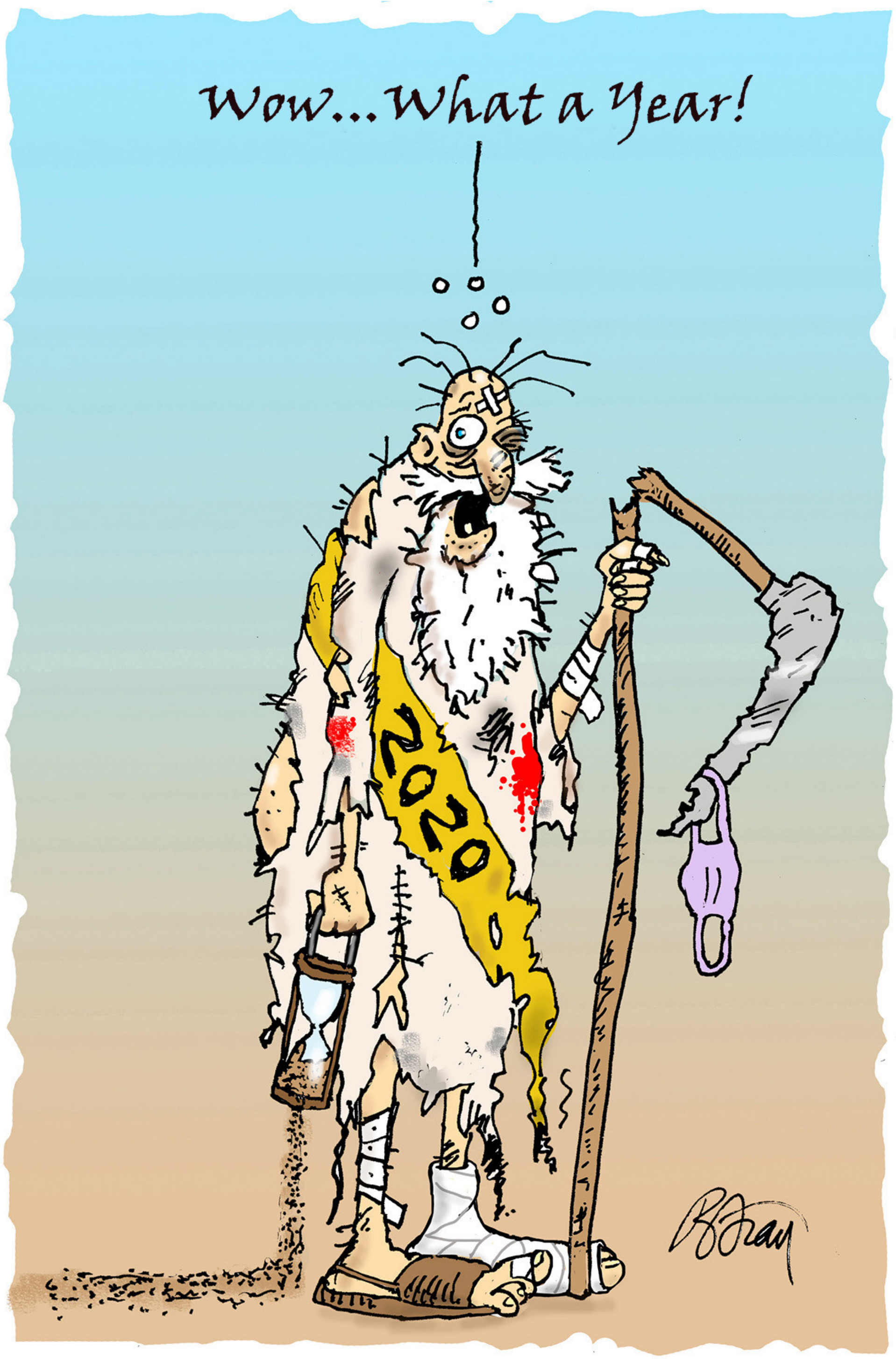
Texas Bank Report

Texas Department of Banking, Charles G. Cooper, Commissioner **January 2021**



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Commissioner's Comments

" ... SolarWinds supply chain attack has impacted both government agencies and the private sector. The situation is on-going, and the Department is monitoring the impact on the financial sector."

We reached the end of 2020, a challenging year in many ways. Once again, I want to commend Texas banks for their efforts in serving the needs of their customers during these trying times. The loans generated under the Paycheck Protection Program certainly helped our state.

Among the many negative effects of COVID-19 is the significant rise in the number of reported instances of ransomware attacks. While there is no single resource that can prevent all ransomware attacks, this issue of the Texas Bank Report highlights one important new tool available to banks which was developed by state financial regulators, the Bankers Electronic Crimes Task Force, and the U.S. Secret Service. The Ransomware Self-Assessment Tool, also known as R-SAT, was released to the industry in October 2020. The tool is designed to help financial institutions reduce the risk of ransomware attacks by assessing their efforts to mitigate this risk and identify gaps for increasing security.

The recent SolarWinds supply chain attack has impacted both government agencies and the private sector. The situation is on-going, and the Department is monitoring the impact on the financial sector. This is just another indication that cyber threats are increasing and all of us must increase our awareness and vigilance.

In this edition we review trends related to the pandemic as observed by our staff during examinations. After discontinuing the normal examination process in March, we resumed activity in June. Examination results thus far indicate only a slight deterioration in asset quality. As a general observation, these results also indicate that bank management is recognizing and managing risks appropriately.

