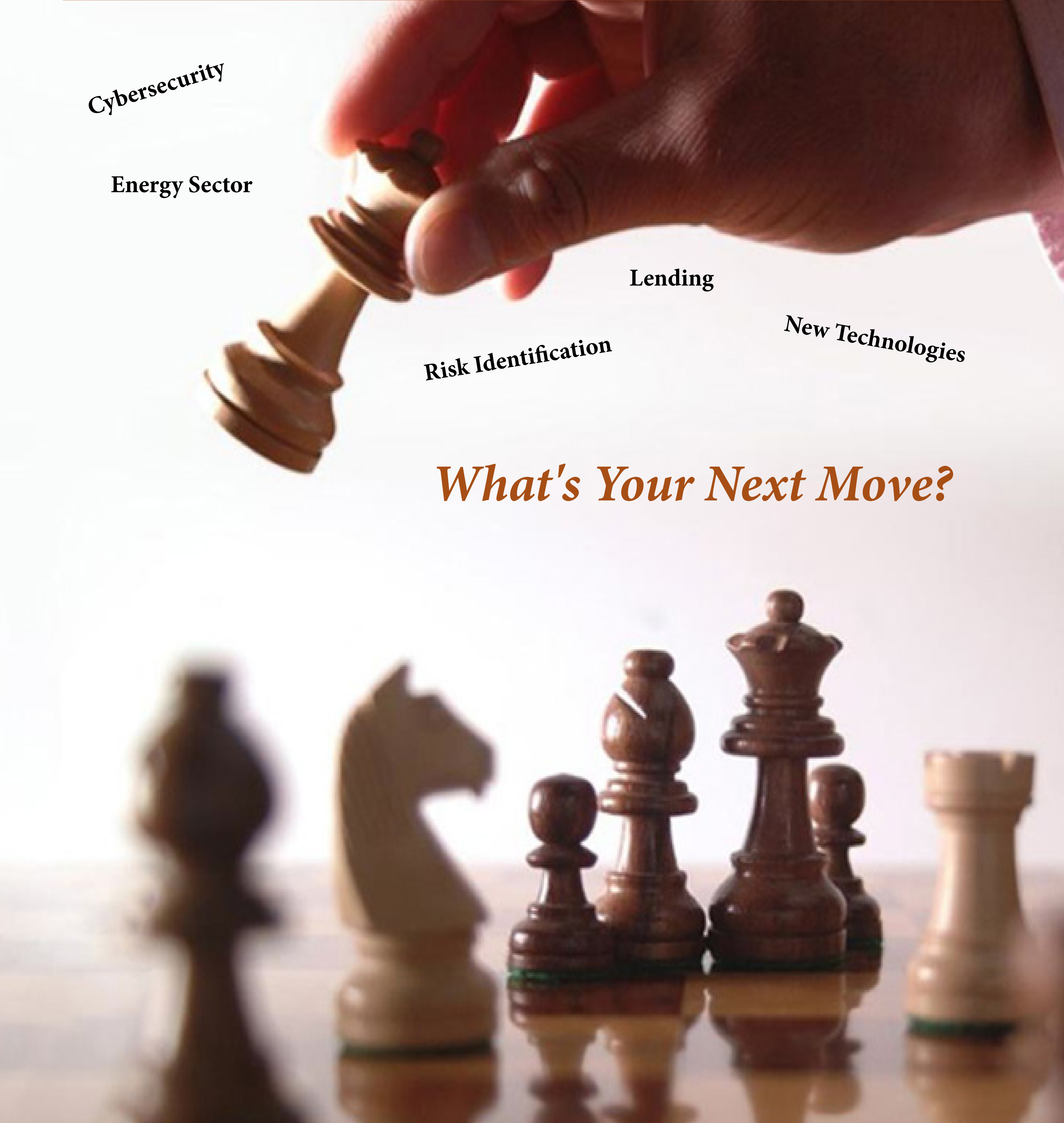
Texas Bank Report

Texas Department of Banking, Charles Cooper, Commissioner May 2016



Cybersecurity

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New Technologies

Risk Identification

What's Your Next Move?

Commissioner's Comments

"The Department expects state banks to apply the same credit underwriting standards used internally to address the risks involved in purchasing loans from third party entities, including ongoing monitoring of their third-party."

Let's stop and think about the community banking industry.

