
TEXAS BANK REPORT

Texas Department of Banking, Commissioner, Charles G. Cooper

Data as of September 30, 2010

Commissioner's Comments



Texas banking and the economic outlook for the New Year is promising; however, it appears that any financial improvement will be achieved at a slow pace. As acknowledged by the Texas Comptroller of Public Accounts, while Texas may have outperformed other states in 2010, job loss and reduced consumer spending impacted the state's economy. As reported, the state's largest source of tax revenue – sales tax – decreased last year. With Texas only recouping about half the number of jobs lost during the last two years and consumers not rushing to spend, a slow recovery is expected.

Although operating in this type of environment is a challenge, community banks have proven to be very resilient. The importance of community banks to the

financial system is apparent and has been acknowledged by Congress. Community banks continue to be one of the largest providers of credit to small businesses, which can allow these businesses to grow, create new jobs and improve the local economy. Be assured that the Department will continue to be an advocate for measures that strengthen community banking.

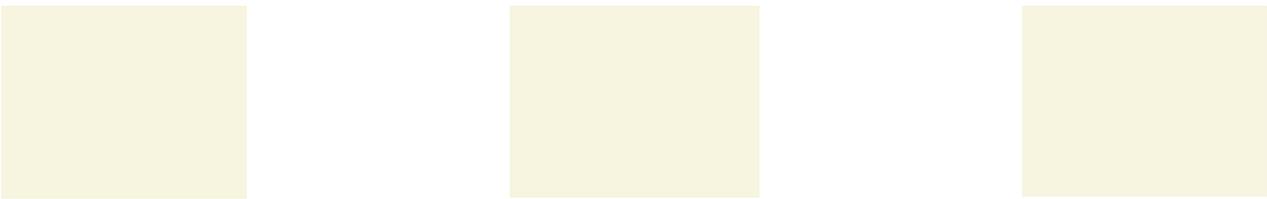
As a regulator, providing the best service possible while operating at the highest degree of efficiency is a goal of the Department. Our commitment to fiscal responsibility begins with comprehensive reviews of expenditures and assessments. It is our objective to remain vigilant in exploring ways to operate the Department in the most cost-efficient manner possible.

In other news, the 82nd Legislature convened on January 11th. Concerns over the state's budget shortfall and the impact on citizens and services are front page news. This, coupled with economic issues such as foreclosures, remain fresh on the minds of legislators and the public. We have yet to see the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on state legislation. Hours of research and testimony are expected. Monitoring all these important issues and communicating the changes that will affect the industries under our purview is a priority for the Department.

In this limited edition of the Texas Bank Report, we present the financial data on the Texas banking system as of September 30, 2010. If you have feedback or suggestions, email your comments to publications@dob.texas.gov

Charles G. Cooper
Banking Commissioner

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A n n o u n c e m e n t s

Staffing Changes

New Corporate Director

Effective November 23, 2010, Daniel B. Frasier was appointed to Director of the Corporate Activities Division. His responsibilities include supervising the chartering, licensing, and general application filing activities for banks, foreign bank agencies, trust companies, money services businesses and private child care support entities regulated by the Department.

New Chief Trust Examiner

Effective January 1, 2011, Senior Examiner Jim Yarbrow assumed the duties and responsibilities regarding the supervision of trust activities.

S.A.F.E. Act and Mortgage Loan Originators (MLOs)

The new mortgage loan originator registration system for bank MLOs is expected to begin operation around January 31, 2011, at which time the banks will have six months to complete their MLO registration.

TABLE I
Quarterly Balance Sheet and Operating Performance Ratios
for Texas State-Chartered Banks 9/30/10 Through 9/30/09

