

Oil and Gas

The Muscle Driving Texas



Texas Department of Banking
2013 Annual Report



Agency Mission

To ensure Texas has a safe, sound and competitive financial services system.

Agency Philosophy

Adhere to the highest ethical and professional standards

Be statutorily accountable and responsible

Anticipate and respond to a dynamic environment

Identify and promote innovative practices

Operate efficiently

Communicate effectively

Foster teamwork while encouraging individual excellence and career development

Provide a desirable work environment that values cultural and individual differences

Seek input from and be responsive to the public, our supervised entities, and State leadership.



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Message from the Commissioner

The dual banking system continues to add a healthy competitiveness and responsiveness unmatched by any other industry. Products and services have evolved in an industry wanting to meet and serve community needs, and thereby influencing the manner in which we as a society conduct banking business. From virtual currencies to companies conducting transactional business with the citizens of Texas solely over the Internet, the Department too has adapted and evolved to guarantee that appropriate regulatory oversight is delivered and Texans are protected.

Evolution does not come without challenges. In the aftermath of the financial crisis, it seems that the essence of banking and the purpose of financial institutions have been overshadowed by the increased regulatory burden that complicates the very thing community banks strive to do –to serve their communities. The Department worked tirelessly throughout the year to convey the message to federal regulators and legislators in hopes to have better policies and regulations in the future. Working together in 2013, the voices of community banks were

given an opportunity on the national stage. Through surveys, town hall meetings, and the subsequent Community Banking in the 21st Century conference held in late 2013, bankers were able to provide their perspectives and first hand testimonials on the implications of one size fits all regulation.

It is important that bankers, legislators, and regulators continue to seek a balanced approach to the challenges facing the industry.

Due to the ever evolving money services business industry, the Department worked to adopt policies and standards for the new product types, and coordinated with other state agencies to further joint examination efforts to reduce the regulatory burden placed on this industry.

I believe that the entities that we regulate deserve professional regulation. I also strongly believe that our regulated entities want professional regulation. The men and women of the Texas Department of Banking will strive to meet our goal of being “Tough but Fair.”

Charles G. Cooper
Banking Commissioner

SERVING THE CITIZENS OF TEXAS

By the Numbers: As of December 31, 2013



There are 283 State-Chartered Banks in Texas ...



Employing approximately 41,938 Texans ...



Safeguarding \$181 billion in deposits and \$216.6 billion in assets.

21 Independent Trust Companies manage \$39.5 billion in fiduciary assets.



10 Foreign Bank Agencies located in Texas control in excess of \$91.1 billion in assets.

387 Prepaid Funeral Licensees oversee 903,408 contracts worth \$3.3 billion.



243 Perpetual Care Cemeteries with \$280 million in trust assets care for our loved ones.

137 Money Services Businesses with \$96.1 billion in assets annually transmit \$82.6 billion dollars for Texans.



**Texas businesses serving Texans today ...
and tomorrow**



2013

Look Back

February 1, 2013

The San Antonio regional office moved offices to accommodate staffing and operation needs. The new office is located at 1800 NE Loop 410, Suite 300, San Antonio, TX.

February 26, 2013

The Texas Department of Banking (Department) and the Federal Reserve Bank of Dallas hosted a webinar to share examples and best practices on ways banks and organizations can educate communities using the "Building Wealth App". There were 169 participants.

March 2013

The Administrative Services division experienced turnover in two key positions due to retirements - the Director of Administrative Services and Chief Accountant. The agency, in an effort to ensure knowledge transfer in these positions, promptly posted and hired qualified applicants. This allowed for a month overlap in these positions.



April 22, 2013

The Department is an active member of the Money Transmitters Regulators Association (MTRA). Departmental personnel attended the MTRA Senior Examiners' School in Austin, TX. One of the topics discussed was Information Technology (IT) risks and audits. State regulators face the task of monitoring MSB policies and procedures in order to help prevent criminals from hacking computer information systems, infrastructures, and/or computer networks to steal valuable information.

The MTRA work program implemented IT procedures designed to aid examiners in ensuring basic safeguards are in place. The notorious Target Stores security breach stressed the importance of the need to ensure that personal and financial customer information is secure and protected.



March 18, 2013

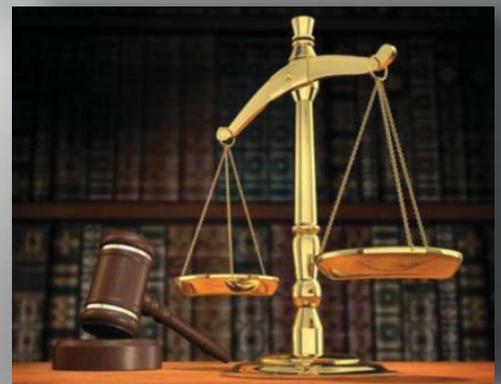
Recent developments regarding virtual currencies (VC) have resulted in federal and state agencies evaluating these activities closer. The Financial Crimes Enforcement Network (FinCEN) issued guidance that labeled an administrator or exchanger of convertible VC that (1) accepts and transmits VC or (2) buys and sells VC as an intermediary - a money transmitter. This designation requires these types of entities to register with FinCEN.

April 1, 2013

The Lubbock regional office increased its lease space from 2,305 to 2,605 square feet. The Lubbock regional office is located at 4413 82nd Street, Suite 215, Lubbock, TX.

May 1, 2013

With the increase of companies operating solely via the Internet with no physical presence in the State of Texas, the Department found it necessary to set a policy regarding Internet money transmitters. The Department issued Supervisory Memorandum 1035 (SM 1035) which states that Internet or foreign-located MSBs with no Texas physical presence who offer activities regulated under the Finance Code to persons located in Texas must obtain a license in Texas.





May 2013

The Department supported a joint initiative of the Conference of State Bank Supervisors (CSBS) and Federal Reserve Bank of St. Louis to research Community Banking in America. To facilitate first-hand information four banker town hall meetings were scheduled to augment the survey and research on the challenges and opportunities facing community banks. The Independent Bankers Association sponsored the Lubbock and Dallas meetings. The Texas Bankers Association sponsored the San Antonio and Houston meetings.

May 31, 2013

The Department was very busy during the legislative session tracking and monitoring 125 bills. Legislation directly affecting the agency that passed in the 83rd Legislative Session included: HB 52 which required the agency to license and oversee cemetery brokers; HB 1664 which updated bank, trust and bank holding company regulations; HB 2134 which modernized our money service business (MSB) statutes; SB 192 which expanded the agency's authority to perform criminal background checks; SB 297 which updated prepaid funeral benefit contract statutes; and SB 661 which added financial related perpetual care cemetery regulations to correct inefficiencies in the current statutes.



