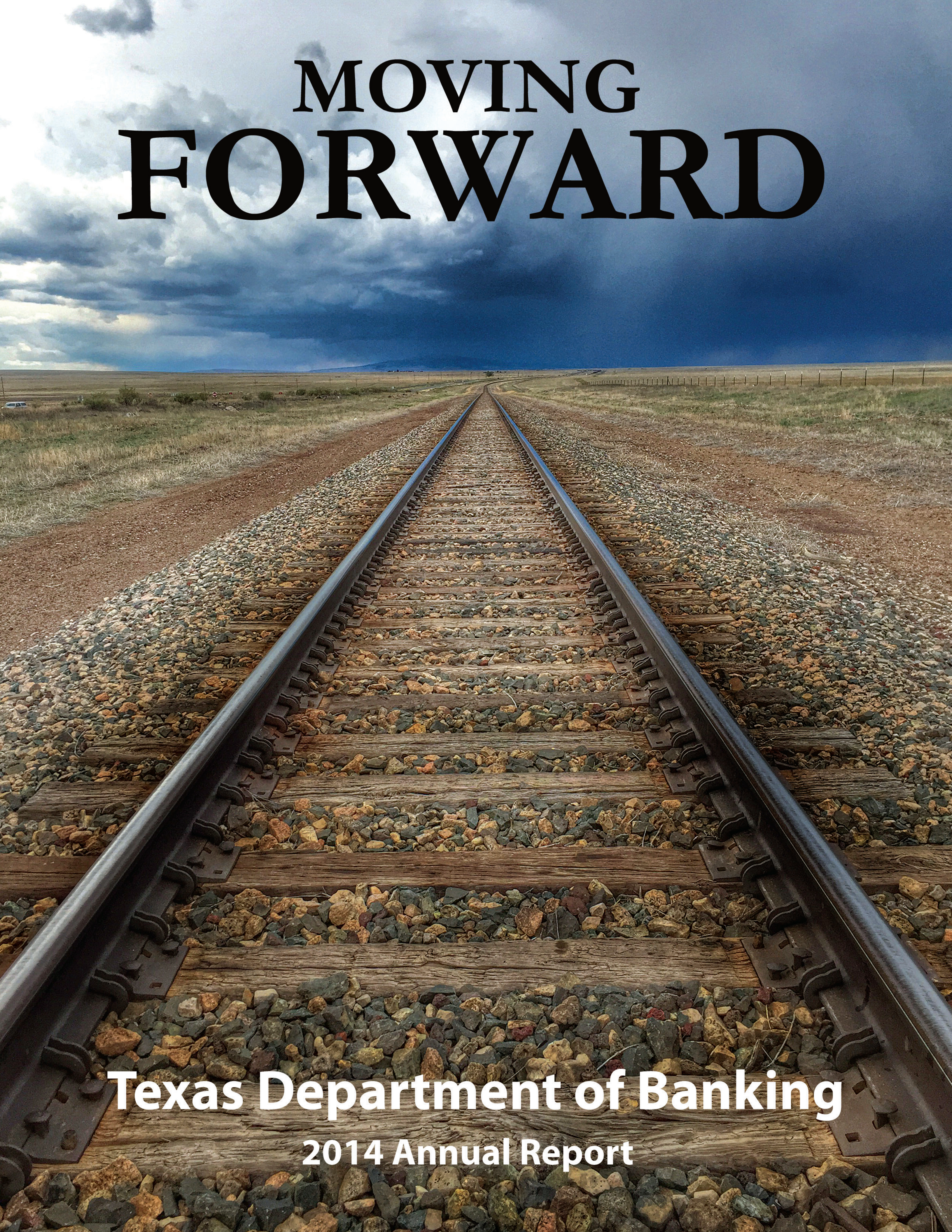


MOVING FORWARD

Texas Department of Banking

2014 Annual Report

Mission

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

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 and maintain consistent and prudent regulatory standards;

Communicate effectively;

Foster teamwork while encouraging individual excellence and career development;

Provide a desirable work environment that values cultural and individual differences;

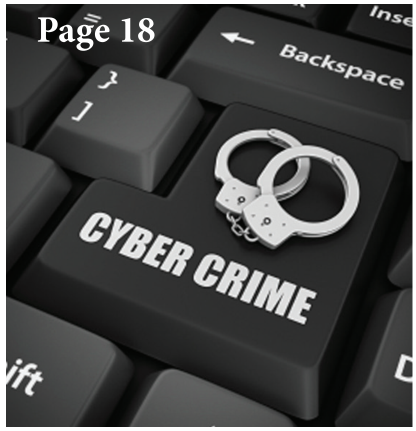
Seek input from and be responsive to the public, our supervised entities, and State leadership; and

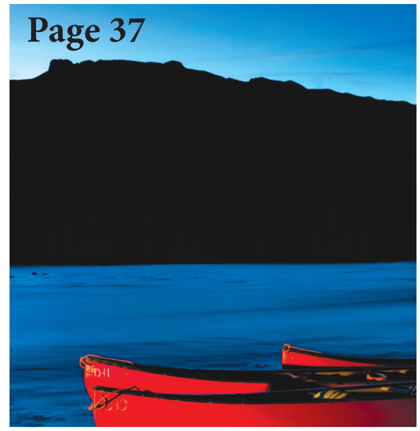
Adhere to the principal of "Tough but Fair" regulatory oversight.

The Texas

DEPARTMENT OF BANKING

2014 Annual Report





Divisions

8 Overall Banking Industry
11 Regional Outlook
21 Special Audits
23 Corporate Activities
26 Legal
28 Strategic Support
30 Administrative Services
31 Information Technology

Features

7 Year in Review
14 Banker Examination Survey Results
18 Future Cybersecurity Examinations
32 Department Financials
33 Organizational Chart
34 State Bank Financials
37 Newest Entities
38 Top 10 State Banks / Trust Companies

Cover page photo courtesy of: Dr. Chad Perry, DDS

Headquarters

Texas Department of Banking
2601 North Lamar Blvd.
Austin, TX 78705-4294
512-475-1300
512-475-1313 Fax
www.dob.texas.gov

This publication produced by:

Editor:
Wendy Rodriguez

Graphics & Layout
Philip Lena

Photos:
Courtesy of Texas
Department of Transportation

Message from the Commissioner

Over the years, we have had the opportunity to work closely with our regulated entities and hope each industry we regulate understands the Department's dedication and commitment. We believe that offering our support for initiatives that reduce regulatory burden and reinforce the fundamentals of each underlying business is necessary for economic development, job creation, and financial stability. Preservation of the Texas financial services system and our pledge to support practices that cultivate a dynamic and safe environment has long been our mission.

For these reasons we support the innovation and opportunities afforded by the dual banking system. But it is not the only the banking industry that is innovative and adaptive. In just my tenure as Banking Commissioner alone, the money services business industry has evolved and developed new products and services we could not have imagined five or ten years ago. Technology has changed the way we conduct our daily lives pushing us all to reassess not only our business models but also to reinforce the importance of cybersecurity.

In 2014, the Department deepened its initiative aimed at improving cybersecurity awareness and preparation. I am very pleased to have been a part of the Executive Leadership of Cybersecurity outreach event in December, which provided bankers a forum to discuss and assess the challenges and threats that have quickly become commonplace in our daily business operations. Keynote speaker, Deputy Treasury Secretary Sarah Bloom Raskin, joined the outreach program and emphasized the need for developing and maintaining effective cybersecurity programs. Walking away from the event that day reminded many that we are no longer isolated from the rest of the world – we are global and need to be prepared for these attacks.

The economic temperament in Texas can be like the weather – unpredictable. The Texas economy began 2014 with improved conditions for banks and positive economic indicators. The energy sector was the bright star, providing a boost to the state's employment and tax base. Businesses impacted by the energy sector rallied with economic activity and oil prices were above $100/barrel. However, as the year progressed and mid-summer hit, oil prices began to decline. There was little ageist over the decline and it was business as usual. By the fall, it became apparent that prices were not rebounding and on the last day of the year, the price was virtually cut in half from the previous high only six months earlier. Although easier said than observed, it is important to remember that oil is only one factor in a diverse Texas economy. Only time will tell how the energy sector will respond.

Looking back in the rear-view mirror at 2014, I believe it is a good time to remind ourselves not to become complacent. Change is always just around the corner, and in the end, the one constant we all share is change. Due diligence and monitoring are fundamental practices crucial to any business in order to be prepared for the next whirlwind that demands our attention.