ACCOUNT DESCRIPTIONS (IN MILLIONS OF \$)	9/30/10	6/30/10	3/31/10	12/31/09	9/30/09
Number of State-Chartered Banks	315	318	322	318	322
Total Assets of State-Chartered Banks	162,373	162,201	162,011	162,950	162,657
Number of Out-of-State, State-Chartered Banks Operating in Texas	20	21	20	20	20
Total Texas Assets of Out-of-State, State-Chartered Banks Operating in Texas	34,780	36,910	36,686	36,686	36,686
Subtotal	197,153	199,111	198,697	199,636	199,343
Less: Out-of-State Branch Assets/Deposits	-37,127	-37,343	-37,343	-37,343	-37,343
**Total State Banks Operating in Texas	160,026	161,768	161,354	162,293	162,000
BALANCE SHEET (Tx. State-Chartered Banks)					
Interest-Bearing Balances	9,447	9,272	10,374	9,394	6,747
Federal Funds Sold	1,511	1,478	1,569	1,741	1,948
Trading Accounts	618	574	567	490	591
Securities Held-To-Maturity	8,017	8,337	7,921	7,246	7,180
Securities Available-for-Sale	28,408	27,619	26,955	27,604	28,324
Total Securities	37,043	36,530	35,443	35,340	36,095
Total Loans	100,608	101,194	100,814	102,485	104,466
Total Earning Assets	148,609	148,474	148,200	148,960	149,256
Premises and Fixed Assets	2,888	2,877	2,863	2,853	2,847
Total Assets	162,373	162,201	162,011	162,950	162,657
Demand Deposits	15,182	14,863	14,366	15,070	13,462
MMDAs	54,429	52,885	52,438	49,060	46,325
Other Savings Deposits	10,620	10,485	10,184	10,679	10,113
Time Deposits < 100M	16,119	16,429	16,831	17,262	19,970
Time Deposits > 100M	23,088	23,988	23,796	23,497	23,865
Brokered Deposits	2,633	2,894	3,368	3,780	5,637
Total Deposits	127,577	126,700	125,749	124,316	122,040
Federal Funds Purchased	3,257	3,132	3,564	3,789	4,662
Other Borrowed Funds	8,544	10,414	11,130	13,582	13,781
Total Liabilities	144,312	144,424	144,688	145,938	145,581
Total Equity Capital	18,058	17,775	17,298	17,025	17,051
Loan Valuation Reserves	1,911	1,913	1,903	1,875	1,755
Total Primary Capital	19,969	19,688	19,201	18,900	18,806
Past Due Loans > 90 Days	522	482	469	273	338
Total Nonaccrual Loans	2,329	2,250	2,228	2,307	2,294
Total Other Real Estate	795	698	635	586	593
Total Charge-Offs	821	536	292	1,370	990
Total Recoveries	72	48	23	66	46
Net Charge-Offs	749	488	269	1,304	944
INCOME STATEMENT					
Total Interest Income	4,956	3,324	1,660	6,954	5,292
Total Interest Expense	920	633	325	1,782	1,427
Net Interest Income	4,036	2,691	1,335	5,172	3,865
Total Noninterest Income	1,599	1,026	484	2,396	1,903
Loan Provisions	790	526	297	1,749	1,260
Salary and Employee Benefits	1,971	1,296	630	2,554	1,904
Premises and Fixed Assets Expenses (Net)	514	343	172	669	498
All Other Noninterest Expenses	1,227	822	407	1,586	1,182
Total Overhead Expenses	3,712	2,461	1,209	4,809	3,584
Securities Gains (Losses)	99	73	50	329	300
Net Extraordinary Items	18	17	17	2	1
Net Income	977	649	312	1,086	954
Cash Dividends	271	183	94	464	336
RATIO ANALYSIS					
Loan/Deposit	78.86%	79.87%	80.17%	82.44%	85.60%
Securities/Total Assets	22.81%	22.52%	21.88%	21.69%	22.19%
Total Loans/Total Assets	61.96%	62.39%	62.23%	62.89%	64.22%
Loan Provisions/Total Loans	1.02%	1.04%	1.18%	1.71%	1.57%
LVR/Total Loans	1.90%	1.89%	1.89%	1.83%	1.68%
Net Charge-Offs/Total Loans	0.74%	0.48%	0.27%	1.27%	0.90%
Nonperforming+ORE/Total Assets	2.25%	2.11%	2.06%	1.94%	1.98%
Nonperforming+ORE/Primary Capital	18.26%	17.42%	17.35%	16.75%	17.15%
Net Interest Margin	3.53%	3.62%	3.60%	3.47%	3.37%
Gross Yield	5.25%	5.36%	5.29%	5.74%	5.75%
Return on Assets	0.78%	0.80%	0.77%	0.67%	0.76%
Return on Equity	7.03%	7.30%	7.21%	6.38%	7.27%
Overhead Exp/TA	2.97%	3.03%	2.98%	2.95%	2.86%
Equity/Total Assets	11.12%	10.96%	10.68%	10.45%	10.48%
Primary Capital/Total Assets+LVR	12.16%	12.00%	11.71%	11.47%	11.44%

*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.