Community banking has a rich history with an environment that is constantly changing and customer preferences that keep evolving as time goes by. The evolution of society and its needs has made way for banks to innovate and develop product lines and business strategies to provide superior services to its customer base. In the last several decades, technological advancements and a wider array of services have allotted for an improved customer experience. Electronic interfaces have altered the way in which many customers deal with their banks, but it also has opened the door to stiffer competition. Customers have a larger market of alternative sources for financing and competitive pricing for their deposits. Banks are seeking an increased market share to improve their bottom line but must also strive to balance these innovations with safe and sound practices.

Innovation and reinventing oneself is key to succeeding in a competitive market. However, what fundamentals are foregone and forgotten that can come back to hurt a bank?

Let's focus on asset quality. Most of our state-chartered banks identify problem loans in a timely manner, but for some, that is not the case. The key to successful resolution of a problem loan is an early detection of the problem. Complete credit information is necessary not only to make a reasonable and accurate determination of a borrower's financial condition and repayment capacity when a loan is underwritten, but also on an ongoing basis. Progress reports and inspections also provide insight into potential repayment issues and should be maintained in a bank's credit files. Management's ability to react quickly and effectively when problems develop is essential. The Department encourages banks to be proactive instead of reactive.

The financial crisis left many banks thirsty for revenue. Throwing caution to the wind to gain that income can be detrimental, especially when purchasing paper from a third party entity. In these cases, it is important to conduct sufficient due diligence to ensure all documentation is in order. The Department expects state banks to apply the same credit underwriting standards used internally to address the risks involved in purchasing loans from third party entities, including ongoing monitoring of their third-party relationships. Bank policies and procedures relating to brokered and purchased loans should be adequate to ensure that loans obtained conform to the bank's general lending practices, policies, and with applicable safety and soundness standards.

The same can be said for the development of new technologies. Due diligence, well thought out policies, and forecasting are necessary in order to develop a product that enhances your customers experience and ensures the product is a viable source for the bank. Strategically planning for the future, whether it be lending or product development, can assist management in setting priorities, strengthening operations, and ensuring that employees and other stakeholders are working toward common goals. Monitoring and regular communication with management can help guide the bank in identifying new opportunities or pitfalls sooner than later.

No industry is sheltered from planning. The Department is also tasked with strategizing and planning for our future as we update our strategic plan on a biennial basis. During this review, the Department assesses the regulatory needs of the industries we regulate. The impact of consolidations and mergers, which have seemingly accelerated in the years after the financial crisis, may require the Department to reassess its resources for the future. Reasons for the rise in consolidations and mergers have been attributed to a multitude of factors, including regulatory burden, aging ownership, and industry efficiency needs. Although the number of banks in Texas continues to decline, institutional assets have grown approximately $90.9 billion since 2008. The consolidation trend does not seem to be winding down and the Department is taking note for our strategic plan and future staffing needs to properly regulate fewer but larger more complex institutions.

Charles G. Cooper
Bank Commissioner

Fourth Annual Community Banking Research and Policy Conference

September 28-29, 2016 - St. Louis, Missouri

The fourth annual Federal Reserve System/ Conference of State Bank Supervisors (CSBS) Community Banking in the 21st Century Research and Policy Conference will take place September 28-29 at the Federal Reserve Bank of St. Louis. The research conference will bring together community bankers, academics, policymakers, and bank regulators to discuss the latest research on community banking.

The Federal Reserve/CSBS research conference presents an innovative approach to the study of community banks. Academics explore issues raised by the industry in a neutral, empirical manner and present their findings at the conference. Community bankers contribute through participation on discussion panels and feedback to the research presented, by contributing to an annual national survey, and by serving as keynote speakers at the conference.

Federal Reserve Governor Jay Powell will give opening remarks. Other guest speakers will include CSBS President and CEO John Ryan and Federal Reserve Bank of St. Louis President James Bullard.

The agenda, call for papers, and speaker biographies are available on the conference's website. For more information, please contact conference@communitybanking.org.