Charles G. Cooper
Banking Commissioner

Department of Banking

BY THE NUMBERS

DECEMBER 31, 2014

267
STATE-CHARTERED BANKS
WITH $235.4 BILLION
IN ASSETS

386
PREPAID FUNERAL LICENSEES
OVERSEE 863,363 CONTRACTS
WORTH $3.4 BILLION

21
TRUST
COMPANIES
WITH $96.9
BILLION
IN ASSETS

242
PREPAID CARE
CEMETERIES
WITH $291.4
MILLION
IN TRUST
ASSETS

10
FOREIGN BANK AGENCIES
WITH $87.1 BILLION
IN ASSETS

141
MONEY SERVICE
BUSINESSES
WITH $96.4
BILLION
IN ASSETS
THAT TRANSMIT
$84.5 BILLION
ANNUALLY


2008
2009
2010
2011
2012
2013
2014

YEAR IN REVIEW

January 15, 2014 - The Texas Department of Banking announced that American Momentum Bank completed the process of converting its state charter from Florida to Texas. Concurrently, American Momentum Bank moved its headquarters from Tampa, Florida to College Station, Texas.

April 3, 2014 - Commissioner Charles G. Cooper issued Supervisory Memorandum 1037, Regulatory Treatment of Virtual Currencies under the Texas Money Services Act. The memorandum was issued to provide clarity and regulatory certainty for businesses and individuals engaged in the rapidly growing area of virtual currencies.

April 10, 2014 - The Texas Department of Banking launched a redesigned website that features more information, easier navigation and improved accessibility. Users now have the ability to download fillable forms, submit questions via a web form and translate the site in several languages. Mobile and tablet users can enjoy the site's user-friendly, responsive design and enhanced on-the-go functionality.

June 12, 2014 - Commissioner Charles G. Cooper was elected as Vice Chair to the 2014-2015 Conference of State Bank Supervisors (CSBS) Board of Directors. He also serves on the CSBS Executive Committee.

July 23, 2014 - Texas Department of Banking notified 14 merchants that they were in violation of Texas law and must immediately cease imposing illegal surcharges on debit card purchases. The merchants were also instructed to provide refunds to customers who come into their restaurants and present evidence that they were forced to pay illegal surcharges on debit card purchases.

September 5, 2014 - Commissioner, Charles G. Cooper issued a Consent Removal Order against Diane R. Parker, a director and vice-president of The Elkhart State Bank, Elkhart, Texas, and a director and vice-president of Elkhart Bancorporation, Inc. Diane R. Parker was removed as director and vice-president and from any other employment by The Elkhart State Bank, Elkhart, Texas and as director and vice-president of Elkhart Bancorporation, Inc.

September 12, 2014 - Commissioner, Charles G. Cooper issued a Consent Order against Belinda Allee and James R. "Randy" Allee, former owners of the Callaway-Allee Funeral Home in Crockett, Texas. The Consent Order was based on the Commissioner's finding that the Allees violated Texas Finance Code Chapter 154 by misappropriating funds paid to the Allees for prepaid funeral benefits. The Commissioner found that from 1998 to 2013, the Allees sold prepaid funeral benefits but failed to transmit $380,270 collected from purchasers to the insurance company that was to issue policies to provide the benefits at the time of need.

September 18, 2014 - Banking Commissioner Charles G. Cooper issued a Consent Order Prohibiting Further Participation (Prohibition Order) against Shang-Kuan Tsai a/k/a Scott Tsai, a former chairman of the board of directors and an officer of United Central Bank, Garland, Texas, (UCB) and a director on the board of its bank holding company, Central Bancorp, Inc. On August 31, 2014, UCB merged into Hanmi Bank, Los Angeles, California.

October 20, 2014 - Banking Commissioner Charles G. Cooper issued Consent Orders relating to SMART Payment Plan, LLC of Naples, Florida. SMART Payment Plan provides bill payment services for Texas consumers, mostly in conjunction with car payments. The Consent Orders were based on the Commissioner's finding that SMART Payment Plan violated Texas Finance Code Chapter 151 by conducting money transmission without a license to do so.

December 2014 - Oil prices fell by nearly 50% in the second half of 2014 as a flood of crude from U.S. shale disrupted the global oil market. U.S. oil prices began the year above $90 a barrel and rose slowly through the spring; the price of a barrel of West Texas Intermediate crude, the oil benchmark in the U.S., peaked at $107 in June.

December 1, 2014 - Banking Commissioner Charles G. Cooper, issued an Emergency Order to Seize Prepaid Funeral Records against Belinda Allee, James R. "Randy" Allee and James "Jamie" Allee II. Belinda and Randy Allee are the former owners of the Callaway-Allee Funeral Home in Crockett, Texas.

December 30, 2014 - Commissioner Charles G. Cooper announced that Farmers National Bank of Newcastle located in Newcastle, Texas has completed its conversion to a Texas state-chartered bank. As a result of the conversion, the bank is changing its name to Farmers State Bank of Newcastle.

Overall Banking Industry in 2014

Bank and Trust Supervision Division

In many ways, the Texas banking industry mirrored the general economic climate, showing consistent and sustained growth and improvement in critical areas, while causing some uneasiness and nail biting regarding a few developing problems.

Economic signals pointed to a Texas economy that continued the steady growth patterns of 2013. Most experts agreed that the Texas economy outpaced the national economy. The labor market, manufacturing, retail sales, service industries and real estate all showed positive signs of growth, increasing demand, and increasing prices throughout 2014. While most segments showed steady gains, the agricultural sector experienced some ups and downs due to drought concerns that affected many farmers and ranchers. Decreasing crop prices created anxiety for many farmers, while cattle prices approached record highs. The energy sector experienced robust growth and exceeded expectations for the first half of the year; however, the rapid decline in oil and gas prices in the latter half of 2014 caused concerns dampening the energy outlook for 2015 as well as creating uncertainty about the indirect impact it would have on the broader state economy going forward.

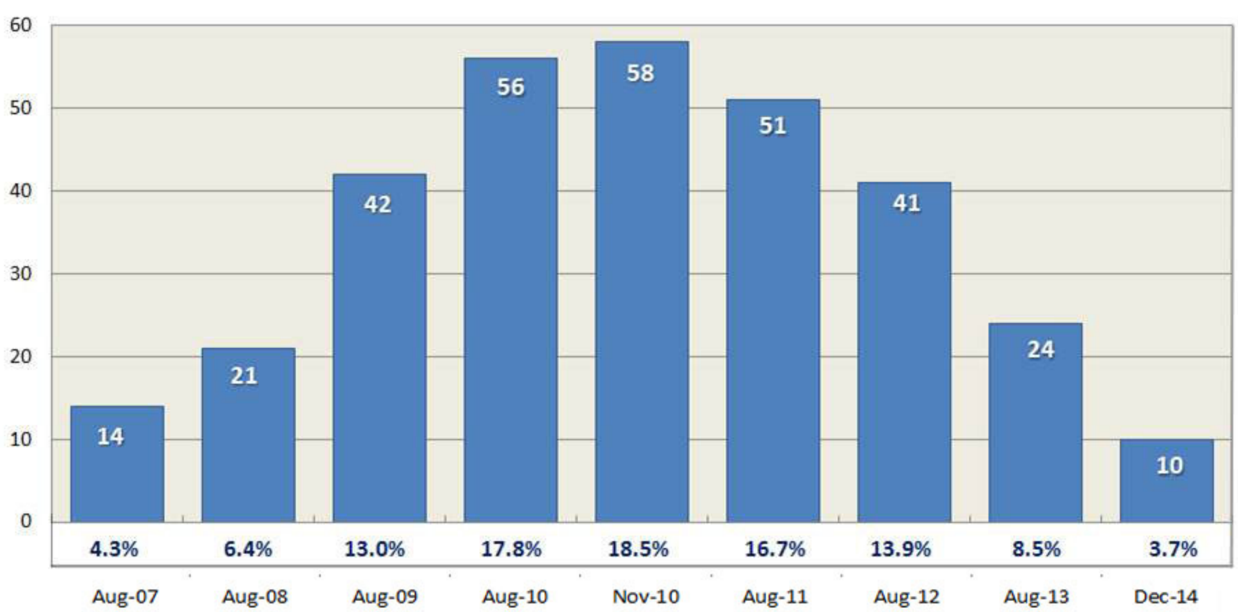
The overall positive economic performance in 2014 is reflected in several economic measures. The Texas Leading Index, which is a composite index of eight leading indicators produced by the Federal Reserve Bank of Dallas, increased each month except for November 2014 when it fell from an all-time high of 132.7 to 131.4. Through November 2014, the state's job growth was 3.6% for the year, which was on pace to exceed the previous year's performance. This compares favorably to the U.S. job growth rate of just 2.1% explaining why there are so many out-of-state license plates on Texas roadways. Texas' unemployment rate was 4.9% in November 2014, compared to the U.S. unemployment rate of 5.6% in the same period, further demonstrating that the state outpaced the national economy. Existing home sales in Texas were up 7.6% in November 2014 compared to the same month in the prior year. Despite the decline of Texas rig count in November, December's rig count of 872 reflected a 3.4% increase in comparison to 2013.

Texas state-chartered banks faired very well in 2014, with most bankers reporting increased profitability, steady loan growth, a reduction in problem loans and lower loan losses. Financial data for state-chartered banks showed improving earnings performance as well, with an average return on average assets of 1.1%. The improvement in earnings is mostly attributed to a reduction in interest expense and lower loan loss provisions.

