Texas Bank Report

Texas Department of Banking, Charles G. Cooper, Commissioner

December 2023

Navigating the Risk Environment

RISK

Commissioner's Comments

"We believe that our regulatory approach should be fair and balanced. Our motto, which we believe in, is "tough but fair."

So far in 2023, we have seen the federal funds rate go over 5%, the highest since 2021 and the sharpest increase in 40 years. This obviously has resulted in an increase in the cost of funds and a corresponding decrease in the market value of longer-term securities. Two banks failed in March that directly impacted the nation's regional banks and created a ripple effect on smaller banks as deposit customers inquired about the safety of their deposits and FDIC insurance. Texas bankers responded well to these inquiries and generally the level of deposit banks in Texas remained unchanged.

The Conference of State Bank Supervisors (CSBS) Community Bankers Sentiment Index (CBSI) improved in the third quarter 2023, but remained below the neutral level. A level of 100 indicates a neutral sentiment while anything above 100 indicates a positive sentiment. The CBSI is derived from quarterly polling by CSBS of community bankers across the country. This commenced in 2019, and many Texas bankers have contributed. The third quarter CBSI was 86, rebounding from an all-time low of 73 in the previous quarter. Community bankers indicated that over the next 12 months, they were most concerned about cyberattacks, government regulation, federal debt/deficit, cost/availability of labor and inflation. If you have not participated in past surveys, please consider doing so in future quarters.

While it is good to be in Texas with our strong economy and increasing population, there are some clouds on the horizon as indicated in the CBSI survey.

For many years now, I have stated that the number one threat facing our banks is the cyber threat. This remains a concern and the proliferation of ransomware only intensifies this concern. The Ransomware Self-Assessment Tool (R-SAT) was recently updated. First introduced by CSBS in October 2020, the original and updated version resulted from a coordinated effort between state bank regulators and the Bankers Electronics Task Force in conjunction with the U.S. Secret Service. The R-SAT helps financial institutions better assess and address their preparedness for this increasing threat. This is a very valuable and useful tool that will be discussed further in this edition of the Texas Bank Report.

Increased interest rates put pressure on commercial and consumer borrowers alike. Commercial Real Estate (CRE) is again receiving national attention. Community banks in Texas generally have high levels of CRE. We address this in more detail later in this report. It is very important that the bank's credit files for CRE loans, as well as all other loan types, are maintained with up-to-date financial information along with a current project and market analysis if appropriate.

The bank failures in March put a spotlight on deposits and liquidity like never before. Bankers and regulators alike were familiar with large depositor concentrations, but the issue of the level of uninsured deposits was not on the forefront of liquidity analysis reports. This certainly has changed. Since the March failures, examiners are requesting more information about liquidity and interest rate management. I think this is understandable, particularly during the immediate aftermath of the failures. Hopefully, the lessons learned during this time will be put to constructive use. Deposit and depositor analysis are just as important as loan portfolio and borrower analysis. We address the importance of liquidity risk management within this report. As we have experienced in past cycles, the value of core deposits should never be taken for granted.

I have been asked repeatedly – What is your agency doing differently since the recent crisis?

History tells us that after a banking crisis, there is a tendency to establish new regulations or guidelines. In many cases, this is warranted. In some cases, it is only reactionary without proper analysis. The mission of the Texas Department of Banking is to ensure Texas has a safe, sound and competitive financial services system. We believe that our regulatory approach should be fair and balanced. Our motto, which we believe in, is "tough but fair." Some people may not comprehend what this means. Let me assure you, that our examiners know what it means. I believe that our bankers also understand and appreciate its application, particularly during a time of crisis or in the aftermath of a crisis. We are not deviating from this approach. Examiners, just like bankers, have a job to do. I believe that we should all get back to basics. I welcome you to contact me if you have any questions or concerns.

As always, thank you for all that you do for your communities. I, along with all the personnel of the Texas Department of Banking, wish you happy holidays and best wishes for a prosperous New Year.

Charles G. Cooper
Banking Commissioner

The Importance of LIQUIDITY Risk Management

By: Melissa Dvoracek

The banking industry has experienced quite a ride in 2023. From the banking crisis in March 2023, to the continuation of unprecedented interest rate increases, the industry is experiencing unique factors that impact an organization's liquidity and risk management practices. Most banks were flush with cash through 2022, when the banking industry had approximately $3 trillion in excess deposits. This excess liquidity was the direct result of the COVID-19 pandemic stimulus money that rolled into customers' banking accounts. However, due to the increase in interest rates and recent bank failures, consumers are more rate sensitive and cognizant of their deposits. At the same time, obtaining credit is now more expensive, and technological advances allow depositors the ability to move money to other institutions more rapidly. As such, maintaining and/or obtaining deposits is more competitive, requiring banks to understand their pricing, funding mix, and uninsured depositors. Finally, increased competition coupled with the ease of money transmission has created a heightened need for robust contingency funding plans.

