FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

REPUBLIC BANCSHARES OF TEXAS INC

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Business Address
6809 FM 1960 WEST
HOUSTON TX 77069
2813151100

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

Mark One

☒ **Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended June 30, 2004

Or

☐ **Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from ______ to ______.

Commission File Number: 000-33201

REPUBLIC BANCSHARES OF TEXAS, INC.

(Exact name of small business issuer as specified in its charter)

Texas	**76-0691991**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4200 Westheimer Suite 101
Houston, Texas
(Address of principal executive offices)

77027
(Zip Code)

281-315-1100
(Issuer' s telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act ("Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

As of August 4, 2004, there were 3,914,514 shares of the registrant' s common stock, par value $1.00 per share, outstanding.

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CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities, benefits from new technology, plans and objectives of management, and other matters. Statements in this document that are not historical facts are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended and Section 27A of the Securities Act of 1933, as amended. Such forward-looking statements include, without limitation, those relating to the future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, wherever they occur in this document, are necessarily estimates reflecting the best judgment of the senior management of Republic Bancshares of Texas, Inc. (the "Company") and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in this document. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- changes in interest rates and market prices, which could reduce the Company's net interest margins, asset valuations and expense expectations;
- the timing, impact and other uncertainties of the Company's ability to establish a significant presence in new geographic service areas and capitalize on growth opportunities;
- the failure of assumptions underlying the establishment of and provisions made to the allowance for loan losses;
- changes in statutes and government regulations or their interpretations applicable to national banks;
- the effects of vigorous competition in the markets in which the Company operates, including the impact on revenues and earnings of competitive changes to existing price structures and underlying interest rates;
- requirements imposed (or latitude allowed to competitors) by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), or state regulatory bodies;
- general economic or business conditions that may be less favorable than expected, resulting in, among other things, lower than expected revenues or greater than expected credit problems among the Company's customer and potential customer base;
- the ability of the Company to acquire, operate and maintain cost effective and efficient systems without incurring unexpectedly difficult or expensive but necessary technological changes;
- the loss of senior management or operating personnel and the potential inability to hire qualified personnel at reasonable compensations levels; and
- adverse changes in debt and capital markets.

The words "estimate," "project," "intend," "expect," "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this document and the other documents incorporated herein by reference. All written and oral forward-looking statements attributable to the Company are expressly qualified in their entirety by these cautionary statements. The Company undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless the securities laws require it to do so.

REPUBLIC BANCSHARES OF TEXAS, INC.

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Republic Bancshares of Texas, Inc. and Subsidiaries
Consolidated Balance Sheet

(Dollars in thousands, except share data)	June 30, 2004 (Unaudited)	December 31, 2003
ASSETS		
Cash and due from banks	$ 21,594	$ 19,998
Federal funds sold and other	318	833
Total cash and cash equivalents	21,912	20,831
Investment securities available for sale	69,936	61,524
Investment securities held to maturity	18,740	22,398
Loans (note 2)	348,569	315,486
Less: Allowance for loan losses (note 2)	(4,358)	(3,783)
Loans, net	344,211	311,703
Premises and equipment, net	6,637	6,560
Accrued interest receivable	1,636	1,516
Other assets	11,190	10,686
Total assets	$ 474,262	$ 435,218
LIABILITIES AND SHAREHOLDERS' EQUITY		

Liabilities:		
Deposits:		
Noninterest-bearing	$ 125,997	$ 117,925
Interest-bearing	272,782	237,256
Total deposits	398,779	355,181
Subordinated debentures	8,248	8,248
Accrued interest payable	540	502
Other borrowings (note 5)	34,000	40,000
Other liabilities	851	1,284
Total liabilities	442,418	405,215
Commitments and contingencies		
Shareholders' equity:		
Common stock, $1 par value; 20,000,000 shares authorized, 3,912,114 issued and outstanding as of June 30, 2004 and 3,889,130 issued and outstanding as of December 31, 2003	3,912	3,889
Additional paid-in capital	17,589	17,438
Accumulated other comprehensive loss, net of tax	(784)	(190)
Retained earnings	11,127	8,866

Total shareholders' equity	31,844	30,003
Total liabilities and shareholders' equity	$ 474,262	$ 435,218

See accompanying condensed notes to unaudited interim consolidated financial statements.

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Republic Bancshares of Texas, Inc. and Subsidiaries
Consolidated Statement of Income

(Dollars in thousands, except per share data)	Three months ended June 30, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
	(Unaudited)		(Unaudited)	
Interest income:				
Loans, including fees	$5,401	$5,049	$10,588	$10,079
Investment securities	672	814	1,312	1,215
Federal funds sold and other	3	30	17	99
Total interest income	6,076	5,893	11,917	11,393
Interest expense:				
Interest-bearing deposits	960	1,054	1,893	2,152
Other borrowings	197	130	375	137
Subordinated debentures	97	97	193	202
Total interest expense	1,254	1,281	2,461	2,491
Net interest income	4,822	4,612	9,456	8,902
Provision for loan losses	375	360	825	780

Net interest income after provision for loan losses	4,447	4,252	8,631	8,122
Noninterest income:				
Service charges on deposits	446	384	871	738
Other noninterest income	212	116	615	238
Total noninterest income	658	500	1,486	976
Noninterest expense:				
Salaries and employee benefits	2,227	1,821	4,310	3,612
Occupancy expense	384	330	733	653
Premises and equipment expense	118	122	238	247
Service bureau fees	148	149	295	298
Data processing fees	70	71	133	135
Other	526	701	1,051	1,384
Total noninterest expense	3,473	3,194	6,760	6,329
Income before income tax provision	1,632	1,558	3,357	2,769
Provision for income taxes	532	534	1,096	951
Net income	$1,100	$1,024	$2,261	$1,818

Earnings per common share:				
Basic	$0.28	$0.26	$0.58	$0.47
Diluted	$0.27	$0.25	$0.55	$0.45
Shares used in computing per share data:				
Basic	3,909,438	3,874,584	3,902,676	3,872,082
Diluted	4,113,077	4,040,040	4,100,908	4,037,502

See accompanying condensed notes to unaudited interim consolidated financial statements.

Republic Bancshares of Texas, Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity

	Common stock			Accumulated		
	Shares	Dollars	Additional paid-in capital	other comprehensive loss, net of tax	Retained earnings	Total shareholders' equity
				(Dollars in thousands)		
Balance at December 31, 2003	**3,889**	**$ 3,889**	**$ 17,438**	**$ (190)**	**$ 8,866**	**$ 30,003**
Issuance of common stock	17	17	125	–	–	142
Exercise of stock options	6	6	26	–	–	32
Comprehensive income						
Net income for the six months ended June 30, 2004	–	–	–	–	2,261	2,261
Net change in unrealized appreciation on securities available for sale, net of deferred taxes of $308	–	–	–	(594)	–	(594)
Total comprehensive income	–	–	–	–	–	1,667
Balance at June 30, 2004	**3,912**	**$ 3,912**	**$ 17,589**	**$ (784)**	**$ 11,127**	**$ 31,844**

See accompanying condensed notes to unaudited interim consolidated financial statements.

Republic Bancshares of Texas, Inc. and Subsidiaries
Consolidated Statement of Cash Flows

(Dollars in thousands)	Six months ended June 30, 2004	2003
	(Unaudited)	
Cash flows from operating activities:		
Net income	$2,261	$1,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	329	321
Net amortization of premium on investment securities	344	308
Amortization of issuance costs on subordinated debentures	12	12
Provision for loan losses	825	780
Increase in accrued interest receivable	(120)	(279)
Increase in other assets	(210)	(88)
Decrease in accrued interest payable	38	29
Increase (decrease) in other liabilities	(433)	224
Net cash provided by operating activities	3,046	3,125
Cash flows from investing activities:		

Net increase in loans	(33,333)	(7,417)
Principal paydowns of investment securities available for sale	8,775	1,263
Principal paydowns of investment securities held to maturity	3,549	4,217
Purchase of investment securities available for sale	(18,322)	(59,615)
Purchase of investment securities held to maturity	–	(3,000)
Purchases of bank premises and equipment	(406)	(33)
Net cash used in investing activities	(39,737)	(64,585)
Cash flows from financing activities:		
Net increase in deposits	43,598	21,648
Increase (decrease) in other borrowings	(6,000)	35,000
Proceeds from the sale of common stock	142	47
Proceeds from exercise of stock options	32	9
Net cash provided by financing activities	37,772	56,704
Net increase (decrease) in cash and cash equivalents	1,081	(4,756)
Cash and cash equivalents at beginning of period	20,831	42,391
Cash and cash equivalents at end of period	$21,912	$37,635

Supplemental disclosure of cash flow information:		
Interest paid	$2,423	$2,457
Taxes paid	$1,130	$1,268

See accompanying condensed notes to unaudited interim consolidated financial statements.

