

Patriot

PERSPECTIVES



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www.patriotbankusa.com

HAPPY FIRST BIRTHDAY, PATRIOT BANK!

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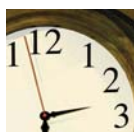
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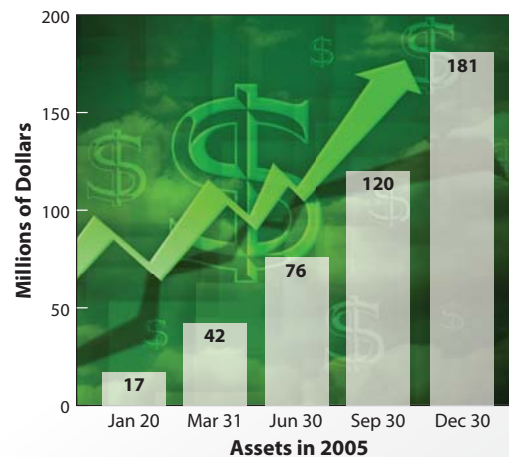
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Forget crawling, toddling and walking! By the time Patriot Bank celebrated its first birthday on March 7, the bank was already off and **running** with confidence. "Many start-up banks take 3-4 years to break even," says President Don Ellis, "but we hit positive cash flow three months after opening our doors – which is unheard of!" By December 31, the bank had \$181 million in total assets and \$155 million in loans. "It's exciting how quickly we were accepted into the Houston market and propelled ahead to finish as the fastest growing bank in the city." Ellis credits the phenomenal success to great employees dedicated to customer service, a supportive shareholder base, strong market and good timing. Management strategies to grow loans through relationships also landed the bank with an impressive January achievement: announcing a net profit of \$414,000.

A Birthday Gift to Shareholders



Patriot Bank's assets grew tenfold over its first year of business, making it one of the fastest growing banks in Texas.

ECONOMIC OUTLOOK

A dozen economists typically have a dozen different perspectives. Right now, however, many experts are watching Houston's key economic indicators with an optimistic skip in their step. Flying in the face of back-to-back hurricanes, rising interest rates and high oil prices, 2006 is looking to deliver a fourth consecutive year of economic growth and positive stock returns.

The oddest hiccup on the horizon is the *inverted yield curve*: a relatively unusual market situation wherein the long-term bond rates are lower than short-term rates. Some believe that, if history repeats itself, an inverted yield curve *could be* an indicator that a recession is coming—as seemed to be the case in 1979, 1981 and 2000. However, management at Patriot Bank believes the near-

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GOING ABOVE AND BEYOND

When Patriot Bank launched its recent ad campaign with the theme “Beyond the American Dream”, people were immediately drawn to images of people living a lush lifestyle made possible by smart investing and financial planning.

The campaign clearly communicates that with Patriot as your partner, you can expect even *more* than the typical American dream. And those high expectations shouldn't be limited to great financial returns on investment, but on the overall customer experience.



In an age where transactions can be processed with the click of a button and where service standards are falling prey to a do-it-yourself attitude, many people are starting to dream of business relationships where the customer really matters; where they feel special and taken care of. Patriot prides itself in this type of relationship with its customers. We take extra care to give our clients the personal attention they deserve and we also surround ourselves with businesses that have the same philosophy.

One such company is Old Dominion Title, a Patriot Bank client with whom we have developed a special banking relationship and one that is developing a reputation of its own for going “above and beyond” in customer service.

Patriot Perspectives recently spoke with Old Dominion President Curt Jones, who explained how the company got started and how it is striving to become one of Houston's premier title companies based upon its exceptional service philosophy.

PP: Tell me about Old Dominion Title. When was it founded and why?

Jones: A small group of investors who were in the real estate business approached me early last year about starting a new title company. We saw an unmet need in the market—a need for high quality service—and decided to build Old Dominion on that foundation. In May 2005, we started putting the venture together and we were licensed in November.

PP: I understand that Old Dominion has grown tremendously since its inception. To what do you credit your success?

Jones: Twenty-five years in the hospitality industry taught me just how important good service is and it's something we emphasize at Old Dominion. As such, one of the keys to our success has been hiring the right people, like our branch manager and escrow officer Nancy Baker-Bates. She is extraordinary and is able to see problems before they even happen. I started talking to her from the very beginning because I realized she had the same service philosophy as I did and could make the difference.

“There are a lot of title companies out there and frankly, many of them don't treat their clients as they should. We are building our business on extraordinary customer service, going above and beyond what the other title companies offer.”

– Curt Jones,
President,
Old Dominion Title

Patriot Bank Customer Profile

Name: Curt Jones

Title: President

Company: Old Dominion Title

Professional Background:

Four years in the title business, 25 years in the hospitality industry

Personal: Native Houstonian, Texas A&M graduate, charter member of Grand Lakes Presbyterian Church, married with one son, plays lacrosse for Gulf Coast Lacrosse Association, coaches little league football and baseball.

PP: What are some of the ways in which you go “above and beyond” for your clients?

Jones: It's really not *what* we do, but rather *how* we do it. For instance, at most title companies, the receptionist will greet clients on a first-name basis when they arrive for meetings. But we take the time to note little things ahead of time, like their food and drink preferences, so that we can provide that next level of comfort for them without them having to ask for it. We also pride ourselves on being consistent in our service levels—not going the extra mile some of the time, but rather all of the time.

PP: Tell me about Old Dominion Title's relationship with Patriot Bank. How did you get hooked up?