July 18, 2013

MoneyGram International (MoneyGram) entered into an asset purchase agreement to purchase Nexxo Financial Corporation's (Nexxo) kiosk based money transmission business line. Growth of Internet and mobile payment methods continue to revolutionize the MSB industry and traditional brick and mortar MSBs have given way to entities that provide consumers the ability to either conduct transactions online, issue prepaid access card products, maintain mobile wallets and/or mobile payment systems through the use of smartphones. The kiosks offer consumers money transfers, check cashing, money orders, bill payment, prepaid card servicing and reloads and mobile top-ups.

May 31, 2013

Banking Commissioner Charles G. Cooper announced today that The First National Bank of Seymour headquartered in Seymour, Texas, converts to a Texas state-chartered bank. The bank will continue to be a member of the Federal Reserve System.

As a result of the conversion, the former national bank changed its name to First Bank & Trust. The bank has assets of \$48.3 million, and has provided financial services to its customers since it was established in 1890.



June 14, 2013

Texas Banking Commissioner Charles G. Cooper announced today that First National Bank in Whitney, Texas, has completed its conversion to a Texas state-chartered bank. As a result of the conversion, the bank is changing its name to First Bank, Whitney, Texas.

As a community bank with assets totaling \$61 million, First Bank will continue providing financial services to its customers as it has since it was established in 1932. The bank will remain a member of the Federal Reserve System.





August 2013

Bitcoin, a completely decentralized digital currency, has gained increased popularity which has required the Department to evaluate VCs closely in order to determine its applicability to Chapter 151 of the Finance Code. In August 2013, a U.S. District Court determined that Bitcoins are money and should be regulated under securities laws. The value of a Bitcoin has fluctuated significantly from pennies at its early stages up to \$1,200.

August 2, 2013

Commissioner Charles G. Cooper announced that Vantage Bank Texas, National Association, Refugio, Texas, converted to a state-chartered bank today. The bank's home office will relocate from Refugio to San Antonio.

The \$297 million bank has six locations, including the future home office in San Antonio. Vantage Bank Texas applied to become a Federal Reserve System member concurrently with the conversion.



August 8, 2013

The Department contracted with Trademark Media to redesign its website. The redesign offers users more information, easier navigation and improved accessibility. Users have the ability to download fillable forms and submit questions via a web form. A mobile and tablet version allows for on-the-go functionality.

July 26, 2013

On behalf of the Department, the Texas Attorney General's Office filed a permanent injunction preventing two Houston-based MSBs (House Savings Investment, LLC and AA House Savings Financial, Inc.) from operating their bi-weekly mortgage payment services. The Travis County district court also appointed a permanent receiver for the firms. The permanent injunction is the result of the Department's investigation of House Savings Investment, LLC; a previously licensed MSB that revealed millions of dollars had not been forwarded to mortgagees as required. These firms primarily targeted Hispanic homeowners by promoting "accelerated mortgage payments" that would reduce the number of years for homeowners to pay off their mortgage loans.

August 2013

A central Texas funeral home operator was indicted by a Travis County Grand Jury on nine indictments related to charges of misappropriation of approximately \$200,000.00 of preneed payments. The Department was part of an investigation that revealed that the operator failed to deposit prepaid funeral funds collected from consumers into restricted accounts as required. This information was provided to the local district attorney's office for criminal prosecution. Subsequently, an Agreed Order was issued requiring Howell-Doran Funeral Home to pay restitution to the defrauded consumers.

August 29, 2013

The Department entered into a contract with Cornerstone On-Demand to improve hiring and retaining a very qualified work force. Cornerstone provides the following software modules to assist the department in its hiring and employee retention decisions:

- Employee Performance
- Goals and Reviews
- Skill and Competency Management
- Observational Checklist

September 2013

Deputy Commissioner Newberg was appointed President of the MTRA Board. The Department is also an active member of the Multi-State MSB Examination Taskforce (MMET). The MMET is comprised of members of participating state regulators appointed by the MTRA and CSBS boards. The Department continues to coordinate joint examinations and promote a nationwide framework for cooperation and coordination among MSB state regulators to minimize the regulatory burden on supervised entities.



September 30, 2013

Texas Banking Commissioner Charles G. Cooper issued a Consent Order Prohibiting Further Participation (Prohibition Order) against Hans Sung Yoo, a former bank director.

The Prohibition Order provides that Hans Sung Yoo is perpetually prohibited from serving as a director, officer, or employee of a state bank, state bank holding company, or state trust company, or as a director, officer, or employee with financial responsibility of any other entity chartered, registered, permitted, or licensed by the Banking Commissioner under the laws of this state.

September 16, 2013

The CEOs of the Independent Bankers Association of Texas, Texas Bankers Association, Southwestern Automated Clearing House Association (SWACHA), as well as the CEOs of several leading Texas banks, met with the United States Secret Service and the Texas Department of Banking to start a joint initiative on Executive Leadership of Cybersecurity (ELOC, pronounced E-Lock) to bring awareness to the banking industry that cyber threats pose a significant risk to the banking industry and that executive leadership is needed to better address this problem. The ELOC concluded that cyber fraud places all banks at risk, not just large urban banks, and that executive level focus on cybersecurity is required for the safety of the entire industry.



October 1, 2013

The Department launched the Corporate Application Filing Entry System (CAFE). CAFE is a web based application that allows entities supervised by the Department to submit applications or notices (filings) electronically, either directly or through their authorized representatives. The new system eliminates the time and expense of printing, copying, and mailing the documents and provides a higher level of efficiency. Users will no longer be required to send any paper copies to the Department to submit a filing. Registered users can access the system at any time to create new filings or upload additional documents. CAFE may be utilized to submit any type of filing except Money Services Business (MSB) Applications. There are no additional fees for using CAFE. Any fees due for filings submitted via CAFE will have to be mailed to the Department. In the future, the Department anticipates adding a payment feature to CAFE to allow applicants to submit all fees due to the Department electronically.

October 28, 2013

Since the regulation of MSBs is overseen by both state and federal regulators, the Department must determine if Department examinations ensure compliance with state and federal regulations. As required by the Dodd-Frank Act, the amendments to subpart B of Regulation E (Remittance Transfer Rule) of the Electronic Fund Transfer Act became effective today. The



regulations overseen by the Consumer Financial Protection Bureau provides for disclosure requirements, and error resolution and cancellation rights, to consumers sending remittance transfers. In order to ensure licensed MSBs are in compliance, the Department's examination procedures were revised to include compliance review with the Remittance Transfer Rule.