With a stronger economy, banks improved their earnings levels and loan quality. By the end of 2014, the number of problem banks regulated by the Department declined to ten out of 267 charters. This was a substantial

Problem Banks

The DOB defines problem banks as any financial institution with a composite rating of "3", "4" or "5".



improvement from the peak of 58 in 2010 and in line with pre-recession levels as illustrated in the table below.

Despite the excellent overall performance in 2014, bankers still faced significant challenges. The principle areas of concern were related to increased regulatory burden during a time of extremely low market interest rates, cybersecurity threats, and persistent drought conditions. Furthermore, the sharp decline in oil prices left many bankers with uncertainty entering 2015 about the quality of their oil and gas portfolios as well as a general decline in the economy.

Bankers voiced frustration with costs and mandates required to comply with federal legislation and supervisory issuances, some of which were mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Bankers expressed concern that an overwhelming amount of time is spent complying with various mandates, which can divert attention away from serving the needs of their customers. In order to help offset the impact of increased compliance costs to overhead and net income, many banks have researched ways to reduce the burden through economies of scale. As a result, Texas' level of merger activity remained high in 2014. There were 26 applications for mergers either into or out of the state's system.

The persistently low interest rate environment was another concern for bankers. With net interest margins extremely thin, bankers looked for methods to trim overhead to maintain their current level of profitability. The system's risks are increased when banks cut back on audits, external loan review, and internal controls over operations in order to reduce overhead costs. Some bankers approached the dilemma by offering new products and services to their client base. Additional risks were created in circumstances where banks entered into new lines of business in which they have little to no expertise. Others extended their investment portfolio far into the future to chase higher yields, increasing interest rate risk.

The severe drought conditions also raised concerns for those in the farming and ranching areas of West Texas. The drought was most severe in the panhandle and rolling plains section of the state, where nearly 41% of the counties were either in a severe, extreme, or exceptional drought condition. The lack of rainfall and a shortage in water supplies created hardships for row crop farmers, making it difficult and expensive to irrigate crops. Cattle ranchers also experienced difficulties as many rely on stock ponds and natural bodies of water. Beef supplies declined as ranchers reduced the size of their herd. As a result, beef prices rose, helping ranchers stay profitable despite the drought conditions.

Cybersecurity was yet another issue on everyone's mind, from large city banks to small rural banks. All institutions are susceptible to this type of unwanted activity.

The most common cybersecurity threats that institutions faced in 2014 included debit and credit card compromises, network attacks, and account takeovers. Although banks became much better at defending their perimeters, the frequency of attacks on bank networks remained consistent in 2014. Card compromises remain the largest external threat surpassing check fraud losses, which was once a bank's largest source for fraud. Wire transfer requests via spoofed email addresses, a form of account takeover, are still causing losses at banks even with 100% callback procedures on email requests. In addition, account takeovers, once only a problem for corporate customers, started affecting consumers as well. Unlike corporate customers, banks are 100% liable for consumer accounts under Regulation E, so there are no "negotiated settlements".

Despite the vast array of challenges in 2014, state banks were well positioned and capable of handling the changes in the economy and banking industry. Over time, boards and management have improved practices that have provided solid foundations. In the coming year, the same challenges are expected. Fortunately, Texas has a solid banking industry that weathers each storm better than the last.

At a Glance

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

Total Staffing:
119 Full-time employees
3 Part-time employees

290 examinations performed in
calendar year 2014

113 Safety and Soundness
123 IT
54 Trust

Dallas/Fort Worth Region

The Dallas/Fort Worth (DFW) region encompasses a rectangular area of north and east Texas. The region's borders are a western line at Weatherford, south along the towns of West, Athens, and Tyler to the state's eastern border, and north along the Red River. At year-end, 76 banks were in the region, which held assets of approximately $112 billion.

The DFW region has a very broad based economy. Leading industries include communication, financial services, technology industries, healthcare, and transportation. East Texas generally has a good economy with a strong healthcare and manufacturing base, along with timber, oil and gas, and dairy and poultry operations. As of November 2014, the unemployment rate was approximately 4.9% for the DFW area and approximately 4.2% for the Longview area. The housing market remained strong in the latter half of 2014 with the Metroplex having low inventory levels of pre-existing homes, which pushed prices upwards and accounted for an increase in new home starts. Consequently, rising home prices decrease the affordability and resulted in a higher demand for multi-family housing.

Banks in the region benefited from the strong Texas economy in 2014. CAMELS ratings reflected continued improvement across the region and appear to be back in line with pre-recession ratings. Bank's profitability is approaching historical levels despite continued narrowing margins due to the low interest rate environment. Loan losses were minimal which aided the increased profitability, and problem asset levels fell.

As with much of the banking industry, DFW exhibited bank consolidations as a result of consumer compliance and rising regulatory costs. The Dallas region had the highest consolidation activity in the state with 10 applications for mergers during 2014. In addition, many banks indicated that they are considering the move from private ownership to public in order to increase the ability to raise capital for acquisition purposes.

Houston Region

The Houston region encompasses the Houston metropolitan area as well as parts of East and Central Texas, and the Golden Triangle. This area has 60 state-chartered banks that controls assets of approximately $39 billion, seven foreign bank agencies, one foreign bank branch, and twelve foreign bank representative offices with on- and off-book assets totaling approximately $16.4 billion.

Houston experienced and benefited from the successful 2014 state economy. The unemployment rate was 4.5% as of November 2014. Home sales increased from prior years, home prices rose, and construction permits increased 47.7% from November 2013 to November 2014. The energy sector drove Houston's economy, accelerating it to the fourth largest regional economy in the United States. High oil prices were cause for celebration in Houston much of the year and being the home for more oil companies than any other city in the world, Texas ranked as the sixth largest oil producer in the world. Crude oil production has increased across the United States with Texas accounting for nearly half of that growth. As oil prices took a downward trend, questions remain about the impact that sustained low oil prices could have on the Houston economy going forward.

Fortunately, the Houston region has other extremely successful industries. The manufacturing sector employs nearly a quarter of a million residents. In addition, Houston's expanding population and aging population reinforces the need for health care. As a result, thousands of health care jobs help drive the economy. The Houston region is also one of the world's largest manufacturing centers for petrochemicals. The Houston petrochemical industry expects their exports to double and possibly triple in the next two to three years. Overall, employment growth is still expected in 2015, just at a slower pace than seen in recent years.

Banking trends in the region remain positive. Asset growth for 2014 averaged approximately 8.2%, which compared favorably to the statewide growth of 7%. Loan growth and Tier one capital growth for 2014 was also strong at 12.3% and 7.8%, respectively, for the year. Finally, the net interest margin (NIM) for the Houston region at 4.0% remains slightly above the statewide average of 3.8%.

San Antonio Region

The San Antonio region encompasses the Rio Grande Valley, the greater San Antonio area, Austin and much of central Texas. The region is home to 66 state-chartered banks, which control assets of approximately $56 billion.

Drilling activities in South Texas had a positive impact on economic growth in the region during 2014, affecting businesses in the area such as grocery stores, restaurants, auto dealerships, transportation, and manufacturing. It is likely that the decline in oil prices and suppressed drilling activity will have a corresponding impact on the economy. Fortunately, the area's job market is diversified with employment in government, education and health services, leisure and hospitality, and trade and transportation making up about two-thirds of the workforce. Construction and mining, which includes the oil and gas drilling and services sectors, makes up only 5.5% of the workforce, though this sector has seen significant job growth in recent years.

The Rio Grande Valley also has a diversified job market with multiple projects in the works, and projections forecast that Hidalgo and Cameron counties will be two of the fastest growing counties in the United States through 2019. Corpus Christi experienced a construction boom in manufacturing plants and oil and gas related facilities. Given all of these projects, Corpus has estimated that about 1,300 construction and skilled workers will be needed through the end of 2017 and an additional 2,084 construction and skilled jobs will be needed to accommodate growth of the regional job market. Once the projects are completed, the industrial facilities will begin to boost employment in manufacturing, as well as provide an indirect benefit on employment for the rest of the area.

Austin remained one of the fastest growing metro areas in the United States. Since 2010, employment in the tech sector led to overall job growth with an annual growth rate of approximately 6%.

The housing market in all areas of the region remained strong with housing starts in San Antonio increasing at an annualized rate of 9.5% in 2014, and housing starts in Austin growing at 25% compared to 2013. Each city also experienced increased home prices. The unemployment rate for San Antonio and Austin remained below the state rate with the Rio Grande Valley remaining slightly above the state's average, but well-below historical levels.

Banking conditions throughout the region remained strong. Asset quality at all banks in the region continued to improve with lower provision expenses required and a general reduction in loan losses. As a result, there was a gradual improvement in earnings despite the NIM remaining compressed. A general uptick in loan demand and loan growth may provide some relief to the NIM in 2015.

