



# BANK OF HOUSTON

## *FROM THE EAGLE'S VIEW*

VOLUME 6, ISSUE 2

SECOND QUARTER, 2011

Dear Shareholders, Customers and Friends:

It is with profound sadness that we announce the passing of our good friend and colleague, Don Wood. Don served on our Board of Directors as an Advisory Director and in addition to playing a very significant role in the foundation of Bank of Houston; Don was a trusted confidant and advisor. He was recognized by his peers as one of the brightest and most respected legal minds in the banking industry. Don will be deeply missed and we extend our sincerest condolences to Shelly and his extended family and keep them in our thoughts and prayers during this difficult time.



*October 31, 1949—June 6, 2011*

*“Local bankers helping our customers and communities succeed.”*

*If you or someone you know would like to receive the newsletter electronically, please send your email address to [newsletter@bankhouston.com](mailto:newsletter@bankhouston.com).*

### BANK OF HOUSTON LOCATIONS

- TANGLEWOOD  
750 BERING DRIVE,  
SUITE 100  
(713) 789-6100 (MAIN)
- RIVER OAKS  
3900 ESSEX LANE  
SUITE 100  
(713) 600-6660
- MEMORIAL  
9601 KATY FREEWAY  
SUITE 100  
(713) 789-6100
- CYPRESS STATION  
1051 FM 1960 W  
(713) 600-6750
- MEDICAL CENTER  
4120 BELLAIRE BLVD.  
(713) 600-6770
- KINGWOOD  
2665 ROYAL FOREST DR.  
SUITE B100  
(713) 600-6789

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## NEW FACES AT BANK OF HOUSTON

This quarter, we are proud to welcome 9 new employees to Bank of Houston.

At the Tanglewood Office, we are excited to have Don Mach join us as Senior Vice President-Mortgage Lending. Don has been in the mortgage lending sector for over 33 years and his experience will be truly valuable BOH. Most recently, he worked for Omnibank as the Senior Vice President of Commercial and Residential Mortgage Lending. Also joining the Tanglewood Office is Robin Myers, Audrey Childs and Katie Perry. Robin joins the Accounts Payable Department. Along with Robin's years of experience in Accounts Payable, she just received her MBA. Audrey is helping the Loan Department as a Loan Operation Assistant. Audrey comes to BOH with many years of experience in the Loan Operations Department. She previously worked at Chase Bank. Katie is a Lending Assistant.

At the River Oaks Office, we would like to welcome Ralph Williams and Deborah Hines. Ralph joins us as Executive Vice President. Ralph has been involved in community banking for over 50 years having served in various officer and senior management positions. Deborah joins BOH as a Lending

Assistant.

At the Memorial Office, we would like to welcome Daryl Pruitt. Daryl joins us as a Banking Officer and Credit Analyst.

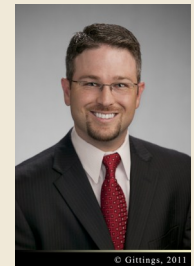
The Kingwood Office is proud to announce the hiring of Chris Busta and Chris MacLaughlin. Chris Busta joins BOH as Vice President-Lending. Most recently, Chris worked for Wells Fargo as Vice President with their business banking group. He is a graduate of Texas A&M and currently lives in Kingwood. Chris MacLaughlin joins BOH as a Personal Banker. He previously worked for Amegy Bank and attended the University of North Texas in Denton.