Since the beginning of the pandemic, the Department has been monitoring bank facility closures and other reductions in bank services. Institutions have utilized the flexibility to modify bank operations as needed based on the level of COVID-19 infections in their specific area while continuing to serve the needs of their customers.

Finally, our legal staff addresses the permissible uses of the word "bank" and related terms in marketing and other limited related to marketing regulated financial services. We further highlight the importance of financial education with a review of the results of the recent FDIC survey on how households use financial services.

On behalf of the entire Department, I hope you had a safe holiday season and a happy and healthy 2021.

Charles G. Cooper
Banking Commissioner

Ransomware: Avoid Being the Next Victim

By: Janet Dudley

Ransomware is a type of malicious software (malware) that encrypts data on a computer, making it difficult or impossible to recover. The attackers usually offer to provide a decryption key after a ransom is paid; however, they might not provide one or it might not work if provided, which could make a business's critical records unavailable.

Ransomware has become the most visible cyber threat to our nation's networks. In 2019, an estimated $7.5 billion was lost to ransomware attacks in the U.S. according to anti-malware software developer Emsisoft. Globally, the cost of ransomware attacks is forecasted to reach $20 billion by 2021. Cybersecurity insurance provider Coalition Inc. notes that the average ransom demand increased 100% from 2019 through the first quarter of 2020 and increased another 47% from the first to the second quarter of 2020. Ransom demands have ranged from $1,000 to well over $2,000,000 per incident.

Most organizations believe these events only affect multinational, billion-dollar institutions, but the reality is attackers do not discriminate and will exploit any type of business with exposed vulnerabilities or diminished controls. Businesses with $100 million to $250 million in revenue have been five times more likely to experience a ransomware incident than smaller businesses, while the severity of loss is high, regardless of the size of the organization. It is predicted that in 2021 a single business will fall victim to ransomware every 11 seconds.

Additionally, since the single common thread between all businesses is their relationships with their financial institutions, the banking industry not only has to protect its own infrastructure, it must also monitor its vendors and educate customers to adequately protect themselves. If appropriate actions are not implemented, these attacks could lead to significant losses and potential failure of the business.

While these facts and statistics are alarming, it is possible for all parties to work together to significantly reduce the risk of malware attacks while continuing to operate in a safe environment. Implementing additional controls and updating systems can prepare your bank for the future, while remaining connected and accessible to customers.

As noted by the Commissioner and in the October 13, 2020 Industry Notice, the R-SAT was created to help mitigate the risk of ransomware. It is a 16-question assessment designed to assist financial institutions with evaluating current security operations and identifying key areas to upgrade.

The instrument is a comprehensive tool for financial institutions to assess their readiness. The R-SAT provides executive management and the board of directors with an overview of the institution's preparedness towards identifying, protecting, detecting, responding, and recovering from a ransomware attack.

Each question covers critical data and infrastructure controls needed to secure their enterprise networks. Completing this questionnaire, as well as periodic re-assessments, will provide executive management with a greater understanding of their preparedness and areas where improvements can be made.

Completing the R-SAT and implementing appropriate mitigation steps are critical to maintaining the safety and soundness of banking operations. To assist in this process, the Department will contact its supervised institutions during the first half of 2021 and discuss ransomware mitigation implementation progress as well as other aspects of the R-SAT.

If a financial institution is scheduled for an information technology examination in the first half of 2021, Department examiners will review the completed R-SAT during the upcoming examination. In an effort to support the Texas banking industry, a virtual ransomware tabletop exercise was held on December 8, 2020, hosted by the Conference of State Bank Supervisors and the U.S. Department of the Treasury. Our cumulative actions aid in our team effort to obstruct the impact of ransomware on community banks.

Regulatory Concern: Non-Banks Marketing Regulated Financial Services as a Bank

By: Jesse Moore

Banks play a key role in our financial system and the economy as a whole. Consumers trust banks with their hard-earned money. This trust in the banking system has been earned through the success in protecting deposits since the Great Depression.

Regulatory concerns arise when non-banks market themselves as banks. Under the Texas Banking Act, non-banks cannot use "bank," "bank and trust," or similar terms or phrases in a manner implying to the public that the non-bank is engaged in the business of banking. All states regulate banking and most have similar restrictions on non-banks falsely advertising themselves as banks.

The tremendous marketing value associated with the word "bank" is demonstrated by a growing number of non-bank financial service companies claiming to be banks in their advertising. These companies —sometimes referred to as "neo-banks"— tend to be non-banks providing financial support services in partnership with FDIC-insured banks or other regulated financial service providers (typically insured broker-dealers) in some form or fashion.

False advertising by non-banks risks misleading customers into thinking they are entrusting their money with a regulated bank, as opposed to some other financial services company that may be subject to little or no regulatory oversight and may pose considerably greater risks to customers than regulated, insured banks.

Often, the non-banks simply offer a smartphone application or other software allowing customers to access their accounts at the partnering regulated entity. However, certain aspects of some non-banks' advertising impermissibly states or implies that they are regulated banks while obscuring the identity of the actual partnering bank.

In connection with this trend of non-bank vendors falsely advertising as banks, the Department has, among other actions, issued Supervisory Memorandum 1043, *Permissible Uses of "Bank" and Related Terms in Marketing and Other Limits Related to Marketing Regulated Financial Services.* This Memorandum warns non-banks against further impermissible advertising. Non-banks can comply simply by avoiding words like "bank" or "banking" in their marketing or otherwise falsely implying that they are banks.