"Hot Button" Issues For Regulators

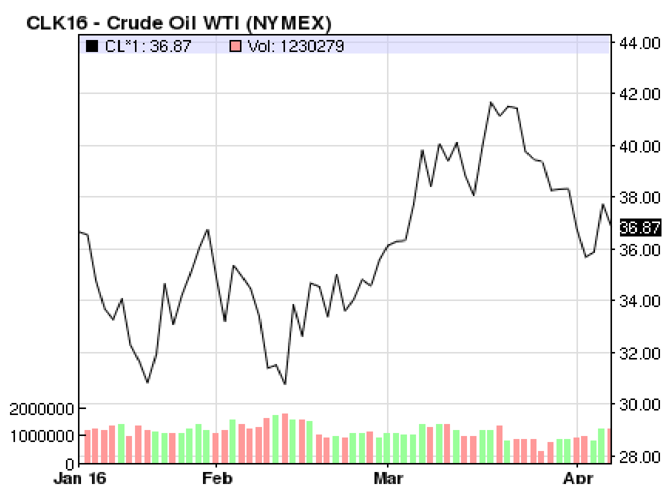
By Tanya Miller

Examiners are often asked "what are the current hot button issues for regulators?" As the banking environment changes and evolves, so do the issues that come under the regulatory spotlight. While we are always concerned with our mission of ensuring that Texas has a safe, sound and competitive financial services system, industry issues and trends ebb and flow. This article is by no means comprehensive of all the issues facing banks today; however, these issues are considered important and merit attention.

Energy Sector

The Texas Department of Banking continues to actively monitor the economic impact that suppressed oil prices are having on the Texas economy and the banking industry. The sustained low oil prices are continuing to take a toll on oil-rich regions of the state and are negatively impacted by an excess global supply. Furthermore, large expense cuts in the first quarter of 2016 by energy companies and lackluster economic forecasts provide little encouragement that any substantial improvement in oil prices is on the horizon. According to a study published by CNN Money in November of 2015, the average overall cost to produce one barrel of oil in the U.S. is $36.20. Therefore, there is little incentive in the current market for new drilling activity to help bolster the energy sector.

Crude Oil WTI (NYMEX) Price



*End of day commodity futures price quotes.
Source: NASDAQ

Banks need to ensure that they are being proactive in their efforts to identify, measure, monitor, and control the risks posed by the decline in the energy sector. The October 2015 Texas Bank Report provided some prudent risk management practices for banks to follow. While many banks have implemented these practices and are diligently addressing the risks associated with the energy sector, the continued low oil prices warrant reiteration of the following:

- A robust monitoring system for credit and funding concentrations should be performed on a frequent, recurring basis;
- Price decks should be appropriate in relation to current commodity prices.
- Regular borrowing base determinations and/or collateral valuations should be performed.
- Appropriate sensitivity analysis and stress testing should be utilized to determine possible effects of changes in commodity prices, reduced revenues, and collateral devaluation.
- Qualitative factors used in calculating the Allowance for Loan and Lease Losses (ASC 450) should capture commodity price volatility.
- Municipal bond portfolios should be evaluated and monitored for adverse effects from declining revenues in oil-rich counties.
- Indirect oil and gas related risk exposure should be identified and managed.

Timely recognition of and appropriate responses to credit relationships facing adverse conditions is essential to minimizing losses. In order to weather the energy storm, boards and management teams must take a proactive approach to risk management.

Agriculture Lending

Ag lending is a critical business line for many banks in Texas, especially those in rural areas. With sustained downward trends in many agricultural commodities prices, agriculture loan portfolios will be a focus during upcoming regulatory examinations. Banks with credit concentrations in agriculture should stay abreast of their borrowers' operations through frequent communication and inspections and should diligently monitor for changes in market conditions that could adversely affect borrowers' ability to repay their debts.

Cybersecurity

Yes, regulators are still talking about cyber risks. As cyber criminals continue to become more sophisticated and innovative, it is imperative that banks make cybersecurity a priority and a part of their culture. In the previous edition of the Texas Bank Report, information was provided on the FFIEC Cybersecurity Assessment Tool (CAT) as well as Commissioner Charles G. Cooper's release of Industry Notice 2015-8 requiring banks to measure their inherent cyber risks and cybersecurity maturity level by December 31, 2015. Use of the FFIEC Cybersecurity Assessment is one of several acceptable methods.

What is the next step? The findings of the assessment should be reported to the board of directors, and an action plan should be developed to address any gaps that were identified. The tool is designed to be used to periodically reevaluate the bank's inherent risk profile and maturity levels to ensure that an appropriate level of cybersecurity preparedness is maintained. Additionally, banks may find it beneficial to seek an independent validation, such as by the internal audit function, of the assessment process and findings.