Lubbock Region

The Lubbock region, which is also referred to as the West Texas region, includes the major cities of Lubbock, Amarillo, Midland, Odessa, Abilene, Wichita Falls and El Paso, as well as a number of small rural towns. The region is home to 64 state-chartered banks, which control approximately $21 billion in total assets.

Agriculture and oil and gas remained two of the largest industries in West Texas. However, with the ongoing drought and the decline in oil prices, the outlook for the West Texas economy was less optimistic at the end of 2014. Most of the severe to extreme drought conditions exist in the panhandle and plains areas where farming and ranching are prevalent. New provisions in the U.S. Farm Bill passed in 2014 eliminated cotton subsidies, which created uncertainty about the future of farmers producing Texas' primary crop. Insurance products can be purchased as an alternative to the subsidies; however, the premiums on the insurance policies are unknown at this time. Increased premiums coupled with the low prices of the cotton market will significantly influence the profitability of cotton farmers in the coming year. Consequently, the drought and the loss of government subsidies may hurt liquidity and debt service coverage ratios.

El Paso's economy improved significantly in 2014 with the unemployment rate falling to 6.1% at year-end, which was the lowest rate since mid-2008. Home sales were up slightly in 2014; however, the median home price actually fell. El Paso's economy continued to benefit from Fort Bliss, one of the nation's largest military bases, along with its three school districts and the University of Texas at El Paso.

Midland-Odessa experienced extreme growth in 2014 with the aid of the oil and gas boom in the Permian Basin. The unemployment rate for the area dropped to 2.4% in December 2014, the lowest in the state. Home sales were up through November by more than 20% from a year earlier, and the median home price of $228,125 was an increase from the $208,751 price observed in November 2013. This was significantly higher than the statewide median home price. Since reaching a peak of $107 in June 2014, the price of West Texas Intermediate Crude Oil has dropped by over 50%, finishing the year at $53. Sustained low oil prices will likely result in a sharp drop in oil exploration and extraction activity, significantly affecting the Midland-Odessa region.

The banks in the region performed well in 2014 with an abundance of capital, strong earnings, a reduction in loan losses and improved asset quality. Future loan demand is expected to increase in 2015 with additional housing starts and business expansions. The credit quality of oil and gas loans and agricultural loans will be monitored throughout 2015 as various factors such as oil price volatility and commodity crop prices will influence both segments.

Trust Activities

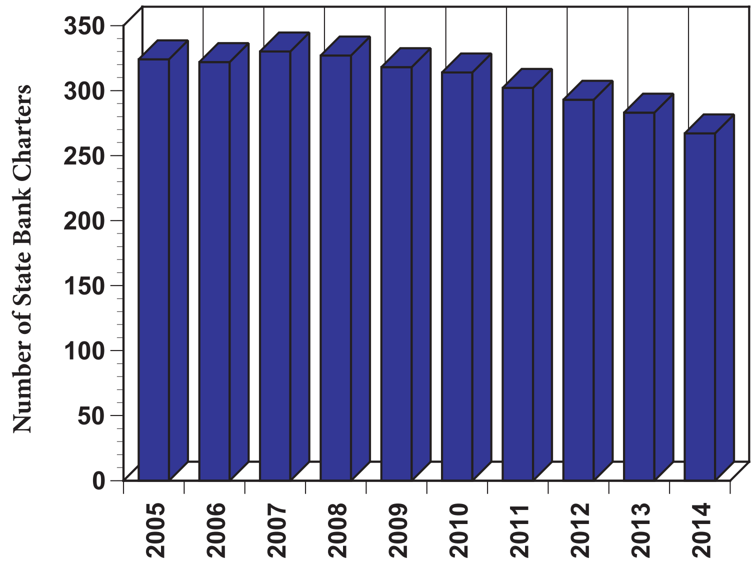
The Department regulates 43 state-chartered banks with active trust departments with fiduciary assets of $163.2 billion and 21 trust companies with fiduciary assets of $96.9 billion as of December 31, 2014. In addition, the Department regulates 17 exempt family-owned trust companies.

The wealth management environment in Texas was strong. Texas remains a destination of choice for many outside trust entities to locate and wealthy families to do business. Investment performance for trust entities improved overall through the ongoing capital markets upswing. However, any substantial market decline will adversely affect virtually all traditional, public trust departments/companies as earnings will decrease significantly from a major decline in administered assets or even the loss of accounts altogether as investors flee for perceived safety reasons. The global economy and falling oil prices could have an adverse effect on the stock market causing difficulty for trust managers to meet the yield needs of their customers.

Texas State-Chartered Bank Statistics

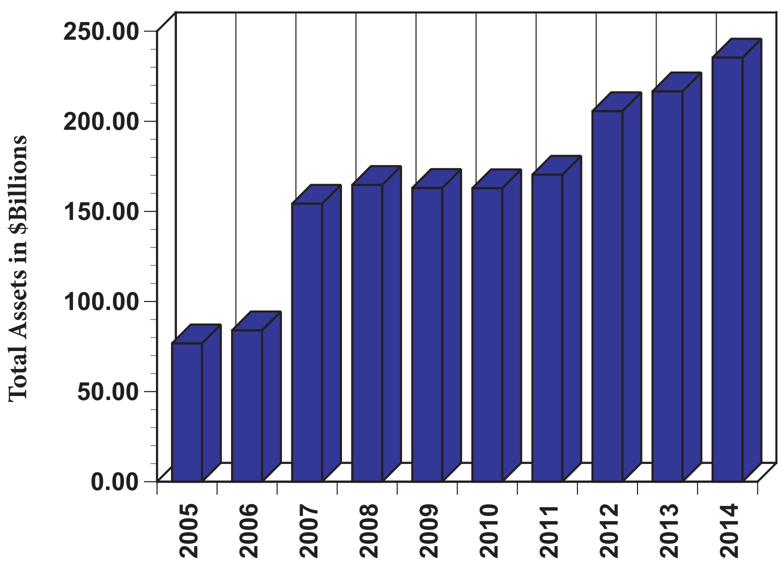
Number of State Banks in Texas

Year	#
2005	324
2006	322
2007	330
2008	327
2009	318
2010	314
2011	302
2012	293
2013	283
2014	267



Assets Held by State Banks in Texas

Year	Billions
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
2014	$235.4



Net Income of State Banks in Texas

Year	Millions
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
2014	$2,511

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 2014, 260 surveys were mailed and 193 responses were received for a 74.2% 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 2013 to 2014

193 Responses or 74.2% Response Rate - 2014
196 Responses or 69.5% Response Rate - 2013

CONSOLIDATED ALL REGIONS, TRUST & IT

I. EXAMINATION PROCESS	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examiners clearly communicated the examination scope and goals to management prior to the start of the examination.	193	2014	75%	24%				1%
	196	2013	70%	29%	1%			
2. The examiners requests for information prior to and during the examination were timely and reasonable.	193	2014	71%	27%	1%			1%
	196	2013	65%	33%	1%			1%
3. The examination team acted in a professional and courteous manner during the examination.	193	2014	86%	13%				1%
	196	2013	84%	16%				
4. The examiners communicated with management throughout the examination.	193	2014	78%	21%				1%
	196	2013	76%	24%				
5. The examiners are informed of current industry issues and were knowledgeable of your bank.	193	2014	67%	30%	1%			2%
	196	2013	58%	38%	1%			3%
6. In what areas, if any, do you feel the examiners need additional training or education? Attach additional paper if necessary:	193	2014						
	196	2013						

Question	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
7. The examiners remain focused on the key issues confronting your institution.	193	2014	70%	26%	1%			3%
	196	2013	61%	38%	1%			
8. The examiners clearly and effectively communicated their findings and concerns at the exit and board meetings.	193	2014	79%	19%	1%			1%
	196	2013	72%	26%				2%
9. Conclusions regarding the bank's condition were well supported.	193	2014	70%	26%	1%			3%
	196	2013	66%	32%	1%			1%
10. Recommendations for corrective actions were reasonable.	193	2014	63%	28%	1%	1%		7%
	196	2013	52%	38%	2%			8%
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?	193	2014	93%				4%	3%
	196	2013	88%				3%	9%
			NO				YES	