REPUBLIC BANCSHARES OF TEXAS, INC. AND SUBSIDIARIES

CONDENSED NOTES TO UNAUDITED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

(1) Organization and summary of significant accounting policies

Republic Bancshares of Texas, Inc. (the "Company") was incorporated as a business corporation under the laws of the State of Texas on May 17, 2001 for the purpose of serving as a bank holding company for Republic National Bank (the "Bank"). On June 20, 2001 RBT Holdings, Inc. ("RBT") was incorporated under the laws of Delaware. Pursuant to the terms of an Agreement and Plan of Reorganization dated May 30, 2001, the Bank became a wholly-owned subsidiary of RBT and RBT became a wholly-owned subsidiary of the Company. The reorganization was consummated on September 7, 2001. The Bank is a national banking association which began operations on November 13, 1998. On May 24, 2004, the Company completed a two-for-one stock split effected in the form of a 100 percent stock dividend. All prior period per share and share information has been restated to reflect this split.

In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company' s consolidated financial position at June 30, 2004, consolidated results of operations for the three and six months ended June 30, 2004 and 2003, cash flows for the six months ended June 30, 2004 and 2003, and the changes in shareholders' equity for the six months ended June 30, 2004. These statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Annual Report of Republic Bancshares of Texas, Inc. on Form 10-KSB for the year ended December 31, 2003. The results of operations for the first six months of 2004 are not necessarily indicative of the results of operations for a full-year period.

The Bank offers a full range of banking services through six banking offices located in the Houston metropolitan area. The accounting and reporting policies of the Company, RBT and the Bank conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the amounts of the Company, Bank and RBT. All significant intercompany amounts and transactions have been eliminated in consolidation.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the 2004 financial statement presentation. These reclassifications had no effect on net income or shareholders' equity.

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Stock-based compensation

FASB Statement No. 123 (“Statement 123”), *Accounting for Stock-Based Compensation*, provides for companies to record compensation cost for stock-based employee compensation plans at fair value. Management has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees* as allowed under Statement 123. Accordingly, compensation cost of stock options is measured as the excess, if any, of the fair value of the Company’ s common stock at the date of the grant over the amount an employee must pay to acquire the common stock. No stock-based employee compensation cost is reflected in net income for the three and six months ended June 30, 2004 and 2003.

In accordance with FASB Statement No. 148 (“Statement 148”), *Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123*, the following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

	Three months ended June 30,		Six months ended June 30,	
	2004	**2003**	**2004**	**2003**
	(In thousands, except per share amounts)			
Net income as reported	$ 1,100	$ 1,024	$ 2,261	$ 1,818
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards[1], net of related tax effects	(13)	(19)	(26)	(38)
Pro forma net income	$ 1,087	$ 1,005	$ 2,235	$ 1,780
Earnings per share:				
Basic−as reported	$ 0.28	$ 0.26	$ 0.58	$ 0.47
Basic−pro forma	$ 0.28	$ 0.26	$ 0.57	$ 0.46
Diluted−as reported	$ 0.27	$ 0.25	$ 0.55	$ 0.45
Diluted−pro forma	$ 0.26	$ 0.25	$ 0.54	$ 0.44

1 All awards consist of awards granted, modified, or settled in fiscal periods beginning after 1994−that is, awards for which the fair value was required to be measured under Statement 123.

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(2) Provision and allowance for loan losses

The allowance for loan losses is based on management' s evaluation of the loan portfolio under current economic conditions and such other factors as, in management' s best judgement, deserve recognition in determining the allowance and resultant provision for losses.

The real estate properties securing a portion of the Bank' s loans are primarily located in the Houston, Texas area. Accordingly, the ultimate collectability of a portion of the Bank' s loan portfolio is susceptible to changes in market conditions in the area.

Management believes that the allowance for loan losses is adequate to cover losses inherent in the loan portfolio as of June 30, 2004. While management uses available information to recognize loan losses, future additions to the allowance account may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company' s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination.

(3) Earnings per share

Earnings per common share is computed as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands, except per share data)	**2004**	**2003**	**2004**	**2003**
Net income	$1,100	$1,024	$2,261	$1,818
Divided by average common shares and common share equivalents:				
Average common shares	3,909	3,875	3,903	3,872
Average common shares issuable under the stock option plans	204	165	198	166
Total average common shares and common share equivalents	4,113	4,040	4,101	4,038
Basic earnings per common share	$0.28	$0.26	$0.58	$0.47
Diluted earnings per common share	$0.27	$0.25	$0.55	$0.45

(4) Impaired loans

In accordance with FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, ("Statement 114") as amended by FASB Statement No. 118, *Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosure*, a loan is considered "impaired" when it is probable that the creditor will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement. Smaller balance homogeneous loans, including single family residential and consumer loans, are excluded from the scope of Statement 114. These loans, however, are considered when determining the adequacy of the allowance for loan losses.

Impaired loans are identified and measured in conjunction with management' s review of non-performing loans, classified assets, and the allowance for loan losses. Impairment of large non-homogeneous loans is measured one of three ways: discounting estimated future cash flows, or the loan' s market price, or the fair value of the collateral, if the loan is collateral dependent. If the measurement of the loan is less than the recorded amount of the loan, excluding any allowance for loan losses and including accrued interest, then the impairment is recognized by a charge to operations or an allocation of the allowance for loan losses.

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(5) Other borrowings

Subject to certain limitations, the Bank may borrow funds from the Federal Home Loan Bank ("FHLB") in the form of advances. Credit availability from the FHLB to the Bank is based on the Bank' s financial and operating condition, and is currently in excess of $164 million. At June 30, 2004, the contractual maturities of these borrowings are as follows:

Date of Issuance	Term	Rate	Amount
March 23, 2003	2yrs	1.990 %	$10,000
April 24, 2003	3yrs	2.534	7,500
April 24, 2003	4yrs	3.028	2,500
June 9, 2003	2yrs	1.386	10,000
June 30, 2004	1 day	1.490	4,000
			$34,000

(6) Recent accounting pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*. This Interpretation is intended to achieve more consistent application of consolidation policies to variable interest entities and, thus, to improve comparability between enterprises engaged in similar activities even if some of those activities are conducted through variable interest entities. Including the assets, liabilities, and results of activities of variable interest entities in the consolidated financial statements of their primary beneficiaries will provide more complete information about the resources, obligations, risks and opportunities of the consolidated enterprise. This Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. This Interpretation applies to public enterprises as of the beginning of the applicable interim or annual period, and it applies to nonpublic enterprises as of the end of the applicable annual period. This Interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. FIN 46 was revised and reissued in December 2003.

On December 31, 2003, the Company retroactively implemented FASB Interpretation No. 46R, *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51,* resulting in the deconsolidation of the Trust established in 2002, which was created for the sole purpose of issuing subordinated debentures. The implementation of this Interpretation resulted in the Company' s $248,000 investment in the common equity of the trust being included in the consolidated balance sheet as other assets, and the interest income received from and interest expense and paid to the trust, respectively, being included in the consolidated statements of income as interest income and interest expense. The increase to both interest income and interest expense totaled $6,000 for the period ended June 30, 2004 and June 30, 2003.

ITEM2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

Management' s Discussion and Analysis of Financial Condition and Results of Operations of the Company analyzes the major elements of the Company' s consolidated balance sheet and consolidated statement of income. These statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Annual Report of Republic Bancshares of Texas, Inc. on Form 10-KSB for the year ended December 31, 2003. The results of operations for the first six months of 2004 are not necessarily indicative of the results of operations for a full-year period.

On May 24, 2004, the Company completed a two-for-one stock split effected in the form of a 100 percent stock dividend payable to shareholders of record on May 10, 2004. The Company' s Common Stock outstanding increased to approximately 3.9 million shares after the split. All prior period per share and share information has been restated to reflect this split.

