



BANK OF HOUSTON

FROM THE EAGLE'S VIEW

VOLUME 6, ISSUE 3

THIRD QUARTER, 2011

Dear Shareholders, Customers and Friends:

After six months of planning, we launched our new website on September 24th with many new features, functions and benefits along with a completely new look. Our goals were to improve upon our existing site through a more user-friendly approach as well as continue to enhance our security. Please visit www.bankhouston.com to observe the improvements.



We moved into our new Kingwood Office this summer and held our Grand Opening on October 13th. Many customers, neighbors and shareholders joined us to celebrate the opening and enjoy the new facility. Eric Corley and his team did a great job in planning and organizing the event and the space looks great! Please feel free to stop by the next time you are in the neighborhood and check out our newest office.

“Local bankers helping our customers and communities succeed.”

SAFE AND STRONG

If you or someone you know would like to receive the newsletter electronically, please send your email address to 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) 600-6765
- CYPRESS STATION
1051 FM 1960 W
(713) 600-6750
- MEDICAL CENTER
4120 BELLAIRE BLVD.
(713) 600-6770
- KINGWOOD
2661 ROYAL FOREST DR.
(713) 600-6789

INSIDE THIS ISSUE:

NEW EMPLOYEES	2
BANK TO BANK TRANSFER SERVICE	2
GETTING TO KNOW OUR COMMERCIAL LENDERS	3
COMMUNITY INVOLVEMENT PHOTOS	4
FINANCIALS	5
CALENDAR	6

NEW FACES AT BANK OF HOUSTON

This quarter, we are proud to welcome 8 new employees to Bank of Houston.

At the River Oaks Office, we would like to welcome Kim Milder. Kim joins us as Vice President-Commercial Banking. She has been in the banking industry for over 15 years. Previously, Kim worked for Wells Fargo, Compass Bank, Wachovia Bank and Bank of America. Kim graduated from the University of Texas and recently married.

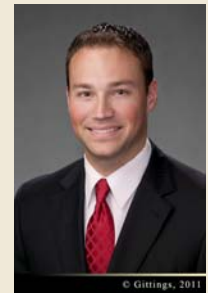
At the Memorial Office, we would like to welcome Bill Prout, Juanita Ruiz, Jean Fedigan, Julie Watts, Connie Cecil and Violet Rodriguez. Bill Prout joins BOH as Senior Vice President of Commercial and International Banking. He joins us from Sterling Bank where he spent the last 7 years in their international department. Bill graduated from the University of Maryland and is married with 2 sons. Juanita Ruiz joins us as a Loan Administrative Assistant. She will be working with Bill. Jean Fedigan joins BOH as Vice President-Lending Compliance. In the Treasury Services Department, Julie Watts, Connie Cecil and Violet Rodriguez have joined. Julie is a Banking Office-Treasury Services Sales, Connie is part of the Treasury Services Customer Support staff and Violet joins as Client Support in Treasury Services, specifically the Wire Department.

The Cypress Station Office is proud to announce the hiring of

Dustin Hollas. Dustin joins BOH as Vice President-Lending. He has 6 years of experience in the banking industry. Previously, he worked at Bank of America as VP-Business Banker and JP Morgan Chase as VP-Small Business Banker. Dustin graduated from Texas A&M and is married.

We would also like to congratulate Julie Munoz, Kristy Felton, Lotie Ferguson and Susan Park on their recent promotions. Julie was promoted to AVP-Office Manager at the Med Center Office. Kristy was promoted to Assistant Branch Manager at the Tanglewood Office. Lotie was promoted to Senior Teller at the River Oaks Office and Susan was promoted to AVP-Senior Underwriter at the Memorial Office

We want to extend a warm welcome to each of our new employees and wish them great success with the BOH team!



Pictured from left to right: Kim Milder, Bill Prout and Dustin Hollas.

BANK TO BANK TRANSFER SERVICE

We are very excited to announce the kick off of our new online banking product for our retail customers, **Bank to Bank Transfer Service**. Bank to Bank Transfers gives our customers the ability to transfer money between their Bank of Houston accounts and their accounts at other financial institutions through the ACH system. An **Inbound Transfer** moves funds into an account at Bank of Houston from an account outside Bank of Houston. An **Outbound Transfer** moves funds from an account at Bank of Houston to an account outside Bank of Houston.

These are the requirements in order to use the service:

- Must be enrolled in Online Banking.
- Must complete and submit a Bank to Bank Transfer Service Enrollment Request Form.
- Must enroll at least one external account (up to 3 accounts may be enrolled).
- Must complete self verification process of external account(s) within 10 calendar days following the enrollment of the account.