II. EXAMINATION REPORTS

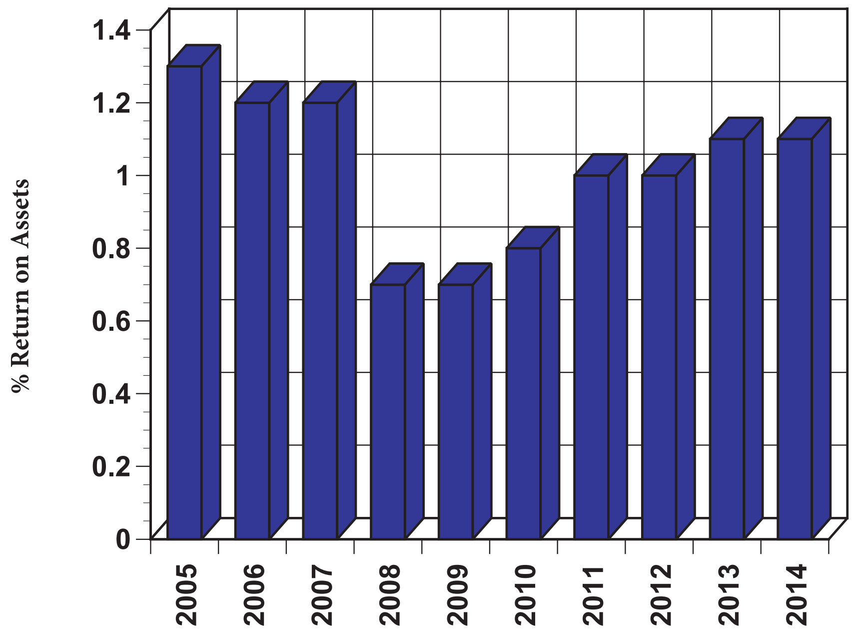
Question	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examination report was received in a timely fashion.	193	2014	72%	26%				2%
	196	2013	65%	31%	3%			1%
2. The report of examination clearly communicates the examination findings and provides useful information.	193	2014	72%	27%				1%
	196	2013	67%	30%	1%			2%
3. The tone and content of the report of examination is consistent with the board and/or exit meetings.	193	2014	75%	23%	1%			1%
	196	2013	73%	24%	1%			2%

III. EXAMINATION SCOPE AND CORRESPONDENCE

Question	# 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.	193	2014	56%	41%	2%			1%
	196	2013	48%	49%	2%			1%
2. The on-site portion of the examination was completed in a reasonable timeframe.	193	2014	73%	24%	1%			2%
	196	2013	62%	36%	1%			1%
3. The use of pre-examination time through gathering documents and working off-site worked well and saved the bank time.	193	2014	74%	23%	2%			1%
	196	2013	59%	39%	1%			1%
4. The Regional Office and Headquarters staff were readily accessible and helpful to discuss exam findings.	193	2014	70%	24%				6%
	196	2013	61%	33%				6%

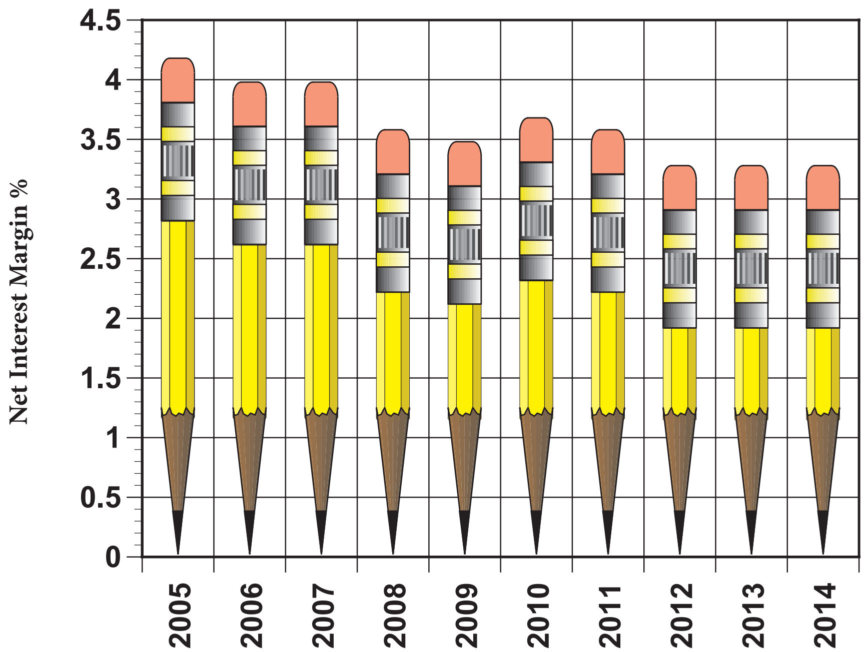
Return on Assets of State Banks in Texas

Year	Percent
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%
2014	1.1%



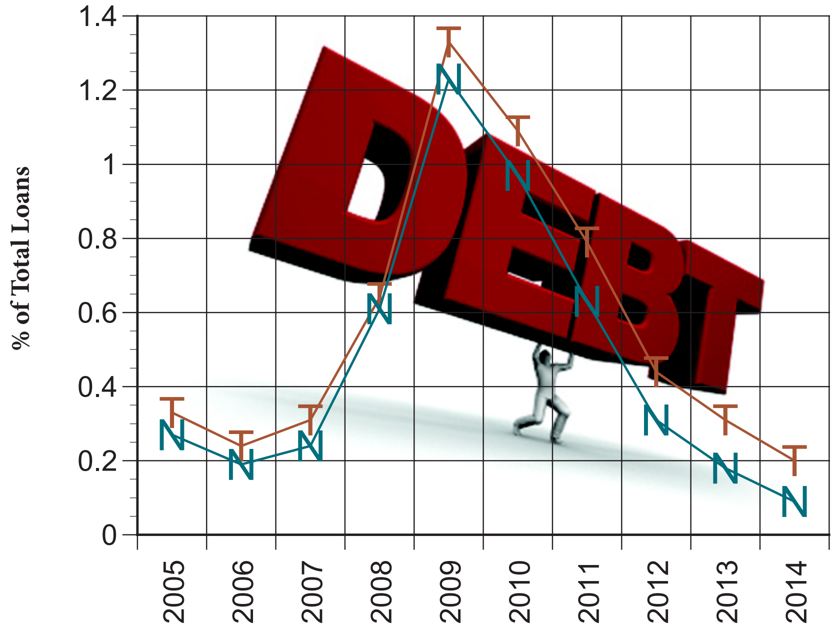
Net Interest Margin of State Banks in Texas

Year	Percent
2005	4.2%
2006	4.0%
2007	4.0%
2008	3.6%
2009	3.5%
2010	3.7%
2011	3.6%
2012	3.3%
2013	3.3%
2014	3.3%



Annual Percent of Total and Net Charge-offs of State Banks in Texas

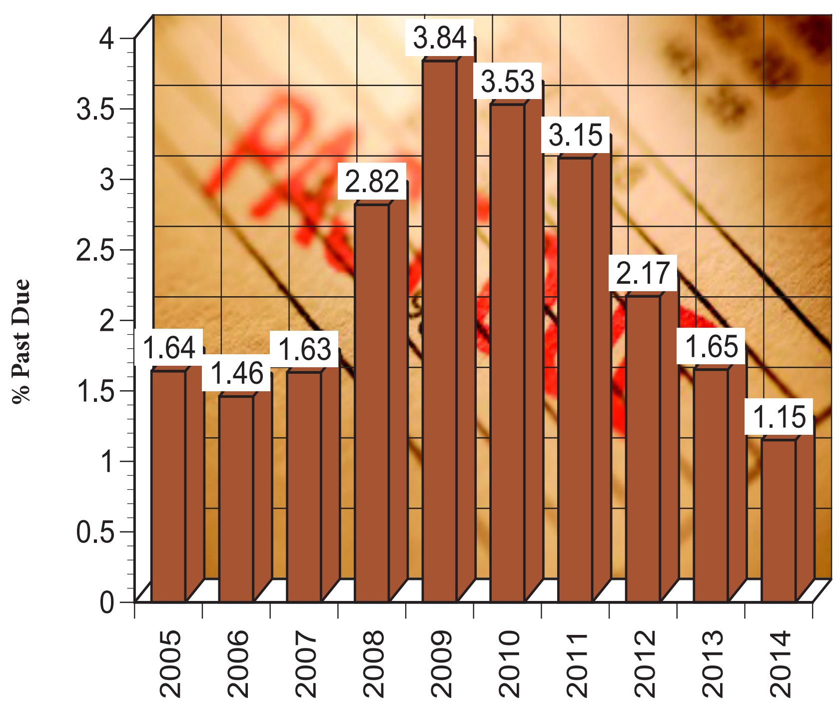
Year	Total C/O	Net C/O
2005	.34%	.27%
2006	.24%	.19%
2007	.31%	.24%
2008	.64%	.61%
2009	1.33%	1.23%
2010	1.09%	.97%
2011	.79%	.63%
2012	.44%	.31%
2013	.31%	.18%
2014	.20%	.09%



Delinquency Rates - Total Loans of State Banks in Texas

Includes Nonaccrual Loans

Year	Percent
2005	1.64%
2006	1.46%
2007	1.63%
2008	2.82%
2009	3.84%
2010	3.53%
2011	3.15%
2012	2.17%
2013	1.65%
2014	1.15%



Future Cybersec

Home Depot, Target, Neiman Marcus, Michaels, Apple iCloud, and J.P. Morgan Chase were all the victims of cyber-attacks that were big headlines in 2014. While these cyber-attacks grab headlines, there were thousands of other attacks that never received press coverage. Intuitively, it doesn't require deep analysis to recognize that if there are numerous large scale attacks occurring, there must also be many smaller attacks occurring by lower level, less skilled criminals against smaller targets.