For The Six Months Ended June 30, 2004 and 2003

OVERVIEW

For the six months ended June 30, 2004, the Company had net income of $2.3 million, diluted earnings per share of $0.55 and a return on average equity of 14.6% compared with net income of $1.8 million, diluted earnings per share of $0.45 and a return on average equity of 13.5% for the six months ended June 30, 2003. Return on average assets for the six months ended June 30, 2004 and 2003 was 0.99% and 0.88%, respectively.

For the six months ended June 30, 2004, the net interest margin and the net interest rate spread were 4.49% and 4.04%, respectively, compared with 4.68% and 4.19%, respectively, for the six months ended June 30, 2003.

At June 30, 2004, the Company had total assets of $474.3 million, total loans of $348.6 million, total deposits of $398.8 million and shareholders' equity of $31.8 million. At December 31, 2003, the Company had total assets of $435.2 million, total loans of $315.5 million, total deposits of $355.2 million and shareholders' equity of $30.0 million. The amounts at June 30, 2004 reflect an increase of $39.1 million or 9.0% in assets, $33.1 million or 10.5% in loans, $43.6 million or 12.3% in deposits and $1.8 million or 6.1% in shareholders' equity compared with the amounts at December 31, 2003.

RESULTS OF OPERATIONS

Net interest income

Net interest income represents the amount by which interest income on interest-earning assets, including investment securities and loans, exceeds interest expense incurred on interest-bearing liabilities, including deposits and other borrowings. Net interest income is the principal source of the Company' s income. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities, combine to affect net interest income.

Net interest income was $9.5 million for the six months ended June 30, 2004 as compared to $8.9 million for the six months ended June 30, 2003. This represents an increase of $554,000 or 6.2%. This was the result of an increase in the average interest-earning asset base of $39.6 million which consisted of an increase of $16.4 million in investments, $36.4 million in loans which were partially offset by a decrease of $13.1 million in fed funds sold and other. Average interest-bearing liabilities grew $25.9 million. Net interest margin declined 19 basis points during the year. Interest-earning assets contributed $1.0 million of the growth in net interest income which was partially offset $509,000 due to the decline in rates. Growth continued in all aspects of the Company' s lending and deposit-gathering efforts throughout 2004.

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The Company' s average deposits grew from $364.1 million at June 30, 2003 to $377.3 million at June 30, 2004, an increase of $13.2 million or 3.6%. Growth in noninterest-bearing deposits accounted for $15.5 million or 14.6% of the increase and was partially offset by a decline in money market and savings deposits. For the six months ended June 30, 2004 and 2003, the Company posted a net interest margin of 4.49% and 4.68%, respectively.

The following table presents, for the six months ended June 30, 2004 and 2003, the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. Average balances are derived from average daily balances and the yields and costs are established by dividing income or expense by the average balance or liability. At June 30, 2004 and 2003, the Bank had extended no loans for which the interest thereon was exempt from taxation and had made no investments in tax-exempt portfolio securities. Nonaccrual loans are included in the table but have no interest income reflected.

	Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
ASSETS						
Interest-earning assets:						
Loans	$ 331,752	$10,588	6.42 %	$ 295,366	$10,079	6.88 %
Securities	87,786	1,312	3.01	71,423	1,215	3.43
Federal funds sold & other	3,692	17	0.93	16,811	99	1.19
Total interest-earning assets	423,230	11,917	5.66 %	383,600	11,393	5.99 %
Less allowance for loan losses	(4,004)			(3,469)		
Total earning assets, net of allowance	419,226			380,131		
Nonearning assets	39,916			33,398		

Total assets	$ 459,142			$ 413,529		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Money market checking accounts	$ 24,509	40	0.33 %	$ 19,999	43	0.43 %
Money market and savings deposits	105,863	317	0.60	124,482	468	0.76
Certificates of deposit	125,347	1,536	2.46	113,427	1,641	2.92
Other borrowings	41,037	375	1.84	12,919	137	2.14
Subordinated debentures	8,248	193	4.71	8,248	202	4.94
Total interest-bearing liabilities	305,004	2,461	1.62 %	279,075	2,491	1.80 %
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	121,619			106,168		
Other liabilities	1,288			1,208		
Total liabilities	427,911			386,451		
Shareholders' equity	31,231			27,078		
Total liabilities and shareholders' equity	$ 459,142			$ 413,529		

Net interest income	$9,456	$8,902
Net interest spread	4.04 %	4.19 %
Net interest margin	4.49 %	4.68 %

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The following table presents the effects of changes in volume, rate and rate/volume on interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities.

	Six months ended June 30, 2004 vs. 2003			
	Increase (Decrease) due to			
(Dollars in thousands)	**Volume**	**Rate**	**Days**	**Total**
Interest-earning assets:				
Loans	$ 1,219	$ (766)	$ 56	$509
Securities	276	(186)	7	97
Federal funds sold & other	(78)	(5)	1	(82)
Total increase (decrease) in interest income	1,417	(957)	64	524
Interest-bearing liabilities:				
Interest-bearing demand deposits	10	(13)	–	(3)
Money market and savings deposits	(72)	(82)	3	(151)
Certificates of deposit	168	(282)	9	(105)
Other borrowings	298	(61)	1	238
Subordinated debentures	–	(10)	1	(9)
Total increase (decrease) in interest expense	404	(448)	14	(30)

Increase (decrease) in net interest income	$ 1,013	$ (509)	$ 50	$554

Provision for loan losses

The provision for loan losses is established through charges to income in the form of a provision to bring the total allowance for loan losses to a level deemed appropriate by management based on the factors discussed below under *"Allowance for loan losses"* although no assurance can be given, management believes the allowance for loan losses is adequate to cover losses inherent in the loan portfolio at June 30, 2004. A provision of $825,000 and $780,000 was made for the six months ended June 30, 2004 and 2003, respectively, an increase of $45,000 or 5.8%. This increase is primarily due to loan growth between June 30, 2003 and 2004.

Noninterest income

The Company' s primary source of noninterest income is service charges on deposit accounts and other banking service-related fees. Noninterest income for the six months ended June 30, 2004 and 2003 was $1.5 million and $976,000, respectively, an increase of $510,000 or 52.3%. The increase is due primarily due to commissions received from the sale of Bank Owned Life Insurance. Noninterest income as a percent of total income (total net interest income and noninterest income), was 13.6% and 9.9% for the six months ended June 30, 2004 and 2003, respectively.

Noninterest expense

Generally, noninterest expense is composed of all costs associated with operating the Company' s business facilities, obtaining and retaining banking customer relationships and providing banking services. Major components of noninterest expense typically include: (1) employee salaries and benefits, (2) occupancy-related charges to income (including depreciation of furniture, fixtures, and equipment), (3) data processing fees and technology-related costs, and (4) all other products used and fees incurred.

The Company' s efficiency ratio was 61.78% for the six months ended June 30, 2004 as compared to 64.07% for the same period in 2003. The efficiency ratio is calculated by dividing total noninterest expenses by net interest income plus noninterest income, excluding net security gains (losses). A decrease in the ratio indicates a more efficient allocation of resources.

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The following table presents for the periods indicated the major categories of noninterest expense:

(Dollars in thousands)	Six months ended June 30, 2004	Six months ended June 30, 2003
	(Unaudited)	
Salaries and employee benefits	$4,310	$3,612
Occupancy expense	733	653
Premises and equipment expense	238	247
Service bureau fees	295	298
Data processing fees	133	135
Other	1,051	1,384
Total noninterest expense	$6,760	$6,329

Salaries and benefits expense increased $698,000 or 19.3% during the first six months of 2004 compared to the same period in 2003 and reflects growth in the Bank' s management and staff from 100 full-time-equivalent employees as of June 30, 2003 to 117 full-time equivalent employees as of June 30, 2004. The additional staff were hired to accommodate growth in all aspects of the Company' s operations. The increase is also due to increased medical insurance and other benefit expenses.

Nonstaff expenses were $2.5 million for the six months ended June 30, 2004 compared with $2.7 million for the six months ended June 30, 2003, a decrease of $267,000 or 9.8%. This decrease reflects the Company' s effort to aggressively manage expense growth.