Regulators are placing more scrutiny on liquidity and liquidity risk management. Many banks have monitored liquidity through traditional means such as monitoring on-balance sheet sources as a percentage of total assets or total deposits, calculating a dependency ratio, or tracking sources and uses through a monthly report. However, as evidenced by the recent bank failures, enhanced liquidity risk management practices are needed to ensure proper oversight of a bank's liquidity function. Below are some areas that the Board of Directors and management should consider when establishing sound liquidity risk management processes:

1. Determine how the institution is funding its growth and identify the primary and secondary sources of funding. Management should proactively assess the stability of their funding and maintain a broad range of funding sources. When considering the securities portfolio as a source of liquidity, it is important to acknowledge the level of depreciation. Regulators are noticing higher levels of depreciation, given the increase in interest rates, which reduces the availability of the securities as a liquid source.

2. Understanding the level and make-up of your uninsured depositors is prudent risk management. For example, what dollar volume of uninsured depositors are individuals versus business customers? For business customers, are the accounts used for daily operations, payroll, or excess balances? A level of uninsured balances may be necessary for daily operations or payroll, but for accounts with excess cash, the customer may consider alternative options that are yielding higher rates and move the deposits. Also, management needs to consider the length and the nature of the relationship with the customers. Are customers shareholders of the bank? A long-term relationship with an uninsured borrower or shareholder could be viewed as more stable than a newly established relationship. Consideration should also be given if the bank offers sweep or repo products as insurance to customers over the FDIC insured limits. Being knowledgeable of the make-up of uninsured deposits will help with liquidity monitoring and avoid regulatory scrutiny at upcoming examinations.

3. Maintaining several contingency funding sources is another best practice. During times of stress, contingency lines may become unavailable, either due to the perceived creditworthiness of the borrowing bank or due to the liquidity constraints of the lending institution. Ensuring lines are set up with several institutions allows for a diverse mix of options when a crisis occurs.

4. Ensure your contingency funding lines are tested on a regular basis. There were instances during the recent banking crisis where banks assumed a line of credit was established, but when they went to borrow, the agreement needed to be updated or the line was unavailable. Testing contingency lines at least semi-annually is a best practice.

5. Ensure collateral is pledged properly to borrowing lines. During the crisis in March 2023, there were institutions rushing to get securities or loans pledged to borrowing lines at correspondent banks, the Federal Home Loan Bank, or Federal Reserve Bank. Being proactive and ensuring lines are properly secured ahead of a crisis is prudent risk management. In some cases, the process to pledge collateral can take a couple of weeks; in a crisis, the bank may be unable to afford the extended time. Finally, management must be familiar with pledging requirements based on collateral types.

6. Understand the extent of noncore funding, such as large or brokered deposits and borrowings, that is needed to support expected or desired growth. While brokered deposits are not inherently bad, an increased volume of noncore sources can pose additional risk to the institution. The inherent risk in these products includes their on-going availability, increased costs that compress the net interest margin, and the potential to lose access due to prompt corrective action restrictions. Management should also monitor levels of noncore funding regularly, set policy limits that are in line with the Board of Director's risk tolerance levels, and be prepared to alter growth plans if the levels of these products become excessive.

7. Review and revise the institution's Contingency Funding Plan (CFP) regularly. As market conditions or balance sheet composition changes, contingency funding needs may also need to be updated. Ensure the CFP considers the range of possible stress scenarios applicable to your institution, including large or uninsured depositor run-off. Management should also understand their role in the stress event.

Understand the relationship between your funding mix and growth strategy is critical. By having a solid understanding of your funding mix, preparing contingency plans, running stress-tests, and ensuring proper on-going monitoring you may be able to minimize negative effects on your institution during the next liquidity event.