Transfers are subject to dollar amount and number of transfers per day limits (up to three inbound and three outbound transfers per day, not to exceed a total of \$2,500.00 for each transfer type).

In addition, customers will have the ability to set up transfers for future dates, either on a one-time or recurring basis.

Last but not least, there are currently no fees associated with this service. Service fees are subject to change at any time. If you are interested in Bank to Bank Transfers, please contact our Treasury Services Department at 713-600-6622 to begin the enrollment process.

GETTING TO KNOW OUR COMMERCIAL LENDERS - RALPH WILLIAMS

BY LARRY W. MASSEY, JR.



I am proud to introduce this quarter one of the finest bankers in Houston. His name is Ralph Williams and he joins the Bank of Houston family at our River Oaks branch. I have known Ralph over the years through his involvement with the local community. Recently I had a chance to ask Ralph a few questions so that everyone can get to know this new member of our lending team.

Question 1. Tell us about your banking career.

I've had the good fortune and been very blessed to have worked for great banks and bankers. For example, Mr. Jack Witte with First State Bank of Bellaire and Mr. Frank Cook with Citizens National Bank of Texas in Bellaire are just a few. Having been involved in starting two banks, I am impressed with the accomplishment of BOH since its inception. It speaks volumes about the bank's leadership and employees. I can't believe it took me so long to get here.

Question 2. Why did you decide to come to Bank of Houston? What are you finding about Bank of Houston that is good for your customers?

Bank of Houston gave me the best opportunity to serve my customers as in the past. The attitude of BOH putting the needs of the customer first is outstanding. The latest technology keeps us ahead of our competition.



Jim Stein welcomes Ralph to the BOH team with a round of golf at a charity tournament.

Pictured to the right is Ralph Williams.



Question 3. Most people do not know that I...

Coached little league baseball for eight years, led a church bus ministry plus led a road show to New York and Boston in taking Citizens National Bank of Bellaire public. Also, I have had four hole-in-ones playing golf.

Question 4. Tell us about your family and community involvement

I have two sons and three grandsons (no granddaughters yet) of which two are in college. My oldest son Brian works for IBM after many years with Bank of America and lives in Concord, North Carolina, a suburb of Charlotte with wife Wendy and sons Trent and Trevor.

My second son T.D. is with Catapult Systems a Microsoft Gold Partner and lives in The Woodlands with wife Andrea and son Chase.

My wife Gail and I live in Sugar Land and she is President of the Ladies Association of the Petroleum Club of Houston.

My past community involvement includes the Greater Southwest Houston Chamber of Commerce, the Rotary Club, Lion's Club and Church Ministries.

You can reach Larry Massey at (713) 600-6760 or email lmasssey@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



Pictured to the left is Ralph Wililams, Mark Turzillo, Jim Stein and Dennis Watson at the Advanced Diagnostics Healthcare Golf Tournament in June at Wildcat Country Club.

Bank of Houston is a sponsor for the Lamar Bulldogs (right), who have played in many tournaments this year including the Battle of the Beach where they were champions, the Westbury tournament, and the West University Summer Slam among others.



Below is the Meet & Greet with Congressman Ted Poe that was held at our Kingwood Office. The session was called by Congressman Poe to discuss relevant banking issues with local bankers, including the regulatory and political environment, limitations on bank revenues and the Dodd-Frank Act.