Jones: We were introduced to Patriot by one of our investors who had a contact there. What really connected us, though, was when we started working with their people and realized Patriot was founded on the same principles of “above and beyond.” Just like us, they base their success on service, service, service.

PP: Which of Patriot's products and services do you use?

Jones: Old Dominion has all of its operating and escrow accounts at Patriot. We utilize the bank's account management services, such as online banking, on a daily basis. We have also developed a tremendous business relationship with their people, such as Rebecca Schany, Don Ellis and Don's assistant Kathy.

PP: How has Patriot Bank's service philosophy impacted your business?

Jones: All of the people at Patriot have been very attentive. You can't walk into Patriot without someone saying hello and helping you get what you need. If there are problems, which we've had very few of, calls are returned promptly. And they do what other banks wouldn't think of doing, such as opening their doors to us when we were in our temporary space and allowing us to use their offices for closings and other important meetings. That really helped our business when we were first getting started.

“Just like us, the people at Patriot base their success on service, service, service. They have an attitude of a small town bank in a big city.”

PP: What are Old Dominion's plans for future growth?

Jones: Right now, we are focused on Harris County but we eventually plan to move into some of the surrounding counties. We'd like to have 8 to 10 branches in the Houston area within the next 10 years.

PP: How can people learn more about Old Dominion Title?

Jones: Our Web site address is www.olddominiontitle.com or they can call us at 713-334-3100.

Economic, cont'd.

term economic environment is quite positive for the Texas market. The best news of the day is that, even if the country heads into a recession in the near future, Houston is insulated via its diversified industry base and strength driven by oil. Historical research indicates Houston would likely lag the national recession curve by 1-2 years—allowing plenty of time to prepare. Patriot Bank recommends consumers and business leaders avoid getting “spoiled” with this buoyant economic climate. Consider the short-term opportunities available now, while keeping an eye to the future.

- While the yield curve is inverted, **it's a great time to enjoy flex rates on deposits** at Patriot Bank while locking in a low rate by refinancing a home mortgage or business loan. If the Fed reacts/overreacts by adjusting the interest rates higher, consumers with liquidity will benefit.
- Single digit growth is expected in the stock and bond market going forward, causing many investors to **prefer money market accounts** that are more risk-averse than even blue chip stocks.
- **Invest locally.** Patriot Bank is bullish on Houston. Houston home appreciation is expected to remain at the 20

year average of 3-4%. Unlike the possible housing bubbles in California and Florida, Houston housing appreciation is in line with real wage appreciation. Additionally, office vacancy rates are under 10% for the first time



since the '90s. With an average of 100 people moving to the city a day, The Greater Houston Partnership is projecting another million residents will call Houston home within the next decade.

Bottom line: At Patriot Bank we are looking for more *good times to roll* in the nation's fourth largest city for some time. We encourage our key clients and shareholders to consult the bank for customized programs and services for their individual needs.

PRODUCT PROFILE – PATRIOT SAVINGS DELIVER TOP 10 YIELD

The past few years' lower interest rates may have boosted the housing market, but they have had a significantly negative impact on people's ability to save



for the future. At Patriot Bank, however, our customers are taking advantage of our “savings revolution” and are reaping the benefit of high yields combined with high liquidity.

While interest rates on savings accounts do fluctuate, in contrast with fixed rate

CDs, Patriot has been able to consistently offer higher rates than many local and national banks. In fact, our rates are comparable to the 10 top-ranking bank savings account rates in the country, as published on bankrate.com. So while other Houston area banks were offering rates of 2-3% in January 2006, Patriot offered its clientele 4.25%.

For more information on our savings accounts and current interest rates, visit our Web site (www.patriotbankusa.com) or call your local branch manager.

EXPANSION NEWS – PATRIOT BANK OPENS NEW BRANCHES IN FRIENDSWOOD AND DALLAS

Patriot recently opened two new branches in Friendswood and Dallas. The Friendswood branch, which is located at 102 West Parkwood, is managed by Loy Trevino, Theresa Nation, Camille Jury, Tracy Shugart, Juli Rendmon and Brent Goswick (see photo below). The Dallas branch is located at 5430 LBJ Freeway.

For more information on our branch locations, visit:
<http://www.patriotbankusa.com/contactus.html>.



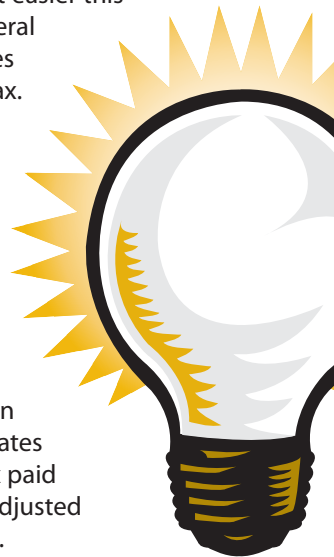
Main Branch Drive-Through Now Open

For more information on drive-through locations and hours, check our Web site at:

www.patriotbankusa.com/drivethrough.html.

SMART IDEA – NO SALES TAX RECEIPTS?

The IRS is making it easier this year to deduct federal and local sales taxes from our income tax. Under a new ruling, you do not have to save receipts to get credit for sales tax paid. Instead, you have the option of using a table included in the 1040 instruction booklet that calculates estimated sales tax paid based upon your adjusted gross income (AGI).



For more information on new laws and ideas for 2005 taxes, visit:
http://www.irs.gov/newsroom/article_0,,id=132383,00.html.

We're Here to Serve You 24 Hours a Day



Don't forget to take advantage of our convenient online banking center!

Visit <https://www.netteller.com/patriotbankusa/> to access your account information over the Web.