November 2013

Six individuals associated with the Ponzi scheme that defrauded customers of preneed contracts purchased from National Prearranged Services Inc., of more than \$450 million were sentenced to prison terms from 18 months to 10 years. The scheme impacted several states, including Texas. Notably, all impacted Texas PFCs have been satisfactorily resolved and consumers will receive the contracted goods and services. The Department is alert to the fact that financial hardships faced by funeral providers may result in preneed funds not being handled in accordance with Texas regulations. As such, onsite examinations continue to focus on the safety and soundness of license holders for negative trends.

October 29, 2013

The Department hosted a webinar to share examples and strategies to meet bank Community Reinvestment Act (CRA) requirements through Junior Achievement. There were 135 participants.

October 30, 2013

CSBS announced that the Department has received a certificate of accreditation, verifying that the Department maintains the highest standards and practices in state banking supervision set by the CSBS Accreditation Program. This is the Department's fifth consecutive accreditation. "I'm happy to congratulate Commissioner Charles Cooper and his staff on receiving re-accreditation," said John W. Ryan, President and CEO of CSBS. "For the last 20 years the Texas Department of Banking has maintained the highest standards of bank supervision in the country and the Department has set an example for others to follow."



The CSBS Accreditation Program involves a comprehensive review of the critical elements that assure a banking department's ability to discharge its responsibilities. This is done through an investigation of all department operations including, administration and finance, personnel, training, examination, supervision, and legislative powers.

November 1, 2013

Supervisory Memorandum 1036 was issued and outlined the policy of the Texas Department of Banking with regard to background checks that are performed in relation to money services businesses in accordance with the Department's statutory duties. The memorandum provides guidance to MSB license holders on filing a certification in lieu of having the Department review a person's background.

After three years of continuous licensure, instead of providing the background check documents for a new officer to the Department for review and approval, an MSB may file a certification form that attests to the fact that the MSB has performed the necessary background check review itself.



**Service
Corporation
International**

December 2013

Service Corporation International, Houston, Texas, the largest funeral-care provider in North America, finalized its acquisition of its largest competitor, Stewart Enterprises, Inc., Jefferson, Louisiana. The Federal Trade Commission is currently in the process of finalizing the review of the acquisition and has proposed an order to require divestitures of several grouping of funeral homes and cemeteries which includes six funeral home and cemetery locations in Texas. It is estimated that the combined entity owns approximately 20% of all funeral homes and cemeteries in U.S.



December 2013

The Department's on-site examinations of prepaid funeral contract (PFC) sellers and perpetual care cemeteries (PCC) have continued to reveal the consistent increase in the cremation rate. It is estimated that Texas has a current cremation rate of approximately 35% and is expected to increase to at least 40% by 2016. Although monetary costs is a primary factor in individuals opting for cremations, the increase in cremation memorialization options made available by the funeral industry to loved ones is another factor. PFC sellers and PCC operators have experienced reduced profit margins as the estimated national funeral cost average is approximately \$8,500.00 compared to less than \$3,000.00 for cremation services.



December 6, 2013

Commissioner Charles G. Cooper confirmed today that First National Bank in Graham, Texas completed its conversion to a state-chartered bank.

Prior to completing the conversion, two affiliate banks merged with First National Bank. As a result of the conversion, the bank changed its name to Ciera Bank.

Ciera Bank's combined operation is a \$495 million bank with eight locations, including the main facility in Graham. The institution has a long standing history dating back to 1890 and will continue to be a Federal Reserve member bank.

December 20, 2013

Texas Community Bank, National Association, Laredo, Texas converted to a state-chartered bank. As a result of the conversion, the Federal Reserve member bank will operate under the name of Texas Community Bank.

The financial institution is a wholly owned subsidiary of Vision Bancshares, Inc., a one-bank holding company. The \$1.2 billion bank was originally chartered in 1983 under the name Somerset National Bank. In 2003, the name was changed to Texas Community Bank, National Association and the headquarters was later moved to Laredo, Texas. Today, the bank operates nine locations and fourteen ATMs in the following areas: Laredo, Del Rio, Brownsville, McAllen, Somerset, and San Antonio.



December 23, 2013

Department of Banking announced today that SharePlus Federal Bank, Plano, Texas converted to a state-chartered bank. As a result of the conversion, the entity will operate under the name of SharePlus Bank. The bank will be a member of the Federal Reserve.

The Plano-based financial institution was originally chartered in 1958 as a federal credit union to serve the employees and family members of Frito-Lay, Inc. The federal credit union converted to a federal mutual savings bank on October 1, 2004, and then converted to a stock federal savings bank on October 29, 2010.



December 30, 2013

Menard National Bank, Menard, Texas converted to a state-chartered bank. Effective at the open of business today, the bank will commence operating under the name Menard Bank.

The bank was originally chartered in 1919 in Menard, Texas, where it remains today. The \$32.3 million financial institution is a wholly owned subsidiary of Menard Bancshares, Inc., a one-bank holding company.



Looking Down the Road

Corporate Division

The mission of the Corporate Division is to process filings and maintain official corporate records for the Department in a timely, effective and accurate manner, while ensuring statutory requirements are met.

Over the past ten years, the Corporate's responsibilities have expanded beyond processing filings for just bank and trust related entities. The Corporate's responsibilities now include processing filings for banks, trust companies, MSBs, private child support enforcement agencies, check verification entities and cemetery brokers. Corporate processed a total of 336 filings in 2013 of which approximately 72% were bank and trust related filings.

The types of filings processed by Corporate are evolving

over time as well. The volume of branch related

filings processed peaked in 2007 falling to less than a quarter of the 2007 height in 2012. In addition, chartering activity dropped precipitously following the onset of the Great Recession of 2008-2009. On the other hand, the volume of bank conversion and merger filings has been in an uptrend since the lows reached in 2010 following the Great Recession. Additionally, the volume of MSB applications has climbed steadily since 2009 as the U.S. payments systems evolve and the participants involved continue to change.

At a Glance

Processes filings and maintains official corporate records for the Department

Total Staffing:
7 Full-time employees

Corporate Activities for 2013

Banks and Bank-Related	197
Foreign Banks	1
Trust Companies	11
MSBs	21
PCSEAs	3
CVEs	4
Other (Use of Name)	67
Total	304



Bank & Trust Division

The Bank and Trust Division is entrusted with ensuring the safety and soundness of the banks, trust companies and foreign bank offices chartered by the agency to conduct business in Texas and other states. The Division fulfills this important directive primarily through on-site examination.

Overall, the Texas banking industry fared very well in what many are now calling the Great Recession. The downturn in the Texas economy, which began in 2008, placed extreme stresses on many borrowers across the state, which during more prosperous economic times, may have been able to repay their loans according to the original terms. However, marginal credit underwriting could not withstand the pressures of falling sales and depressed real estate values. The result was an increase in troubled assets that in some institutions was overwhelming to the point that the institution became a problem bank. Across the state, problem banks increased from twelve in early 2008 to 58 in 2010, placing pressure on bank management and the agency's examination staff. Since the peak in 2010, however, gradual improvement in the Texas economy and diligent work by the industry have resulted in greatly improved bank financials. Problem banks, which now total 15, are almost reduced to pre-crisis levels. However, the Texas banking industry remains challenged by thin margins associated with historically low interest rates, a lack of quality loan demand, management succession concerns, and an ever-increasing federal regulatory burden.