FINANCIAL HIGHLIGHTS

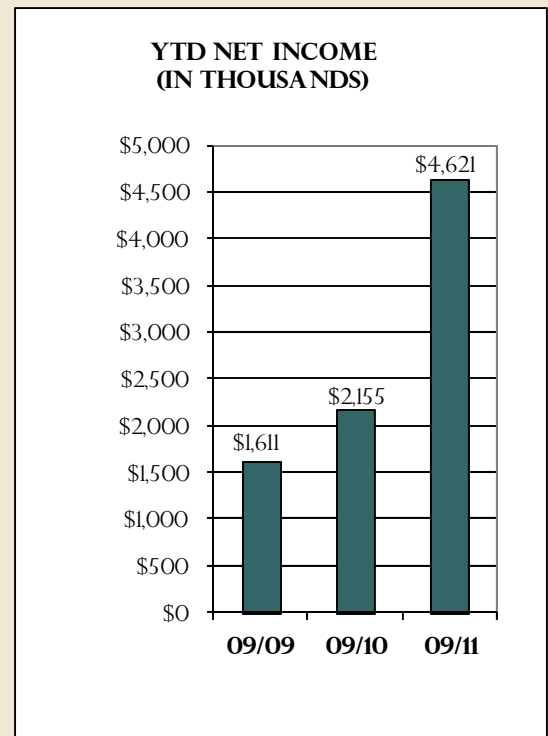
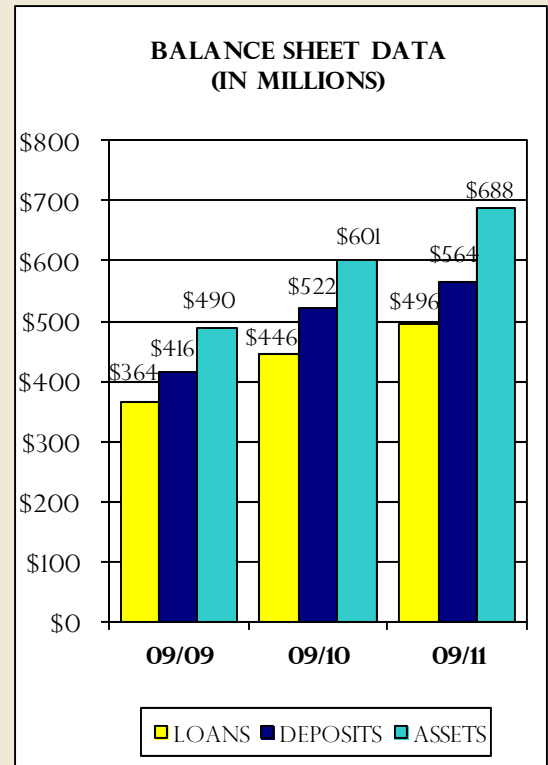
(Dollars in thousands, except per share amounts)

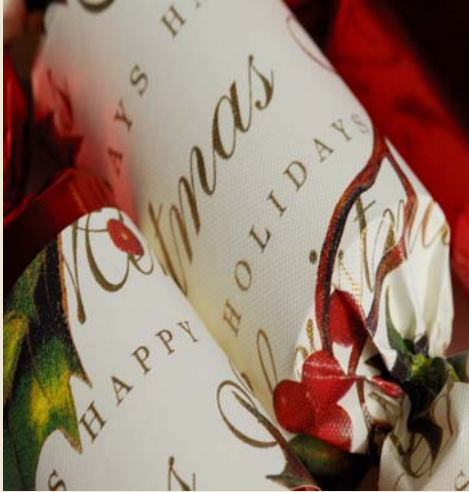
	<u>September 30,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>	<u>Change</u>
Balance Sheet Data:			
Assets	\$ 687,705	\$ 600,558	14.5%
Deposits	563,765	521,994	8.0%
Loans	496,437	446,432	11.2%
Allowance for loan losses	5,706	5,758	-0.9%
Investment securities	81,426	43,965	85.2%
Equity	66,679	46,642	43.0%

	<u>Nine Months ended September 30,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Income Statement Data:			
Interest income	\$ 22,597	\$ 19,993	13.0%
Interest expense	<u>2,871</u>	<u>3,469</u>	-17.2%
Net interest income	19,726	16,524	19.4%
Provision for loan losses	<u>825</u>	<u>2,125</u>	-61.2%
Net interest income after provision	18,901	14,399	31.3%
Noninterest income	839	664	26.4%
Noninterest expense	<u>13,409</u>	<u>11,852</u>	13.1%
Income before taxes	6,331	3,211	97.2%
Federal income taxes	<u>1,710</u>	<u>1,056</u>	-61.9%
Net income	<u><u>\$ 4,621</u></u>	<u><u>\$ 2,155</u></u>	<u><u>114.4%</u></u>

Selected Performance Ratios:		
Return on average assets	0.96%	0.53%
Return on average common equity	11.37%	6.35%
Total capital to total assets	9.70%	7.77%
Net interest margin	4.34%	4.23%
Efficiency ratio	65.40%	69.74%

Asset Quality Data:		
Nonperforming assets to total loans & ORE	0.98%	1.71%
Net charge-offs to average loans	0.16%	0.16%
Allowance for loan losses to:		
Total loans @ period-end	1.15%	1.29%





CURRENT EVENTS:

- 10/10 Columbus Day - Bank Closed
- 11/11 Veterans Day - Bank Closed
- 11/24 Thanksgiving - Bank Closed
- 11/25 Bank Closing at Noon
- 12/25 Christmas Day
- 12/26 Bank Closed for Christmas Day



UPCOMING EVENTS:

- 1/2 Bank Closed for New Year's Day
- 1/16 Martin Luther King, Jr. Day - Bank Closed
- 2/20 President's Day - Bank Closed

If you would like to receive our newsletter electronically, please send your email address to newsletter@bankhouston.com.



Edited by:
Sarah Kuehl



750 Bering Drive, Suite 100 • Houston, TX 77057

Phone: 713-789-6100

Fax: 713-789-6300