Alternatively, the Memorandum permits non-banks to include bank-related terms in advertising as long as the partner bank is properly identified and credited. The partner bank should be acknowledged in all bank-related statements within the applicable marketing materials, or the marketing materials as a whole need to be co-branded between the bank and the non-bank and reasonably disclose that the bank provides the banking services in question.

The Department recognizes the value non-bank vendors can provide to the banking system and their customers. Permitting such vendors to develop their own brands independent of their bank partners is important for investment and further development in this sector.

This balanced approach protects the public and our financial system by continuing to prohibit misleading advertising by non-banks while permitting non-banks to develop their own brands and customer goodwill for their non-banking products and services. State banks and other regulated financial service providers can protect their own brands and the banking industry as a whole by requiring all non-bank vendors to comply with the laws requiring truth in the advertising of banking services.

ALONG THE WATCHTOWER

By: Dan Frasier

Call Report Trends and Examination Observations During COVID-19

In response to the COVID-19 pandemic, the Department paused examinations for 10 weeks starting March 16, 2020. After this pause, the Department modified its examination processes and procedures and subsequently transitioned to off-site examinations on June 1, 2020. Initial challenges with off-site examinations were primarily centered around accessing a larger volume of documentation electronically. The importance of communicating with management well in advance of the examinations and maintaining frequent communication throughout has been critical to the success of the off-site examinations.

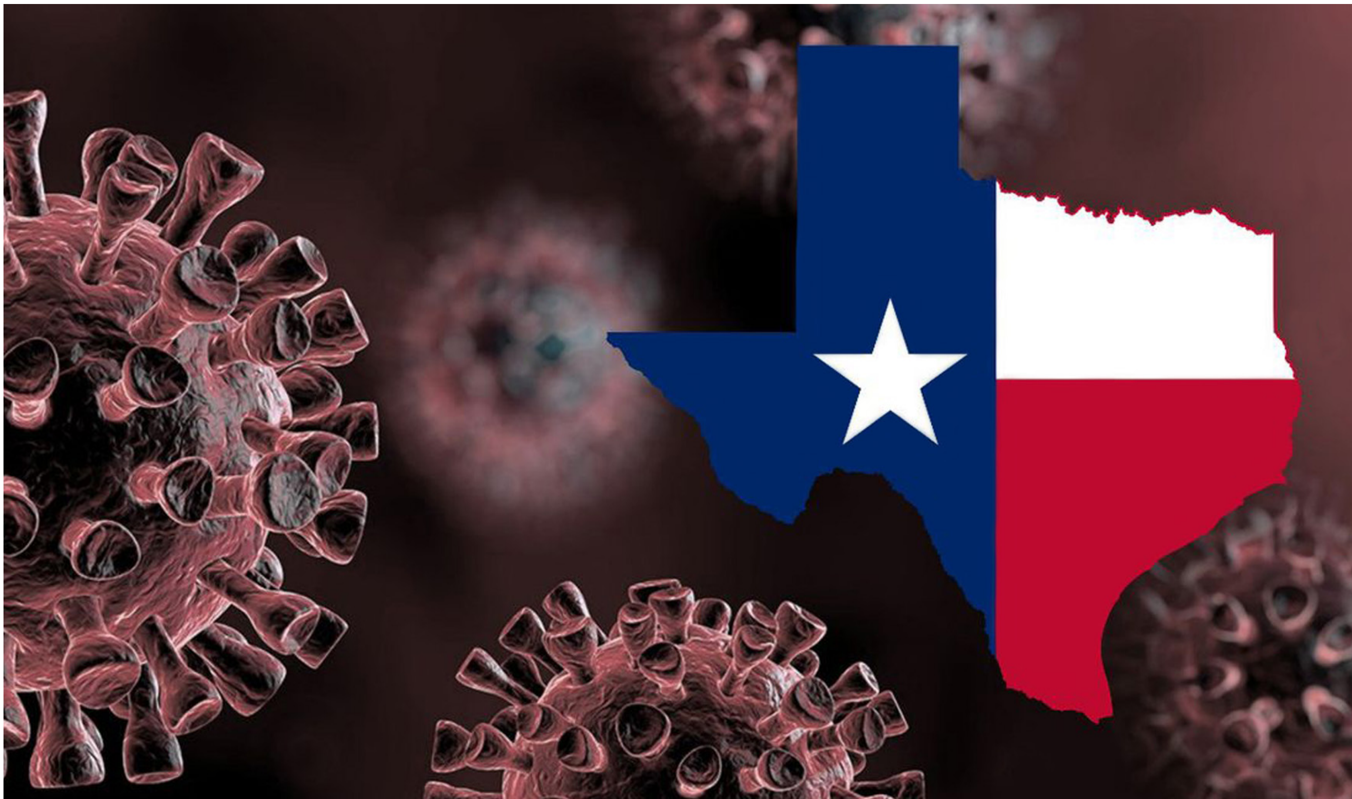
Trends

The balance sheet of Texas state-chartered banks increased 10% in the three months between March 31, 2020, and June 30, 2020, as bank customers built up cash reserves and the federal fiscal stimulus and other assistance programs were implemented. During this time, bank deposits increased by $31 billion or 13.5% while loans increased by $14 billion or 7.6%. By comparison, the volume of Paycheck Protection Program (PPP) loans totaled $18 billion. As a result of bank's expanded balance sheets, the average leverage ratio declined to a still healthy 9.74% as of September 30, 2020. Changes in the