Texas trust companies and bank trust departments have also been challenged by low fixed-income investment returns on trust funds, new funds coming into the industry and a highly competitive environment. The industry, however, has benefited from greatly improved equity capital markets and a resulting increase in fee income. Trust administration continues

to demonstrate high professional expertise and overall effective management.

To effectively evaluate the diverse and often complex financial institutions under its directive, the Bank and Trust Division employs many specialists in areas such as trust, information technology, capital markets, and Bank Secrecy Act compliance to name a few.

The dedicated individuals of the Division stand ready to address the challenges created by new products, services and changes in technology brought about by an evolving financial services sector.

At a Glance

Oversight and Supervision of:
Commercial State-Chartered Banks
and Trust Companies

Total Staffing:

116 Full-time employees
3 Part-time employees

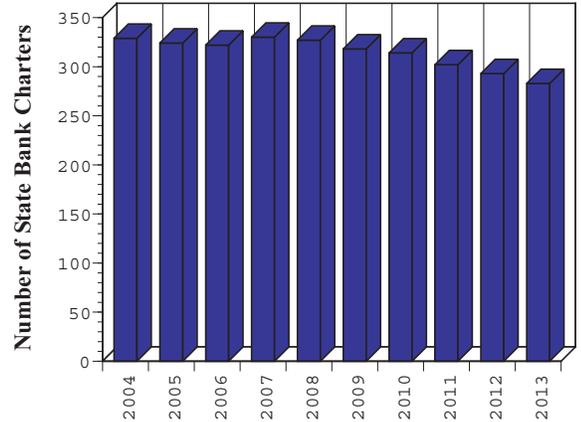
327 examinations performed in
calendar year 2013

139 Safety and Soundness
128 IT
60 Trust

Texas State-Chartered Bank Statistics

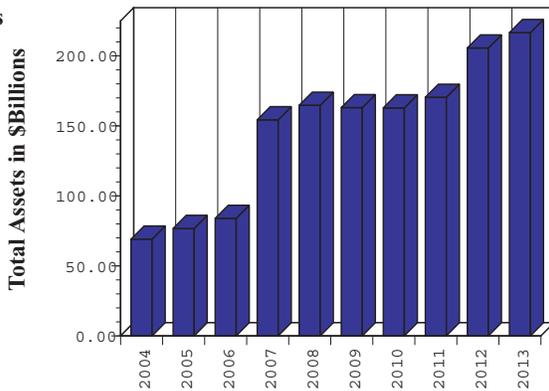
Number of State Banks in Texas

Year	#
2004	329
2005	324
2006	322
2007	330
2008	327
2009	318
2010	314
2011	302
2012	293
2013	283



Assets Held by State Banks in Texas

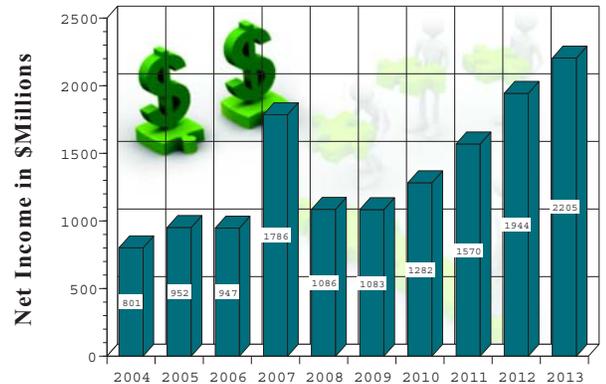
Year	Billions
2004	\$ 69.1
2005	\$ 76.7
2006	\$ 83.9
2007	\$154.3
2008	\$164.7
2009	\$163.0
2010	\$162.8
2011	\$170.4
2012	\$205.6
2013	\$216.6



Texas State-Chartered Banks

Net Income

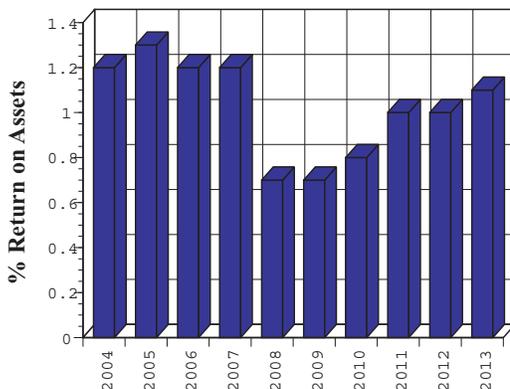
Year	Millions
2004	\$801
2005	\$952
2006	\$947
2007	\$1,786
2008	\$1,086
2009	\$1,083
2010	\$1,282
2011	\$1,570
2012	\$1,944
2013	\$2,205



Texas State-Chartered Banks

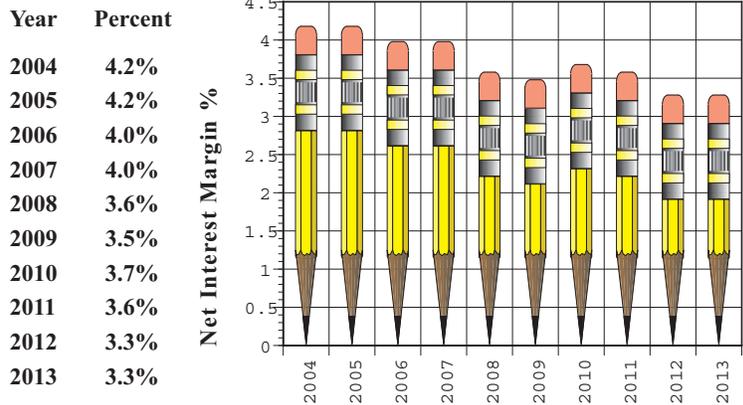
Annual Return on Assets

Year	Percent
2004	1.2%
2005	1.3%
2006	1.2%
2007	1.2%
2008	0.7%
2009	0.7%
2010	0.8%
2011	1.0%
2012	1.0%
2013	1.1%