With all the publicity in 2014 about

urity Examinations

cyber intrusions and attacks, Chief Executive Officers (CEOs) of all size financial institutions should be aware that cybersecurity is a responsibility of the front office and not just the back office. CEOs can't wait until they suffer a loss to begin to take action for what is clearly a large and growing societal problem. If your bank's executive team and directors are not aware by now that cybersecurity is a top priority, you are placing your institution at greater risk of incurring and being seriously damaged by cyber-threats.

The Federal Financial Institutions Examination Council (FFIEC) conducted a large scale project on cybersecurity during 2014. Also in 2014, the Conference of State Bank Supervisors launched a cybersecurity initiative. With this much attention on cybersecurity, future examinations will take a close look at cybersecurity.

Fortunately, the Texas banking industry turned a corner in December of last year when the entire industry convened for an Executive Leadership of Cybersecurity conference in Austin, Texas. This event, called ELOC, (pronounced E-Lock), was a joint effort by the Independent Bankers Association of Texas (IBAT), Texas Bankers Association (TBA), SWACHA, the United State Secret Service, as well as the Federal Deposit Insurance Corporation, the Federal Reserve Bank of Dallas, the Office of the Comptroller of the Currency, and my agency, the Texas Department of Banking. The topics of this event provided insight as to what should be anticipated in future examinations, as examinations often focus on leading industry practices.

The ELOC event was the culmination of decisions and strategies developed by the ELOC task force formed by Texas Banking Commissioner Charles G. Cooper with the U.S. Secret Service. That task force is composed exclusively of CEOs and executive officers. Government and trade members include the CEOs and executive officers of IBAT, TBA, SWACHA, the Texas Banking Commissioner and the head of the Dallas Secret Service. Key industry members include about two dozen CEOs and executive officers of some of the forward thinking state and national banks in Texas. These CEOs and executive officers shared ideas and actions they personally take to lead the cybersecurity efforts of their banks.

The purpose of the task force is to heighten the awareness of the entire banking industry that cyber threats pose a significant risk to the banking industry and that executive leadership involvement in managing cybersecurity is required for the safety of the entire industry. The key outcome of the task force is to shout the message that "Chief Executive Officers" of banks of all sizes and levels of technology must "actively" manage the financial and reputation risks that come with our society's expanding use of technology. **Cybersecurity must be adopted as a standard part of bank risk management.**

The morning sessions of the December ELOC conference in Austin primarily outlined the threats facing the industry. Texas Banking Commissioner Charles G. Cooper opened the conference by saying that he regards cybersecurity as the number one threat facing the industry. That in a nutshell explains the importance of Executive Leadership of Cybersecurity. The Commissioner was followed with a keynote address by Deputy Treasury Secretary Sarah Bloom Raskin and her thoughts on the cyber threats to the banking industry. She provided attendees a list of 10 questions that bank executives and directors should ask their organization's staff about cybersecurity. U.S. Secret Service Deputy Director A.T. Smith provided insights into the challenges brought by the global nature of cybersecurity. The afternoon session focused on solutions to these issues and was opened with a keynote address by Gary McAlum, Chief Security Officer of USAA and 25 year veteran of the U.S. Air Force. He outlined manageable measures that banks of all sizes can take to address cyber threats. A table top exercise was conducted by the OCC, FDIC, and FRB staff. Bill Nelson, CEO of Financial Services Information Sharing and Analysis Center (FS-ISAC), shared what FS-ISAC provides to community institutions. FS-ISAC is an international private-sector nonprofit information-sharing forum established by financial industry participants. At the end of the day the attendees were provided the "Leadership Steps Every CEO Should Take" that the ELOC task force identified.

Something that EVERY Texas banker should take notice of is that when the CEOs and executive officers of your trade associations, local and regional bank regulators, and law enforcement convene a conference on a topic that national speakers feel is significant enough to share their perspectives, the issue carries high importance and deserves every banker's focused attention. The question that has to be asked is: As a bank executive officer or director, what more do I need to "personally" do to give cybersecurity the attention that it needs. Looking more closely at the ELOC conference remarks give more insight into topics and categories that might be included in future examinations related to cybersecurity.

Conference Highlight Comments:

Deputy Treasury Secretary Raskin kicked off the conference sessions explaining that cyber threat transcends financial institution borders, and permeates all business sectors, which is why cybersecurity is a top policy priority for the President and the Treasury Department. She pointed out that addressing cyber threats is a tall task because there are many facets of what is necessary to reduce the threat and effect of cyber incidents. The list she provided of 10 questions for bank executives and directors to ask were organized around three categories of activities: (1) baseline protections, (2) information sharing, and (3) response and recovery. These are fundamental categories that all banks can use to focus their cybersecurity planning.

Gary McAlum, the keynote speaker for the afternoon "solutions" sessions, pointed out that focusing on the fundamentals of security is a first step. Although it is appropriate to ask "*are we protected against that*" regarding whatever the big headline grabbing breach is, he said that CEOs and directors should focus their daily attention on doing the basics of information security well. If you can't get the small stuff done, you will have trouble protecting yourself against the big stuff. He reminded the audience that the overwhelming majority of compromises are initiated with methods regarded as having "very low or low" difficulty for adversaries to use.

Another afternoon session was on information sharing. None of the bankers that were part of the ELOC task force, some of which operate in overlapping markets, regard their cybersecurity practices as something to leverage as a competitive advantage. This is why they freely shared their thoughts with full knowledge that it would be shared with the entire banking industry. So, sharing cybersecurity practices is a topic that also warrants your discussion with fellow bankers whenever you meet. I've heard cyber threats described as a tsunami that is coming. It can create broad damage to an industry and no **one** individual or **one** group can save the industry. Collective efforts are needed.

For this reason, strong, deep partnerships are crucial within and between the private sector, government, and law enforcement. This is why "information sharing" and "public / private partnerships" continue to be touted as an important element of a bank's cybersecurity strategy. Information sharing was recently encouraged more formally in November 2014 by the FFIEC when it issued an information sharing statement. That FFIEC statement recommended that financial institutions of all sizes participate in the FS-ISAC.

CEO of FS-ISAC, Bill Nelson, was asked to speak at the ELOC conference, in part because of the FFIEC recommendation. Bill Nelson, who began his banking career in small community banks, discussed that while the FS-ISAC was created initially by the large banks, it has expanded greatly to include smaller institutions, as the entire industry is interconnected. He mentioned several of the things the Community Institution Council is doing to help community institutions address cyber threats.

So what can be expected in future examinations related to Cybersecurity? Technology and the inherent threats are ongoing and ever changing, and for these reasons, examinations will focus on fundamental and evolving risk management processes. The FFIEC also released in November their General Observations from the Cybersecurity Assessment performed during the summer. It specified that FFIEC members are reviewing and updating current guidance to align with changing cybersecurity risk. Reviewing that document, which is on the FFIEC website should be helpful to anyone looking for insight into what regulators might evaluate in examinations in the immediate future.

The FFIEC's "General Observations" document includes numerous questions for CEOs and directors to be asking, and many of these topics were also espoused by ELOC speakers. While none of the questions have been released as expectations of the industry or future examination questions, one can reasonably anticipate that future examinations will explore some of these areas. Those numerous questions will not be repeated here, but it is worth noting what the questions revolved around. Relevant issues include the inherent risks of electronic connections you have with other organizations, the products and services you offer, and the technologies you use. Questions are also related to your cyber-risk management practices and incident response processes. As ELOC speaker Gary McAlum noted, prevention is not enough. You have to be prepared to immediately take action when an incident occurs. The "General Observations" document also includes questions about threat intelligence sharing. Since a separate FFIEC statement has been issued on that topic, it is appropriate that you ask yourself now if you have evaluated FS-ISAC membership and if you participate in information sharing forums sponsored by your trade associations and law enforcement.

Aside from what future examinations might explore related to cybersecurity, Texas Banking Commissioner Cooper has stated that cybersecurity must shift from a focus on complying with a checklist of questions, especially minimum regulatory requirements, to focusing on protecting your bank's reputation and earnings while maintaining the confidence of your customers and shareholders. While a checklist is a very useful tool, the focus can't be on "passing the exam." Enterprise wide processes focusing on protecting your bank is a different mind-set, and is one of the action steps taken by CEOs who exhibit Executive Leadership of Cybersecurity at their bank.

Special Audits Division

The Special Audits (SA) Division is responsible for the oversight of the three non-depository industries: Money Services Businesses (MSB), Prepaid Funeral Contract (PFC) sellers and Perpetual Care Cemeteries (PCC), which includes cemetery brokers. Notably, SA operated at fully staffed levels which enabled the Division to meet performance measures in 2014, while also tackling several entities involved in unlicensed activities. SA was also involved in the preparation and distribution of regulatory updates to the industries in an effort to keep all entities abreast of new trends and/or requirements.