Navigating Credit Risk During Economic Uncertainty

By: Travis Graham

"The best way to predict your future is to create it." - Abraham Lincoln

The COVID-19 pandemic brought an unprecedented shock to the global economy, which required extraordinary relief measures. These measures, coupled with supply and demand inequities led to historical inflation and the federal funds rate being raised 11 times or 500 basis points over a period of 18 months, marking the highest rate since 2001 and the fastest rate hike in 40 years. While the surge in interest rates impacted the repayment abilities of some borrowers, financial concerns have subsided in the later part of 2023. However, recession concerns combined with monetary tightening could impact credit quality in the near future.

Texas has seen unprecedented population growth over the last decade with many businesses and people migrating to the Lone Star State. With a growing population has come greater demand and loan growth in commercial real estate (CRE), including residential construction, multifamily, office, industrial, and retail. CRE loans remain one of the largest loan categories for many banks, and elevated concentrations persist. Concentrations are defined as CRE loans exceeding 300% of capital or construction and development loans exceeding 100% of capital.

The market fundamentals for office space have weakened by the shift to remote work, and lenders should remain vigilant in their

monitoring of this asset class, which may be vulnerable to deterioration as the market dynamics change. For banks with credit concentrations or significant growth, it is critical to have heightened risk management practices for loan underwriting and administration that commensurate with the institutions overall credit risk. While certainly not all encompassing of sound credit risk management practices, below are some key principles and strategies for prudent credit risk management.

An active and well-informed Board of Directors (Board), including participation of the loan approval process through committee participation, remains paramount to maintaining sound credit risk management. The Board defines the institution's credit risk culture, and credit risk should be appropriately aligned with the Board's strategic direction. This includes the development of sound policies and procedures. Management's implementation of the Board's credit risk strategy should be supported by regular and ongoing communication. Additionally, the Board and/or designated loan committee(s) should be periodically reviewing the appropriateness of their loan policies, underwriting standards, and established risk tolerances as market conditions change. Board and management responsiveness to regulatory findings and supervisory issues is also an important element for prudent credit risk management.

Performing complete and thorough credit assessments of borrowers' and guarantors' financial information at loan origination and on an ongoing basis to support credit decisions is critical. Additionally, ongoing borrower communication and robust monitoring and reporting mechanisms in line with the size and complexity of the institution is imperative to detect early signs of borrower distress and/or loan portfolio deterioration. Maintaining an effective credit review system that is periodically reviewed by the Board and/or loan committee is also vital. Regular loan reviews, collateral valuation updates, and early warning systems are effective tools to identify problem loans timely and to recognize impairment.

Loan policy exceptions should be well supported and documented by strong mitigating factors. Additionally, reporting and monitoring on loan policy exceptions on an aggregate basis is another effective tool to access current risk tolerance levels. This way, the Board and management may adjust risk acceptance levels as needed. Management and the Board should also evaluate their lending area staffing plans and expertise to determine if resources are sufficient to withstand an economic downturn or an unexpected event.

Forward-looking stress testing should support sound credit risk management practices. By implementing forward-looking stress testing, management and the Board can assess the loan portfolio's vulnerability to economic shocks and potential loss exposure, help to identify potential weaknesses and adjust lending practices accordingly.

The sophistication of stress testing should be consistent with the bank's size, complexity, business activities, and overall risk profile. Stress testing can also be used to evaluate whether existing financial (e.g., capital and liquidity) and operational (e.g., staffing) resources are sufficient to withstand an economic downturn. Stress testing results should be used by the Board and senior management to adjust credit exposure limits and loan underwriting standards as needed.

Loan diversification is a key strategy and tenet for mitigating credit risk and enduring economic cycles. Offering a mix of loan products to spread risk across different asset classes remains a prudent credit risk strategy. Taking adequate account of concentration of credit risk and avoiding over-concentration in specific industries or sectors remains prudent, as an economic downturn can disproportionately affect certain businesses.

Acknowledgments

- FDIC/Supervisory Insights/Stress Testing Credit Risk at Community Banks/Summer 2012
- FDIC/Supervisory Insights/Credit Risk Trends and Supervisory Expectation Highlights/Winter 2016
- Interagency Guidance on Credit Risk Review Systems, October 17, 2019
- FDIC.gov/analysis/risk-review/2023-risk review/Section 3: Credit Risks
- FDIC Quarterly/2021/Volume 15/Number 4/Commercial Real Estate: Resilience, Recovery, and Risks Ahead
- FDIC/Supervisory Insights/Managing Commercial Real Estate Concentrations/July 10, 2023
- Interagency Guidance - Statement on Prudent Risk Management for Commercial Real Estate Lending
- Interagency Guidance on Credit Risk Review Systems/Federal Register/Vol. 84, No. 201/October 17, 2019/Notices
- Credit Risk Management/Federal Housing Finance Agency/Examination Manual/Version 1.0 – July 2013

RANSOMWARE TOOL UPDATE

Lessons Learned

By: Phillip Hinkle

Ransomware has been on the mind of the banking industry for several years. It is important for us not to become complacent because the threat has evolved and, therefore, defenses need to be updated. Significant changes in defenses are needed because of this evolution, but also because of what bankers that have been victims of ransomware discovered.