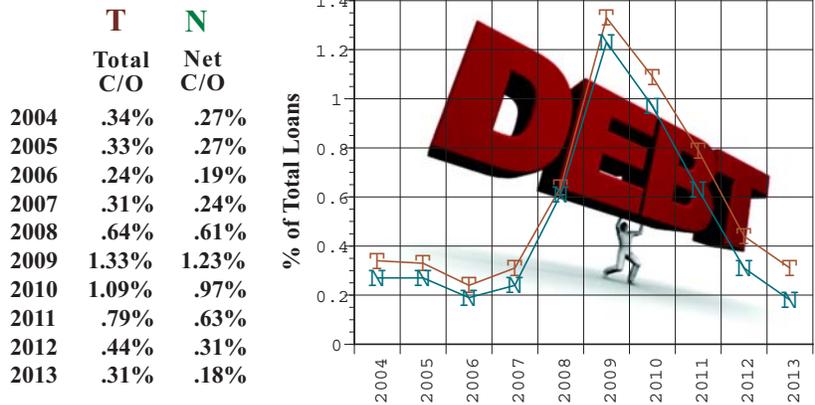
Texas State-Chartered Banks

Net Interest Margin



Texas State-Chartered Banks

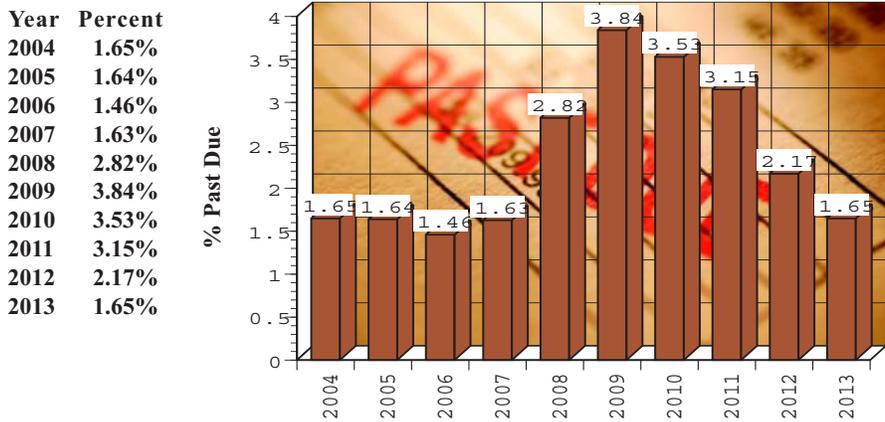
Annual Percent of Total and Net Charge-offs



Texas State-Chartered Banks

Delinquency Rates - Total Loans

Includes Nonaccrual Loans





Banker Examination Survey Results

As part of the ongoing effort to improve on-site examinations and the examination report process, the banking commissioner solicits input regarding the supervision provided by the Department through a survey to banks and trust companies. The survey's goal is to help target areas for improvement and to identify those parts of the existing examination process that work well. Surveys are mailed to each bank or trust company within 30 to 45 days after the completion of an examination. The survey contains 19

questions covering three areas: the examination process, examination reports, and the examination scope and correspondence.

For fiscal year 2013, 282 surveys were mailed and 196 responses were received for a 69.5% response ratio. Overall, the responses complimented the examining staff's professionalism and knowledge. Positive responses exceeded 88% in all categories.

COMMISSIONER'S BANKING EXAMINATION SURVEY RESULTS COMPARISON 2012 to 2013

196 Responses or 69.5% Response Rate - 2013

191 Responses or 71.8% Response Rate - 2012

CONSOLIDATED ALL REGIONS, TRUST & IT

I. EXAMINATION PROCESS

1. The examiners clearly communicated the examination scope and goals to management prior to the start of the examination.

# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
196	2013	70%	29%	1%			
191	2012	74%	26%				

2. The examiners requests for information prior to and during the examination were timely and reasonable.

196	2013	65%	33%	1%			1%
191	2012	74%	25%	1%			

3. The examination team acted in a professional and courteous manner during the examination.

196	2013	84%	16%				
191	2012	88%	12%				

4. The examiners communicated with management throughout the examination.

196	2013	76%	24%				
191	2012	78%	21%				1%

5. The examiners are informed of current industry issues and were knowledgeable of your bank.

196	2013	58%	38%	1%			3%
191	2012	66%	30%				4%

6. In what areas, if any, do you feel the examiners need additional training or education? Attach additional paper if necessary:

196	2013						
191	2012						

Survey Results (cont.)

	# of Responses	Year	Strongly Agree	Agree	No / Disagree	Strongly Disagree	Yes	No Opinion
7. The examiners remain focused on the key issues confronting your institution.	196	2013	61%	38%	1%			
	191	2012	68%	30%	1%			1%
8. The examiners clearly and effectively communicated their findings and concerns at the exit and board meetings.	196	2013	72%	26%				2%
	191	2012	75%	24%				
9. Conclusions regarding the bank's condition were well supported.	196	2013	66%	32%	1%			1%
	191	2012	68%	31%	1%			
10. Recommendations for corrective actions were reasonable.	196	2013	52%	38%	2%			8%
	191	2012	62%	30%	1%			7%
11. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with exam policy?	196	2013	88%				3%	9%
	191	2012	96%				1%	3%
			NO				YES	

II. EXAMINATION REPORTS

	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examination report was received in a timely fashion.	196	2013	65%	31%	3%			1%
	191	2012	72%	25%	1%			2%
2. The report of examination clearly communicates the examination findings and provides useful information.	196	2013	67%	30%	1%			2%
	191	2012	71%	26%	1%			2%
3. The tone and content of the report of examination is consistent with the board and/or exit meetings.	196	2013	73%	24%	1%			2%
	191	2012	73%	23%	2%			2%

III. EXAMINATION SCOPE AND CORRESPONDENCE

	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examination was conducted without placing an undue burden on the institution.	196	2013	48%	49%	2%			1%
	191	2012	61%	37%	1%			1%
2. The on-site portion of the examination was completed in a reasonable timeframe.	196	2013	62%	36%	1%			1%
	191	2012	73%	25%		1%		1%
3. The use of pre-examination time through gathering documents and working off-site worked well and saved the bank time.	196	2013	59%	39%	1%			1%
	191	2012	73%	26%				1%
4. The Regional Office and Headquarters staff were readily accessible and helpful to discuss exam findings.	196	2013	61%	33%				6%
	191	2012	67%	24%				9%



SPECIAL AUDITS

The industries regulated by the Special Audits Division continue to evolve as the economy, expanding regulations, and technological advances impact business models and strategies.

For the MSB industry, 2013 brought forth the rise in popularity of virtual or digital currencies. Traditional brick and mortar MSBs have given way to entities that can provide consumers the ability to conduct transactions online, maintain mobile wallets and/or mobile payment systems through the use of smartphones, and prepaid access card products. As new MSB products and methods of conducting commerce are introduced,

the Department must analyze and understand each unique product to determine if licensure is required under Chapter 151 of the Texas Finance Code.