Money Services Businesses

The MSB industry continues to be an evolving area as companies seek ways of providing new products to consumers in an effort to gain market share. As such, the Department must continue to allocate resources to evaluate products and the applicability of licensing under Chapter 151 of the Texas Finance Code (Finance Code). One such new licensee activity involves third party service providers. Some companies that can appear to be providing MSB activities requiring licensing actually are either an Independent Sales Organization (ISO) or a Third Party Processor (TPP). Significant analysis and comprehensive research is required to conclusively determine if their activities require licensing. Texas MSB regulations do not exclude payment processors; however, most do not need a license because they either qualify for the bank exclusion clause or are acting as authorized agents of their merchants.

Since several MSBs conduct business through authorized delegates (also commonly referred to as agents), the Department issued Legal Opinion No. 14-01 in May 2014. This legal opinion provides MSBs guidance related to the agent of payee exclusion. The Legal Opinion concluded that if the entity is acting as the agent of the Biller, and the Biller is liable for all funds received by the receiving entity upon receipt of the funds from the consumer, the transaction is considered a two-party transaction and is not considered a licensable transaction. The contract executed by the parties must clearly and expressly appoint the collecting entity the Biller's agent. However, if the documentation does not support that the transaction is a two-party transaction; the entity will not qualify for the agent of payee exclusion and will require licensing to conduct transactions with Texas consumers.

During 2014, SA became aware of a developing practice being used by certain license holders to allow unlicensed money transmitters to utilize the authorized delegate (AD) provision of the Finance Code to avoid licensing. In October 2014, the Department issued Supervisory Memorandum – 1038 (SM 1038) related to the appointment of an authorized delegate to conduct MSB activities on behalf of the license holder. SM 1038 was issued to clarify the Department's position on this issue facing not only Texas, but other states as well. The guidance helped license holders evaluate their AD relationships to ensure that they are in compliance with Section 151.402 of the Finance Code. For those relationships in which it is determined that entities are conducting their own distinct business and not that of the license holder, they are required to terminate their relationships and discontinue the money service business or obtain an MSB license. The Department was investigating several MSBs at the end of calendar year 2014 which appear to be in non-compliance with SM 1038.

The Department continues to proactively identify and contact companies that may be conducting MSB transactions in Texas without the required license. Once a company is identified, SA personnel conduct research and issue an "unlicensed activity" letter if warranted. In 2014, the Department issued fifteen such letters to entities requesting further information. Of the fifteen letters, two entities have pending MSB applications; one entity was issued a temporary license; and, a cease and desist order was issued against another company. The remaining entities either did not require a MSB license or the Department's Legal Division is further analyzing the activities of the companies. In addressing unlicensed activity, when issuing a Commissioner's Order, the Department will consider the total number of transactions and volume, as well as the length of time a company has operated in Texas without a license, when determining the amount of the administrative penalty.

While performing on-site examinations of currency exchange (CEX) license holders, the owners and managers of these entities informed our examiners that although Texas CEX regulations allowed for certain forms of identification to be provided with a transaction, Internal Revenue Service (IRS) examiners were only accepting passports as the form of identification for non-residents. Texas CEX regulations were previously revised to allow additional forms of identification which mirrored bank secrecy and anti-money laundering federal money transmission regulations. CEX license holders requested the assistance of the Department in addressing this policy discrepancy, which was adversely impacting their business. In response, the Department contacted the Financial Crimes Enforcement Network (FinCEN) and requested that it analyze the matter pertaining to acceptable forms of identification for non-residents for currency exchange transactions in excess of $1,000. In March 2014, FinCEN issued Ruling FIN-2014-R003 which provided regulatory relief to CEX license holders by allowing non-residents to utilize an alternate valid entry document issued by a United States federal or state government as an acceptable identification form, eliminating the need for a passport issued by his or her country of origin.

Throughout the year, the Department remained very active in two MSB organizations: Money Transmitters Regulators Association (MTRA) and Multi-State MSB Examination Taskforce (MMET). The MMET is comprised of members of participating state regulators appointed by the MTRA and Conference of State Bank Supervisors (CSBS) boards. The goal of these groups is to coordinate joint examinations and promote cooperation and coordination among MSB state regulators to minimize the regulatory burden on supervised entities. In addition, the Department strives to accept Reports of Examination of MSB license holders produced by MTRA member states to further minimize the burden on license holders. The Department also participated in a MMET Examiner-In-Charge (EIC) working group to develop procedures to facilitate EIC's joint examination responsibilities and continues to participate in periodic conference calls among MMET/MTRA member states to discuss emerging issues to ensure the various MSB matters affecting states are handled in a consistent manner.

Prepaid Funeral Contracts and Perpetual Care Cemeteries

The death care industry is a mature area requiring minor revisions to existing prepaid funeral contract and perpetual care cemetery regulations. In today's business environment, funeral homes and cemeteries must adapt to evolving cultural norms by offering additional goods and services. The funeral industry is experiencing a rise in the number of cremations selected as consumers opt for the lesser cost funeral service. As consumer demand continues to shift, PFC sellers and providers are adjusting their business models to accommodate the changing landscape.

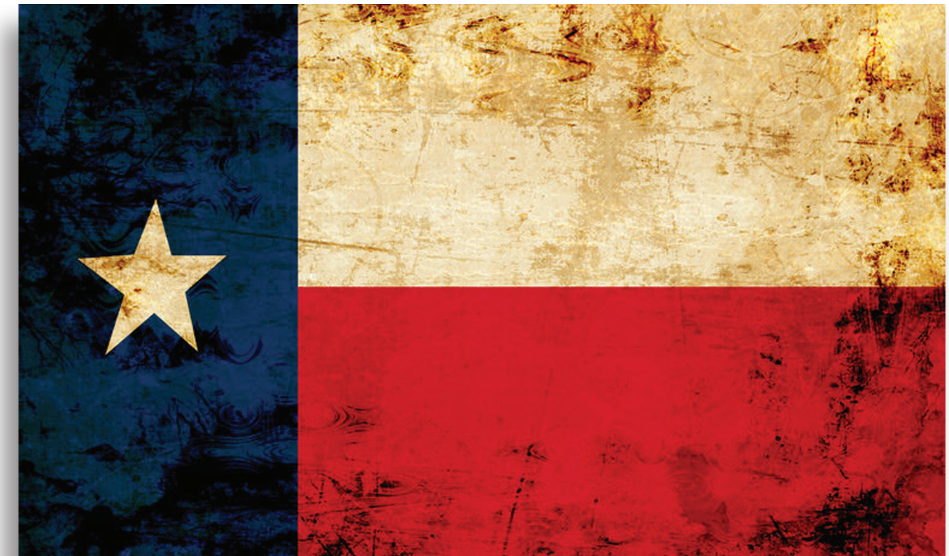
PCCs are offering alternative burial options especially as consumers are increasingly requesting green burials. The goal of green burials is to leave the burial site as natural as possible. Several companies are providing various urn container alternatives, including biodegradable urns. One company combines cremated remains with concrete to create an artificial reef memorial that is submerged in the sea. The memorial is spherical, allowing fish and water to pass through, and in time, natural corals and sea life can accumulate to form a reef.

As funeral services and merchandise evolve, funeral homes are including additional funeral goods and services in the PFCs sold. During the Department's review of new PFCs in 2014, it was noted that permit holders were including certain goods and services in the non-guaranteed section of PFCs which appeared questionable. In order to clarify that non-guaranteed cash advance items in a prepaid funeral benefits contract are those delivered or provided by a third party provider and to define "third party provider," Section 25.1 of the Texas Administrative Code was amended and became effective in July 2014. "Third Party Provider" is defined as a separate legal entity from the funeral provider. The third party provider must have a separate federal tax identification number from the funeral provider, but it may be related to the funeral provider through common ownership.

SA continues to address the sale of PFCs by unlicensed entities and/or individuals. The majority of the investigations are consumer complaint driven and once received; the Department fully investigates the matter in an attempt to obtain restitution for the affected consumers. In the majority of the cases, unlicensed activity will result in the matter being referred to the Department's Legal Division for the formal demand for full restitution, along with an administrative penalty.

Audit of Departmental Procedures and Policies

On April 30, 2014, external auditor Garza/Gonzalez & Associates issued its audit report on the MSB area. The audit was conducted to determine SA's effectiveness and efficiency of the internal control structure over the MSB area. The audit found the SA Division's established policies and procedures were adequate and no instances of noncompliance with the Finance Code or the Texas Administrative Code were noted.



Corporate Activities Division

Corporate Activities ensures that the entities entrusted with public deposits and assets meet minimum qualifying criteria in terms of financial and business capacity and good character. Over the years, several trends have been observed which illustrate the transformation of the industries regulated by the Department and the new areas in which expansion is occurring.

Banking Trends

Bill Gates, Microsoft Founder, is famously quoted as saying, “The world needs banking, but it doesn’t necessarily need bankers.” Only time will tell if he is correct; however, if one examines the change in the number of Texas state-chartered banks by asset size since 2008 it seems his comment, at least for the relatively small banks, is proving prophetic.