Six years ago, working with other state banking departments, the Texas Department of Banking assembled a national task force of bank CEOs that identify Ransomware as a the top cyber threat to banks. At that time, the task force developed a list of "Best Practices" related to Ransomware and three years later, in October 2020, they were expanded. The list of practices evolved into the Ransomware Self-Assessment Tool (R-SAT). Touted as an easy-to-use, repeatable tool, the R-SAT, assists institutions in evaluating their own efforts in countering ransomware attacks.

Ransomware continues to be a clear threat and must be managed appropriately. The R-SAT is designed to address this very problem. By utilizing the R-SAT as part of the regular assessments of a banks' cybersecurity posture, an institution can help ensure the bank is better prepared to specifically protect itself against a ransomware attack and it is better equipped to respond and recover should an attack occur.

The tool, and its revision, was developed by bankers for bankers. It was not something that regulators developed. State regulators worked hand in glove with the Bankers Electronic Crimes Task Force, CSBS, and the U.S. Secret Service to bring everything together.

In October 2023, the R-SAT Version 2 was released, aiming to assist banks even more in the fight against bad actors and threat environments related to ransomware. As part of preparing for the Task Force's update, the Texas Department of Banking led a national study with other state banking departments of financial institutions that had been victims of ransomware between 2019 and 2022. Feedback from bankers' firsthand experience of these attacks helped improve and refine the R-SAT tool. Three key findings were:

1. Most victims reported they had not been using the R-SAT to guide their risk mitigation because they have grown complacent as they complete the FFIEC Cybersecurity Assessment Tool annually, have an annual IT audit, and receive satisfactory IT examinations. All reported that they began using the R-SAT as a tool after the incident.

2. Multi-factor authentication (MFA) was implemented by all victims after the incident if they were not utilizing it previously.

3. During an incident, several bankers (and our agency) learned about the existence of hyperlocal social media, a marketing strategy promoting an entity's services to an audience in a more specific, local area. Bankers realized that they must monitor hyperlocal social media, as well as traditional social media, rigorously to stifle misinformation and maintain consumer confidence.

The Ransomware: Lessons Learned by Banks That Suffered an Attack report details the findings from these evaluations.

The revisions and improvements increase the effectiveness of tool, and institutions should update the R-SAT as soon as possible. The MFA section, in particular, was significantly expanded so institutions are encouraged to download version 2 immediately.

Banks must stick to the fundamentals when attempting to stave off potential threats. They should also take a diligent approach and enact sound policies and practices including strong, preventative measures. By ramping up defenses, banks can keep one step ahead of potential threats and bad actors. Even more encouraging, institutions can respond to issues as they arise, devote ample time to solve problematic developments and, hopefully, avert major financial disasters.