TABLE II
COMPARATIVE STATEMENT OF CONDITION
COMMERCIAL BANKS DOMICILED IN TEXAS
SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009

ACCOUNT DESCRIPTIONS (In Millions of \$)	9/30/2010 STATE CHARTERED		9/30/2010 NATIONAL CHARTERED		9/30/2010 ALL BANKS		9/30/2009 ALL BANKS	
		% TA		% TA		% TA		% TA
Number of banks	315	% TA	260	% TA	575	% TA	586	% TA
BALANCE SHEET								
Interest-Bearing Balances	9,447	6%	9,074	6%	18,521	6%	11,907	4%
Federal Funds Sold	1,511	1%	2,980	2%	4,491	1%	5,254	2%
Trading Accounts	618	0%	135	0%	753	0%	728	0%
Securities Held-To-Maturity	8,017	5%	2,057	1%	10,074	3%	8,997	3%
Securities Available-For-Sale	28,408	17%	22,888	15%	51,296	16%	48,617	18%
Total Securities	37,043	23%	25,080	17%	62,123	20%	58,342	21%
Total Loans	100,608	62%	101,084	67%	201,692	65%	174,124	64%
Total Earning Assets	148,609	92%	138,218	92%	286,827	92%	249,627	91%
Premises & Equipment	2,888	2%	2,312	2%	5,200	2%	5,221	2%
TOTAL ASSETS	162,373	100%	150,306	100%	312,679	100%	273,101	100%
Demand Deposits	15,182	9%	11,598	8%	26,780	9%	24,055	9%
MMDAs	54,429	34%	47,247	31%	101,676	33%	82,551	30%
Other Savings Deposits	10,620	7%	22,939	15%	33,559	11%	17,576	6%
Time Deposits<100M	16,119	10%	10,759	7%	26,878	9%	32,036	12%
Jumbo Deposits	23,088	14%	18,885	13%	41,973	13%	42,048	15%
Brokered Deposits	2,633	2%	3,346	2%	5,979	2%	8,625	3%
Total Deposits	127,577	79%	118,083	79%	245,660	79%	212,516	78%
Fed Funds Purchased	3,257	2%	5,691	4%	8,948	3%	7,157	3%
Other Borrowed Funds	8,544	5%	7,590	5%	16,134	5%	17,541	6%
TOTAL LIABILITIES	144,312	89%	133,160	89%	277,472	89%	243,362	89%
Equity Capital	18,058	8%	17,145	11%	35,203	11%	29,713	11%
Allowance for Loan/Lease Losses	1,911	1%	2,376	2%	4,287	1%	2,993	1%
Total Primary Capital	19,969	12%	19,521	13%	39,490	13%	32,706	12%
Past due >90 Days	522		820		1,342		483	
Nonaccrual	2,329		2,934		5,263		3,788	
Total Other Real Estate	795		837		1,632		1,096	
Total Charge-Offs	821		1,075		1,896		1,360	
Total Recoveries	72		216		288		85	
INCOME STATEMENT								
	Y-T-D		Y-T-D		Y-T-D		Y-T-D	
Total Interest Income	4,956	100%	4,920	100%	9,876	100%	9,113	100%
Total Interest Expense	920	19%	699	14%	1,619	16%	2,354	26%
Net Interest Income	4,036	81%	4,221	86%	8,257	84%	6,759	74%
Total Noninterest Income	1,599	32%	2,267	46%	3,866	39%	3,212	35%
Loan Provisions	790	16%	962	20%	1,752	18%	1,921	21%
Salary & Employee Benefits	1,971	40%	1,470	30%	3,441	35%	3,336	37%
Premises & Fixed Assets (Net)	514	10%	398	8%	912	9%	887	10%
All Other Noninterest Expenses	1,227	25%	2,225	45%	3,452	35%	2,931	32%
Total Overhead Expenses	3,712	75%	4,093	83%	7,805	79%	7,154	79%
Securities Gains(losses)	99	2%	9	0%	108	1%	276	3%
Net Extraordinary Items	18	0%	35	1%	53	1%	1	0%
NET INCOME	977	20%	1,157	24%	2,134	22%	838	9%
Cash Dividends	271		695		966		710	
Average ROA	0.78%		1.00%		0.89%		0.40%	
Average ROE	7.03%		8.77%		7.88%		3.67%	
Average TA (\$ Millions)	515		578		544		466	
Average Leverage	11.12%		11.41%		11.26%		10.88%	
Dividends/Net Income	27.74%		60.07%		45.27%		84.73%	

*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.



*Texas Department of Banking
2601 North Lamar Blvd.
Austin, Texas 78705-4294
512-475-1300
512-475-1313 Fax
Toll Free: 877-276-5554
Website: www.dob.texas.gov*