The overall goal of the assessment and the continued regulatory focus on cybersecurity is to reduce the threat to a bank's daily operations and business continuity. It is imperative that bank boards and executives remain diligent in their efforts to create a culture of cybersecurity awareness through appropriate policies, procedures, and training.

Stressed Margins

The long-term low interest rate environment has greatly stressed net interest margins for many banks. When coupled with higher compliance costs, low interest rates are leaving some bankers desperately searching for higher asset yields. While this is an understandable quest, it is important to remain cognizant of the fact that higher yields typically equate to higher risk. Lengthening the maturities on investment securities may provide some additional earnings in the short-term; however, this practice can significantly increase interest rate risk and leave the bank susceptible to rising interest rates. In the same vain, lowering credit standards to book additional loans may help to bolster earnings for a short time but can expose the bank to increased credit risk in the long-run. Such practices are starting to become more prevalent and are being greatly scrutinized by regulators.

Offering additional products and services is also an avenue that banks are exploring to help improve earnings. While expanding into new business lines can provide additional income, it may also expose the bank to excessive risk if banks do not fully assess the associated risks and develop a prudent risk management process. An effective risk management process should include, at a minimum, performing a thorough due diligence and developing and implementing sound controls and performance monitoring.

Succession Planning

Board and senior management succession planning are key aspects of strategic planning in today's complex and rapidly changing banking environment. Especially in smaller institutions, heavy reliance is placed on just a few individuals to oversee day-to-day operations. During the recession, some banks placed succession planning on the back burner and cut costs through reducing training budgets for employees. It is now time to make succession planning a priority. Boards need to establish a plan that addresses both an emergency situation if unexpectedly faced with the loss of a key senior officer or board member and ongoing talent development of less tenured employees. Talent development can be achieved through cross-training, assigning special projects, outside training, and committee involvement. These actions can help to better prepare existing employees to take on new roles as the need arises with minimal disruption to daily operations. Another area to consider and prepare for is ownership succession. While it often goes by the wayside, in closely held institutions planning for ownership changes can be just as necessary as preparing for board and management changes. Succession planning should be comprehensive of all areas, consider the strengths and weaknesses of the institution, assess the ability to recruit outside of the bank, be well communicated throughout the institution, and, most importantly, allow for a seamless transition.

Confidential Data

Now that the banking industry has rebounded from the financial crisis, banks are looking to expand and grow through acquiring new yet proven talent. Unfortunately, there have been an alarming number of recent incidents where a bank employee has reportedly taken confidential, sensitive customer data from their current employer when leaving to take a new position with another bank. It is a bank's fiduciary duty to safeguard sensitive customer information (name, address, or telephone number, in conjunction with the customer's social security number, driver's license number, account number, credit or debit card number, or a personal identification number or password that would permit access to the customer's account). Such a breach requires countless hours of work to determine the extent of the breach, if there is the potential for misuse of the information, and to notify regulators and potentially each affected customer. Often times, the bank will seek legal action against the former employee, and a regulatory investigation will ensue. In some cases, investigations have resulted in regulatory actions against the individuals such as civil money penalties or even prohibition orders.

Cybersecurity Risk Assessments - Reviews in Process

In the October edition, we discussed the issuance of Industry Notice 2015-8 and the requirement set forth by the Department for all banks to complete a cybersecurity risk assessment and measure their cybersecurity preparedness. Based on the increasing number of cyber threats, the Department believes this is a crucial step to ensure the industry is prepared. Furthermore, bankers have expressed their concerns over cyber threats and have expressed that cyber threats are just as concerning as natural disasters, such as hurricanes and tornados. Although bankers regard cyber threats as one of their top concerns, very few have formally assessed their cyber risks or cybersecurity preparedness.

In January 2016, the Department began reviewing completed cyber assessments performed by state-chartered banks and intends to continue these reviews throughout 2016 at regularly scheduled examinations and special off-site reviews. Early indications are that most banks have completed an evaluation of their cyber risks and cybersecurity preparedness with most reaching at least baseline maturity. Those who have not reached the baseline are close and are capable of reaching it quickly. Several institutions have reached higher levels of cyber preparedness, with many institutions actively working to reach a higher level. Overall, the reviews are encouraging. Texas bankers are measuring their cyber risks and preparedness, and are working to increase their control level.

As bankers worked through the cyber risk assessment, the Department received comments and reactions which were consistently similar in nature.

- Initially, the process and the amount of material to be reviewed felt overwhelming.
- Once the reviews were completed, the benefit became clear and the process is regarded as useful.
- A few small institutions did not feel they are at risk of cyber threats and did not find the assessment useful.