Don Mach



Ralph Williams



Chris Busta

## SMALL BUSINESS LENDING FUND

In an effort to stimulate small business lending and job growth, Congress recently passed legislation approving the Small Business Lending Fund ("SBLF"). This is a piece of legislation we have tracked for the last 15 months as a source of replacement debt funding to refinance out of our CPP/TARP funds. As you may recall, we applied for \$10.5 million in CPP funds in October of 2008 to use as growth capital and were approved in March 2009. While these funds have been very advantageous to our growth, the SBLF is a better source of debt funding. One of the major differences between CPP and SBLF is that originally CPP was earmarked for only top performing banks, but the rules changed and underperforming banks were allowed access to CPP and some of those banks failed. This time around, the government has issued stricter rules surrounding the SBLF and truly, only top performing banks need apply. Additionally, special consideration is being given to banks that reinvest these funds in their communities through small business lending. Small business lending is our sweet spot and is part of our everyday business. We were approved by our regulators as eligible and have applied for and received our maximum allotted amount of \$23.8 million. This will allow us to repay the CPP and retain an additional \$13.3 million in growth capital. We also issued \$15.5 million in new common stock in the first quarter which together total approximately \$29 million in growth capital. This is truly a win, win, win program benefitting our shareholders, regulators and customers.

The Bank of Houston Quarterly Newsletter is also available online [www.bankhouston.com](http://www.bankhouston.com)

## GETTING TO KNOW OUR COMMERCIAL LENDERS - GARETT HAGENDORF

BY LARRY W. MASSEY, JR.



Bank of Houston has an extraordinary group of Commercial Lenders and in this debut article on the dynamic team, I'd like to focus on a member of our "new generation" of lenders over at the Tanglewood branch, Garrett Hagendorf, Vice President. Since joining the bank in February 2009, Garrett's energy and enthusiasm have contributed greatly to the commercial lending success story.

### Tell us about your banking experience.

I've been in banking for eight years. I currently manage a large loan portfolio and I love building relationships with my customers and introducing them to all of the various benefits of working with Bank of Houston. My portfolio is diverse but I enjoy working with commercial, industrial, real estate and executive and professional customers. I am able to offer a wide variety of loan solutions to my customers since Bank of Houston is not departmentalized like the big banks. This diversity allows me to build long-lasting relationships with my customers.

### What is unique about the Tanglewood Branch?

Working at "corporate headquarters" is great. I especially enjoy the interaction with lenders from other branches during weekly loan committee meetings. It's always good to hear about what they are seeing out in their communities. Bank of Houston has so many bankers with 25 plus years experience. I'm able to learn from their expertise while giving customers the extra effort and quick response that they don't find at other banks. Being at the Tanglewood Branch places me in the heart of the Galleria business district and the various neighborhoods just a couple of miles away. With the extra special help of Lidia Doria, lending assistant, we are able to help our customers and communities succeed.



Pictured to the left is Garrett Hagendorf, Vice President - Lending.



Pictured to the right are Garrett and Lidia Doria working on a lending transaction.

### Most people don't know that I...

I learned how to operate a combine when I was 12 years old. I grew up in Eagle Lake, a rice farming community about 50 miles west of Houston. At 10 years old, I started to help with summer harvest, driving tractors that hauled the rice and then a couple of years later I was promoted to operate a combine.

I earned a BBA in Finance and played H-back and tight end at Texas State University at San Marcos (formerly Southwest Texas State University). After graduation, I stayed in San Marcos to earn an MBA while working an internship with the San Antonio Spurs and playing arena football for the Austin Knights.

### Tell us about your family & community involvement.

I met my wife Rachel during my final year of grad school. We were married in 2009 and our son Brooks was born in April of this year. Rachel and I, and our pet greyhound Seti, couldn't be more excited about Brooks' arrival. I serve on the Judging Contest Committee for the Houston Livestock Show and Rodeo and am a member of the Houston West Chamber of Commerce.

*You can reach Larry Massey at (713) 600-6760 or email [lmassel@bankhouston.com](mailto:lmassel@bankhouston.com) Larry has been a Houston banker since 1976. He is Executive Vice President at the Bank of Houston - Med Center office.*

## COMMUNITY INVOLVEMENT PHOTOS



Bank of Houston was a platinum sponsor for the Lamar Bulldogs 7U baseball team this year. The Bulldogs won the Memorial Day Madness tournament in the 7 year old division. Pictured to the left is the proud team with their trophies. Congrats to the Bulldogs and keep up the great work!