The death care industry have been impacted by the impact of the low interest rate environment on trust-funded funeral contracts, shifting revenues from traditional funeral services to cremation, and the impact of the Texas drought on cemetery maintenance. The industry experienced an increase in mergers and consolidations in order to maintain profitability.

At a Glance

Oversight and Supervision of:
Prepaid Funeral Contract Sellers
Perpetual Care Cemeteries
Money Services Businesses

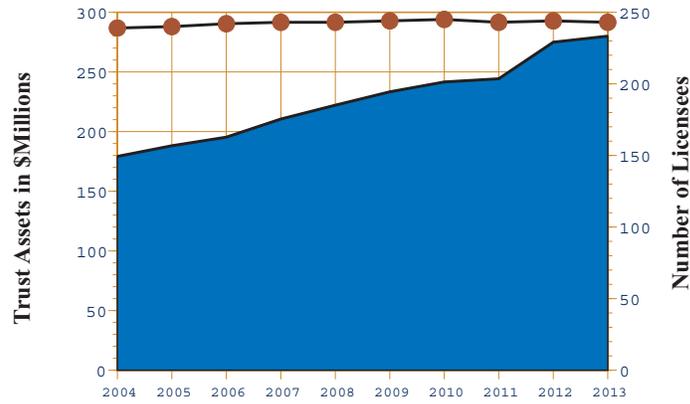
Total Staffing:
20 Full-time employees

591 examinations performed in 2013

261 PFC
233 PCC
97 MSB

Perpetual Care Cemeteries

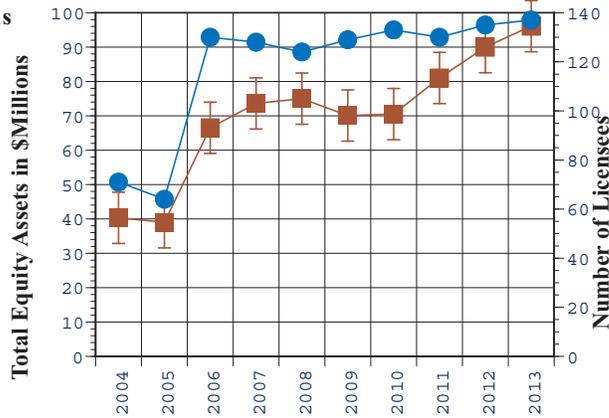
Year	Millions
2004	\$179.2
2005	\$188.2
2006	\$195.3
2007	\$210.6
2008	\$222.1
2009	\$233.3
2010	\$241.6
2011	\$243.0
2012	\$274.8
2013	\$279.7



Year	Licenses
2004	239
2005	240
2006	242
2007	243
2008	243
2009	244
2010	244
2011	243
2012	243
2013	243

Money Services Business Trends

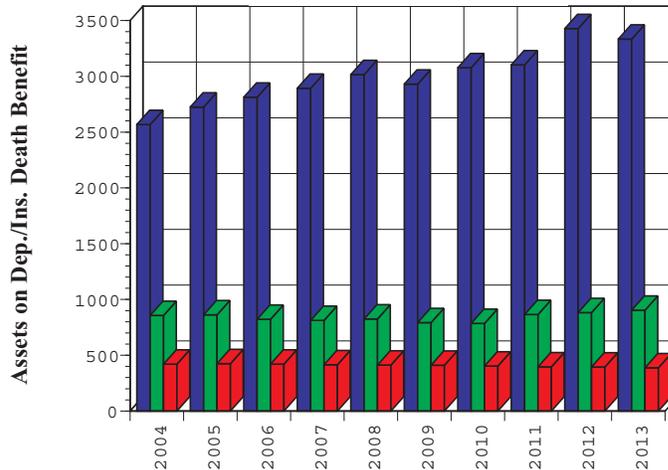
Year	Millions
2004	\$40.3
2005	\$39.0
2006	\$66.5
2007	\$73.6
2008	\$75.0
2009	\$70.1
2010	\$70.5
2011	\$81.0
2012	\$90.0
2013	\$96.1



Year	Licenses
2004	71
2005	64
2006	130
2007	128
2008	124
2009	129
2010	133
2011	130
2012	135
2013	137

Prepaid Funeral Contracts

Year	Millions
2004	\$2,567.6
2005	\$2,725.0
2006	\$2,813.0
2007	\$2,893.4
2008	\$3,015.2
2009	\$2,930.3
2010	\$3,076.3
2011	\$3,101.9
2012	\$3,426.6
2013	\$3,334.0



Year	Contracts (Thousands)
2004	856
2005	863
2006	823
2007	813
2008	825
2009	792
2010	803
2011	865
2012	883
2013	903

Number of Licenses 421 424 421 415 412 410 403 396 395 387

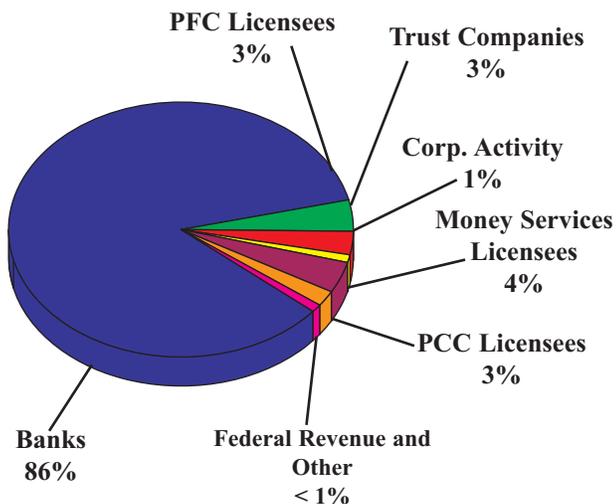
UNAUDITED

TEXAS DEPARTMENT OF BANKING (451)

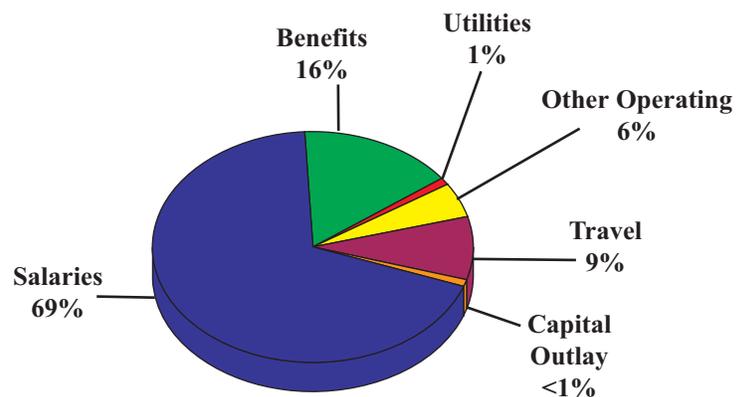
For the Fiscal Year Ended August 31, 2013