For The Three Months Ended June 30, 2004 and 2003

OVERVIEW

For the three months ended June 30, 2004, the Company had net income of $1.1 million, diluted earnings per share of $0.27 and a return on average equity of 14.0% compared with net income of $1.0 million, diluted earnings per share of $0.25 and a return on average equity of 14.8% for the three months ended June 30, 2003. Return on average assets for the three months ended June 30, 2004 and 2003 was 0.94% and 0.95%, respectively.

For the three months ended June 30, 2004, the net interest margin and the net interest rate spread were 4.49% and 4.02%, respectively, compared with 4.60% and 4.13%, respectively, at June 30, 2003.

RESULTS OF OPERATIONS

Net interest income

Net interest income represents the amount by which interest income on interest-earning assets, including investment securities and loans, exceeds interest expense incurred on interest-bearing liabilities, including deposits and other borrowed funds. Net interest income is the principal source of the Company' s income. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities, combine to affect net interest income.

Net interest income was $4.8 million for the three months ended June 30, 2004 as compared to $4.6 million for the three months ended June 30, 2003. This represents an increase of $210,000 or 4.6%. This was the result of an increase in the average interest-earning asset base of $30.1 million, which consisted of an increase of $43.8 million in loans which was partially offset by a decrease of $4.8 million in investment securities and $8.9 million in fed funds sold and other. The average interest-bearing liabilities grew $17.0 million. Net interest margin declined 11 basis points during the year. Interest-earning assets contributed $500,000 of the growth in net interest income which was partially offset $290,000 due to the decline in rates. Growth continued in all aspects of the Company' s lending and deposit-gathering efforts throughout 2004.

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The following table presents, for the three months ended June 30, 2004 and 2003, the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates. Average balances are derived from average daily balances and the yields and costs are established by dividing income or expense by the average balance or liability. At June 30, 2004 and 2003, the Bank had extended no loans for which the interest thereon was exempt from taxation and had made no investments in tax-exempt portfolio securities. Nonaccrual loans are included in the table but have no interest income reflected.

	Three Months Ended June 30, 2004			Three Months Ended June 30, 2003		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
ASSETS						
Interest-earning assets:						
Loans	$ 339,916	$ 5,401	6.39 %	$ 296,147	$ 5,049	6.84 %
Securities	91,364	672	2.96	96,170	814	3.40
Federal funds sold & other	1,069	3	1.13	9,977	30	1.21
Total interest-earning assets	432,349	6,076	5.65 %	402,294	5,893	5.88 %
Less allowance for loan losses	(4,128)			(3,604)		
Total earning assets, net of allowance	428,221			398,690		
Nonearning assets	40,180			33,166		
Total assets	$ 468,401			$ 431,856		

LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Money market checking accounts	$ 24,362	19	0.31 %	$ 20,752	22	0.43 %
Money market and savings deposits	102,763	156	0.61	122,593	220	0.72
Certificates of deposit	129,721	785	2.43	116,445	812	2.80
Other borrowings	44,727	197	1.77	24,817	130	2.10
Subordinated debentures	8,248	97	4.73	8,248	97	4.72
Total interest-bearing liabilities	309,821	1,254	1.63 %	292,855	1,281	1.75 %
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	125,637			110,094		
Other liabilities	1,284			1,217		
Total liabilities	436,742			404,166		
Shareholders' equity	31,659			27,690		
Total liabilities and shareholders' equity	$ 468,401			$ 431,856		
Net interest income		$ 4,822			$ 4,612	

Net interest spread	4.02 %	4.13 %
Net interest margin	4.49 %	4.60 %

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The following table presents the effects of changes in volume, rate and rate/volume on interest income and interest expense for the major categories of interest-earning assets and interest-bearing liabilities.

	Three months ended June 30, 2004 vs. 2003		
	Increase (Decrease) due to		
(Dollars in thousands)	**Volume**	**Rate**	**Total**
Interest-earning assets:			
Loans	$ 731	$ (379)	$ 352
Securities	(41)	(101)	(142)
Federal funds sold & other	(28)	1	(27)
Total increase (decrease) in interest income	662	(476)	183
Interest-bearing liabilities:			
Interest-bearing demand deposits	4	(7)	(3)
Money market and savings deposits	(36)	(28)	(64)
Certificates of deposit	90	(117)	(27)
Other borrowings	104	(37)	67
Subordinated debentures	–		
Total increase (decrease) in interest expense	162	(189)	(27)

Increase (decrease) in net interest income	$ 500	$ (290)	$ 210

Provision for loan losses

The provision for loan losses is established through charges to income in the form of a provision to bring the total allowance for loan losses to a level deemed appropriate by management based on the factors discussed below under *"Allowance for loan losses"* although no assurance can be given, management believes the allowance for loan losses is adequate to cover losses inherent in the loan portfolio at June 30, 2004. A provision of $375,000 and $360,000 was made for the three months ended June 30, 2004 and 2003, respectively, an increase of $15,000 or 4.2%. This increase is primarily due to loan growth between June 30, 2003 and 2004.

Noninterest income

The Company' s primary source of noninterest income is service charges on deposit accounts and other banking service-related fees. Noninterest income for the three months ended June 30, 2004 and 2003 was $658,000 and $500,000, respectively, an increase of $158,000 or 31.6%. The increase is primarily due to growth in the number of customers, services rendered and income from Bank Owned Life Insurance. Noninterest income as a percent of total income (total net interest income and noninterest income), was 12.0% and 9.8% for the three months ended June 30, 2004 and 2003, respectively.

Noninterest expense

Generally, noninterest expense is composed of all costs associated with operating the Company' s business facilities, obtaining and retaining banking customer relationships and providing banking services. Major components of noninterest expense typically include: (1) employee salaries and benefits, (2) occupancy-related charges to income (including depreciation of furniture, fixtures, and equipment), (3) data processing fees and technology-related costs, and (4) all other products used and fees incurred.

The Company' s efficiency ratio was 63.4% for the three months ended June 30, 2004 as compared to 62.5% for the same period in 2003. The efficiency ratio is calculated by dividing total noninterest expenses by net interest income before provision for loan losses plus noninterest income, excluding net security gains (losses). An increase in the ratio indicates a less efficient allocation of resources.

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The following table presents for the periods indicated the major categories of noninterest expense:

(Dollars in thousands)	Three months ended June 30, 2004	2003
	(Unaudited)	
Salaries and employee benefits	$2,227	$1,821
Occupancy expense	384	330
Premises and equipment expense	118	122
Service bureau fees	148	149
Data processing fees	70	71
Other	526	701
Total noninterest expense	$3,473	$3,194

Salaries and benefits expense increased $406,000 or 22.3% during the second three months of 2004 compared to the same period in 2003 and reflects growth in the Bank' s management and staff from 100 full-time-equivalent employees as of June 30, 2003 to 117 full-time equivalent employees as of June 30, 2004. The additional staff were hired to accommodate growth in all aspects of the Company' s operations. The increase is also due to increased medical insurance and other benefit expenses.

Nonstaff expenses were $1.2 million for the three months ended June 30, 2004 compared with $1.4 million for the three months ended June 30, 2003, a decrease of $127,000 or 9.2%. This decrease reflects the Company' s effort to aggressively manage expense growth.

FINANCIAL CONDITION

Total assets increased to $474.3 million at June 30, 2004, up $39.1 million or 9.0% from $435.2 million at December 31, 2003. Total loans of $348.6 million at June 30, 2004 represented a $33.1 million or 10.5% increase compared with $315.5 million in loans at December 31, 2003.

Loan portfolio

The Bank' s primary lending focus is on middle-market commercial loans and owner-occupied real estate loans to local businesses. Typically, the Bank' s customers have financing requirements between $100,000 and $500,000. The Bank makes commercial loans primarily to small and medium-sized businesses and to professionals. The Bank offers a variety of consumer loan and commercial loan products including revolving lines of credit, letters of credit, working capital loans and loans to finance accounts receivable, inventory and equipment.

The purpose of a particular loan generally determines its structure. In almost all cases, the Bank requires personal guarantees on commercial loans to help assure repayment.