Selected Financial Information for Texas State-Chartered Banks (Billions of Dollars)

Date	Total Assets	Assets % Change	Total Deposits	Deposits % Change	Total Loans	Loans % Change	PPP Loans	Leverage
December 31, 2019	$ 285	NA	$ 230	NA	$ 179	NA	NA	10.77%
March 31, 2020	$ 290	1.8%	$ 230	0.0%	$ 184	2.8%	NA	10.60%
June 30, 2020	$ 320	10.3%	$ 261	13.5%	$ 198	7.6%	$ 18	9.86%
September 30, 2020	$ 330	3.1%	$ 273	4.6%	$ 205	3.5%	$ 18	9.74%

Source: FDIC



balance sheet of state-chartered banks between June 2020 and September 2020 have generally been modest as noted in the chart on the previous page.

Asset Quality

Considering the economic impact to Texas stemming from the widespread shutdowns experienced during the onset of the pandemic, there was concern that banks asset quality would deteriorate precipitously. However, examination results thus far have shown only modest increases in classified asset levels. In addition, the level of past due and nonaccrual loans and leases for Texas state-chartered banks has increased only modestly since the onset of the COVID-19 pandemic.

As of September 30, 2020, call report data shows the ratio of loans and leases past due 30 days or more to net loans and leases had risen by a mere six basis points to 0.61% from 0.55% as of December 31, 2019. During the same period, nonaccrual loans and leases to net loans and leases increased a modest 12 basis points, from 0.43% to 0.55%. The effects of the federal government's pandemic response and stimulus programs appear to have tempered the economic fallout.

Loan Deferrals

Examination findings reveal that bankers responded to the needs of their customers and granted a significant number of loan deferrals immediately following the onset of the pandemic. Subsequent loan deferrals have been granted on a more limited basis, and the dollar volume of deferrals has declined to the point that they are now just a fraction of what they were initially. Bank management is taking prudent measures to obtain updated financial information on borrowers to evaluate their credit risk as part of risk mitigation and credit remediation efforts.

Current Examination Practices

There are a few differences between the off-site examination process when compared to pre-pandemic examination. Off-site examinations are centered on core risks while still allowing examiners to properly evaluate the bank's condition. Examiners maintain the ability to expand the scope of an examination if risk or circumstances warrant. The loan sample includes a portion of the bank's loans that may be more susceptible to the effects of the pandemic.

The Department finds it essential to contact bank management approximately two to three months before the examination start date. Further, our examiners have found that additional time is needed to resolve examination logistics such as obtaining requested information electronically and resolving potential technical issues that may impede gaining access to imaged loan files. Lastly, examiners are planning ahead to establish periodic touch points or meetings with management to ensure that open communication remains in place throughout the examination.

Future Examinations

The Department has no immediate plans to change its off-site examination processes. Staff will continue to monitor developments including the availability, use, and effectiveness of COVID-19 vaccines. The return to an on-site presence will only occur when it is safe to do so. The health and safety of both bankers and examiners are the Department's primary concerns.

FDIC Banking Survey Shows Importance of Financial Education

By: Gordon Anderson

Despite encouraging signs of progress, the results found in the FDIC's most recent *How America Banks: Household Use of Banking and Financial Services* survey highlight the importance of and continued need for financial education.

The biennial survey was conducted in June 2019 in partnership with the U.S. Census Bureau and released on October 19, 2020. The survey examined the level of bank account ownership in the U.S., the primary methods banked households use to access their bank accounts, bank branch visits, the use of prepaid cards and nonbank financial transaction services, and the use of bank and nonbank credit.

Areas trending in a positive direction include:

- Nearly 95% (124 million) of U.S. households are "banked," meaning at least one member had at least one bank or credit union account in 2019.
- The proportion of U.S. households that were unbanked in 2019 was the lowest since the survey began in 2009.
- In 2019, 72.5% of U.S. households used credit, such as a credit card, personal loan, or a traditional line of credit from a bank or credit union.
- Just 4.8% used nonbank credit, such as a payday loan or an auto title loan, a decline from 8.1% in 2015.
- Between 2011, when the unbanked rate peaked at 8.2%, and 2019, the unbanked rate fell 2.8%, corresponding to an increase of approximately 3.7 million banked households.

The survey also highlights areas in need of further attention:

- An estimated 5.4% of U.S. households remained unbanked in 2019.
- The unbanked rate in the South (which included Texas) in 2019 was 6.2%, compared to 5% in the Midwest, 4.9% in the West, and 4.7% in the Northeast.
- For Texas specifically, the unbanked figure was even higher; an estimated 7.7% of the state's households had no checking or savings account with a bank or credit union in 2019. This represents an estimated 2.2 million households.
- Unbanked rates in 2019 remain higher among the following households: (1) low-income; (2) less-educated; (3) minority; (4) working-age disabled; and (5) homes with incomes that are subject to frequent or significant fluctuations.

Variances by education and income were especially pronounced. For example, 37.1% of households without a high school diploma used credit in 2019, compared with 87.5% of college educated households. Similarly, just 37% of households earning less than $15,000 in income used credit, compared with 89.9% of households with income of $75,000 or more.