	Governmental Funds Total
	<hr/>
EXPENDITURES:	
Salaries and Wages	15,677,780.61
Payroll Related Costs	3,631,938.80
Professional Fees and Services	87,750.48
Travel	1,920,579.81
Materials and Supplies	304,364.13
Communications and Utilities	302,420.01
Repairs and Maintenance	89,581.27
Rentals and Leases	289,040.10
Printing and Reproduction	7,608.41
Other Expenditures	477,477.84
Capital Outlay	11,247.16
Total Expenditures	<hr/> <u>\$22,799,788.62</u>

2013 Collected Revenues



2013 Expenses



Department of Banking Organizational Chart

December 2013



Statement of Financial Condition

State-Chartered Banks in Texas

(in millions)

	Dec. 2013	Dec. 2012	Dec. 2011	Dec. 2010
NUMBER OF INSTITUTIONS	283	293	302	314
ASSETS				
Interest Bearing Balances	\$ 17,023	\$ 15,138	\$ 10,299	\$ 8,297
Federal Funds Sold	991	1,404	1,492	1,652
Trading Accounts	362	644	1,176	479
Securities	56,838	55,809	43,365	38,750
Total Loans	122,867	115,115	99,778	99,896
Less: Allowance for Loan Losses	(1,602)	(1,637)	(1,650)	(1,903)
Premises and Fixed Assets	3,579	3,346	2,901	2,889
Other Assets	16,496	15,791	13,029	12,527
<i>Total Assets</i>	\$216,554	\$205,610	\$170,390	\$162,587
LIABILITIES AND CAPITAL				
Total Deposits	\$ 181,010	\$ 169,154	\$ 138,510	\$ 129,396
Federal Funds Purchased & Repos	3,397	3,486	2,881	3,297
Trading Liabilities	104	475	407	405
Other Borrowed Funds	4,552	5,748	5,355	8,108
All Other Liabilities	3,706	4,283	4,041	3,573
Equity Capital	23,785	22,464	19,196	17,808
<i>Total Liabilities and Equity Capital</i>	\$216,554	\$205,610	\$170,390	\$162,587
RATIOS				
Yield on Earning Assets	3.61%	3.65%	4.19%	4.48%
Net Interest Margin	3.30%	3.26%	3.58%	3.67%
Return on Assets	1.06%	1.00%	0.97%	0.79%
Net Charge-offs to Loans	0.19%	0.32%	0.65%	0.97%
Assets Per Employee (\$million)	5.16	5.17	4.77	4.50
Loss Allowance to Loans	1.30%	1.42%	1.65%	1.91%
Equity Capital to Assets	10.98%	10.92%	11.27%	10.94%
Total Risk-Based Capital Ratio	14.62%	14.70%	15.50%	15.19%

Statement of Income

State-Chartered Banks in Texas

(in thousands)

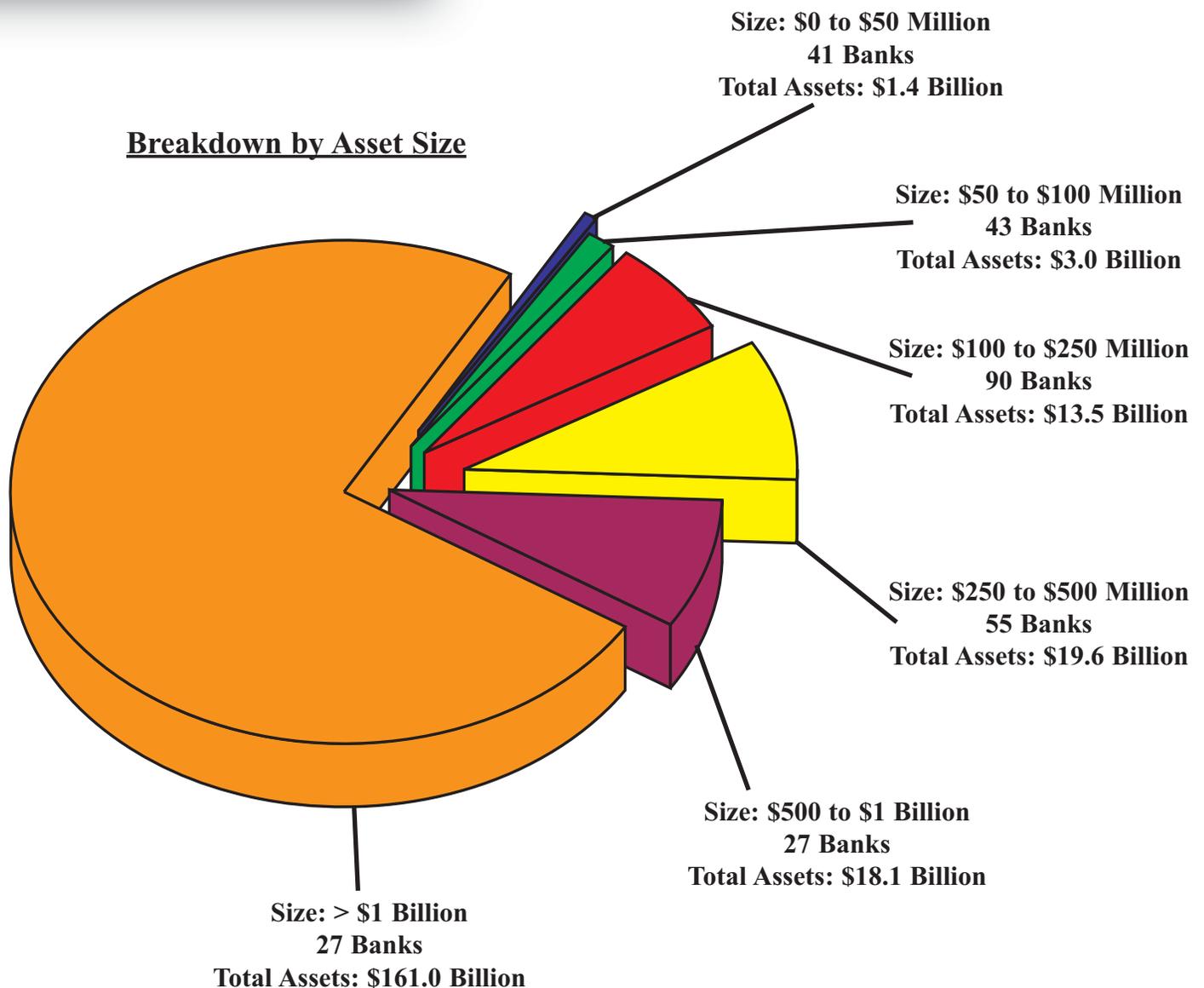
	Dec. 2013	Dec. 2012	Dec. 2011	Dec. 2010
INTEREST INCOME				
Loans	\$ 5,523,328	\$ 5,118,202	\$ 4,893,047	\$ 5,216,352
Lease Receivables	46,301	40,193	39,276	59,465
Due From Depository Institutions	50,046	45,413	43,102	48,872
Securities	1,197,888	1,226,668	1,153,216	1,213,095
Trading Assets	2,502	3,349	12,665	1,704
Federal Funds Sold	3,544	3,901	6,769	6,148
<i>Total Interest Income</i>	6,823,609	6,437,726	6,148,075	6,545,636
INTEREST EXPENSE				
Deposits	452,215	526,977	703,064	951,857
Federal Funds Purchased	38,308	46,117	54,245	63,136
Borrowings	54,121	69,158	92,419	128,177
Subordinated Notes	41,141	44,424	41,977	39,306
<i>Total Interest Expense</i>	585,786	686,676	891,705	1,182,476
Net Interest Income	6,237,823	5,751,050	5,256,370	5,363,160
Provision for Loan Loss	233,551	256,865	459,468	1,006,544
NONINTEREST INCOME				
Service Charges on Deposit Accts.	682,407	665,611	614,859	652,920
Other Noninterest Income	2,205,736	1,493,078	1,588,678	1,550,699
<i>Total Noninterest Income</i>	2,888,143	2,158,689	2,203,537	2,203,619
NONINTEREST EXPENSE				
Salaries and Benefits	3,402,625	2,851,755	2,722,777	2,672,279
Premises and Equipment	757,931	679,004	681,202	690,485
All Other Noninterest Expense	1,904,946	1,733,070	1,637,185	1,690,451
<i>Total Noninterest Expense</i>	6,065,502	5,263,829	5,041,164	5,053,215
Pre-Tax Net Operating Income	2,826,913	2,389,045	1,959,275	1,507,020
Securities Gains/(Losses)	53,776	139,078	74,837	113,820
Applicable Income Taxes	(674,474)	(580,761)	(473,233)	(354,754)
Extraordinary Gains - Net	73	(1,658)	4,120	17,663
NET INCOME	\$ 2,206,288	\$ 1,945,704	\$ 1,564,999	\$ 1,176,385