Commercial

The Bank’ s commercial loans are primarily made within its market area and are underwritten on the basis of the borrower’ s ability to service such debt from income. As a general practice, many of the Bank’ s commercial loans have floating rates, are for varying terms, generally not exceeding three years, are personally guaranteed by the business owner and are secured by accounts receivable, inventory and/or other business assets. In general, commercial loans involve more credit risk than residential mortgage loans and commercial mortgage loans and, therefore, usually yield a higher return. The increased risk for commercial loans is due to the type of collateral securing these loans. The increased risk also derives from the expectation that commercial loans generally will be serviced principally from the business’ operations, and those operations may not be successful. As a result of these additional complexities, variables and risks, commercial loans require more thorough underwriting and servicing than other types of loans.

In addition to commercial loans secured by non-real estate business assets, the Bank makes commercial mortgage loans to finance the purchase of real property, which generally consists of real estate with completed structures. Commercial mortgage lending typically involves higher loan principal amounts and the repayment of loans is dependent on cash flow from business operations or income from the properties securing the loans to cover operating expenses and debt service. As a general practice, the Bank requires its commercial mortgage loans to be well secured and guaranteed by responsible parties. The Bank’ s commercial mortgage loans are generally secured by first liens on real estate and typically amortize over a 10 to 15 year period with balloon payments due at the end of one to five years. In underwriting commercial mortgage loans, consideration is given to the borrower’ s financial condition and cash flow with addition consideration given to the property’ s operating history, future operating projections, current and projected occupancy, location and physical condition. The underwriting analysis also includes credit checks, appraisals and an evaluation of the guarantor’ s financial condition and cash flow.

Construction

The Bank makes loans to finance the construction of residential and commercial properties. Construction loans are secured by first liens on real estate and a minimum of 20% cash equity is typically required. The Bank conducts periodic inspections, either directly or through an agent, prior to approval of periodic draws on these loans. Construction loans involve additional risks attributable to the fact that loan funds are advanced upon the security of a project under construction, and the project is of uncertain value prior to its completion. Construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the successful completion of the construction project rather than the ability of a borrower or guarantor to repay the loan. If the Bank is forced to foreclose on a project prior to completion the Bank may choose to complete the construction project. However, there is no assurance that it will be able to recover all of the unpaid portion of the loan. In addition, the Bank may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time. Underwriting guidelines similar to those described above with respect to commercial mortgage loans are also used in the Bank’ s construction lending activities.

1-4 Family Residential

The Bank offers a variety of mortgage loan products. The Bank’ s loans collateralized by one-to-four family residential real estate generally are originated in amounts of no more than 90% of the lower of cost or appraised value. The Bank generally requires mortgage title insurance and hazard insurance in the amount of the loan.

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Consumer

The Bank provides a wide variety of consumer loans including motor vehicle, watercraft, education loans, personal loans (collateralized and uncollateralized) and deposit account collateralized loans. The terms of these loans typically range from 12 to 72 months and vary based upon the nature of collateral and size of loan. As of June 30, 2004, the Bank had no indirect consumer loans, indicating a preference to maintain personal banking relationships and strict underwriting standards. Consumer loans entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by rapidly depreciating assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan balance. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower’ s continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws may limit the amount which can be recovered on such loans.

The Bank rarely makes loans at its legal lending limit. Lending officers are assigned various levels of loan approval authority based upon their respective levels of experience and expertise. All relationships above $1.0 million are evaluated and acted upon by the Loan Committee, while relationships in excess of $250,000 are subject to each banking office’ s chief executive officer’ s review and approval. All new and renewed loans greater than $100,000 are reported monthly to the Board of Directors. The Bank’ s strategy for approving or disapproving loans is to follow conservative loan policies and underwriting practices which include: (i) granting loans on a sound and collectible basis; (ii) investing funds properly for the benefit of shareholders and the protection of depositors; (iii) serving the legitimate needs of the community and the Bank’ s general market area while obtaining a balance between maximum yield and minimum risk; (iv) ensuring that primary and secondary sources of repayment are adequate in relation to the amount of the loan; (v) developing and maintaining adequate diversification of the loan portfolio as a whole and of the loans within each category; and (vi) ensuring that each loan is properly documented and, if appropriate, insurance coverage is adequate. The Bank’ s loan review and compliance personnel interact daily with commercial and consumer lenders to identify potential underwriting or technical exception variances. In addition, the Bank has placed increased emphasis on the early identification of problem loans to aggressively seek resolution of the situations and thereby keep loan losses at a minimum.

The following table summarizes the Bank’ s loan portfolio by type of loan as of June 30, 2004 and December 31, 2003:

(Dollars in thousands)	**June 30, 2004**		**December 31, 2003**	
	Amount	**Percent**	**Amount**	**Percent**
Commercial	$119,284	34.2 %	$120,667	38.2 %
Real estate:				
Commercial owner occupied and multi-family	126,447	36.3	103,312	32.7
Construction, land development and other land loans	53,588	15.4	39,467	12.5
Residential 1-4 family	23,384	6.7	22,782	7.2
Consumer and other	25,866	7.4	29,258	9.4

Total loans	$348,569	100.0 %	$315,486	100.0 %

The increase in total loans from $315.5 million at December 31, 2003 to $348.6 million at June 30, 2004 was primarily due the contributions from several new lenders.

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Nonper forming assets

The Bank has several procedures in place to assist it in maintaining the overall quality of its loan portfolio. The Bank has established underwriting guidelines to be followed by its officers, and, when applicable, will also monitor delinquency levels for any negative or adverse trends. The Bank’ s loan review procedures include approval of lending policies and underwriting guidelines by the Board of Directors, annual independent loan review, approval of large credit relationships by the Bank’ s loan committee and loan quality documentation procedures. There can be no assurance, however, that the Bank’ s loan portfolio will not become subject to increasing pressures from deteriorating borrower credit due to general economic conditions.

	June 30, 2004	December 31, 2003
	(Dollars in thousands)	
Nonaccrual loans	$ 34	$ 39
Accruing loans 90 or more days past due	–	318
Other real estate and foreclosed property	13	120
Total nonperforming assets	$ 47	$ 477
Nonperforming assets to total loans and other real estate	0.01 %	0.15 %

A loan is placed on nonaccrual status when the loan reaches a past due status of at least 90 days or the loan officer believes the loan may be partially uncollectible. At June 30, 2004, the Bank had nonaccrual loans totaling $34,000, compared to nonaccrual loans at December 31, 2003 of $39,000. Accruing loans 90 or more days past due have been reduced to zero since year end resulting from payments to make current and to a lesser extent charge-offs.

Allowance for loan losses – Critical Accounting Policy

The Company considers its Allowance for Loan Losses as a policy critical to the sound operations of the Bank. The Company provides for loan losses each period by an amount resulting from both (a) an estimate by management of loan losses that occurred during the period and (b) the ongoing adjustment of prior estimates of losses occurring in prior periods. The provision for loan losses increases the allowance for loan losses which is netted against loans on the consolidated balance sheet. As losses are confirmed, the loan is written down, reducing the allowance for loan losses. See Notes 3 and 5 to the December 31, 2003 consolidated financial statements for additional information on loans and the allowance for loan losses.

Management has established an allowance for loan losses which it believes is adequate for probable losses in the Bank’ s loan portfolio. The Bank follows a loan review program to evaluate the credit risk in the loan portfolio. Through the loan review process, the Bank maintains an internally classified loan watch list which, along with a delinquency list of loans, helps management assess the overall quality of the loan portfolio and the adequacy of the allowance for loan losses. In making its evaluation, management considers factors such as growth in the loan portfolio, the diversification by industry of the Bank’ s commercial loan portfolio, the effect of changes in the local real estate market on collateral values, the effects on the loan portfolio of current economic indicators and their probable impact on borrowers, the amount of charge-offs for the period, the amount of nonperforming loans and related collateral security and the evaluation of its loan portfolio by the loan review function. Charge-offs occur when a loan is deemed to be uncollectible. Loans classified as "substandard" are those loans with clear and defined weaknesses such as a highly-leveraged position, unfavorable financial ratios, uncertain repayment sources, or poor financial condition, any or all of which may jeopardize recoverability of the debt.