A few institutions appear to have merely focused on completing the FFIEC CAT to meet the requirement with little intention of using the assessment as an opportunity to improve. This is suggestive of having "compliance" thinking regarding cyber threats rather than having "security" thinking. Compliance thinking is when cybersecurity efforts do not go much beyond completing a check list or correcting recommendations in audit and exam reports. It was a common way of addressing Information Technology issues before the Internet. However, in today's environment, institutions should practice security thinking. The following are examples of questions that demonstrate security thinking:

- Have we identified our critical assets?
- Do we protect them with appropriate measures?
- Do we have methods to detect a cyber event?
- Have we developed plans for responding during a cyber event?
- Can we sustain and restore services impaired by cyber events?

Cyber threats will continue to grow, and we therefore encourage all institutions to continue to work toward higher maturity levels. We also urge institutions to work on developing a culture of security through:

- Employee awareness training
- Regular communication from executive management on the importance of cybersecurity.

For questions about the cyber assessment reviews, please contact us by email at **itex@dob.texas.gov**.

Policy Updates and Revisions

New

Supervisory Memorandum 1013 Sharing Examination Reports with a Bank

This Supervisory Memorandum authorizes a licensed money service business (MSB) to make ROEs issued by the Department in connection with examination of its MSB activities available to a bank if that bank's management requests a copy as part of its due diligence procedures or if the MSB wants to demonstrate its compliance with state and federal statutes. A licensed MSB may also share its ROE with management of a bank it has approached about opening an account for its MSB business.

For a listing of MSBs we license, conduct a search on the Supervised Entity listing.

Revisions

Supervisory Memorandum 1003 Examination Frequency for State-Chartered Banks

Supervisory Memorandum 1003 relates to Examination Frequency for state-chartered banks. This Supervisory Memorandum communicates the Department's on-site examination timing requirements for state banks and trust departments of state banks. Revisions included:

1) Modifying the total asset threshold to qualify for the continuous examination program. Banks with total assets of $10 billion or greater qualify for the continuous examination program. Prior to this revision, the threshold was total assets of $20 billion or greater.

2) State-chartered banks with total assets of $1 billion or less may qualify for an 18-month examination cycle.

Supervisory Memorandum 1020 Information Technology Examination Frequency and Ratings

Supervisory Memorandum 1020 relates to Information Technology (IT) Examination Frequency and Ratings communicates the Department's information technology examination frequency for state-chartered banks and trust companies, as well as technology service providers. Revisions to this Memorandum are found in the IT Examination Scope and Frequency Schedule. The table was modified as follows:

1) Modifying the total asset threshold to qualify for the continuous examination program. State banks with total assets of $10 billion or greater qualify for the continuous examination program; and,

2) State banks with total assets of $1 billion or less may qualify for an 18-month examination cycle.

Supervisory Memorandum 1025 Level II Full Scope Examinations

Supervisory Memorandum 1025 relates to Level II Full Scope Examinations. This Supervisory Memorandum communicates the Department's guidelines under which a Level II full scope examination may be conducted for a state-chartered bank. Revisions included:

1) Changing the criteria to include institutions with total assets up to $1 billion; and,

2) Modifying the examination scope to require a thorough and comprehensive review of the bank's unclaimed property procedures and reporting practices.

To review these policies, go to New Actions Not Found in the Law & Guidance Manual under the Law and Guidance Manual section of the Laws & Regulations page on the Department's website. If you have questions about a Supervisory Memorandum, please contact the Bank & Trust Supervision 877-276-5554.

Storms Are Brewing ...

... Have You Planned Ahead?

The Importance of Power Generators

By Linda Pearson

The next time you update your Business Continuity/Disaster Recovery Plan, pay particular attention to your risk mitigation strategies. Are you doing everything you can to ensure you will be able to service your customers when the power goes out? Risk mitigation strategies should always consider alternative power supplies such as uninterrupted power sources (UPS) or back-up generators.

While a UPS can be used for a short time, a back-up generator is needed to service your customers for long term power outages. Generators can be purchased, leased, or rented. The following examples illustrate how backup generators have assisted banks in maintaining critical customer services.

Bridge City State Bank used portable generators for about a month after Hurricane Ike's floods damaged the electrical box on their building. Once the electricians were able to repair the electrical box, the generators were disconnected and returned to the rental company. The bank continues to maintain an agreement with a local generator company that provides portable generators.

In another instance, First State Bank of Livingston used bank-owned generators. Storms recently caused power outages at both their main facility in Livingston and their branch in Shepherd. The main facility generator is permanently installed and is always ready. It responded immediately when the power failure occurred and remained on until the power was restored. The Shepherd branch was notified that the power would be out for at least 24 hours, and a portable generator was used. The portable generator was able to power the server rack, five teller terminals, the branch capture workstation, and telephones. Customers were not affected at either location.

Maintaining a rental agreement is an easy first step to ensuring your institution has access to a generator in case of a power outage. For example, Citizens Bank in Kilgore rented a generator during the 2008 hurricane that left their Kountze Banking Center without power for a week and a half. The banking center was able to remain open and operate normally until the power was restored. They have since installed a permanent generator at their main corporate office in Kilgore and wired their disaster recovery hot site to easily connect to a portable generator.

While banks located in hurricane prone areas of East Texas have always understood the importance of backup power generators, the weather can affect banks anywhere in the state. During the recent storms that swept across Texas, First Capital Bank in Quanah used an employee-owned generator to continue serving customers until power was restored later in the day.

These generator usage examples all resulted from weather-related incidents, but power outages can happen anywhere. Texas First Bank in Texas City maintains six generators scattered across their 23 locations. Two of the generators were used for four to six hours recently when a car hit a power pole and caused an outage at two branch locations.

Power outages are probably the most common reason disaster recovery plans are used. Of course, you always want to be prepared for every possible type of business interruption. However power outages can happen anywhere and at any time and tend to be the primary reason that our state banks close facilities unexpectedly. Would you rather be an institution serving your customers through a power outage or one that found it necessary to close until the power is restored? Although not mandatory, we encourage you to consider the possibility of using a generator as an alternative power solution to weather any unforeseen trouble.

Moving To A New Location?

Branch Relocation Filings

By Dan Frasier

The Department is implementing rule revisions to Section 15.42 of Title 7 Texas Administrative Code to streamline filing requirements for banks wishing to relocate a branch office. Under current rules, banks relocating a branch must file an application and receive approval by the banking commissioner, regardless of the distance of relocation. Additionally, applications involving branch relocations over a one mile radius do not qualify for expedited treatment. These requirements are inconsistent with and more burdensome than corresponding requirements imposed by federal banking regulators. Furthermore, the current filing requirements effectively encourage banks to circumvent rules by opening a new branch and then closing the old branch shortly thereafter.

The amended rules seek to provide notice filing only and a nominal filing fee for branch relocations within a one-mile radius. Banks seeking to relocate a branch outside a one-mile radius would follow the procedures for branch openings and closings. Furthermore, proposed changes allow qualifying banks to file an expedited branch application regardless of the distance between the new branch and the branch being closed. Like all rule amendments, this amendment will become effective after the expiration of a comment period and final adoption of the rule by the Texas Finance Commission. The proposed rule changes are expected to be effective the summer of 2016.

Financial Highlights

TABLE I
Quarterly Balance Sheet and Operating Performance Ratios
for Texas State-Chartered Commercial Banks 12/31/15 Through 12/31/14

ACCOUNT DESCRIPTIONS (IN MILLIONS OF $)	12/31/15	9/30/15	6/30/15	3/31/15	12/31/14
Number of State-Chartered Banks	252	256	261	264	267
Total Assets of State-Chartered Banks	246,960	244,320	241,317	241,923	235,417
Number of Out-of-State, State-Chartered Banks Operating in Texas	28	28	27	27	27
Total Texas Assets of Out-of-State, State-Chartered Banks Operating in Texas	57,340	57,340	49,932	49,932	49,932
Subtotal	304,300	301,660	291,249	291,855	285,349
Less: Out-of-State Branch Assets/Deposits	-52,259	-52,259	-49,194	-49,194	-49,194
**Total State Banks Operating in Texas	252,041	249,401	242,055	242,661	236,155
BALANCE SHEET (Tx. State-Chartered Banks)					
Interest-Bearing Balances	16,116	17,098	14,497	16,914	16,957
Federal Funds Sold	662	665	805	1,027	956
Trading Accounts	421	505	382	558	587
Securities Held-To-Maturity	18,496	18,366	18,810	18,426	17,718
Securities Available-for-Sale	45,254	43,547	43,267	43,821	43,147
Total Securities	63,750	61,913	62,077	62,247	60,865
Total Loans	146,644	144,988	144,299	141,823	136,247
Total Earning Assets	227,172	224,664	221,678	222,011	215,025
Premises and Fixed Assets	3,911	3,891	3,889	3,858	3,763
Total Assets	246,960	244,320	241,317	241,923	235,417
Demand Deposits	32,595	27,191	28,342	28,248	29,786
MMDAs	110,407	112,703	108,876	109,819	104,624
Other Savings Deposits	20,117	19,648	19,397	19,592	18,162
Total Time Deposits	31,441	32,893	33,566	34,250	33,896
Brokered Deposits	3,077	3,086	2,859	2,868	2,653
Total Deposits	204,350	201,558	199,655	202,195	197,078
Federal Funds Purchased	3,026	2,898	2,898	2,990	3,187
Other Borrowed Funds	7,348	7,324	7,446	5,216	4,467
Total Liabilities	218,805	216,085	213,693	214,346	208,843
Total Equity Capital	28,155	28,235	27,624	27,575	26,544
Loan Valuation Reserves	1,713	1,659	1,621	1,596	1,571
Total Primary Capital	29,868	29,894	29,245	29,171	28,115
Past Due Loans > 90 Days	155	127	144	130	137
Total Nonaccrual Loans	940	952	873	829	796
Total Other Real Estate	336	376	404	441	440
Total Charge-Offs	320	207	133	58	273
Total Recoveries	128	87	60	29	146
Net Charge-Offs	192	120	73	29	127
INCOME STATEMENT					
Total Interest Income	7,708	5,795	3,830	1,904	7,298
Total Interest Expense	508	388	257	129	515
Net Interest Income	7,200	5,407	3,573	1,775	6,783
Total Noninterest Income	3,151	2,390	1,608	800	2,898
Loan Provisions	364	222	134	59	176
Salary and Employee Benefits	3,686	2,773	1,840	915	3,499
Premises and Fixed Assets Expenses (Net)	799	600	396	198	803
All Other Noninterest Expenses	2,114	1,587	1,046	525	1,885
Total Overhead Expenses	6,599	4,960	3,282	1,638	6,187
Securities Gains (Losses)	19	20	16	13	22
Net Extraordinary Items	0	0	0	0	1
Net Income	2,542	1,958	1,331	674	2,505
Cash Dividends	1,380	972	704	418	1,282
RATIO ANALYSIS					
Loan/Deposit	71.76%	71.93%	72.27%	70.14%	69.13%
Securities/Total Assets	25.81%	25.34%	25.72%	25.73%	25.85%
Total Loans/Total Assets	59.38%	59.34%	59.80%	58.62%	57.87%
Loan Provisions/Total Loans	0.25%	0.20%	0.19%	0.17%	0.13%
LVR/Total Loans	1.17%	1.14%	1.12%	1.13%	1.15%
Net Charge-Offs/Total Loans	0.13%	0.08%	0.05%	0.02%	0.09%
Nonperforming+ORE/Total Assets	0.58%	0.60%	0.59%	0.58%	0.58%
Nonperforming+ORE/Primary Capital	4.79%	4.87%	4.86%	4.80%	4.88%
Net Interest Margin	3.17%	3.20%	3.22%	3.20%	3.15%
Gross Yield	4.40%	4.46%	4.51%	4.47%	4.33%
Return on Assets	1.03%	1.07%	1.10%	1.11%	1.06%
Return on Equity	9.03%	9.22%	9.64%	9.78%	9.44%
Overhead Exp/TA	2.67%	2.70%	2.72%	2.71%	2.63%
Equity/Total Assets	11.40%	11.56%	11.45%	11.40%	11.28%
Primary Capital/Total Assets+LVR	12.01%	12.15%	12.04%	11.98%	11.86%

*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

Commerical Banks Domiciled in Texas

December 31, 2015 and December 31, 2014

ACCOUNT DESCRIPTIONS (In Millions of $)	12/31/2015 STATE CHARTERED		12/31/2015 NATIONAL CHARTERED		12/31/2015 ALL BANKS		12/31/2014 ALL BANKS	
Number of banks	252	% TA	195	% TA	447	% TA	470	% TA
BALANCE SHEET								
Interest-Bearing Balances	16,116	6.5%	6,882	5.9%	22,998	6.3%	25,956	7.1%
Federal Funds Sold	662	0.3%	2,539	2.2%	3,201	0.9%	3,504	1.0%
Trading Accounts	421	0.2%	39	0.0%	460	0.1%	638	0.2%
Securities Held-To-Maturity	18,496	7.5%	2,808	2.4%	21,304	5.8%	20,695	5.7%
Securities Available-For-Sale	45,254	18.3%	21,615	18.4%	66,869	18.4%	64,184	17.7%
Total Securities	63,750	25.8%	24,423	20.8%	88,173	24.2%	84,879	23.3%
Total Loans	146,644	59.4%	76,710	65.3%	223,354	61.3%	220,656	60.7%
Total Earning Assets	227,172	92.0%	110,554	94.2%	337,726	92.7%	334,995	92.2%
Premises & Equipment	3,911	1.6%	1,529	1.3%	5,440	1.5%	5,512	1.5%
TOTAL ASSETS	246,960	100.0%	117,391	100.0%	364,351	100.0%	363,522	100.0%
Demand Deposits	32,595	13.2%	16,494	14.1%	49,089	13.5%	47,704	13.1%
MMDAs	110,407	44.7%	44,803	38.2%	155,210	42.6%	155,275	42.7%
Other Savings Deposits	20,117	8.1%	14,046	12.0%	34,163	9.4%	32,236	8.9%
Total Time Deposits	31,441	12.7%	17,523	14.9%	48,964	13.4%	52,127	14.3%
Brokered Deposits	3,077	1.2%	3,264	2.8%	6,341	1.7%	6,275	1.7%
Total Deposits	204,350	82.7%	99,420	84.7%	303,770	83.4%	305,585	84.1%
Fed Funds Purchased	3,026	1.2%	1,090	0.9%	4,116	1.1%	4,307	1.2%
Other Borrowed Funds	7,348	3.0%	3,079	2.6%	10,427	2.9%	7,432	2.0%
TOTAL LIABILITIES	218,805	88.6%	104,636	89.1%	323,441	88.8%	322,666	88.8%
Equity Capital	28,155	11.4%	12,755	10.9%	40,910	11.2%	40,856	11.2%
Allowance for Loan/Lease Losses	1,713	0.7%	1,110	0.9%	2,823	0.8%	2,837	0.8%
Total Primary Capital	29,868	12.1%	13,865	11.8%	43,733	12.0%	43,693	12.0%
Past due >90 Days	155		210		365		387	
Nonaccrual	940		857		1,797		1,608	
Total Other Real Estate	336		94		430		548	
Total Charge-Offs	320		175		495		439	
Total Recoveries	128		61		189		212	
INCOME STATEMENT	Y-T-D		Y-T-D		Y-T-D		Y-T-D	
Total Interest Income	7,708	100.0%	4,015	100.0%	11,723	100.0%	11,795	100.0%
Total Interest Expense	508	6.6%	270	6.7%	778	6.6%	810	6.9%
Net Interest Income	7,200	93.4%	3,745	93.3%	10,945	93.4%	10,985	93.1%
Total Noninterest Income	3,151	40.9%	1,412	35.2%	4,563	38.9%	4,525	38.4%
Loan Provisions	364	4.7%	167	4.2%	531	4.5%	220	1.9%
Salary & Employee Benefits	3,686	47.8%	1,787	44.5%	5,473	46.7%	5,421	46.0%
Premises & Fixed Assets (Net)	799	10.4%	414	10.3%	1,213	10.3%	1,239	10.5%
All Other Noninterest Expenses	2,114	27.4%	1,024	25.5%	3,138	26.8%	3,123	26.5%
Total Overhead Expenses	6,599	85.6%	3,225	80.3%	9,824	83.8%	9,783	82.9%
Securities Gains(losses)	19	0.2%	19	0.5%	38	0.3%	30	0.3%
Net Extraordinary Items	0	0.0%	0	0.0%	0	0.0%	1	0.0%
NET INCOME	2,542	33.0%	1,423	35.4%	3,965	33.8%	4,165	35.3%
Cash Dividends	1,380		711		2,091		2,128	
Average ROA	1.03%		1.21%		1.09%		1.15%	
Average ROE	9.03%		11.16%		9.69%		10.19%	
Average TA ($ Millions)	980		602		815		773	
Average Leverage	11.40%		10.87%		11.23%		11.24%	
Dividends/Net Income	54.29%		49.96%		52.74%		51.09%	

*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.