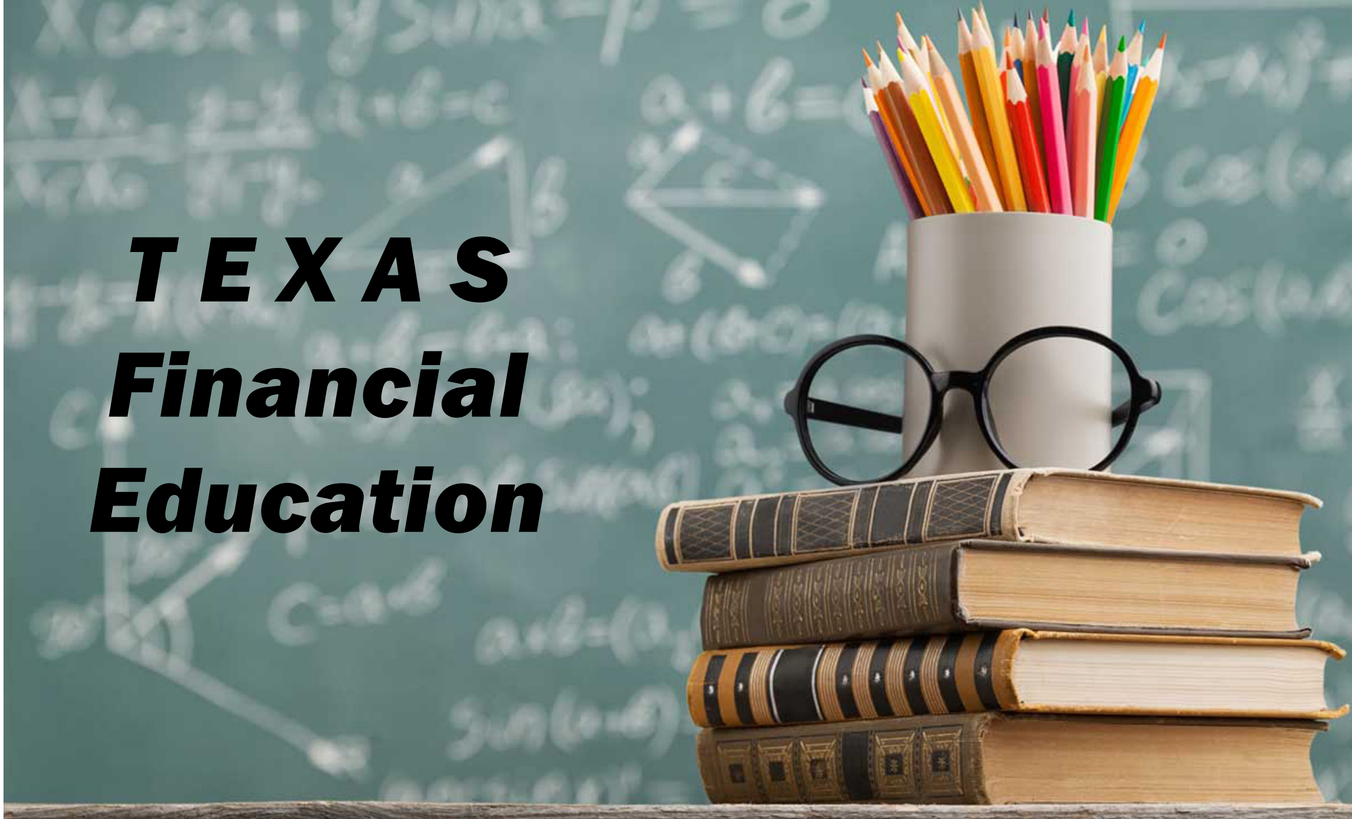
A closer examination shows many U.S. households did not have a checking or savings account due to attitudes toward banks and credit unions, attitudes that can change through financial education efforts.

Slightly more than one-third (36.3%) of all unbanked households, for example, stated they did not have an account because they did not trust financial institutions, and another 36% reported they thought avoiding using a bank gave them more privacy. Further, more than half (56.2%) of unbanked households in 2019 reported to not be interested in having a bank account *at all*, with just 24.8% that were very or somewhat interested in establishing a bank account.

While bank account ownership is not a static condition, unbanked families must deal with challenges banked households do not. For example, they often struggle to create and maintain a credit score. Without a credit score, a household may have to meet its credit needs through lending sources such as pawn shops, payday loans, and auto title loans, sources typically more expensive than bank credit.

COVID-19 has highlighted yet another problem facing unbanked households. The federal government had a difficult time quickly extending stimulus funds to these families, households most likely in need of assistance, because it could not electronically deposit funds into an account. Families were forced to wait for checks to be manually processed and delivered via the U.S. Postal Service. The same can probably be said for tax refunds and other forms of government payments.