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The following table presents an analysis of the allowance for loan losses and other data for the six months ended June 30, 2004 and the year ended December 31, 2003:

(Dollars in thousands)	Six months Ended June 30, 2004	Year ended December 31, 2003
Balance, beginning of period	$ 3,783	$ 3,236
Provision for loan losses	825	1,730
Loans charged off:		
Commercial loans	(356)	(1,121)
Consumer loans	(25)	(122)
Recoveries:		
Commercial loans	121	54
Consumer loans	10	6
Net charge offs	250	(1,183)
Balance, end of period	$ 4,358	$ 3,783
Ratios:		
Allowance to end of period loans	1.25 %	1.20 %

Net charge-offs to average loans outstanding during the period	0.15 %	0.40 %

The following table describes the allocation of the allowance for loan losses among various categories of loans and provides certain other information for the dates indicated. The allocation is made for analytical purposes and is not necessarily indicative of the categories in which future losses may occur. The total allowance is available to absorb losses from any segment of the credit portfolio. The balance of the allowance for loan losses at June 30, 2004 and December 31, 2003 is as follows:

	June 30, 2004		December 31, 2003	
(Dollars in thousands)	**Amount**	**Percent of loans to total loans**	**Amount**	**Percent of loans to total loans**
Commercial and industrial	$1,490	34.2 %	$1,445	38.2 %
Real estate	2,545	58.4	1,982	52.4
Consumer and other	323	7.4	356	9.4
Total	$4,358	100.0 %	$3,783	100.0 %

Where management is able to identify specific loans or categories of loans where specific amounts of allowance are required, allocations are assigned to those loans. Federal regulators also require that a bank maintain an allowance that is sufficient to absorb an estimated amount of unidentified probable losses based on management' s perception of economic conditions, loan portfolio growth, historical charge-off experience and exposure concentrations. Management of the Bank will monitor these conditions and is committed to maintaining an adequate allowance.

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Investment securities

At the date of purchase, the Bank classifies debt and equity securities into one of three categories: held to maturity, trading or available for sale. At each reporting date, the appropriateness of the classification is reassessed. Investments in debt securities classified as held to maturity are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the interest method, only if management has the positive intent and ability to hold those securities to maturity. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading and measured at fair value in the financial statements with unrealized gains and losses included in earnings. Securities not classified as either held to maturity or trading are classified as available for sale and measured at fair value in the financial statements with unrealized gains and losses reported, net of tax, as a component of shareholders' equity until realized. Gains and losses on sales of securities are determined using the specific-identification method.

The amortized cost and fair value of investment securities classified as available for sale at June 30, 2004 and December 31, 2003 is as follows:

	June 30, 2004			
		Gross Unrealized		
	Amortized Cost	Gain	Loss	Fair Value
	(Dollars in thousands)			
Mortgage-backed securities	$ 66,104	$ –	$1,157	$64,947
Municipal securities	987	–	31	956
Federal Reserve Bank stock	841	–	–	841
Federal Home Loan Bank stock	3,192	–	–	3,192
	$ 71,124	$ –	$1,188	$69,936

	December 31, 2003			
		Gross Unrealized		
	Amortized Cost	Gain	Loss	Fair Value
	(Dollars in thousands)			
Mortgage-backed securities	$ 5,363	$201	$479	$55,085
Municipal securities	990	–	8	982
Federal Reserve Bank stock	841	–	–	841

Federal Home Loan Bank stock	4,616	–	–	4,616
	$ 61,810	$201	$487	$61,524

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The amortized cost and fair value of investment securities classified as held to maturity at June 30, 2004 and December 31, 2003 is as follows:

	June 30, 2004			
		Gross Unrealized		Gross
	Amortized Cost	Gain	Loss	Market Value
	(Dollars in thousands)			
U.S. Government and agency securities	$ 13,481	$ –	$157	$ 13,324
Mortgage-backed securities	5,259	21		5,280
	$ 18,740	$21	$157	$ 18,604

	December 31, 2003			
		Gross Unrealized		Gross
	Amortized Cost	Gain	Loss	Market Value
	(Dollars in thousands)			
U.S. Government and agency securities	$ 10,331	$67	$ –	$ 10,398
Mortgage-backed securities	12,067	96	42	12,121
	$ 22,398	$163	$42	$ 22,519

There were $4.2 million and $3.1 million at June 30, 2004 and December, 31, 2003, respectively, of securities held to maturity pledged as collateral to public deposits and other purposes required or permitted by law.

Contractual maturities of investment securities

The following table summarizes the contractual maturity of investment securities available for sale on a fair value basis and their weighted average yields as of June 30, 2004. The yield on the securities portfolio is based on average historical cost balances and does not give effect to changes in fair value that are reflected as a component of other comprehensive income.

	June 30, 2004									
	Within One Year		After One Year but Within five years		After Five Years but Within Ten Years		After Ten Years			
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands)									
Mortgage-backed securities	$ –	– %	$ –	– %	$ 9,593	4.02%	$55,354	3.74%	$64,947	3.78%

Municipal securities	–	–	956	2.92	–	–	–	–	956	2.92
	$ –	– %	$ 956	2.92%	$ 9,593	4.02%	$55,354	3.74%	$65,903	3.77%

The following table summarizes the contractual maturity of investment securities held to maturity on an amortized cost basis and their weighted average yields as of June 30, 2004.

	June 30, 2004									
	Within One Year		After One Year but Within five years		After Five Years but Within Ten Years		After Ten Years			
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total	Yield
	(Dollars in thousands)									
U.S. Government and agency securities	$ 1,019	2.23%	$ 8,246	2.85%	$ –	– %	$ –	– %	$9,265	2.78 %
Mortgage-backed securities	–	–	751	4.32	–	–	8,724	3.94	9,475	3.978
	$ 1,019	2.23%	$ 8,997	2.97%	$ –	– %	$ 8,724	3.94%	$18,740	3.38 %

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Deposits

The Bank’ s deposits increased to $398.8 million at June 30, 2004, up from $355.2 million at December 31, 2003, an increase of $43.6 million or 12.3%. Management believes that the increase in noninterest-bearing deposits is even more significant, since noninterest-bearing demand deposits are typically an indicator of the sort of business banking relationships that constitute the Bank’ s target market. Noninterest-bearing deposits reached $126.0 million at June 30, 2004, up from $117.9 million at December 31, 2003. For the six months ended June 30, 2004, interest-bearing deposits increased 15.0% from $237.3 million at December 31, 2003 to $272.8 million at June 30, 2004.

The following table presents the period end balance and weighted average rate for the indicated periods.

	Six months ended June 30, 2004		Year ended December 31, 2003	
(Dollars in thousands)	***Amount***	***Rate***	***Amount***	***Rate***
Money market checking accounts	$26,420	0.33%	$27,381	0.39%
Money market and savings	112,061	0.60	90,397	0.68
Certificates of deposit	134,301	2.46	119,478	2.72
Total interest-bearing deposits	272,782	1.49	237,256	1.59
Noninterest-bearing deposits	125,997	–	117,925	–
Total deposits	$398,779	1.01%	$355,181	1.11%

Time deposits are solicited from markets served by the Bank and are not sought through brokered sources. Time deposits are a significant source of the Bank’ s funds. The following table presents the maturities of time deposits as of June 30, 2004:

	(In thousands)
Maturities of time deposits	
Three months or less	$ 61,418
Over 3 through 6 months	13,145

Over 6 through and 12 months	15,879
Over 12 months	43,859
Total	$ 134,301
Weighted average rate on time deposits	2.46 %

Liquidity

Liquidity management involves maintaining sufficient cash levels to fund operations and to meet the requirements of borrowers, depositors, and creditors. Higher levels of liquidity bear higher corresponding costs, measured in terms of lower yields on short-term, more liquid earning assets, and higher interest expense involved in extending liability maturities. Liquid assets include cash and cash equivalents, loans and securities maturing within one year, and money market instruments. In addition, the Bank holds securities maturing after one year, which can be sold to meet liquidity needs.

The Bank relies primarily on customer deposits and shareholders' equity to fund interest-earning assets. The Federal Home Loan Bank ("FHLB") is also a source of liquidity. The FHLB allows member banks to borrow against their eligible collateral to satisfy liquidity requirements.

Maintaining a relatively stable funding base, which is achieved by diversifying funding sources, competitively pricing deposit products, and extending the contractual maturity of liabilities, reduces the Bank's exposure to roll over risk on deposits and limits reliance on volatile short-term purchased funds. Short-term funding needs arise from declines in deposits or other funding sources, funding of loan commitments and requests for new loans.