Financial Highlights

TABLE I Quarterly Balance Sheet and Operating Performance Ratios for Texas State-Chartered Commercial Banks 6/30/2023 Through 6/30/2022					
ACCOUNT DESCRIPTIONS (IN MILLIONS OF $)	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022
Number of State-Chartered Banks	212	214	214	213	213
Total Assets of State-Chartered Banks	432,226	436,139	426,559	419,779	418,289
Number of Out-of-State, State-Chartered Banks Operating in Texas	52	52	52	52	48
Total Texas Assets of Out-of-State, State-Chartered Banks Operating in Texas	63,414	63,414	63,414	63,414	85,338
Subtotal	495,640	499,553	489,973	483,193	503,627
Less: Out-of-State Branch Assets/Deposits	(71,591)	(71,591)	(71,591)	(71,591)	(72,689)
**Total State Banks Operating in Texas	424,049	427,962	418,382	411,602	430,938
BALANCE SHEET (Tx. State-Chartered Banks)					
Interest-Bearing Balances	33,822	40,059	35,839	35,889	39,163
Federal Funds Sold	1,440	1,635	971	2,278	2,470
Trading Accounts	825	693	823	1,097	1,699
Securities Held-To-Maturity	23,668	24,418	24,100	23,810	23,464
Securities Available-for-Sale	81,924	84,973	86,246	84,997	86,121
Total Securities	105,592	109,391	110,346	108,807	109,585
Total Loans	258,570	252,712	246,559	241,335	236,714
Total Earning Assets	399,424	403,797	393,715	388,309	387,932
Premises and Fixed Assets	5,780	5,751	5,694	5,455	5,377
Total Assets	432,226	436,140	425,514	420,420	419,289
Demand Deposits	101,835	102,990	76,503	80,107	78,673
MMDAs	130,871	136,920	187,492	190,824	194,692
Other Savings Deposits	32,073	33,155	36,064	33,923	32,735
Total Time Deposits	48,574	41,826	34,660	36,866	35,745
Brokered Deposits	21,436	17,275	13,079	11,069	10,368
Total Deposits	342,693	343,892	356,330	357,559	357,609
Federal Funds Purchased	6,170	7,029	6,420	3,945	3,359
Other Borrowed Funds	33,757	35,457	16,220	13,444	11,807
Total Liabilities	389,898	393,539	386,029	382,349	378,669
Total Equity Capital	42,328	42,601	40,485	38,067	40,620
Loan Valuation Reserves	3,180	3,075	2,937	2,814	2,746
Total Primary Capital	45,508	45,676	43,422	40,881	43,366
Past Due Loans > 90 Days	240	205	207	280	189
Total Nonaccrual Loans	914	871	828	752	829
Total Other Real Estate	94	90	95	113	105
Total Charge-Offs	162	63	245	166	107
Total Recoveries	58	30	120	85	57
Net Charge-Offs	104	33	125	81	50
INCOME STATEMENT					
Total Interest Income	10,074	4,865	14,317	9,768	5,907
Total Interest Expense	3,241	1,362	1,784	846	376
Net Interest Income	6,833	3,503	12,533	8,922	5,531
Total Noninterest Income	1,764	773	4,074	2,995	1,938
Loan Provisions	267	128	384	210	104
Salary and Employee Benefits	2,752	1,393	5,322	3,960	2,587
Premises and Fixed Assets Expenses (Net)	506	254	986	722	466
All Other Noninterest Expenses	1,663	872	2,842	2,038	1,315
Total Overhead Expenses	4,921	2,519	9,150	6,720	4,368
Securities Gains (Losses)	(23)	(13)	(83)	(59)	(45)
Net Extraordinary Items	0	0	0	0	0
Net Income	2,805	1,353	5,752	4,049	2,433
Cash Dividends	1,288	596	2,595	2,087	1,364
RATIO ANALYSIS					
Loan/Deposit	75.45%	73.49%	69.19%	67.50%	66.19%
Securities/Total Assets	24.43%	25.08%	25.93%	25.88%	26.14%
Total Loans/Total Assets	59.82%	57.94%	57.94%	57.40%	56.46%
Loan Provisions/Total Loans	0.21%	0.20%	0.16%	0.12%	0.09%
LVR/Total Loans	1.23%	1.22%	1.19%	1.17%	1.16%
Net Charge-Offs/Total Loans	0.04%	0.01%	0.05%	0.03%	0.02%
Nonperforming+ORE/Total Assets	0.29%	0.27%	0.27%	0.27%	0.27%
Nonperforming+ORE/Primary Capital	2.74%	2.55%	2.60%	2.80%	2.59%
Net Interest Margin	3.42%	3.47%	3.18%	3.06%	2.85%
Gross Yield	5.48%	5.17%	4.32%	4.04%	3.74%
Return on Assets	1.30%	1.24%	1.35%	1.28%	1.16%
Return on Equity	13.25%	12.70%	14.21%	14.15%	11.98%
Overhead Exp/TA	2.28%	2.31%	2.15%	2.13%	2.08%
Equity/Total Assets	9.79%	9.77%	9.51%	9.05%	9.69%
Primary Capital/Total Assets+LVR	10.45%	10.40%	10.13%	9.66%	10.28%

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

Financial Highlights

TABLE II
Comparative Statement of Condition
Commercial Banks Domiciled in Texas
June 30, 2022 and June 30, 2023