All this information points to the importance of financial literacy, a concept that includes understanding how to manage one's personal finances, how a checking account works, the positive and negative aspects of using credit cards, how to avoid debt,

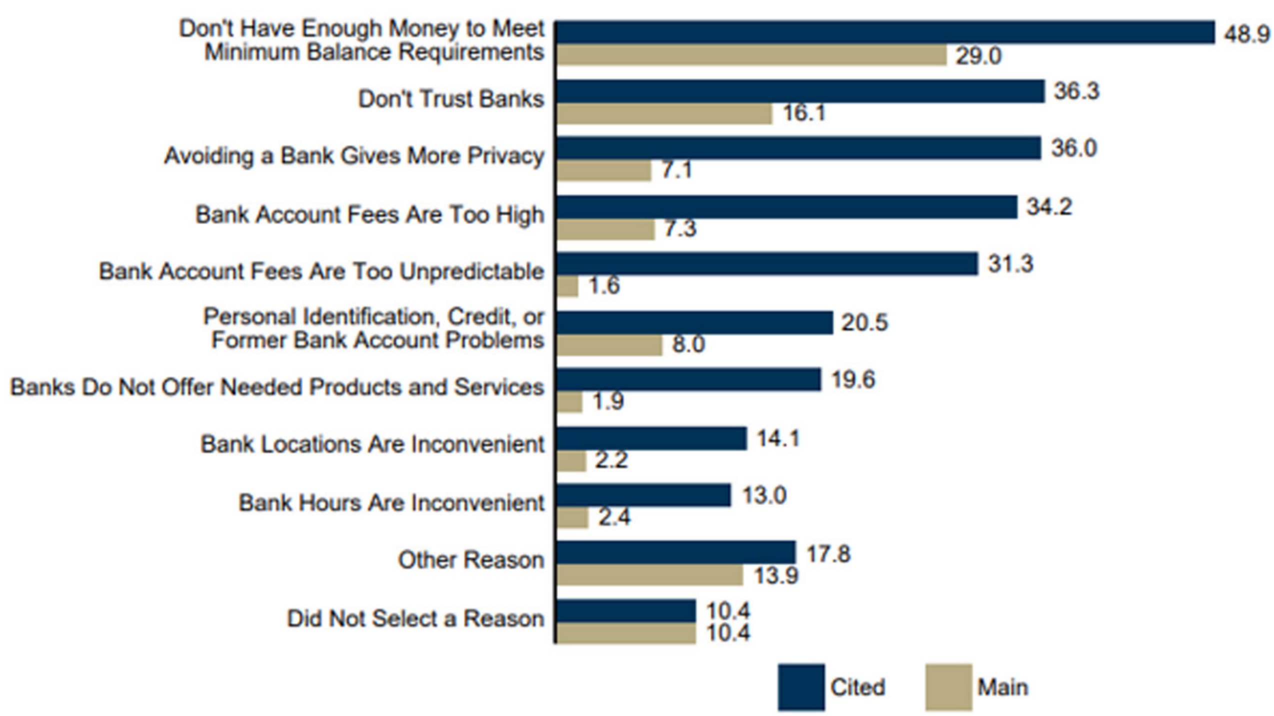


learning to make smart investments, and much more.

Financial education can help people navigate financial decisions and make informed choices that can increase their financial stability, while also helping dispel concerns some households may have regarding financial instituions and credit. The Department has for many years placed an emphasis on promoting financial education, especially in Texas schools, even dedicating a portion of its website to this topic.

One way the Department promotes financial education is through interactive webinars, such as the one it presented in November 2020 jointly with the Office of Consumer Credit Commissioner. Titled "Applying for Credit," the presentation

Reasons Cited for Not Having a Bank Account, 2019 (Percent)



Source: FDIC

provided a basic explanation of how to apply for credit, what lenders can and cannot use to determine your creditworthiness, what a credit score means, and how to request your credit score.

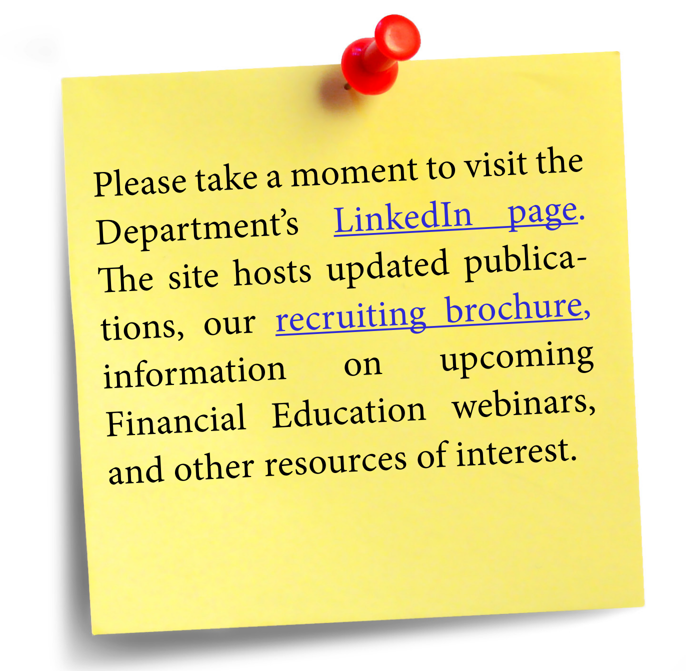
The Department encourages you to visit its Financial Education resource section of the website and consider becoming a partner in helping Texans make informed decisions regarding their personal finances. By working together, the conclusions and fears detailed in the FDIC Survey can begin to be reversed.

Banking Department Turns Spotlight on Financial Education

The Department has an important role to play in educating Texans about their personal finances. The Department serves as a conduit and clearinghouse of information related to financial education and participates in webinars, conferences, and a variety of community events. This includes maintaining a section of the website dedicated solely to promoting financial education.

The financial education section of the site features links to a wide variety of financial education resources as well as the Department's own financial education brochure, which was updated in October. The brochure highlights financial education material from such well-known organizations as the FDIC, Federal Reserve Bank of Dallas, the Consumer Financial Protection Bureau, and other non-profit organizations.

The overarching message the Department strives to convey is the importance of coalitions and partners working together to further the cause of financial education. The Department encourages all Texans to learn how to better manage their finances and works with bankers to coordinate and aid in developing and promoting financial education in their community.



Financial Highlights

TABLE I
Quarterly Balance Sheet and Operating Performance Ratios
for Texas State-Chartered Commercial Banks 9/30/2020 Through 9/30/2019

ACCOUNT DESCRIPTIONS (IN MILLIONS OF $)	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Number of State-Chartered Banks	218	217	218	224	225
Total Assets of State-Chartered Banks	330,445	319,759	289,891	284,534	280,027
Number of Out-of-State, State-Chartered Banks Operating in Texas	45	42	42	42	42
Total Texas Assets of Out-of-State, State-Chartered Banks Operating in Texas	83,858	70,775	70,775	70,775	70,775
Subtotal	414,303	390,534	360,666	355,309	350,802
Less: Out-of-State Branch Assets/Deposits	-64,512	-53,389	-53,389	-53,389	-53,389
**Total State Banks Operating in Texas	349,791	337,145	307,277	301,920	297,413
BALANCE SHEET (Tx. State-Chartered Banks)					
Interest-Bearing Balances	31,727	32,082	16,364	16,517	13,228
Federal Funds Sold	998	1,103	975	966	880
Trading Accounts	931	966	917	358	446
Securities Held-To-Maturity	11,623	12,063	12,619	13,176	12,167
Securities Available-for-Sale	55,788	51,472	51,323	49,773	50,221
Total Securities	67,411	63,535	63,942	62,949	62,388
Total Loans	205,040	198,274	183,968	179,129	179,618
Total Earning Assets	305,176	294,994	265,249	259,561	256,114
Premises and Fixed Assets	5,082	5,048	5,038	5,023	4,981
Total Assets	330,445	319,759	289,891	284,534	280,027
Demand Deposits	39,007	38,732	30,991	31,132	29,399
MMDAs	157,982	147,140	127,042	125,598	123,650
Other Savings Deposits	32,601	31,433	27,965	27,784	27,081
Total Time Deposits	34,115	34,812	35,693	35,764	36,008
Brokered Deposits	5,568	4,906	4,541	3,597	4,666
Total Deposits	273,031	261,290	230,812	229,719	224,799
Federal Funds Purchased	3,036	3,061	3,916	2,963	2,364
Other Borrowed Funds	9,808	12,057	13,703	11,409	13,278
Total Liabilities	290,719	281,208	252,409	247,357	244,051
Total Equity Capital	39,727	38,552	37,482	37,177	35,976
Loan Valuation Reserves	2,965	2,854	2,599	1,752	1,823
Total Primary Capital	42,692	41,406	40,081	38,929	37,799
Past Due Loans > 90 Days	364	388	350	302	213
Total Nonaccrual Loans	1,113	895	851	762	773
Total Other Real Estate	197	199	193	194	189
Total Charge-Offs	433	331	161	332	287
Total Recoveries	71	39	19	101	83
Net Charge-Offs	362	292	142	231	204
INCOME STATEMENT					
Total Interest Income	7,880	5,207	2,668	10,926	8,526
Total Interest Expense	925	652	399	1,793	1,426
Net Interest Income	6,955	4,555	2,269	9,133	7,100
Total Noninterest Income	2,847	1,797	814	3,163	2,389
Loan Provisions	1,276	1,127	722	267	238
Salary and Employee Benefits	3,292	2,161	1,054	4,148	3,159
Premises and Fixed Assets Expenses (Net)	644	426	214	828	633
All Other Noninterest Expenses	1,745	1,165	606	2,178	1,609
Total Overhead Expenses	5,681	3,752	1,874	7,154	5,401
Securities Gains (Losses)	216	185	143	14	8
Net Extraordinary Items	0	0	0	0	0
Net Income	2,584	1,426	543	4,034	3,184
Cash Dividends	1,509	851	603	3,048	2,182
RATIO ANALYSIS					
Loan/Deposit	75.10%	75.88%	79.70%	77.98%	79.90%
Securities/Total Assets	20.40%	19.87%	22.06%	22.12%	22.28%
Total Loans/Total Assets	62.05%	62.01%	63.46%	62.96%	64.14%
Loan Provisions/Total Loans	0.83%	1.14%	1.57%	0.15%	0.18%
LVR/Total Loans	1.45%	1.44%	1.41%	0.98%	1.01%
Net Charge-Offs/Total Loans	0.18%	0.15%	0.08%	0.13%	0.11%
Nonperforming+ORE/Total Assets	0.51%	0.46%	0.48%	0.44%	0.42%
Nonperforming+ORE/Primary Capital	3.92%	3.58%	3.48%	3.23%	3.11%
Net Interest Margin	3.03%	3.09%	3.42%	3.52%	3.69%
Gross Yield	4.32%	4.38%	4.80%	4.95%	5.18%
Return on Assets	1.04%	0.89%	0.75%	1.42%	1.51%
Return on Equity	8.65%	7.40%	5.79%	10.85%	11.77%
Overhead Exp/TA	2.29%	2.35%	2.59%	2.51%	2.57%
Equity/Total Assets	12.02%	12.06%	12.93%	13.07%	12.85%
Primary Capital/Total Assets+LVR	12.80%	12.83%	13.70%	13.60%	13.41%

*Unrealized gains/losses are already included in equity capital figures.
**Total State Banks Operating in Texas includes branches of out-of-state, state-chartered banks.
Data was derived from the FDIC website.

Financial Highlights

TABLE II
Comparative Statement of Condition
Commercial Banks Domiciled in Texas
September 30, 2020 and September 30, 2019

ACCOUNT DESCRIPTIONS (In Millions of $)	9/30/2020 STATE CHARTERED		9/30/2020 NATIONAL CHARTERED		9/30/2020 ALL BANKS		9/30/2019 ALL BANKS	
Number of Banks	218	% TA	169	% TA	387	% TA	397	% TA
BALANCE SHEET								
Interest-Bearing Balances	31,727	9.6%	29,258	17.4%	60,985	12.2%	25,739	6.1%
Federal Funds Sold	998	0.3%	1,053	0.6%	2,051	0.4%	1,681	0.4%
Trading Accounts	931	0.3%	121	0.1%	1,052	0.2%	515	0.1%
Securities Held-To-Maturity	11,623	3.5%	2,358	1.4%	13,981	2.8%	14,798	3.5%
Securities Available-For-Sale	55,788	16.9%	25,771	15.4%	81,559	16.4%	70,762	16.8%
Total Securities	67,411	20.4%	28,129	16.8%	95,540	19.2%	85,560	20.3%
Total Loans	205,040	62.0%	101,220	60.3%	306,260	61.5%	276,474	65.6%
Total Earning Assets	305,176	92.4%	159,660	95.1%	464,836	93.3%	389,454	92.4%
Premises & Equipment	5,082	1.5%	1,815	1.1%	6,897	1.4%	6,728	1.6%
TOTAL ASSETS	330,445	100.0%	167,875	100.0%	498,320	100.0%	421,325	100.0%
Demand Deposits	39,007	11.8%	2,734	1.6%	41,741	8.4%	46,884	11.1%
MMDAs	157,982	47.8%	64,576	38.5%	222,558	44.7%	181,871	43.2%
Other Savings Deposits	32,601	9.9%	21,711	12.9%	54,312	10.9%	44,768	10.6%
Total Time Deposits	34,115	10.3%	20,456	12.2%	54,571	11.0%	56,651	13.4%
Brokered Deposits	5,568	1.7%	6,191	3.7%	11,759	2.4%	10,634	2.5%
Total Deposits	273,031	82.6%	142,284	84.8%	415,315	83.3%	344,137	81.7%
Fed Funds Purchased	3,036	0.9%	1,467	0.9%	4,503	0.9%	3,468	0.8%
Other Borrowed Funds	9,808	3.0%	5,481	3.3%	15,289	3.1%	17,181	4.1%
TOTAL LIABILITIES	290,719	88.0%	150,853	89.9%	441,572	88.6%	369,771	87.8%
Equity Capital	39,727	12.0%	16,675	9.9%	56,402	11.3%	51,554	12.2%
Allowance for Loan/Lease Losses	2,965	0.9%	1,246	0.7%	4,211	0.8%	2,827	0.7%
Total Primary Capital	42,692	12.9%	17,921	10.7%	60,613	12.2%	54,381	12.9%
Past Due >90 Days	364		84		448		324	
Nonaccrual	1,113		671		1,784		1,316	
Total Other Real Estate	197		63		260		262	
Total Charge-Offs	433		288		721		453	
Total Recoveries	71		33		104		117	
INCOME STATEMENT	Y-T-D		Y-T-D		Y-T-D		Y-T-D	
Total Interest Income	7,880	100.0%	4,074	100.0%	11,954	100.0%	12,909	100.0%
Total Interest Expense	925	11.7%	539	13.2%	1,464	12.2%	2,248	17.4%
Net Interest Income	6,955	88.3%	3,535	86.8%	10,490	87.8%	10,661	82.6%
Total Noninterest Income	2,847	36.1%	1,353	33.2%	4,200	35.1%	3,864	29.9%
Loan Provisions	1,276	16.2%	549	13.5%	1,825	15.3%	416	3.2%
Salary & Employee Benefits	3,292	41.8%	1,737	42.6%	5,029	42.1%	4,817	37.3%
Premises & Fixed Assets (Net)	644	8.2%	316	7.8%	960	8.0%	964	7.5%
All Other Noninterest Expenses	1,745	22.1%	1,074	26.4%	2,819	23.6%	2,588	20.0%
Total Overhead Expenses	5,681	72.1%	3,127	76.8%	8,808	73.7%	8,369	64.8%
Securities Gains(Losses)	216	2.7%	44	1.1%	260	2.2%	24	0.2%
Net Extraordinary Items	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET INCOME	2,584	32.8%	1,117	27.4%	3,701	31.0%	4,823	37.4%
Cash Dividends	1,509		536		2,045		2,983	
Average ROA	1.04%		0.88%		0.99%		1.52%	
Average ROE	8.65%		8.91%		8.73%		12.44%	
Average TA ($ Millions)	1,516		993		1,288		1,061	
Average Leverage	12.02%		9.93%		11.32%		12.24%	
Dividends/Net Income	58.40%		47.99%		55.26%		61.85%	

*Unrealized gains/losses are already included in equity capital figures.
Table includes only banks domiciled in Texas. Branches of out-of-state banks are not included.
Data was derived from the FDIC website.