

Exciting developments in our loan portfolio: origination finally increasing, asset quality still improving

Dear Fellow Shareholders:

One of the most challenging aspects of banking in the years since the financial crisis has been managing the loan portfolio — both asset quality and demand for new loans have been significantly softer than normal. This quarter, we were pleased to produce positive developments on both fronts.

At the same time, our underlying performance remained strong, with Book Value per share now \$12.52, versus \$12.28 last quarter and \$11.97 a year ago (see chart on bottom of reverse page).

Uptick in New Loan Origination

Total Loans now stand at \$110 million, versus \$108 million at the beginning of the year. This marks the second quarter in a row that Total Loans have increased rather than decreased, and it reflects better loan demand.

Demand appears to have increased for two reasons. First, in general, economic conditions in East Texas have improved slightly, business and consumer confidence are

on the mend, and the desire to borrow money to expand or buy or build has increased. Second, in the specific case of BankTexas, our decision to expand our lending footprint into Tyler is already paying dividends.

Encouragingly, our pipeline of new loans to close next quarter currently nears \$10 million, so it looks like this positive loan growth trend will continue.

Improvement in Asset Quality

We made significant progress as working out legacy problem loans this quarter; as proof, Noncurrent Loans now represent 0.0% of Total Loans, versus 1.0% a quarter ago and 2.3% a year ago. While we still have some nonperforming assets to clear, this quarter's improvement in asset quality was material in our move forward.

Best Regards,



Troy M. Robinson
President & CEO

Service Spotlight

products and services our shareholders can use

an affordable time to borrow money

Now is a surprisingly affordable time to borrow money, with rates still at some of their lowest levels in years. Your bank is the right place to go — either for yourself or for someone you know who is looking for a loan.

You can open an account or apply for a loan in person, by phone, or online at BankTexas.org. No matter what, you will enjoy our exceptional service.

myCash & myMusic checking

Many of our shareholders are already using our two premier free checking accounts, myCash and myMusic, to earn great interest or free iTunes downloads:

- massive interest or free iTunes downloads
- no minimum balance
- nationwide ATM fee refunds

Call a store or visit banktexas.org to open an account.

(unaudited; in thousands, except per share data)

	2011 Q2	2010 Q2
BT Holdings, Inc.		
Total Income	\$806	\$841
Total Expense	257	279
Net Ordinary Income	549	562
Earnings Per Share	25¢	26¢
Total Assets	\$34,707	\$33,534
Total Liabilities	7,267	7,307
Total Equity	27,440	26,227

BankTexas, National Association

Yield on Earning Assets	5.30%	5.38%
Cost of Funding Earning Assets	0.72	1.06
Net Interest Margin	4.56	4.32
Return on Assets (ROA)	0.81	0.81
Return on Equity (ROE)	8.17	8.28
Net Charge-offs to Loans	0.01	0.02
Noncurrent Loans to Loans	0.00	2.31
Core Capital (Leverage) Ratio	9.61	9.38
Tier I Risk-Based Capital Ratio	16.88	15.72
Total Risk-Based Capital Ratio	17.24	16.97

Book Value per Share of BT Holdings (since inception)