ACCOUNT DESCRIPTIONS (In Millions of $)	6/30/2023 STATE CHARTERED		6/30/2023 NATIONAL CHARTERED		6/30/2023 ALL BANKS		6/30/2022 ALL BANKS	
Number of Banks	212	% TA	145	% TA	357	% TA	370	% TA
BALANCE SHEET								
Interest-Bearing Balances	33,822	7.8%	8,504	6.2%	42,326	7.4%	56,794	10.0%
Federal Funds Sold	1,440	0.3%	1,936	1.4%	3,376	0.6%	3,078	0.5%
Trading Accounts	825	0.2%	18	0.0%	843	0.1%	1,715	0.3%
Securities Held-To-Maturity	23,668	5.5%	6,225	4.5%	29,893	5.2%	30,104	5.3%
Securities Available-For-Sale	81,924	19.0%	27,777	20.2%	109,701	19.2%	119,193	21.0%
Total Securities	105,592	24.4%	34,002	24.7%	139,594	24.5%	149,297	26.3%
Total Loans	258,570	59.8%	85,463	62.1%	344,033	60.4%	318,778	56.2%
Total Earning Assets	399,424	92.4%	129,905	94.3%	529,329	92.9%	527,947	93.0%
Premises & Equipment	5,780	1.3%	2,032	1.5%	7,812	1.4%	7,240	1.3%
TOTAL ASSETS	432,226	100.0%	137,732	100.0%	569,958	100.0%	567,456	100.0%
Demand Deposits	101,835	23.6%	33,730	24.5%	135,565	23.8%	116,342	20.5%
MMDAs	130,871	30.3%	33,910	24.6%	164,781	28.9%	235,460	41.5%
Other Savings Deposits	32,073	7.4%	17,044	12.4%	49,117	8.6%	55,236	9.7%
Total Time Deposits	48,574	11.2%	20,549	14.9%	69,123	12.1%	51,255	9.0%
Brokered Deposits	21,436	5.0%	1,208	0.9%	22,644	4.0%	11,051	1.9%
Total Deposits	342,693	79.3%	117,536	85.3%	460,229	80.7%	489,413	86.2%
Fed Funds Purchased	6,170	1.4%	1,430	1.0%	7,600	1.3%	5,024	0.9%
Other Borrowed Funds	33,757	7.8%	5,187	3.8%	38,944	6.8%	12,869	2.3%
TOTAL LIABILITIES	389,898	90.2%	125,455	91.1%	515,353	90.4%	514,109	90.6%
Equity Capital	42,328	9.8%	12,277	8.9%	54,605	9.6%	53,347	9.4%
Allowance for Loan/Lease Losses	3,180	0.7%	1,107	0.8%	4,287	0.8%	3,848	0.7%
Total Primary Capital	45,508	10.5%	13,384	9.7%	58,892	10.3%	57,195	10.1%
Past Due >90 Days	240		119		359		439	
Nonaccrual	914		439		1,353		1,296	
Total Other Real Estate	94		44		138		139	
Total Charge-Offs	162		72		234		154	
Total Recoveries	58		19		77		82	
INCOME STATEMENT	Y-T-D		Y-T-D		Y-T-D		Y-T-D	
Total Interest Income	10,074	100.0%	3,133	100.0%	13,207	100.0%	8,176	100.0%
Total Interest Expense	3,241	32.2%	905	28.9%	4,146	31.4%	507	6.2%
Net Interest Income	6,833	67.8%	2,228	71.1%	9,061	68.6%	7,669	93.8%
Total Noninterest Income	1,764	17.5%	846	27.0%	2,610	19.8%	2,827	34.6%
Loan Provisions	267	2.7%	96	3.1%	363	2.7%	171	2.1%
Salary & Employee Benefits	2,752	27.3%	1,041	33.2%	3,793	28.7%	3,627	44.4%
Premises & Fixed Assets (Net)	506	5.0%	193	6.2%	699	5.3%	660	8.1%
All Other Noninterest Expenses	1,663	16.5%	657	21.0%	2,320	17.6%	1,962	24.0%
Total Overhead Expenses	4,921	48.8%	1,891	60.4%	6,812	51.6%	6,249	76.4%
Securities Gains(Losses)	(23)	-0.2%	(21)	-0.7%	(44)	-0.3%	(44)	-0.5%
Net Extraordinary Items	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET INCOME	2,805	27.8%	963	30.7%	3,768	28.5%	3,405	41.6%
Cash Dividends	1,288		354		1,642		1,709	
Average ROA	1.30%		1.40%		1.32%		1.20%	
Average ROE	13.25%		15.69%		13.80%		12.77%	
Average TA ($ Millions)	2,039		950		1,597		1,534	
Average Leverage	9.79%		8.91%		9.58%		9.40%	
Dividends/Net Income	45.92%		36.76%		43.58%		50.19%	

*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.