Management believes the Bank has sufficient liquidity to meet all reasonable borrower, depositor, and creditor needs in the present economic environment. In addition, the Bank has access to the FHLB for borrowing purposes. The Bank has not received any recommendations from regulatory authorities that would materially affect liquidity, capital resources or operations.

Subject to certain limitations, the Bank may borrow funds from the FHLB in the form of advances. Credit availability from the FHLB to the Bank is based on the Bank' s financial and operating condition. Borrowings from the FHLB to the Bank were $34 million at June 30, 2004. In addition to creditworthiness, the Bank must own a minimum amount of FHLB capital stock. This minimum is 5.00% of outstanding FHLB advances. Unused borrowing capacity at June 30, 2004 was in excess of $164 million. The Bank uses FHLB advances for both long-term and short-term liquidity needs. Other than normal banking operations, the Bank has no long-term liquidity needs. The Bank has never been involved with highly leveraged transactions that may cause unusual potential long-term liquidity needs.

Republic Bancshares of Texas is a holding company and does not conduct operations; its primary sources of liquidity are dividends upstreamed from Republic National Bank.

The liquidity position of the Company is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Management is not aware of any events that are reasonably likely to have a material adverse effect on the Company' s liquidity, capital resources or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on the Company.

Commitments and contingencies

Commitments to extend credit

In the normal course of business, the Company enters into various transactions which, in accordance with accounting principles generally accepted in the United States of America, are not included in the consolidated balance sheets. These transactions are referred to as "off-balance-sheet commitments." The Company enters into these transactions to meet the financing needs of its customers. These transactions include commitments to extend credit and letters of credit which involve elements of credit risk in excess of the amounts recognized in the consolidated balance sheets. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures.

The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Customers use credit commitments to ensure that funds will be available for working capital purposes, for capital expenditures and to ensure access to funds at specified terms and conditions. Substantially all of the Company' s commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses.

Letters of credit are written conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The Company' s policies generally require that letters of credit arrangements contain security and debt covenants similar to those contained in loan agreements.

Cash reserves are commitments to extend credit on a customer' s transaction deposit account, whereby the Company will clear draws on the account even if existing funds are insufficient. Outstanding unfunded commitments to extend credit at June 30, 2004 and December 31, 2003 are $51.8 million and $50.5 million, respectively.

The Company is involved in various litigation arising in the normal course of business. In the opinion of management, the ultimate liability, if any, would not be material to the consolidated financial position or results of operations of the Company.

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Capital resources

Shareholders' equity increased during the six months ended June 30, 2004 and during the year ended December 31, 2003 due primarily to the net income. Shareholders' equity stood at $31.8 million at June 30, 2004, up $1.8 million or 6.0% from $30.0 million at December 31, 2003. The ratio of shareholders' equity to total assets was 6.7% at June 30, 2004, compared with 6.9% at December 31, 2003.

Capital management consists of providing equity to support both current and future operations. The Company and the Bank are subject to capital adequacy requirements imposed by the Federal Reserve and the OCC. Both the Federal Reserve and the OCC have adopted risk-based capital requirements.

As of June 30, 2004, the Bank and the Company were well capitalized, based on the OCC prompt corrective action ratios and guidelines. The Bank's risk-based capital ratios including Tier 1 leverage ratio, Tier 1 risk-based capital ratio and Total risk-based capital ratio were 8.47%, 10.44% and 11.59%, respectively, at June 30, 2004.

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ITEM 3. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Company’ s Chief Executive Officer and Chief Financial Officer concluded that the Company’ s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported to the Company’ s management within the time periods specified in the Securities and Exchange Commission’ s rules and forms.

Changes in internal controls over financial reporting. There were no changes in the Company’ s internal controls over financial reporting that occurred during the Company’ s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’ s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company expects from time to time to become a party to or otherwise involved in legal proceedings arising in the normal course of business. Management does not believe that there is any pending or threatened proceeding against the Company which, if upon resolution, would have a material adverse effect on the Company' s business, consolidated financial position or results of operations.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company' s Annual Meeting of Shareholders (the "Annual Meeting") was held on April 20, 2004. All share information has been restated to give effect to the two-for-one stock split effective May 24, 2004.

(b) The following directors were elected until the Company' s 2005 annual meeting of shareholders: The results of the vote for the election of the five nominees listed below as Directors of the Bank were as indicated opposite their respective name:

Director	For	Against	Abstain
C. P. Bryan	3,320,284	2,940	0
Gerald W. Bodzy	3,321,010	2,214	0
Donn C. Fullenweider	3,321,010	2,214	0
James H. Hassell	3,321,010	2,214	0
Wayne C. Owen	3,321,010	2,214	0

(c) At the Annual Meeting, the Shareholders approved the Company' s 1998 Stock Option Plan, as amended to increase the number of shares of Common Stock issuable thereunder from 648,000 to 894,000. A total of 3,220,030 votes were cast in favor of the amendment and 80,314 votes against the amendment and there were 22,880 votes abstaining.

(d) At the Annual Meeting, the Shareholders approved an amendment to the Company' s Articles of Incorporation to increase the number of authorized shares of Common Stock, par value $1.00 that the Company has the authority to issue from 5,000,000 shares to 20,000,000shares. A total of 3,204,586 votes were cast in favor of the amendment and 95,758 votes against the amendment and there were 22,880 votes abstaining.

(e) The shareholders ratified the appointment of KPMG LLP as independent auditors for the 2004 fiscal year. A total of 3,317,210 shares voted in favor of the appointment, 4,014 shares were voted against the appointment and 2,000 shares abstained from voting.

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ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description
3	Articles of Incorporation as Amended
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by Republic Bancshares of Texas, Inc. during the six months ended June 30, 2004.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Republic Bancshares of Texas, Inc.

(Registrant)

By

/s/ C.P. Bryan

C. P. Bryan

Chairman of the Board, President and

Chief Executive Officer

By:

/s/ R. John McWhorter

R. John McWhorter

Executive Vice President and

Chief Financial Officer

Dated: August 10, 2004

Exhibit 3

ARTICLES OF INCORPORATION
OF
REPUBLIC BANCSHARES OF TEXAS, INC.

The undersigned, a natural person of the age of eighteen years or more, acting as sole incorporator of a corporation under the provisions of the Texas Business Corporation Act, adopts the following Articles of Incorporation:

ARTICLE 1.

The name of the Corporation is Republic Bancshares of Texas, Inc.

ARTICLE 2.

The period of duration of the Corporation is perpetual.

ARTICLE 3.

The purpose for which the Corporation is organized is the transaction of any or all lawful business.

ARTICLE 4.

Section 4.1 Authorized Shares. The aggregate number of shares which the Corporation shall have authority to issue is 5,000,000 shares of common stock of the par value of one dollar ($1.00) each.

Section 4.2 Denial of Preemptive Rights. No shareholder or other person shall have any preemptive right whatsoever to acquire additional, unissued or treasury shares of the Corporation, or securities of the Corporation convertible into or carrying a right to subscribe to or acquire shares, or any other securities or property whatsoever.

Section 4.3 Cumulative Voting.

(1) At each election of directors, every shareholder entitled to vote at such election has the right:

a. To vote the number of voting shares owned by him for as many persons as there are directors to be elected (and for whose election he has a right to vote); or

b. to cumulate his votes by giving one (1) candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates.

(2) A shareholder who intends to cumulate his votes shall give written notice of such intention to the secretary of the Corporation on or before the day preceding the election at which such shareholder intends to cumulate his votes.

(3) All shareholders entitled to vote cumulatively may cumulate their votes if any shareholder gives such notice.

ARTICLE 5.

The Corporation will not commence business until it has received for the issuance of its shares consideration of the value of at least $1,000.

ARTICLE 6.

Without necessity for action by its shareholders, the Corporation may purchase, directly or indirectly, its own shares to the extent of the aggregate of unrestricted capital surplus available therefor and unrestricted reduction surplus available therefor.

ARTICLE 7.

Section 7.1 Voting Requirement. Except to the extent otherwise required by law, the vote or concurrence of the holders of a majority of the shares of the Corporation entitled to vote and represented in person or by proxy at a meeting of the shareholders at which a quorum is present shall be the act of the shareholders.