Financial Information on State-Chartered Banks in Texas

By: Size, Number, and Total Assets

Breakdown by Asset Size



Information as of December 2013 obtained from the FDIC database

Newest State Banks, Private Child Support Enforcement Agencies, and Money Services Businesses

State Bank Conversions

First Bank & Trust, Seymour
May 2013

First Bank, Whitney
June 2013

Vantage Bank Texas, San Antonio
August 2013

Ciera Bank, Graham
December 2013

Texas Community Bank, Laredo
December 2013

SharePlus Bank, Plano
December 2013

Menard Bank, Menard
December 2013

Private Child Support Enforcement Agency

The Theothos Corporation, Austin
November 2013

Money Services Businesses

Roberto Escalante, Laredo
February 2013

Associated Foreign Exchange, Inc., Encino, CA
March 2013

Plastic & Paper Investments, LLC, Houston
April 2013

World First USA, Inc., Arlington, VA
May 2013

PayNearMe MT, Inc., Sunnyvale, CA
May 2013

Comdata TN, Inc., Brentwood, TN
June 2013

Nationwide Biweekly Administration, Inc., Xenia, OH
June 2013

E&F Enterprises, LLC, El Paso
August 2013

Visa Digital Services, Inc., Foster City, CA
September 2013

Hashi Money Wiring, LLC, SeaTac, WA
October 2013

Transfermate, Inc., Chicago, IL
October 2013

Intuit Payments Inc., Mountain View, CA
October 2013

IDT Payment Services, Inc., Newark, NJ
November 2013

Internet Escrow Services, Inc., Rancho Santa Margarita, CA
December 2013

Top 20 Largest Texas State-Chartered Banks

December 2013



Bank Name/City	Total Assets (thousands)
Comerica Bank, Dallas	\$65,201,888
Frost Bank, San Antonio	\$24,372,376
Prosperity Bank, El Campo	\$18,638,685
International Bank of Commerce, Laredo	\$9,829,860
PlainsCapital Bank, Dallas	\$8,383,561
Southside Bank, Tyler	\$3,438,848
Happy State Bank, Happy	\$2,445,872
TIB The Independent BankersBank, Irving	\$2,184,373
Independent Bank, McKinney	\$2,162,074
City Bank, Lubbock	\$2,158,336
American Bank of Texas, Sherman	\$2,082,318
Texas Bank & Trust Company, Longview	\$1,906,390
Legacy Bank of Texas, Plano	\$1,814,370
United Central Bank, Garland	\$1,421,082
First State Bank Central Texas, Austin	\$1,313,153
Southwest Bank, Fort Worth	\$1,295,797
Patriot Bank, Houston	\$1,273,644
North Dallas Bank & Trust Co., Dallas	\$1,217,670
Texas Community Bank, Laredo	\$1,211,652
Jefferson Bank, San Antonio	\$1,184,519
<i>Total</i>	\$153,536,468
<i>Percentage of Total Texas State-Chartered Banking Assets</i>	70.9%

Top 10 Largest Texas State-Chartered Trust Companies

December 2013

Trust Company Name/City	Total Assets (thousands)
Hand Benefits & Trust Company, Houston	\$16,125,253
The Houston Trust Company, Houston	\$ 4,420,271
Westwood Trust, Dallas	\$ 3,432,586
Austin Trust Company, Austin	\$ 2,678,483
Sentinel Trust Company, L.B.A., Houston	\$ 2,570,597
Kanaly Trust Company, Houston	\$ 2,127,769
Turtle Creek Trust Company, Dallas	\$ 1,691,449
The Trust Company, San Antonio	\$ 1,685,698
Woodway Financial Advisors, Houston	\$ 1,530,993
Salient Trust Co., LTA, Houston	\$ 1,208,479
	<i>Total</i> \$37,948,797
<i>Percentage of Total Texas State-Chartered Trust Assets</i>	96.1%



Closed Account Notification System (CANS)

Transaction Count (March 1, 2008 to December 31, 2013)

	Submitted
Texas State-chartered Banks	2,673
Texas State-chartered Savings Banks	114
Federal Savings Institutions	301
State Credit Unions	2,158
Federal Credit Unions	2,197
National Banks	1,273
Out of State State-chartered Banks	3
Out of State National Banks	101
	8,820





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Susan H. Burton
(Public Member)

William (Will) M. Lucas
(Savings Executive)

Victor E. Leal
(Public Member)

Stacy G. London
(Residential Mortgage Loan
Originator Executive)

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(CPA/Public Member)

Lori B. McCool
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(Public Member)

Larry Patton
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