of the AA. As illustrated by the table below, Green Bank’s performance does reflect a willingness to lend in moderate-income tracts, which is further supported by the number of loans originated to businesses in low- and moderate-income tracts as discussed below.

Table 3B - Geographic Distribution of Residential Real Estate Loans in Austin AA								
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
Residential RE	4.19	<b>7.69</b>	21.57	<b>7.69</b>	36.24	23.08	38.00	61.54

Source: bank provided information; U.S. Census data

As the table illustrates, the bank is lending to businesses in all census tracts, and the geographic distribution of loans to businesses in low- to moderate-income census tracts is reasonable compared to Dunn and Bradstreet data. Loans originated in low-income CTs, account for 7.35 percent of the Austin portfolio, which exceeds the characteristic of 6.30 percent of businesses located in low-income CTs. Loans originated in moderate-income CTs make up 14.71 percent of the Austin portfolio, which is close to the characteristics of the AA. The bank’s performance is shown in the following table:

<b>Table 3C - Geographic Distribution of Loans to Businesses in Austin AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	6.30	7.35	19.74	14.71	32.25	42.65	41.54	35.29

Source: bank provided information; U.S. Census data. \*.17% of businesses are in NA designated census tracts.

### **Responses to Complaints**

We reviewed Green Bank’s public file as well as consulted with the OCC’s Customer Assistance Group (CAG) to identify complaints the bank received, if any, and their response to those complaints during the evaluation period. Green Bank did not receive any complaints related to its CRA performance during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs.