DEPARTMENT OF BANKING

TEXAS

Challenges & Opportunities

2010 ANNUAL REPORT

Agency Mission:

To ensure Texas has a safe, sound and competitive financial services system.

Agency Philosophy:

Adhere to the highest ethical and professional standards;

Be accountable and responsible;

Anticipate and respond to a dynamic environment;

Identify and promote innovative practices;

Operate efficiently;

Communicate effectively;

Foster teamwork;

Promote individual excellence and career development;

Provide a desirable work environment that values cultural and individual differences; and

Seek input from and be responsive to the public, our supervised entities, and State leadership.

Over 105 years of History ...

Contents

Over 105 years of Experience.

A Message from the Commissioner

Across the United States, community banks were confronted with maintaining services and profitability while dealing with nonperforming assets and the prolonged national recession. The tough economic environment that caused asset quality deterioration continued to command management's attention. Texas bankers recognized the issues and were able to manage assets and expenditures appropriately to perform better than other banks in the nation.

The recessionary impact varies geographically, but nationally it was evident in 2010 that problems were increasing, and by year-end 154 commercial banks closed. The Department ended 2010 with 57 problem banks, compared to 47 at year-end 2009. We project that our number of problem banks has almost reached its peak and should begin to decline in 2011.

Economically, the outlook for 2011 is more promising with steady growth anticipated by analysts. With community banks competing in a marketplace with national and regional banks, competition for stable deposits was and remains fierce. As the state emerges from the recession, growth for banks will come from increasing efficiency, introducing new products, and marshaling capital for safety, expansion and new opportunities.

The newest challenge in a series of tests for financial institutions is the Dodd-Frank Wall Street and Consumer Protection Reform Act. Passed in the summer of 2010 after the financial crisis, provisions are slowly being implemented. The Department participated in numerous hearings and discussions relating to the Act, progressively studying the requirements and possible effects of the legislation, and this task will continue for the foreseeable future. Of particular interest is the Consumer Financial Protection Bureau, in which the transfer of supervisory responsibility is set for the summer of 2011. Experts report that community banks will possibly feel the largest impact of this legislation since their staffs are limited and it is likely that consultants will be needed to sort through the Act's numerous new rules. This is somewhat ironic as the importance of community banking was acknowledged in the legislative debates, and community banks did not create the problem.

Despite the obstacles, it is good to be in Texas. Texas bankers have always responded well to challenges. We all have our jobs to do. The Department will strive to live up to its motto, "Tough but Fair" as Texas bankers continue to do the good things that make Texas a great place to live and work.

Charles G. Cooper
Banking Commissioner

SERVING THE PEOPLE OF TEXAS

Quick facts about the entities we regulate

There are 314 State-Chartered Banks in Texas.

They employ approximately 36,170 Texans.

They safeguard $129.4 billion in deposits and $162.8 billion in assets.

20 Independent Trust Companies manage $19.7 billion in fiduciary assets.

10 Foreign Bank Agencies located in Texas control in excess of $77 billion in assets.

403 Prepaid Funeral Licensees oversee 803,238 contracts worth $3.0 billion.

244 Perpetual Care Cemeteries with $241 million in trust assets caring for our loved ones.

133 Money Services Businesses, with $70.5 billion in assets annually transmitting $80 billion dollars for Texans.

Texas businesses serving Texans today ... and tomorrow

2010 A YEAR IN REVIEW

January 7, 2010 - The Federal Reserve releases an advisory reminding depository institutions of supervisory expectations for sound practices in managing interest rate risk. This advisory,

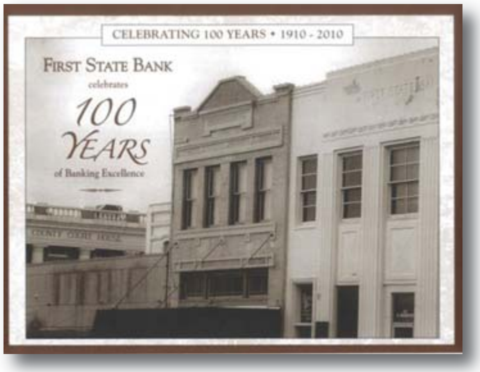
adopted along with the other financial regulators, reiterates the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the interest rate risk exposures of depository institutions.

February 23, 2010 - The FDIC announces that the number of "problem banks" increased from 552 insured institutions with $345.9 billion in assets at the end of the third quarter of 2009, to 702 institutions with $402.8 billion of assets at the end of the fourth quarter of 2009.

April 5, 2010 - After many months of sluggish home sales, the number of houses purchased in February rose a surprising 8.2%. Analysts attribute the influx of sales to the homebuyers tax credit of $8,000, expiring this month, and the large number of foreclosed houses available on the market. The increase in sales is good news for the struggling housing market; however, the prices of homes are still close to an all-time low.

April 20, 2010 - A British Petroleum deep water oil rig explodes in the Gulf of Mexico, causing the largest oil spill in the history of the United States, killing eleven workers, and devastating the environment. It also severely damaged the fishing and tourism industries of gulf states.

April 22, 2010 - Commissioner recognizes First State Bank, Livingston, Texas, for 100 years of service.



April 26, 2010 - Joint testimony on Self-Directed Semi-Independent (SDSI) provided to the House Appropriations Subcommittee on Business & Economic Development by the Texas Finance Commission Agencies.

2010 Year in Review

May 1, 2010 - Commissioner recognizes First Security State Bank, Cranfills Gap, Texas, for 100 years of service.

June 1, 2010 - Department launched Prepaid Funeral Contract website to provide information to enable consumers to make informed decisions relating to the purchase of preneed funeral contracts including descriptions of the trust and insurance funding options available under state law - www.prepaidfunerals.texas.gov.

June 7, 2010 - Countrywide Home Loans, now a part of Bank of America, agrees to settle with the Federal Trade Commission for $108 million on charges that the mortgage company gouged customers trying to save their home loans from default and their houses from foreclosure. Bank of America neither admitted to or denied the charges in the settlement. The money garnered in the settlement will be used to repay customers overcharged by Countrywide.

June 29, 2010 - Charles G. Cooper, Texas Banking Commissioner, issued a proclamation allowing Texas state-chartered banks with offices in areas that may be affected by Tropical Storm Alex to temporarily close under Section 37.003 of the Texas Finance Code.

July 21, 2010 - President Barack Obama signs the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 into law. The law is aimed at promoting financial stability in the United States through a variety of mechanisms.

August 11, 2010 - The Texas Department of Information Resources updated its policy to align Texas with 44 other states by establishing [state].gov as the consistent naming standard for the primary domain name for electronic communication.

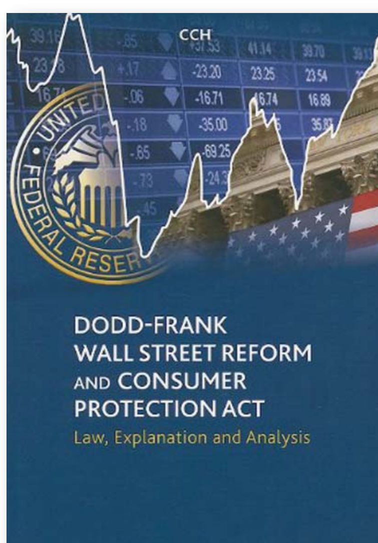
The Texas Department of Banking's web address becomes www.dob.texas.gov. Departmental e-mail addresses changes to firstname.lastname@dob.texas.gov.

August 11, 2010 - Charles G. Cooper, Texas Banking Commissioner testifies before the House Committee on Pensions, Investments, & Financial Services regarding Department operations and possible legislation for the 82nd session.

October 11-12, 2011 - Special Audits hosted a PFC training session in Austin to help educate the industry on PFC record keeping and reconciliation requirements.

November 23, 2010 - Charles G. Cooper, Texas Banking Commissioner, announced the appointment of Daniel B. Frasier to Director of the Corporate Activities Division.

December 16, 2010 - The Texas Department of Banking held the last of four Financial Education Teleconferences that began in March 2010. The goal of these quarterly conference calls was to provide innovative ideas, best practices and examples of successful financial education programs in Texas.



FTC Releases List of Top Consumer Complaints in 2010

The FTC released the list of top consumer complaints received by the agency in 2010. The list showed that for the 11th year in a row, identity theft was the number one consumer complaint category. Of 1,339,265 complaints received in 2010, 250,854 – or 19 percent – were related to identity theft.

In complaints per 100,000 residents, Texas was #29 in fraud and other complaints and #5 in identity theft complaints.

Among the largest metropolitan areas, Sherman-Dennison was #11 in fraud and other complaints. No other Texas metro area was in the top 50. In identity theft, Brownsville-Harlingen was #2, McAllen-Edinburg-Mission was #4, Laredo was #11, El Paso #15, and Corpus Christi #18.

Pursuant to statute, the Department accepts complaints and attempts to facilitate an amicable resolution. In calendar year 2010, there were 5,483 complaints and inquiries filed with the Department. Of these, 60% were filed against regulated entities.

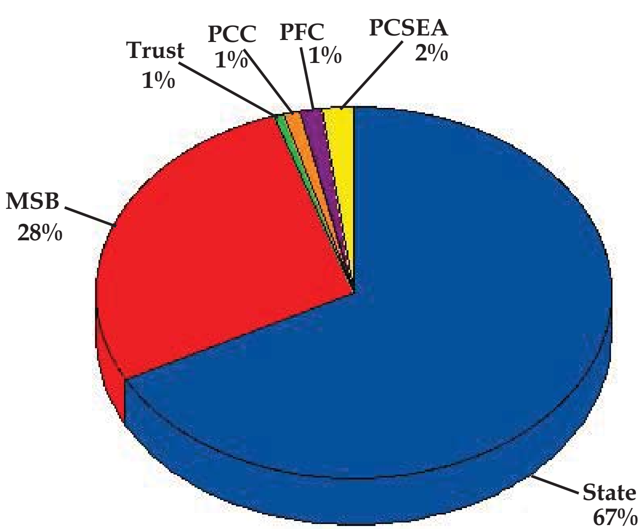
Many times, entities offer to resolve issues in good faith. Regulated entities were found to be in error in approximately 1.3% of the complaints filed in 2010.

The most common complaints and inquiries surround debit/check cards. A majority of these complaints and inquiries related to one state-chartered bank. The next largest categories concern deposit accounts and nonsufficient funds fees, opt-out notices, and overall general banking questions.

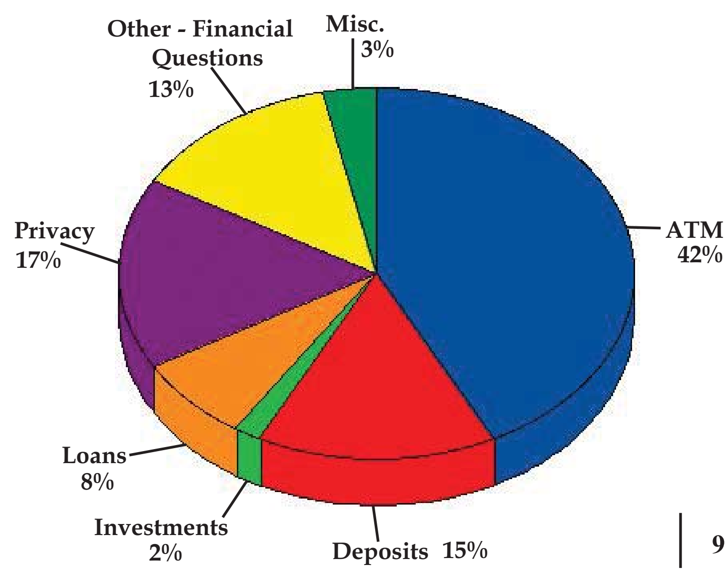
Rank	Category	# Complaints	%
1	ID Theft	250,854	19%
2	Debt Collection	144,159	11%
3	Internet Services	65,565	5%
4	Prizes, Lottery	64,085	5%
5	Shop-at-Home	60,205	4%
6	Imposter Scams	60,158	4%
7	Internet Auctions	56,107	4%
8	Foreign Money	43,866	3%
9	Telephone Serv.	37,388	3%
10	Credit Cards	33,258	2%

Breakdown Of Complaints Received in 2010 By The Texas Department of Banking

Breakdown Of Complaints By Regulated Entities



Breakdown Of Complaints By Type



REGIONAL OUTLOOK

Balancing Act For Texas Bankers

Bank & Trust Division

Dallas Region

The Dallas Region is comprised of 106 state-chartered banks with approximately $88 billion in assets, which includes Comerica Bank, headquartered in Dallas, with just over $55 billion in assets. State banks in the Dallas region lagged the rest of the state in average asset growth rates, and profitability. Declining profitability has primarily been impacted by the costs associated with problem assets. To a lesser degree, a number of de novo banks in the region did not attain profitability in 2010. Deterioration in commercial real estate, particularly in commercial and residential development projects, has been widely reported in the Dallas/Fort Worth Metroplex. Consequently, lending activity slowed dramatically, foreclosures increased, and demand for residential projects declined.

The western portion of the area is concentrated in oil and gas with some agriculture, while the eastern portion is concentrated in timber and oil and gas. Both areas have benefited not only from oil and gas production, but also from an increase in the oil and gas service industries that are tied directly to oil prices. The reduction in the price of natural gas has dampened exploration in the Barnett Shale and in east Texas.

The Dallas Region has the largest number of state-chartered banks, compared to other regions. In addition, the number of problem banks is higher than any other region. Rapid growth after 2005 is a common characteristic for these problem banks, as they used noncore funding sources, and concentrated heavily in commercial real estate, particularly acquisition, development, and construction (ADC) lending. Recent studies have shown that house and lot inventories along the northern corridor of the metroplex have improved somewhat, with housing inventories getting close to a point of equilibrium, but lot inventories remaining elevated. Housing and particularly lot inventories are significantly above equilibrium in the southern corridor across the Metroplex. Problem banks have had some success in disposing of foreclosed houses, but lot sales and particularly raw land sales are lagging.

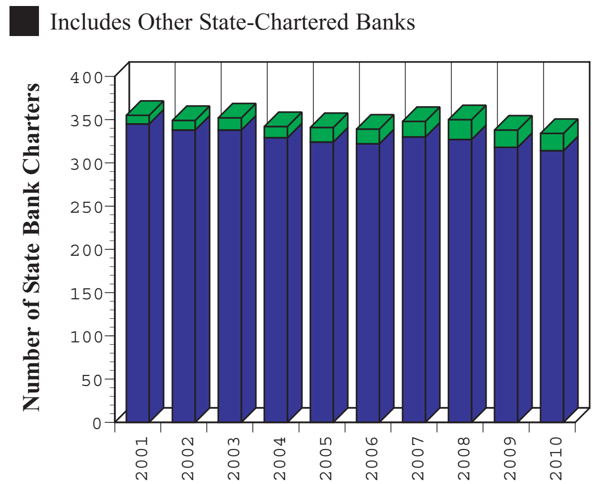
State-chartered banks outside the Dallas/Fort Worth Metroplex are generally enjoying favorable ratings, earnings, and capital levels. The few number of problem banks is generally attributed to the lack of dramatic growth in ADC, due to lower housing starts and employment growth. Additionally, this sector of banks has a generally larger volume of investments, which has helped lessen the impact of the falling rate environment and supported profitability. Nonetheless, these banks have seen profitability decline as higher earning assets have rolled off and have been reinvested at lower interest rates.

Most problem banks in the region appear to have stabilized in the second half of 2010, but meaningful improvement isn't expected until the second half of 2011 or 2012. Sales of troubled banks occurring throughout the year, however, and those that remain in a troubled status have significant challenges to overcome. A few troubled banks in north Texas will require shareholder support, along with improvement in the ADC sector before they return to satisfactory condition.

Lending declined since 2009, as a reaction to the curtailment of lending in the real estate sector. Loan volumes are expected to expand modestly in 2011, with some bankers indicating that they hope to maintain the existing volume of loans. Few new real estate loans are being requested or entertained, and other commercial borrowers are not utilizing lines of credit or requesting new facilities. Bankers do not expect any significant increase in lending until the economy improves further and demand for goods and services increases.

Number of State Banks in Texas

Year	#
2001	361
2002	355
2003	349
2004	351
2005	342
2006	341
2007	339
2008	350
2009	338
2010	334



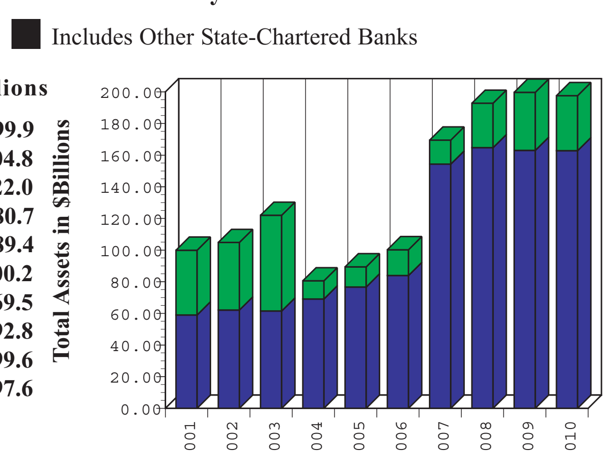
San Antonio Region

The San Antonio Region is comprised of 74 state-chartered banks with combined total assets of approximately $23 billion.

Banks in the San Antonio Region are experiencing fallout from the current credit cycle. The level of past due and nonaccrual loans for the region averages about 2.70%, up slightly from an average of about 2.40% one year ago. The downturn in commercial real estate has resulted in the region's banks increasing their reserves for potential loan losses, and that number now totals 1.30% of total loans, up from 1.10% of total loans just one year ago. The process of growing loan loss reserves is reflected in the decline in profitability for the region's banks, as the average return on assets is 0.77% compared to 0.85% a year ago. Banks in the region report minimal asset growth, and loan totals for the region increased only approximately 1.50%.

Assets Held by State Banks in Texas

Year	Billions
2001	$ 99.9
2002	$104.8
2003	$122.0
2004	$ 80.7
2005	$ 89.4
2006	$100.2
2007	$169.5
2008	$192.8
2009	$199.6
2010	$197.6



San Antonio Economy

The San Antonio

economy experienced a much milder recession than other parts of the state and nation, although the recovery is slow. Supporting the area's economy is the ongoing Base Realignment and Closure (BRAC) related construction that is taking place at the city's military bases and the Brook Army Medical Center which is destined to become a major medical and medical education training facility for the military. As the construction is completed, additional instructors and healthcare professionals will begin work and will include civilian hiring for the military. During 2010, Caterpillar, Inc., an auto assembly plant, and a large medical instrument manufacturer and supplier expanded operations, which have further supported the local economy.

The weak housing market in the city is expected to persist over the first half of 2011. Existing home sales and new home sales declined sharply in 2010 after federal incentives expired. Inventories of homes are elevated, and home prices have declined somewhat despite increases in other Texas metro areas. Improvement in home demand is expected in the second half of 2011 with the arrival of additional military and civilian personnel associated with the BRAC. In the rural areas in and around San Antonio, ranching and recreational hunting activity continue to support real estate values. Further, exploration activity in the Eagle-Ford shale formation has had an impact on many rural areas to the south of San Antonio. This oil and gas formation has resulted in increased drilling and services employment.

The overall impact of the slowdown in economic activity has had a moderate impact on the local banks. Loan demand remains relatively low, and problem loans are elevated. Many banks are experiencing increases in deposits as customers are seeking a safe haven for their investments. Lease activity in the Eagle-Ford shale has also resulted in increased deposits in the rural areas of south San Antonio.

Rio Grande Valley Economy

The McAllen economy is sluggish, but seems to be on the mend. Increases in factory production have enhanced manufacturing output and added to local payrolls. Hiring in healthcare and education has also been strong and has accounted for more than one-third of all jobs created over the past year, and this trend is expected to continue. Weakness in cross-border traffic results from the increasingly violent activity in Reynosa and Monterrey, Mexico, two cities important to the economy in McAllen. Mexican nationals account for an estimated 30% of the retail sales in the area, and the slowdown in cross-border traffic exacerbates already strained local government budgets with lower sales tax revenue. While the housing market remains relatively slow, there are indications that Mexican nationals are searching for residences in the area to retreat from the violence across the border. Nevertheless, residential home construction remains depressed, and mortgage loan originations are low. The Rio Grande Valley maintains a high unemployment rate that is 2 percentage points above the national average and higher than any other metro area in the state. As a result, consumer credit conditions are weak, and an improvement in the labor market is needed. The region continues to benefit from population growth which should eventually aid in increased private employment and absorption of available residential properties.

Overall, Rio Grande Valley area banks are relatively stable, but the slowdown in residential construction and the overall lower retail demand have had an adverse affect. Loan demand for the region's banks was flat over the past year, and improvement is dependent upon the residential and retail sectors. The volume of mortgage loans in delinquency or default remains elevated and is expected to remain this way until the local economy has fully recovered.

Austin and Central Texas Economy

The Austin economy appears to be rebounding at an above-average pace. Service related industries have had the most positive job growth, totaling about 12% over the past year. Convention center hotel revenue is up, and this is consistent with local population growth and the arrival of various corporations that have relocated to the area. Conversely, the local housing market has not yet shown significant improvement, as sales of existing homes and permits for new homes remain low. Home prices in the marketplace have held relatively stable, and the level of foreclosures remained low which is likely aiding the stabilized home prices.

Austin's recovery is expected to continue, and gains in population dominated by a well-educated labor force will aid in this recovery with increased sales of homes and improvement in retail sales. Banks in the Austin and Central Texas area have experienced low loan demand over the past year, although indications of improvement are noted. Loan delinquency rates remain elevated, which is consistent with high vacancy rates in office space, which was 14.2% during the fourth quarter 2010. A large increase in office space during 2009 has contributed to the high vacancy rates.

<u>Houston Region</u>

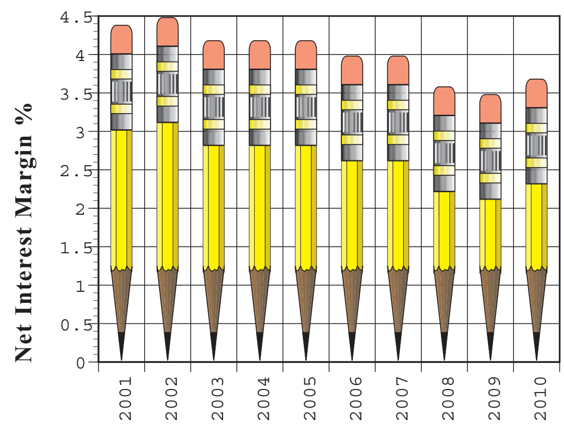
The Houston region is comprised of 71 state-chartered banks with $28 billion in assets, eight Texas Foreign Bank Agencies, and one Foreign Bank Branch with $72 billion in total assets. The Southeast Texas economy shows signs of sustained economic improvement and is expected to be stronger than previous estimates.

Expectations are based on long term population growth and further expansion

Texas State-Chartered Banks

Net Interest Margin

Year	Percent
2001	4.3%
2002	4.5%
2003	4.2%
2004	4.2%
2005	4.2%
2006	4.0%
2007	4.0%
2008	3.6%
2009	3.5%
2010	3.7%



Texas State-Chartered Banks

Net Income

Year	Millions
2001	$709
2002	$773
2003	$784
2004	$801
2005	$952
2006	$947
2007	$1,786
2008	$1,086
2009	$1,083
2010	$1,282

in the energy, health care, and distribution industries, despite concerns in the aerospace industry. By December 2011 many of the jobs lost during the recession are expected to be replaced. Growth will be fueled by the ongoing U.S. economic recovery, growth in developing countries, a weak U.S. dollar, and rising oil prices. Although Houston's recession ended in January 2010, several factors tempering new growth include the drilling moratorium in the Gulf of Mexico, weak natural gas prices, a soft real estate market, and government budget woes.

The recovery in Houston's commercial real estate markets will apparently be slow as the construction industry faces a fourth straight year of declining activity. The inventory of resale homes continues to inch upward. As of November 2010, Houston had an eight month inventory of homes for sale, well above the normal six month supply. The inventory of resale homes will probably grow as more foreclosures enter the market, reducing the demand for newly built houses. In the third quarter of 2010 the office space market recorded its first positive absorption since 2008. However, the vacancy rate remains high with an estimated excess of 30 million square feet of office space. As a result, commercial real estate values continued to decline in 2010, and projections are stagnate.

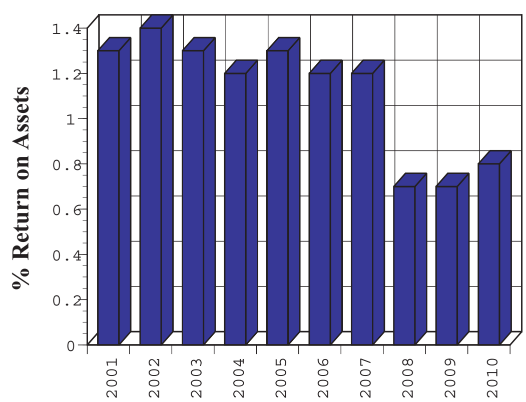
Banks in the Houston region for two years outperformed all statewide averages in 2010 and 2009. Asset growth of 12.8% outpaced the statewide average of 6.6%. Houston region banks reported loan growth at 7.6% versus 3.3% statewide. While the loan growth in the Houston area and statewide is not considered exceptionally high, it reflects a positive trend. The Houston region reported Tier One Capital growth of 10.5% compared to 6% statewide. However, the region reported an increase in non-performing loans at 1.79% compared to 1.26% statewide and profitability dropped below the statewide average of 0.93% to 0.51%.

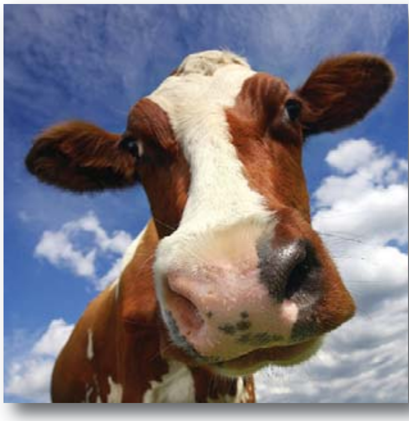
The overall impact of the economic slowdown has had a significant impact on the local banks, especially the slowdown in the commercial real estate market. Local banks are generally experiencing lower loan demand and deterioration in credit quality. However, banks are reporting increased deposits.

Texas State-Chartered Banks

Annual Return on Assets

Year	Percent
2001	1.3%
2002	1.4%
2003	1.3%
2004	1.2%
2005	1.3%
2006	1.2%
2007	1.2%
2008	0.7%
2009	0.7%
2010	0.8%





Lubbock Region

The Lubbock region is comprised of 63 state-chartered banks with $21.7 billion in assets. The region compares favorably with statewide averages regarding overall economic conditions. Regional banking ratios reflect net income of 1.1% of average assets versus 0.93% for the state. Net interest margins equal state numbers and total non-accruals are 0.8% compared to 1.27% statewide. Tier 1 leverage ratios for the region lag state numbers with 9.4% compared to 10.2%. The region's banks continue to grow with five institutions reflecting total assets in excess of $1 billion.

The region has the lowest number of problem institutions. Commercial real estate lending has not been as debilitating to the region as in other areas of the state, and this market segment has not suffered as much as others from the national recession.

The region's economy has been bolstered by unprecedented agriculture prices and crop production in both grain and cotton. Livestock prices as well as crude oil prices are increasing. El Paso's economy continues to grow with additional military personnel coming to the area. Economic stability is reflected in unemployment numbers that are lower than the statewide average. The West Texas economy has never experienced high peaks or low valleys, and the prospects are strong for continued stability with slow growth into 2011.

Texas State-Chartered Banks

Annual Percent of Total and Net Charge-offs

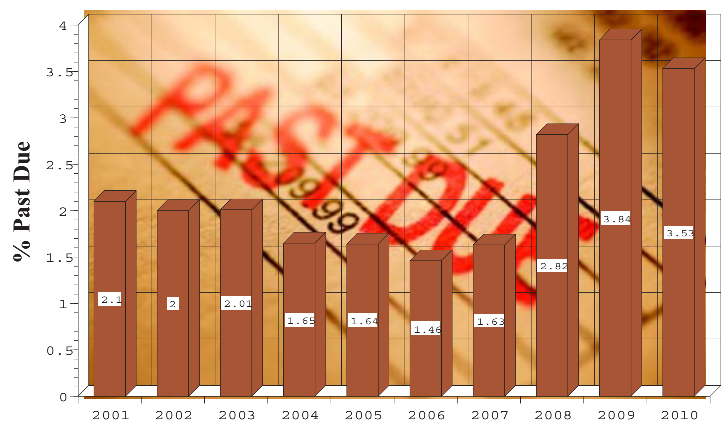
	T Total C/O	N Net C/O
2001	.36%	.30%
2002	.43%	.35%
2003	.42%	.33%
2004	.34%	.27%
2005	.33%	.27%
2006	.24%	.19%
2007	.31%	.24%
2008	.64%	.61%
2009	1.33%	1.23%
2010	1.09%	.97%

Texas State-Chartered Banks

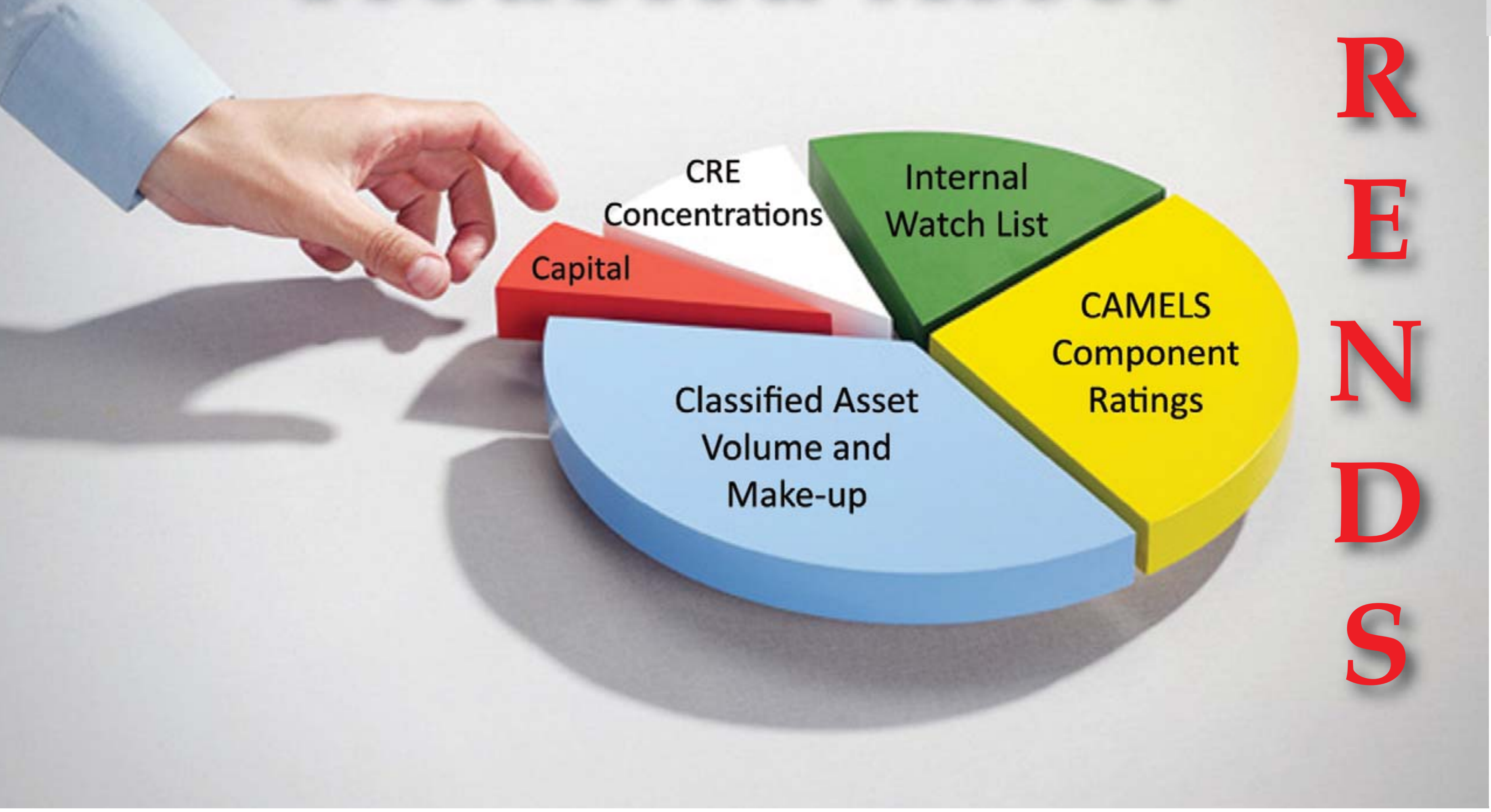
Delinquency Rates - Total Loans

Includes Nonaccrual Loans

Year	Percent
2001	2.10%
2002	2.02%
2003	2.01%
2004	1.65%
2005	1.64%
2006	1.46%
2007	1.63%
2008	2.82%
2009	3.84%
2010	3.53%



Troubled Asset TRENDS



Are Texas' problem banks on the mend and getting better, or are conditions that caused their problem status still severe and perhaps getting worse?

We frequently receive this question from bankers, legislators, reporters and the general public.

The Department ended 2010 with 57 problem banks, compared to 47 at year-end 2009 and 30 at year-end 2008. First, the the good news - we project that the number of state-chartered problem banks peaked in 2010 and should begin to decline. We base our projections primarily on trends we are seeing in our problem banks where management is identifying their asset quality issues in the early stages and then dealing with these issues in a proactive manner. In addition, we expect the trend that began in 2010 to continue where outside investors are willing to make significant capital contributions to purchase a Texas banking franchise.

> ***A bank with an overall composite rating of "3", "4" or "5" is defined by the Department as a problem.***

Now for the bad news – more than a few of our problem banks have troubled asset totals that well exceed their capital and overwhelm their management resources. These banks will likely continue to struggle with these issues throughout 2011, and some will not survive without significant infusions of new capital. As every banker knows, a major factor standing in the way of meaningful improvement in their financial condition relates to the level of adversely classified assets and the ability of bank management to effectively divest of those troubled assets without sustaining major losses.

In 2010, there were a number of banks that improved their condition to the extent that they are no longer considered a problem institution. We thought that it would be helpful to compare a sample of similarly situated banks, those that improved and those that did not, in order to illustrate trends that may assist others in dealing with similar issues. The major focus is on adversely classified assets.

First, what common characteristics do we observe with banks that improved their rating in 2010? Six state-chartered problem banks that improved their overall composite rating to a 2 in 2010 were analyzed. Observations included:

- **Classified Asset Volume** - All six banks were able to reduce the volume of their adversely classified assets. The largest reduction was 49%, the smallest was 3%, and the average for all six banks was 34%. Reductions were accomplished by a combination of payments on problem loans, improvement in credits to the extent that they were no longer classified, and aggressive marketing and sales of other real estate (ORE). Increased problem loan collection efforts were noted. In some cases, required equity during the original loan underwriting made a significant difference as this equity provided loan customers more options to liquidate stalled projects, or banks, after foreclosure, were able to sell ORE with a minimal loss or a slight gain. In some cases, banks were able to "hit a home run" on some of their largest classified assets with either an ORE sale or loan payoff. Banks were eventually able to sell completed single family residences, compared to raw land or lot development loans which tended to remain on the bank's books. In one situation, improvement in crude oil prices impacted the cash flow of customers, which led to reduced classified assets.

- **Make-up of Classified Assets** - For four of the six banks, ORE represented over 50% of their classified assets, indicating that management had initiated aggressive efforts to collect problem loans, and as a result, ORE increased significantly.

- **CAMELS Component Ratings** - For all six banks, the component rating for management was 2. In general, management was judged as being effective in dealing with the bank's risks and on top of the major issues. Three of the six banks still had an excessive level of adversely classified assets, and therefore their component rating for asset quality was 3. However, other favorably rated components offset this factor. Two banks warranted an earnings rating of 3, and another necessitated an earnings rating of 4.

- **Internal Watch List** - The internal watch list was judged to be accurate for all six banks, indicating that management could properly assess their own credit risk. In some cases, management had obtained an outside loan review to ensure that credits were properly identified.

● **CRE Concentrations** – Though most were able to reduce their CRE exposure between examinations, two of the six banks exceeded at least one of the interagency guidance thresholds for commercial real estate.

● **Capital** – Two of the six banks were able to raise additional capital. The highest Tier 1 capital ratio was 11.6%, the lowest was 8%, and the average was 9.4% (one bank was excluded from the comparison because its ratio was not an appropriate comparison) .

Now that we have analyzed the banks that improved, what about the banks that did not improve significantly and remained a problem bank? Six problem banks that did not significantly improve in 2010 were analyzed. An attempt was made to identify common elements that caused them to remain problem institutions. Common elements included:

● **Classified Asset Volume** – Troubled assets increased in four of the six banks. The largest increase was 197%, the lowest increase was 6%, with the average increase being 48%. For the two banks that were able to reduce their classified assets, they reduced the assets by 21% and 10%.

During examinations of problem banks, examiners perform an analysis of problem loans, called the Analysis of Loans Subject to Adverse Classification. A summary of this analysis is typically included in examination reports of problem banks. The summary contains some very useful information that can assist bankers and bank regulators in assessing the bank's progress in disposing of problem loans.

As indicated by the chart on the next page, the six banks in the sample were able to reduce the loans that were classified at the previous examination by 58%. Unfortunately, this improvement was entirely offset by a dramatic increase in downgrades of credits which represented 92% of the book value of loans classified at the previous exam. In the end, classified loans were up on average 134% over the previous exam's total.

The chart depicts the reductions and additions to problem loans in the six sample banks:

● **Make-up of Classified Assets** – ORE represented 22% of the problem assets, which is significantly less than the banks discussed above that improved in 2010. Not surprising, the bank with the highest concentration of ORE at 42% was also one of the two banks that was able to reduce its volume of troubled assets. The three banks with the lowest volume of ORE as a percentage of problem assets also carried the most severe composite CAMELS ratings; all were rated either 4 or 5.

● **CAMELS Component Ratings** – Unlike the banks that improved, none garnered better than a 3 rating for management. In general, management was judged as being ineffective in dealing with the bank's risks and not on top of many of the major issues. All carried at least a 3 rating for asset quality, with half earning the most severe rating of 5. Other components were reflective of the severe financial condition of these problem banks.

Troubled Asset **Trends**

Problem Loans at the Previous Exam	-	Reductions to Problem Loans	+	Additions to Problem Loans	=	Problem Loans at the Current Exam
100%		58%		92%		134%
* Book value of problem loans at the previous examination, represented as 100%.		* 25% Payments * 15% To ORE * 10% Charge-off * 8% No longer classified		* 90% Existing loans not previously classified * 2% Advances on new credits		* Book value of problem loans at the current examination as a percent of the book value from the previous exam.

- **Internal Watch List** – The internal watch list was judged to be inaccurate for half of the banks in the sample and in some cases resulted in a need for additional provisions to the allowance for loan losses.

- **CRE Concentrations** – Four of the six banks in the sample exceeded at least one of the interagency guidance thresholds for commercial real estate, and another institution had an industry concentration which substantially elevated the risk profile. Construction and development lending concentrations averaged 176% for the banks in the sample and were much higher than the improved banks.

- **Capital** – Four of the six banks were able to raise additional capital. The highest Tier 1 capital ratio was 12%, the lowest was 6.9%, and the average was 9%. Overall, the results reinforce that a high capital ratio alone should not be the sole remedy for the bank's ills.

All of our banks, even those with a CAMELS rating of 1, are dealing with an increased volume of troubled assets. In most cases, the increase is caused by either a downward trending economy, lax underwriting or flawed documentation at origination or renewal, unfortunate lending decisions made in prior years, or a combination of these factors. Regrettably, examiners report that poor loan and credit administration, after the extension of credit is advanced, significantly contributes to the severity of these problems. However, the opposite also appears to be the case, as banks that effectively, and in some cases aggressively, monitor and manage their problem loans and ORE turn the corner quicker and improve their CAMELS rating. The bottom line: the quality of management makes a difference. Some things, like the economy, may be outside of management's control, but as indicated in the examples above, the banks that are proactive in addressing issues within their control fared better. The improvements and lack thereof noted in the examples above are directly related to management and its experience, ability, and willingness to address these difficult issues.

Additional information about these trends, is available upon request.

Banker Survey Results

As a part of an onsite effort to improve the examination and examination report processes, the Commissioner has been soliciting input regarding the supervision provided by the Texas Department of Banking. The goal of the survey is to help target areas for improvement, as well as to identify what parts of the existing process are working well.

Thirty to forty-five days after each examination, the Department mails a Commissioner's Post Examination Survey to the bank so that management can evaluate several aspects of our examination process. Completed surveys are returned directly to the Commissioner for his review before being distributed to staff for further analysis. Either the Commissioner or Deputy Commissioner directly contacts a bank about negative responses or upon direct request.

The survey contains 21 questions covering three areas: the examination process, examination reports, and the examination scope and correspondence. Respondents may select from the following choices for each question: (1) strongly agree, (2) agree, (3) disagree, and (4) strongly disagree. Consolidated data is presented as a percentage of the total number of respondents.

The 2010 fiscal year survey response rate is 66.2%, with 200 respondents out of the 302 mailed instruments. Almost all responses reflect either "strongly agree" or "agree", indicating that the managers of our supervised entities are generally pleased with the professionalism of our staff and the quality of the examination process. The 2009 fiscal year survey response rate was 66.7%, with 180 respondents out of the 270 mailed instruments.

COMMISSIONER'S BANKING EXAMINATION SURVEY RESULTS
COMPARISON 2009 to 2010

200 Responses or 66.2% Response Rate - 2010
180 Responses or 66.7% Response Rate - 2009

CONSOLIDATED ALL REGIONS, TRUST & IT

I. EXAMINATION PROCESS	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
a. The examiners clearly communicated the examination scope and goals to management prior to the start of the examination.	200	2010	70%	28%	1%	1%		
	180	2009	68%	32%				
b. The examiners requests for information prior to and during the examination were timely and reasonable.	200	2010	68%	32%				
	180	2009	64%	35%		1%		
c. The examination team acted in a professional and courteous manner during the examination.	200	2010	81%	17%	1%			1%
	180	2009	82%	17%				1%
d. The examiners communicated with management throughout the examination.	200	2010	74%	24%	1%			1%
	180	2009	68%	30%	1%			1%
e. The examiners are informed of current industry issues and were knowledgeable of your bank.	200	2010	63%	34%	1%	1%		1%
	180	2009	63%	35%	1%			1%
f. In what areas, if any, do you feel the examiners need additional training or education? Attach additional paper if necessary:	200	2010						
	180	2009						

Banker Survey Results (cont.)

CONSOLIDATED ALL REGIONS, TRUST & IT	# of Responses	Year	Strongly Agree	Agree	No / Disagree	Strongly Disagree	Yes	No Opinion
g. The examiners remain focused on the key issues confronting your institution.	200	2010	64%	33%	2%			1%
	180	2009	61%	38%				1%
h. The examiners clearly and effectively communicated their findings and concerns at the exit and board meetings.	200	2010	74%	24%	1%			1%
	180	2009	75%	24%				1%
i. Conclusions regarding the bank's condition were well supported.	200	2010	65%	31%	3%	1%		
	180	2009	61%	38%	1%			
j. Recommendations for corrective actions were reasonable.	200	2010	60%	33%	2%	1%		4%
	180	2009	57%	41%				2%
k. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with exam policy?	200	2010	89%				4%	7%
	180	2009	96%				2%	2%
			NO				YES	

II. EXAMINATION REPORTS	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
a. The examination report was received in a timely fashion.	200	2010	64%	29%	4%	1%		2%
	180	2009	68%	27%	3%	1%		1%
b. The report of examination clearly communicates the examination findings and provides useful information.	200	2010	65%	32%	1%			2%
	180	2009	69%	29%				2%
c. The tone and content of the report of examination is consistent with the board and/or exit meetings.	200	2010	67%	27%	3%			3%
	180	2009	69%	28%	1%			2%

III. EXAMINATION SCOPE AND CORRESPONDENCE	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
a. The examination was conducted without placing an undue burden on the institution.	200	2010	57%	41%	2%			
	180	2009	56%	43%	1%			
b. The on-site portion of the examination was completed in a reasonable timeframe.	200	2010	64%	33%	1%	1%		1%
	180	2009	63%	34%	2%			1%
c. The use of pre-examination time through gathering documents and working off-site worked well and saved the bank time.	200	2010	63%	31%	2%			4%
	180	2009	67%	30%	2%			1%
d. The Regional Office and Headquarters staff were readily accessible and helpful to discuss exam findings.	200	2010	64%	32%				4%
	180	2009	67%	31%				2%
e. Examiners' use of an automated line sheet program worked well and saved time.	200	2010	23%	20%				57%
	180	2009	22%	22%				56%
f. Regional office and headquarters staff provided timely and accurate feedback/answers.	200	2010	66%	29%	1%			4%
	180	2009	64%	31%	1%			4%
g. Correspondence regarding routine business matters has been handled in a prompt and effective manner.	200	2010	66%	31%				3%
	180	2009	68%	29%	1%			2%

SPECIAL AUDITS DIVISION

Quick Facts

Oversight and Supervision of:
Prepaid Funeral Contract Sellers
Perpetual Care Cemeteries
Money Services Businesses

Total Staffing:
18 Full-time employees
1 Part-time employee

590 Exams Performed in 2010

The Special Audits Division (SAD) is responsible for the oversight and supervision of Prepaid Funeral Contract (PFC) sellers, both trust-funded and insurance-funded, Perpetual Care Cemeteries (PCC); and Money Services Businesses (MSB) which include, but are not limited to, the selling or issuing stored value or payment instruments, third-party bill paying services and the receipt of money or monetary value for transmission. The Division's examinations are performed by 13 financial examiners who performed over 590 examinations in calendar year 2010.

MSB Industry

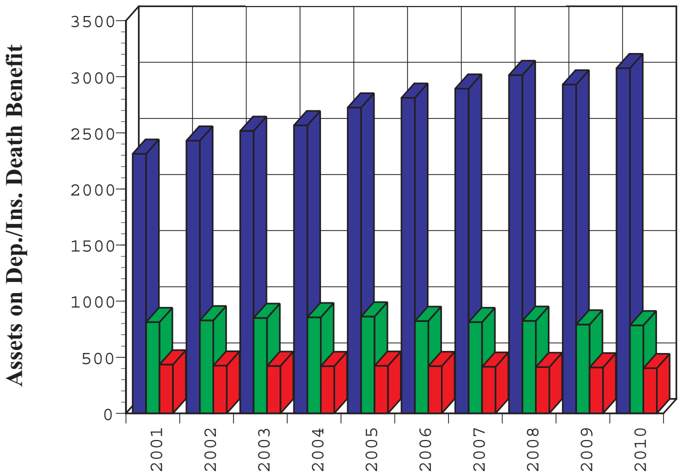
As of year-end 2010, SAD had 90 money transmission and 43 currency exchange license holders with combined assets of approximately $70.8 billion. Six companies were responsible for transacting approximately $68.5 billion or 85.3% of the total money transmission volume in 2010. The SAD performed 106 MSB examinations in the calendar year of which 87% reflected a satisfactory risk rating. A 2% increase from 2009.

The MSB sector relies heavily on job growth and employment stability. The financial crisis resulted in decreases in the number and dollar volume of international remittances, with some license holder's reporting volume decreases from 2009 to 2010 by as much as 50%. With less disposable income, remitters' average remittance "face amount" has diminished. This decrease not only reduced the MSB's transaction fees, but their profitability as well. The total dollar amount of transaction volume reported to the Department by money remitters, excluding currency exchangers, was 20% less in 2010 when compared to 2009.

The enduring drug related violence in Mexico has impacted the industry, resulting in fewer people traveling to Mexico. Currency exchangers along the United States and Mexican

Prepaid Funeral Contracts

Year	Millions
2001	$2,312.8
2002	$2,430.7
2003	$2,516.6
2004	$2,567.6
2005	$2,725.0
2006	$2,813.0
2007	$2,893.4
2008	$3,015.2
2009	$2,930.3
2010	$3,076.3

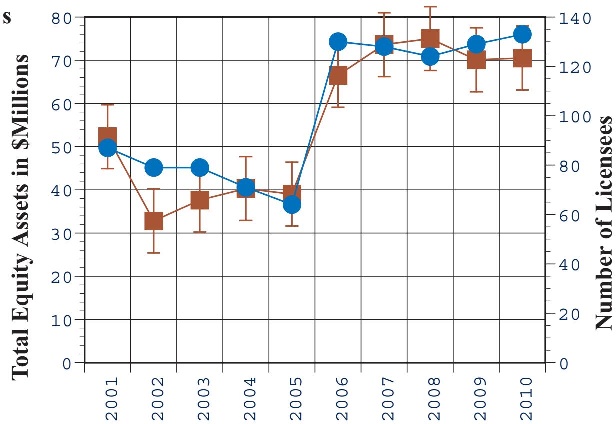


Year	Contracts (thousands)
2001	814
2002	829
2003	851
2004	856
2005	863
2006	823
2007	813
2008	825
2009	792
2010	803

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Licensees	436	426	423	421	424	421	415	412	410	403

Money Services Business Trends

Year	Millions
2001	$52.3
2002	$32.8
2003	$37.6
2004	$40.3
2005	$39.0
2006	$66.5
2007	$73.6
2008	$75.0
2009	$70.1
2010	$70.5



Year	Licensees
2001	87
2002	79
2003	79
2004	71
2005	64
2006	130
2007	128
2008	124
2009	129
2010	133

border that rely on the cross border traffic reported significant decreases in transaction volume. Texas licensed currency exchangers reported a 40% decline in the total dollar amount of transactions for 2010 as compared to 2009. Most of the licensed currency exchangers are retail in nature and rely on non-commercial customers that depend on currency exchangers to pay for goods and services. Many licensed currency exchangers have reported that their businesses continue to face hard times and do not believe conditions will improve until the violence in Mexico is under control.

Declining revenues and tighter margins forced MSB's to find solutions to improve profitability. Reducing overhead expenses, offering new products and improving productivity at existing locations are a few of the alternatives being used to aid in the loss of revenue. Although the Department has not seen a significant decline in the overall condition of MSB's as a result of these changes, operations are monitored closely during examinations to ensure that overall regulatory compliance is not negatively impacted. Business models are being reevaluated and the expansion of products into new markets is a priority for business owners.

The Department continues to encounter entities that fail to comply with applicable rules and regulations. In 2010, the Department initiated enforcement actions against two entities for engaging in MSB activities in Texas without the required license. The Cease and Desist Orders were issued to Euro Casa de Cambio, El Paso, Texas, on April 8, 2010, and Diversos Servicios Heidi and Heidi Casa de Cambio, El Paso, Texas, on September 21, 2010 for conducting the business of currency exchange without a license as required by Section 151 of the Texas Finance Code (TFC).

The MSB area also experienced regulatory changes at the federal level. In June 2010, the Financial Crimes Enforcement Network (FinCEN) proposed new regulations in an attempt to establish a more comprehensive regulatory framework for non-bank prepaid access (stored value programs). This is a result of the Credit Card Accountability, Responsibility and Disclosure Act of 2009, which covers prepaid access devices such as plastic cards, mobile phones, and/or other products that provide a method for prepaid funds to be retrieved or transferred. Further, in September 2010, FinCEN proposed new regulations that would require certain banks and money transmitters to report cross-border electronic transmittals of funds (CBETF) that are $1,000 or above to FinCEN. The

proposal also requires that money transmitters submit an annual filing that would include a list of taxpayer identification numbers of accountholders who transmitted or received a CBETF. FinCEN believes these new requirements will “further its efforts against money laundering and terrorist financing.”

The Division had a busy year monitoring and addressing the issues that arose throughout the year. However, SAD took the time to continue its regulatory outreach efforts. As a key player in the Money Transmitters Regulators Association (MTRA), a national non-profit organization whose membership consists of state regulatory authorities dedicated to the efficient and effective regulation of the MSB industry in the United States, the Department helped develop a multi-state protocol which is intended to improve the coordination and supervision of MSB’s licensed in multiple states. To help promote consistency among the participant states, our Department also helped in the development of the MTRA joint examination procedures. An agreement to share the joint examination reports with MTRA member states was also developed to help expedite the sharing of examination reports. The Department believes that joint examinations minimize regulatory burden and expense and continues to be the lead state on several large complex MSB joint examinations.

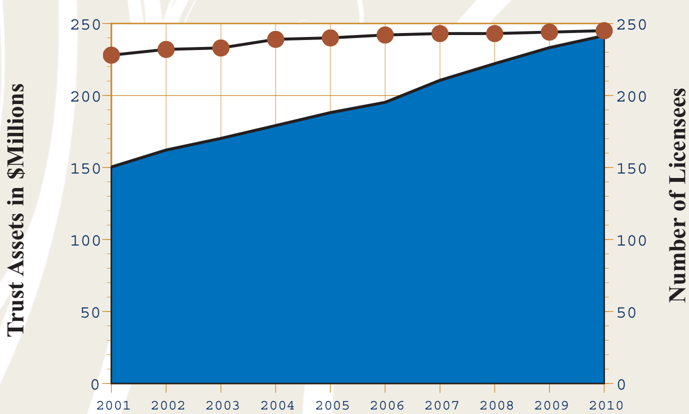
PFC / PCC Industries

In 2010, SAD performed 234 PCC examinations of which 88% received an overall satisfactory risk rating. The number of PCC’s receiving a less than satisfactory rating in 2010 decreased by 4% when compared to 2009.

At calendar year-end 2010, there were 244 licensed PCC’s with combined perpetual care trust funds on deposit of approximately $249.8 million, compared to $237.8 million in 2009. A significant concentration of these trust funds, $139.9 million or 56%, are owned by four corporate entities.

Perpetual Care Cemeteries

Year	Millions
2001	$150.4
2002	$162.1
2003	$170.3
2004	$179.2
2005	$188.2
2006	$195.3
2007	$210.6
2008	$222.1
2009	$233.3
2010	$241.6



Year	Licensees
2001	228
2002	232
2003	233
2004	239
2005	240
2006	242
2007	243
2008	243
2009	244
2010	244

The income generated from the amounts held in trust is earmarked to be used for the general maintenance of a perpetual care cemetery. Most cemeteries' trust earnings are not at a level to provide complete and adequate maintenance of the cemetery. This has proven to be a financial hardship for the small PCC's and acquisition and merger activity increased in 2010.

As of the end of calendar year 2010, the SAD had 403 licensed PFC sellers, of which 55 are insurance-funded permit holders with a combined death benefit amount of approximately $2.2 billion, funding 462,000 PFC's. Compared to 2009, the number of outstanding insurance-funded contracts increased by approximately 3%, while the death benefit amount increased by 5%. The eight largest insurance-funded permit holders account for 74% of the total contracts. The remaining 348 trust-funded permit holders had funds on deposit at various financial institutions totaling approximately $881.8 million, funding 352,000 PFC'si. Both the number of outstanding trust-funded PFC'si and funds on deposit experienced a slight decrease when compared to 2009. The decrease is in part due to three PFC conversions from trust-funded to insurance-funded benefits.

SAD performed 250 PFC examinations in 2010 and 87% received an overall satisfactory risk rating. The number of PFC'si receiving a less than satisfactory rating in 2010 decreased by 3% from 2009.

The PFC and PCC industries, collectively referred to as the death care industry, are not immune to the economic downturn. Even the death care industry is tested in today's economy as consumers are demanding to pay less for funeral costs, which has contributed to the rise in cremation services and a decline in traditional funeral services. With the estimated national average funeral cost for 2010 in the $8,500 price range, the national cremation rate increased to approximately 35%. Historically, Texas had a low cremation rate; however, there has been a definite increase

in the rate for the past several years, with estimates of around 25% for Texas in 2010. As consumers shift towards cremation services, preneed sellers and providers are adjusting their business models to meet consumers' desires.

Amendments to Chapter 154 of the TFC that were contained in House Bill (HB) 3762 became effective September 1, 2009. However, numerous provisions were not effective immediately, and the implementation dates were extended into calendar year 2010. Numerous staff resources were utilized in overseeing the final implementation of these statutory changes which required the Department to propose and adopt several amendments to Chapter 25 of the Texas Administrative Code (TAC). Another significant change made by HB 3762 was the requirement to periodically review a PFC's financial condition. This review has become increasingly important as we have seen a growing number of funeral homes go out of business over the last 18–24 months.

SAD continued to be active in enforcement actions during 2010, issuing eight enforcement actions. The majority of these actions had a similar theme – failure to either deposit PFC funds in trust or remit the funds as insurance premiums as statutorily required. Monitoring and investigating illegal activity, and when necessary, initiating enforcement actions to protect the rights and interests of consumers who purchase PFC'si will remain a top priority of the SAD.

DEPARTMENT Financial Information

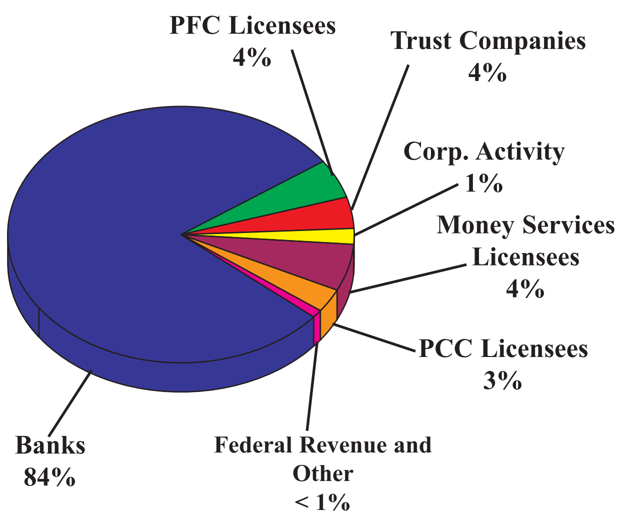
UNAUDITED

TEXAS DEPARTMENT OF BANKING (451)

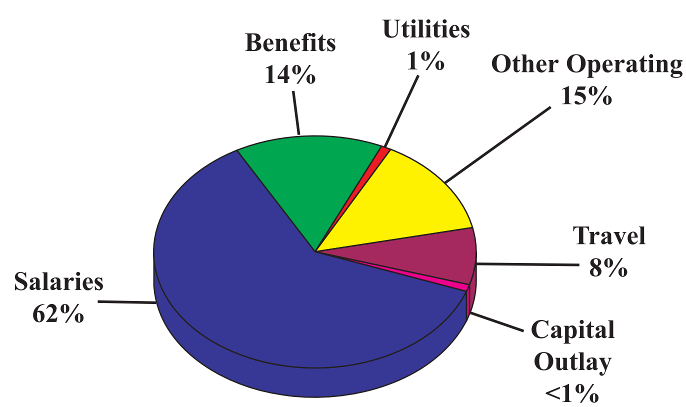
For the Fiscal Year Ended August 31, 2010

	Governmental Funds Total
EXPENDITURES:	
Salaries and Wages	$13,163,036.00
Payroll Related Costs	2,994,080.10
Other Expenditures	2,401,173.80
Travel	1,638,620.71
Materials and Supplies	337,718.48
Repairs and Maintenance	240,356.23
Rentals and Leases	232,257.94
Communications and Utilities	200,927 72
Professional Fees and Services	113,281.31
Capital Outlay	27 189.60
Printing and Reproduction	16,550.16
Total Expenditures	$21,365,192.05

2010 Collected Revenues

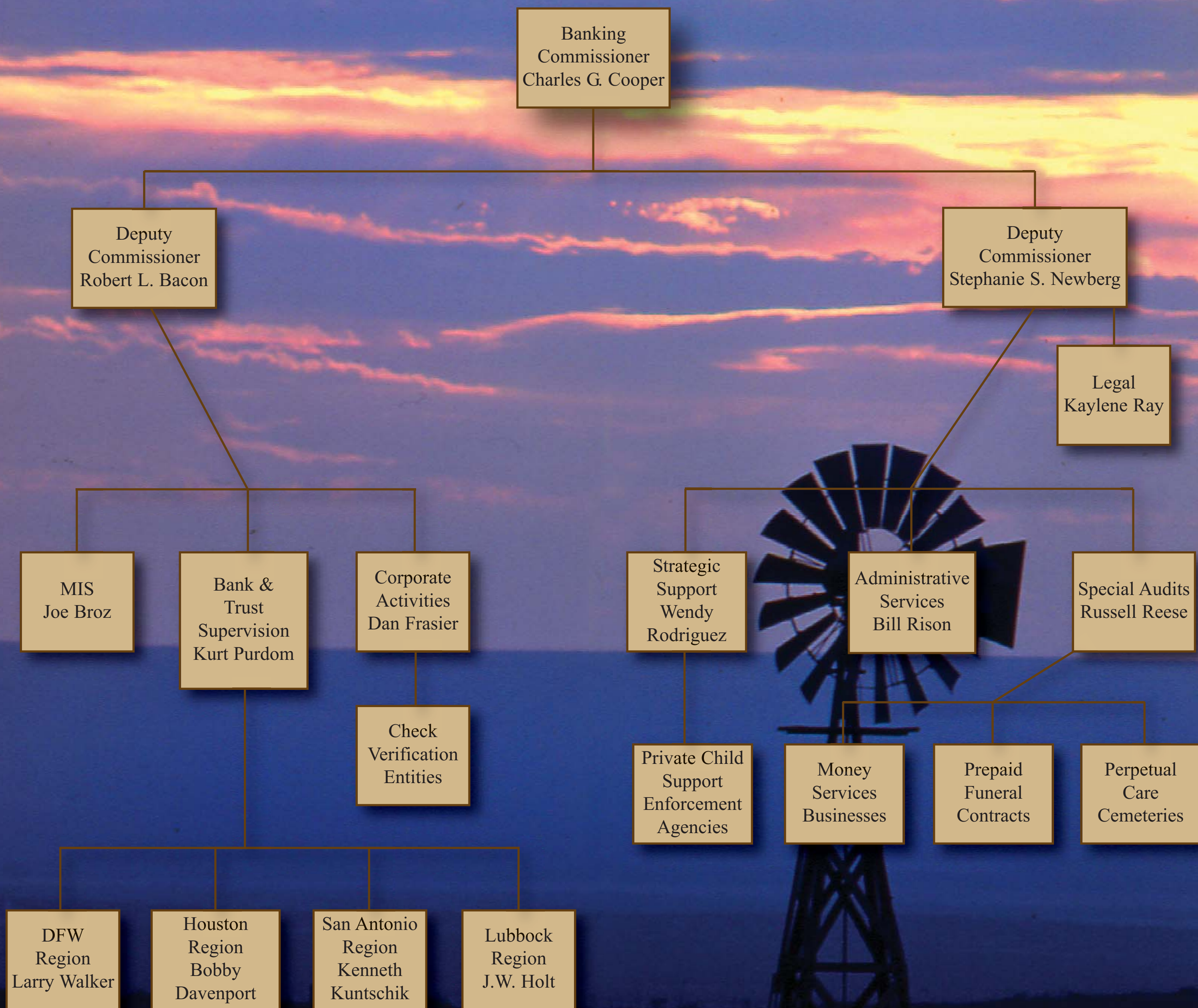


2010 Expenses



Department of Banking Organizational Chart

December 2010



Statement of Financial Condition
State-Chartered Banks Operating in Texas*

(in millions)

	Dec. 2010	Dec. 2009	Dec. 2008	Dec. 2007
NUMBER OF INSTITUTIONS	334	338	350	348
ASSETS				
Interest Bearing Balances	$ 8,297	$ 9,362	$ 4,074	$ 898
Federal Funds Sold	1,652	1,755	1,891	3,652
Trading Accounts	479	490	774	292
Securities	38,750	34,847	35,698	29,189
Total Loans	99,896	102,455	108,746	105,322
Less: Allowance for Loan Losses	(1,903)	(1,841)	(1,429)	(1,129)
Premises and Fixed Assets	2,889	2,843	2,733	2,638
Other Assets	12,740	13,039	12,189	13,430
Texas Assets of Out-of-State State-Chartered Banks	34,780	36,686	28,108	15,240
Total Assets	***$197,580***	***$199,636***	***$192,784***	***$ 169,532***
LIABILITIES AND CAPITAL				
Total Deposits	$ 129,396	$ 124,320	$ 118,491	$ 116,643
Federal Funds Purchased & Repos	3,297	3,789	4,795	5,255
Trading Liabilities	405	409	662	257
Other Borrowed Funds	8,108	13,581	20,413	10,687
All Other Liabilities	3,786	3,785	4,232	4,338
Equity Capital	17,808	17,066	16,083	17,112
Liabilities and Capital of Out-of-State State-Chartered Banks	34,780	36,686	28,108	15,240
Total Liabilities and Equity Capital	***$197,580***	***$199,636***	***$192,784***	***$169,532***
RATIOS				
Yield on Earning Assets	4.48%	4.71%	5.70%	7.07%
Net Interest Margin	3.67%	3.50%	3.63%	4.02%
Return on Assets	0.79%	0.69%	0.70%	1.22%
Net Charge-offs to Loans	0.97%	1.23%	0.61%	0.24%
Assets Per Employee ($million)	4.50	4.44	4.60	4.18
Loss Allowance to Loans	1.91%	1.80%	1.31%	1.07%
Equity Capital to Assets	10.94%	10.47%	9.77%	11.09%
Total Risk-Based Capital Ratio	15.19%	14.19%	12.65%	12.20%

**Texas State-Chartered Banks and Out-of-state State-Chartered Banks*

Statement of Income
Texas Chartered State Banks

(in thousands)

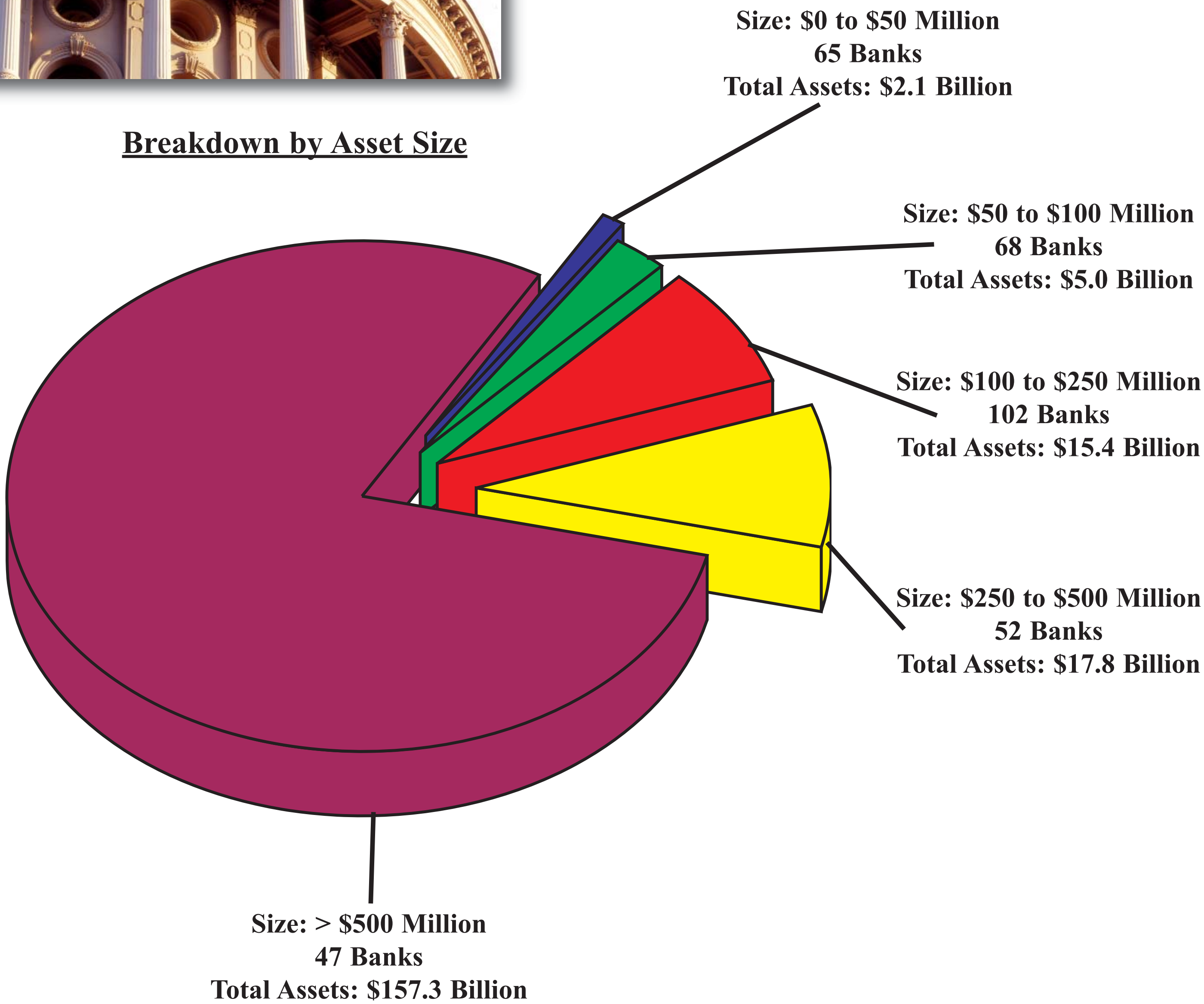
	Dec. 2010	Dec. 2009	Dec. 2008	Dec. 2007
INTEREST INCOME				
Loans	$ 5,216,352	$ 5,379,709	$ 6,399,914	$ 7,709,719
Lease Receivables	59,465	64,400	36,467	70,097
Due From Depository Institutions	48,872	48,333	37,165	41,250
Securities	1,213,095	1,454,489	1,424,158	1,274,466
Trading Assets	1,704	1,260	1,247	3,609
Federal Funds Sold	6,148	7,978	63,648	208,601
Total Interest Income	**6,545,636**	**6,956,169**	**7,962,599**	**9,307,742**
INTEREST EXPENSE				
Deposits	951,857	1,446,326	2,161,434	3,188,302
Federal Funds Purchased	63,136	75,401	152,289	238,544
Borrowings	128,177	193,599	486,296	454,128
Subordinated Notes	39,306	66,374	99,214	138,556
Total Interest Expense	**1,182,476**	**1,781,700**	**2,899,233**	**4,019,530**
Net Interest Income	5,363,160	5,174,469	5,063,366	5,288,212
Provision for Loan Loss	1,006,544	1,707,904	978,040	332,418
NONINTEREST INCOME				
Service Charges on Deposit Accts.	652,920	701,666	691,715	701,275
Other Noninterest Income	1,550,699	1,696,622	1,234,555	1,206,066
Total Noninterest Income	**2,203,619**	**2,398,288**	**1,926,270**	**1,907,341**
NONINTEREST EXPENSE				
Salaries and Benefits	2,672,279	2,552,606	2,440,324	2,429,020
Premises and Equipment	690,485	668,655	618,331	581,497
All Other Noninterest Expense	1,690,451	1,581,414	1,536,480	1,404,775
Total Noninterest Expense	**5,053,215**	**4,802,675**	**4,595,135**	**4,415,292**
Pre-Tax Net Operating Income	1,507,020	1,062,178	1,416,461	2,447,843
Securities Gains/(Losses)	113,820	330,203	(23,679)	(9,936)
Applicable Income Taxes	(354,754)	(263,139)	(310,987)	(656,270)
Extraordinary Gains - Net	17,663	1,572	934	4,258
NET INCOME	**$ 1,176,385**	**$ 1,126,577**	**$ 1,082,729**	**$ 1,785,895**

Note: This chart does not include Out-of-state State-Chartered Banks.

Financial Information on State-Chartered Banks Operating in Texas*

By: Size, Number, and Total Assets

Breakdown by Asset Size



* Includes all State Banking Activity - Total Assets of $197.6 Billion
Information as of December 2010

Newest State Banks, Limited Trust Associations, Money Services Businesses and Prepaid Funeral Contract Entities

State Bank Conversions

Heritage Bank, Pearland
January 2010

Limited Trust Associations

Kanaly Trust, LTA
March 2010

Money Services Businesses

Budget Prepay, Inc., Bossier City, LA
January 2010

NetSpend Corporation, Austin
January 2010

First Cash, Ltd., Arlington
February 2010

Laredo Transmission Solutions, LLC, Laredo
June 2010

Intercambio Express, Inc., Elkhart, IN
June 2010

Alon Financial Services, Inc., Odessa
June 2010

Euro Casa De Cambio, El Paso
June 2010

Border International Services, Laredo
August 2010

Moneybookers USA, Inc., New York, NY
August 2010

Golden Money Transfer, Inc., San Diego, CA
August 2010

New Goldspun Pty., Ltd. Arlington
August 2010

American Express PrePaid Card Management Corp., Phoenix, AZ
October 2010

Blackhawk Network California, Inc., Pleasanton, CA
November 2010

Keefe Commissary Network, LLC, St. Louis, MO
December 2010

Prepaid Funeral Contract Entities

Historic Hollywood Cemetery, Inc., dba Historic Hollywood Cemetery and Hollywood Cemetery, Houston
February 2010

Investors Heritage Life Insurance Company, Frankfort, KY
May 2010

SWCS, Inc., dba Lamesa Memorial Park, Lamesa
July 2010

Top 20 Largest
Texas State-Chartered Banks

December 2010

Bank Name/City	Total Assets (thousands)
Comerica Bank, Dallas	$53,797,371
International Bank of Commerce, Laredo	$9,833,344
Prosperity Bank, El Campo	$9,472,521
PlainsCapital Bank, Lubbock	$5,285,906
Sterling Bank, Houston	$5,190,661
Southside Bank, Tyler	$2,994,218
American State Bank, Lubbock	$2,687,035
United Central Bank, Garland	$2,502,121
TIB The Independent BankersBank, Irving	$2,285,632
City Bank, Lubbock	$1,943,301
Happy State Bank, Happy	$1,576,572
Legacy Bank of Texas, Plano	$1,534,678
Texas Bank & Trust Company, Longview	$1,290,933
Patriot Bank, Houston	$1,261,476
North Dallas Bank & Trust Co., Dallas	$1,116,632
American Bank of Texas, Sherman	$1,105,514
Independent Bank, McKinney	$1,098,393
First State Bank Central Texas, Austin	$1,068,020
First United Bank, Dimmitt	$1,008,921
Guaranty Bond Bank, Mount Pleasant	$ 971,084
Total	$108,024,333
Percentage of Total Texas State-Chartered Banking Assets	66.4%

Top 10 Largest
Texas State-Chartered Trust Companies

December 2010

Trust Company Name/City	Total Assets (thousands)
Hand Benefits & Trust Company, Houston	$ 4,391,343
The Houston Trust Company, Houston	$ 2,892,175
Westwood Trust, Dallas	$ 2,126,135
Kanaly Trust Company, Houston	$ 1,637,141
Sentinel Trust Company, L.B.A., Houston	$ 1,561,633
Salient Trust Co., LTA, Houston	$ 1,552,574
Austin Trust Company, Austin	$ 1,383,359
Woodway Financial Advisors, Houston	$ 1,255,758
Turtle Creek Trust Company, Dallas	$ 994,208
Investors Trust, Inc., Dallas	$ 801,636
Total	$18,595,962
Percentage of Total Texas State-Chartered Trust Assets	94.3%

BANK ROBBERY

"OK, boys; let's go make a withdrawal."

John Dillinger

There are hundreds of bank robberies throughout the United States every year. Small and large financial institutions can be victims of this type of crime which can happen at any time – morning or afternoon, opening or closing. Different from that of a cyber crime, a robbery can leave staff and customers traumatized from the experience.

According to statistics released by the FBI[1] in December 2010, a total of 1,325 violations of the Federal Bank Robbery and Incidental Crimes Statue occurred through the third quarter of 2010. This includes robberies, burglaries, and larcenies. Given that not all bank crimes are reported to the FBI, it can be assumed that this is not a complete statistical compilation of all bank crimes that occurred in the U.S. during this period. However, the statistics from the report provides enough data to see the overall picture.

- More than $9.3 million was taken, of which approximately $1.4 million was recovered and returned to financial institutions.

- Most of these reported crimes occurred in the South region of the U.S., with 482 reported incidents. The next closest region in terms of reported crimes was the West region which reported 365 bank robberies, three burglaries and three bank extortions.

- Oral demand or demand note is commonly used. A weapon or the threat of a weapon is also used in many cases.

- In 4% of the reported violations, an act of violence was committed. This includes discharge of a firearm, assault, or hostage situation. The violence resulted in 21 injuries, five deaths, and nine hostages.

The Bank Protection Act requires banks to comply with the installation, maintenance, and operation of security devices and procedures, to discourage robberies, burglaries, and larcenies.

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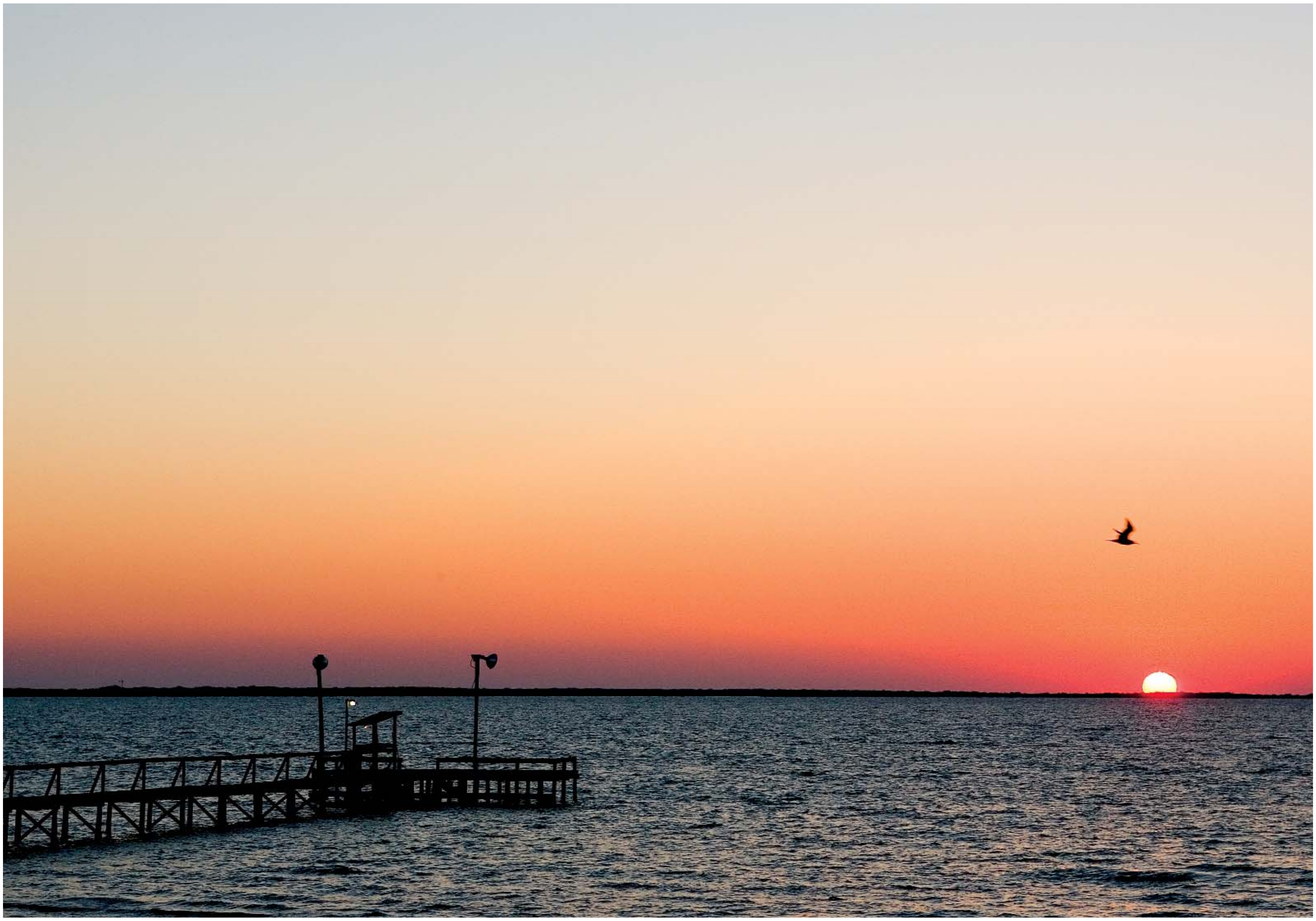

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