## BE PREPARED FOR HURRICANE SEASON!

Since hurricane season has arrived, everyone should be prepared in case a disaster were to ever hit Houston. There are different actions you can take to lessen the impact of this and other disasters on you and your family.

To plan for a disaster:

- Store a 2 week supply of food and water.
- Check your prescription drugs to make sure you have an adequate supply.
- Have nonprescription drugs and health supplies on hand.
- Talk with family members about how they would be cared for if they got sick or what would be needed to care for them in your home.
- Volunteer with local groups to prepare and assist with emergency response.
- Get involved in your community.

To limit the spread of germs and prevent infection, teach children to:

- Wash hands frequently.
- Cover coughs and sneezes with tissues.
- Stay away from others when sick.
- Always model the correct behavior to your children.

Be sure to create an emergency family health plan that includes the family member's name, blood type, allergies, past and current medical conditions, and current medications with dosages.

There are many items that you should have on hand at your home in case a hurricane or pandemic flu should hit. These items include ready-to-eat canned meats, fish vegetables, beans, and soups, protein or fruit bars, dry cereal or granola, peanut butter or nuts, dried fruit, crackers, canned juices, bottled water, canned or jarred baby food and formula, pet food,

and other non-perishable items. Having these supplies on hand will ensure that you and your family will have adequate nutrition if a disaster should hit.

Other items to keep at your house include soap, medicines, thermometer, vitamins, fluids with electrolytes, flashlight, batteries, portable radio, manual can opener, garbage bags, tissues, toilet paper, and disposable diapers.

Please visit our website at [www.bankhouston.com](http://www.bankhouston.com) or [www.pandemicflu.gov](http://www.pandemicflu.gov) to obtain a list of these items along with an Emergency Contact Chart. Please use this information to prepare in the event that a hurricane or influenza pandemic should hit Houston. Remember, always be prepared!

# FINANCIAL HIGHLIGHTS

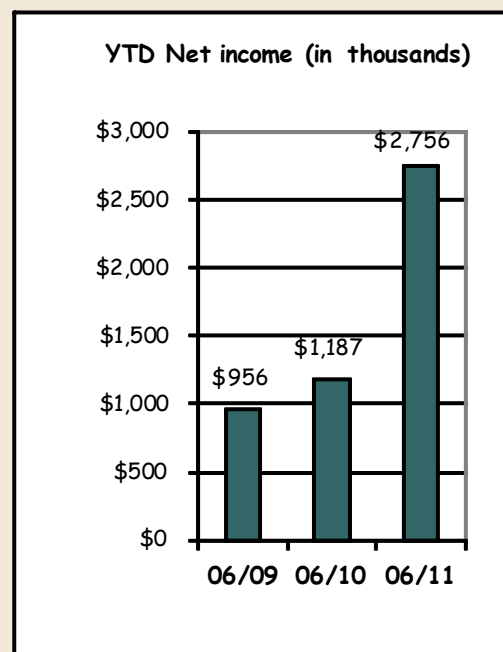
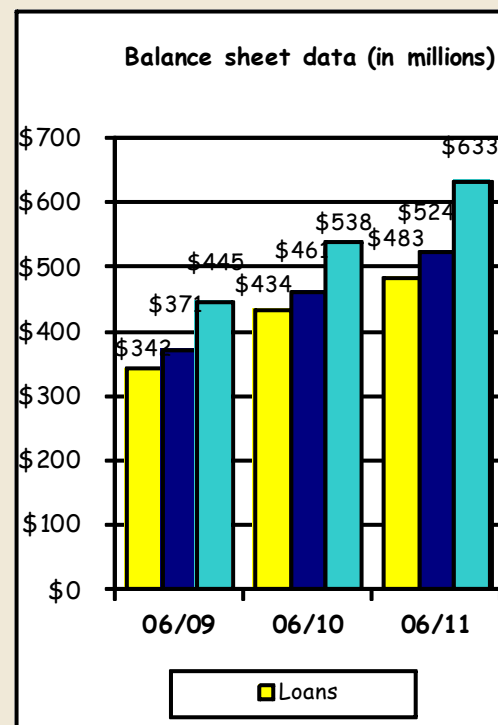
(Dollars in thousands, except per share amounts)