Section 7.2 Quorum Requirement. The holders of at least a majority of the shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders of the Corporation.

Section 7.3 Interested Transactions. An otherwise valid contract or other transaction between the Corporation and one or more of its directors, officers or securityholders or between the Corporation and another corporation, partnership, joint venture, trust or other entity of which one or more of the Corporation' s directors, officers or securityholders are members, officers, securityholders, directors or employees or in which they are otherwise interested, directly or indirectly, shall be valid notwithstanding whether such director, officer or securityholder is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or other transaction, or solely because his or their votes are counted for such purpose, if any one of the following is satisfied: (a) the material facts as to his relationship or interest and as to the contract or other transaction are known or disclosed to the Board of Directors or committee thereof, and such board or committee in good faith authorizes the contract or other transaction by the affirmative vote of a majority of the disinterested directors even though the disinterested directors be less than a quorum; or (b) the material facts as to his relationship or interest and as to the contract or other transaction are known or disclosed to the shareholders entitled to vote thereon, and the contract or other transaction is approved in good faith by vote of the shareholders; or (c) the contract or other transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the shareholders.

ARTICLE 8.

Section 8.1 Indemnification. As permitted by Section G of Article 2.02-1 of the Texas Business Corporation Act as in effect on the date of the filing of these Articles of Incorporation with the Secretary of State of the State of Texas ("Indemnification Article"), the Corporation, by action of its Board of Directors, (a) may indemnify any director, officer, employee or agent of the Corporation, and nominees and designees who are not or were not officers, employees, or agents of the Corporation but who are or were serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another enterprise or employee benefit plan as and to the fullest extent permitted by law and (b) shall indemnify such persons as and to the extent required by law.

Expenses incurred by any person who may be indemnified by the Corporation under the preceding paragraph in defending any pending, threatened or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal in such action, suit or proceeding and any inquiry or investigation that could lead to such an action, suit or proceeding, may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case, in the manner and to the extent permitted by law.

Section 8.2 Insurance. The Corporation may purchase and maintain insurance or another arrangement on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a person, whether or not the Corporation would have the power to indemnify him against that liability under the Indemnification Article.

Section 8.3 Non-Exclusivity. The provisions of Sections 8.1 and 8.2 of this Article 8 shall not be deemed exclusive of any other rights to which any such director, officer or other person may be entitled under any other agreement, pursuant to a vote of directors or any committee thereof or a vote of shareholders, as a matter of law or otherwise, either as to action in his official capacity or as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. No person shall be entitled to indemnification pursuant to this Article 8 in relation to any matter as to which indemnification shall not be permitted by law.

ARTICLE 9.

In performing his duties, a director of the Corporation shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by (a) one or more officers or employees of the Corporation whom the director reasonably believes to be reliable and competent in the matters presented, (b) counsel, public accountants or other persons as to matters which the director reasonably believes to be within such person’ s professional or expert competence, or (c) a committee of the Board of Directors upon which he does not serve, duly designated in accordance with a provision of the by-laws, as to matters within its designated authority, which committee the director deems to merit confidence, but he shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A person who so performs his duties shall have no liability to the Corporation (whether asserted directly or derivatively) by reason of being or having been a director of the Corporation.

No director of the Corporation shall be liable to the Corporation or its shareholders for monetary damages for an act or omission in the director’ s capacity as a director, except to the extent that the foregoing exemption from liability is not permitted under the applicable provision of the Texas Miscellaneous Corporation Laws Act (or any successor or replacement statute) as the same now exists or may hereafter be amended. Any repeal or modification of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE 10.

The address of the initial registered office of the Corporation is 6809 FM 1960 West, Houston, Texas 77069, and the name of the initial registered agent of the Corporation at such address is C. P. Bryan.

ARTICLE 11.

The initial Board of Directors shall consist of one (1) member who shall serve as director until the first annual meeting of shareholders or until his successor(s) shall have been elected and qualified, and whose name and address is as follows:

Name	Address
C. P. Bryan	809 FM 1960 West Houston, Texas 77069

ARTICLE 12.

The name and address of the incorporator of the Corporation is as follows:

Name	Address
Charlotte M. Rasche	711 Louisiana, Suite 2900 Houston, Texas 77002

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of May, 2001.

/s/ Charlotte M. Rasche

Charlotte M. Rasche

Sworn to on May 16, 2001, by the above named incorporator.

/s/ Gwendolyn L. Gates

Notary Public in and for the State of Texas

[SEAL]

Print Name: ______________________________

My Commission Expires: ___________________

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION OF
REPUBLIC BANCSHARES OF TEXAS, INC.

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act, as amended ("TBCA"), Republic Bancshares of Texas, Inc. (the "Company") adopts the following Articles of Amendment to its Articles of Incorporation:

ARTICLE 1.

The name of the Company is Republic Bancshares of Texas, Inc. The Company' s filing number is 162929700.

ARTICLE 2.

The amendment alters Article 4 of the Articles of Incorporation in its entirety to read as follows:

Section 4.1 Authorized Shares. The aggregate number of shares which the Corporation shall have authority to issue is 20,000,000 shares of common stock, par value of one dollar ($1.00) each.

Section 4.2 Denial of Preemptive Rights. No shareholder of other person shall have any preemptive right whatsoever to acquire additional, unissued or treasury shares of the Corporation, or securities of the Corporation convertible into or carrying a right to subscribe to or acquire shares, or any other securities or property whatsoever.

Section 4.3 Cumulative Voting.

(1) At each election of directors, every shareholder entitled to vote has the right:

a. to vote the number of voting shares owned by him for as many persons as there are directors to be elected (and for whose election he has a right to vote); or

b. to cumulate his votes by giving one (1) candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of such candidates.

(2) A shareholder who intends to cumulate his votes shall give written notice of such intention to the secretary of the Corporation on or before the day preceding the election at which such shareholder intends to cumulate his votes.

(3) All shareholders entitled to vote cumulatively may cumulate their votes if any shareholder gives such notice.

ARTICLE 3.

The amendment to the Articles of Incorporation was adopted by the shareholders of the Company on April 20, 2004. The number of shares of the corporation outstanding at the time of the adoption was 1,951,798; and the number of shares entitled to vote on the amendment was 1,951,798.

ARTICLE 4.

The amendment to the Articles of Incorporation were approved in the manner required by the TBCA and by the constituent documents of the Company. The number of shares that voted for the amendment was 1,602,293, and the number of shares that voted against the amendment was 47,879.

The undersigned signs this document subject to the penalties imposed by law for the submission of a false or fraudulent document.

REPUBLIC BANCSHARES OF TEXAS, INC.

By:

/s/ R. John McWhorter

Name: R. John McWhorter

Title: Secretary, Treasurer and Chief Financial Officer

Exhibit 31.1

SECTION 302 CERTIFICATION

I, C. P. Bryan, President and Chief Executive Officer of the small business issuer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Republic Bancshares of Texas, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986);

   (c) Evaluated the effectiveness of the small business issuer' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the small business issuer' s internal control over financial reporting that occurred during the small business issuer' s most recent fiscal quarter (the small business issuer' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer 's internal control over financial reporting; and

5. The small business issuer 's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer 's auditors and the audit committee of the small business issuer 's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer' s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer' s internal control over financial reporting.

Date: August 10, 2004

/s/ C. P. Bryan

C.P. Bryan

President and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, R. John McWhorter, Executive Vice President and Chief Financial Officer of the small business issuer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Republic Bancshares of Texas, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the small business issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) (paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986);

    (c) Evaluated the effectiveness of the small business issuer' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the small business issuer' s internal control over financial reporting that occurred during the small business issuer' s most recent fiscal quarter (the small business issuer' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer' s internal control over financial reporting; and

5. The small business issuer' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer' s auditors and the audit committee of the small business issuer' s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer' s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer' s internal control over financial reporting.

Date: August 10, 2004

/s/ R. John McWhorter

R. John McWhorter

Secretary, Treasurer and

Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Republic Bancshares of Texas, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. P. Bryan, President and Chief Executive Office of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ C.P. Bryan

C. P. Bryan

President and Chief Executive Officer

Date: August 10, 2004

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Republic Bancshares of Texas, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. John McWhorter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R. John McWhorter

R. John McWhorter

Executive Vice President and

Chief Financial Officer

Date: August 10, 2004