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>Change</u>
<b>Balance Sheet Data:</b>			
Assets	\$ 632,512	\$ 537,884	17.6%
Deposits	524,394	460,530	13.9%
Loans	483,303	434,105	11.3%
Allowance for loan losses	5,621	5,538	1.5%
Investment securities	88,128	42,342	108.1%
Equity	51,323	45,365	13.1%

	<u>Three Months ended June 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Income Statement Data:</b>			
Interest income	\$ 14,804	\$ 12,976	14.1%
Interest expense	<u>1,960</u>	<u>2,331</u>	<u>-15.9%</u>
Net interest income	12,844	10,645	20.7%
Provision for loan losses	<u>503</u>	<u>1,675</u>	<u>-58.2%</u>
Net interest income after provision	12,144	9,970	35.4%
Noninterest income	503	520	-3.3%
Noninterest expense	<u>9,046</u>	<u>7,750</u>	<u>16.7%</u>
Income before taxes	3,601	1,740	107.0%
Federal income taxes	<u>845</u>	<u>553</u>	<u>52.8%</u>
Net income	<u><u>\$ 2,756</u></u>	<u><u>\$ 1,187</u></u>	<u><u>132.2%</u></u>

<b>Selected Performance Ratios:</b>		
Return on average assets	0.89%	0.46%
Return on average common equity	11.21%	5.34%
Total capital to total assets	8.11%	8.43%
Net interest margin	4.46%	4.30%
Efficiency ratio	67.78%	70.64%

<b>Asset Quality Data:</b>		
Nonperforming assets to total loans & ORE	1.38%	1.82%
Net charge-offs to average loans	0.23%	0.13%
Allowance for loan losses to:		
Total loans @ period-end	1.16%	1.28%

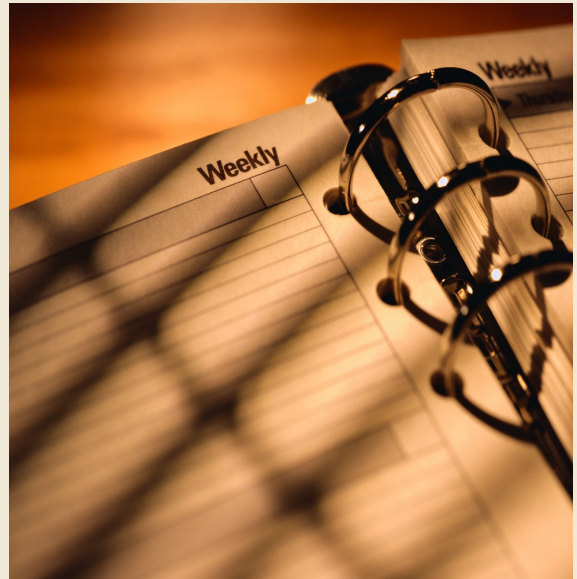


## CURRENT EVENTS:

- 7/4 Independence Day - Bank Closed
- 9/5 Labor Day - Bank Closed

## UPCOMING EVENTS:

- 10/10 Columbus Day - Bank Closed
- 11/11 Veterans Day - Bank Closed
- 11/24 Thanksgiving - Bank Closed
- 11/25 Bank Closing at 1 p.m.
- 12/25 Christmas Day
- 12/26 Bank Closed for Christmas Day



*If you would like to receive our newsletter electronically, please send your email address to [newsletter@bankhouston.com](mailto:newsletter@bankhouston.com).*



Edited by:  
Sarah Kuehl



750 Bering Drive, Suite 100 • Houston, TX 77057

Phone: 713-789-6100

Fax: 713-789-6300