With this in mind, consider the following two tables. The first table shows the actual number of Texas state-chartered banks by select asset sizes on an annual basis since December 2008. The second table is similar; however, it illustrates asset holdings by bank size.

Table 1

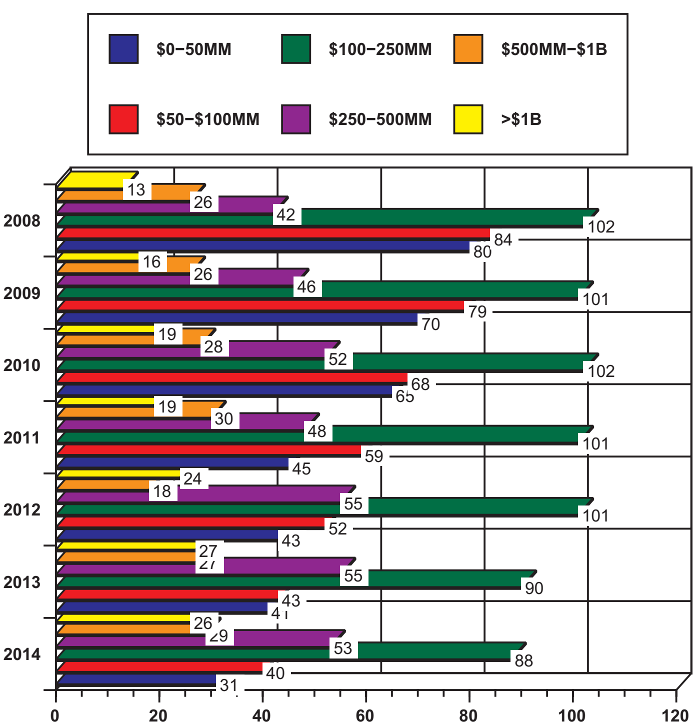


Table I clearly illustrates banks up to $100 million in asset size have steadily declined since 2008. The decrease in the number of “small banks” is in sharp contrast to larger banks such as those with assets of at least $250 million. Since 2008, the number of banks in the $250 million to $500 million asset size range as well as $1 billion and above has grown appreciably.

Table 2

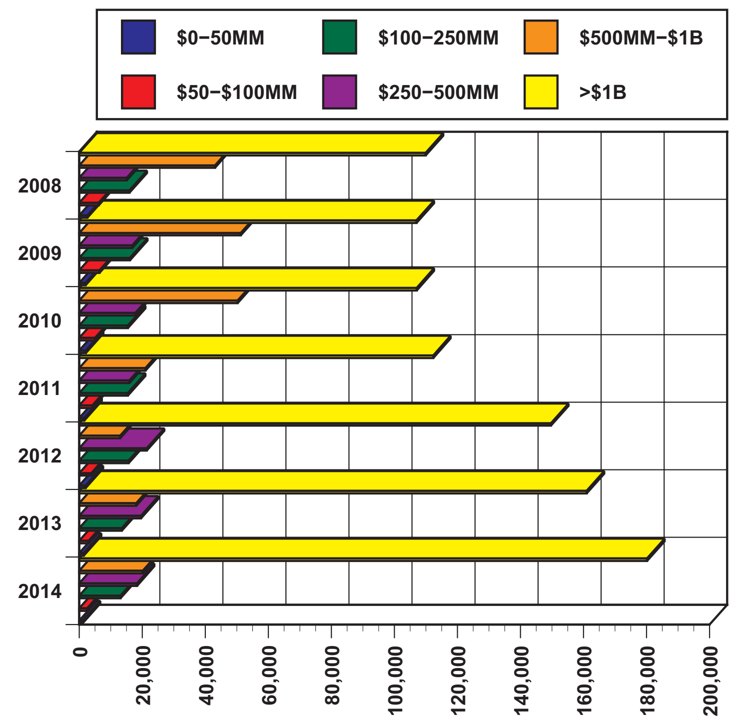


Table II demonstrates that Texas state-chartered bank assets are increasingly concentrated in larger banks. For instance, since 2008, total assets for state-chartered banks up to $100 million in asset size have declined by $5.2 billion or 59%. In contrast, since 2008 banks of $1 billion or more in asset size have increased by $41.9 billion or almost 38%, even with the exclusions of Frost Bank’s conversion to the state banking system in 2012.

This reflects an increasing consolidation of Texas state-chartered banking assets into ever larger institutions. But why? Numerous reasons have been offered for the decline, including burdensome regulatory costs and oversight, especially with

At a Glance

Processes filings and maintains official corporate records for the Department

Total Staffing:
8 Full-time employees

Corporate Activities for 2014

Banks and Bank-related	249
Foreign Banks	1
Trust Companies	14
MSBs	19
PCSEAs	10
CVEs	3
Cemetery Brokers	5
Other (Use of Name)	50
Total	**351**

regard to consumer compliance; increased technology costs; regulatory constraints on leverage; sustained low-rate yield environment; and the lack of adequate management succession. Several of these reasons are related to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act. These factors, along with a few others might account for the moderate reduction in the number of Texas state banks. We are of the opinion; however, that the consolidation wave is a transformational change to the banking industry. This transformational change is being led by the Millennial Generation's strong embrace of technology combined with non-bank competitors' significant and rapidly increasing technological prowess. This is a whole new level of convenience for financial services which in turn further increases adoption by Millennials.

The merging of a generation of technologically adroit consumers and increasingly sophisticated non-bank competitors who deliver financial products and services to the consumers 24/7 presents a serious competitive challenge to all financial institutions over time; with the smallest institutions being affected first. As a result, the traditional brick and mortar approach (and associated costs) of banking (i.e. "build it and they shall come") is being fundamentally challenged. Furthermore, an increasing number of non-bank competitors are providing easier, quicker and low-cost options for Millennials to maintain and use their funds without the need of a traditional bank – a Paradigm Shift from "only banks for banking needs." Today, all one needs to manage their funds is a company (not necessarily a bank) that can provide or link a transaction account to an access mechanism such as a debit card or a smartphone.

Smaller banks are already experiencing the direct and indirect results of this Paradigm Shift first hand. With fewer customers, there is less potential for fee revenue, institutions are faced with increasing technology costs that may nor may not attract and/or retain consumers.

Texas' smaller banks are generally less able to absorb the reduction in revenue and/or increased technology costs, thus causing the consolidation wave to be more pronounced in the smaller bank size category. However, the underlying change in banks' customers' behavior combined with non-bank competitors' significant and rapidly increasing technological prowess suggests the consolidation wave will progressively widen to ever larger banks. For example, note in Table I that the number of banks in the $100 million to $250 million range had held steady through 2012 but beginning in 2013 their numbers also began to decline. Table II demonstrates that banks in this asset size have also seen their asset holdings decline by $2.6 billion or roughly 17% since the end of 2012.

Money Services Businesses (MSBs)

MSBs have markedly progressed since the Department began oversight of MSBs and the passage of the Money Services Act in 2005. Over the years, the business plans of MSBs have evolved, the use of technology has increased, the average ownership composition has become more complex, and there has been an influx of licensees with foreign ownership. The confluence of ideas, technology, availability of capital, and the world-wide nature of payments is accelerating the evolution of payment systems and widening the range of business plans for which MSB licenses are sought.

The Department continues to issue new licenses to companies that engage in the more traditional money transmission involving cross-border remittance. However, the Department is just as likely these days to receive applications involving mobile payment systems, payment systems with ties to virtual currency, or a new stored value product. Furthermore, technology is allowing companies that used to outsource all of their payment processing needs to bring some or all of most of the payment processing capabilities "in-house" and thus requiring a money transmission license from the Department. Additionally, technology companies are being created with business plans surrounding the movement of funds that ride on "rails" built on other than the traditional bank dominated payment systems.

We are witnessing a general increase in the complexity of organizations in which MSBs are but one segment of a multi-national conglomerate. We have experienced organizational structures so complex that depicting the ownership and affiliate structure of an applicant is difficult, if not impossible, to illustrate within the confines of a single 8 1/2" X 11" letter sized piece of paper. Ownership in many MSBs processed by the Department is held by entities formed in countries outside the United States and even outside the Americas. In the past few years, we have processed applications with ownership stemming from Europe, Australia, Asia and the Middle East. There is also interest in the ownership of MSBs from nontraditional sources such as venture capital and private equity firms who are looking at MSBs to invest millions of dollars.

The evolving MSB industry is creating more competition and providing more choices for customers. At the same time, the evolv-

ing MSB landscape requires the Department to remain vigilant in the oversight of this industry and respond to areas of increasing risk in the fulfillment of its mission.

Registering a New Entity: Cemetery Brokers

Prior to the 83rd Texas Legislative Session, the Legislature noted an increase in online cemetery plot sales that sold the same right of burial to more than one consumer by unregulated entities. As a result, House Bill 52 was filed and passed during the 83rd Texas Legislative Session, amending Chapter 711 of the Texas Health and Safety Code by adding several new sections including §711.0381 (Sale or Resale of Plots by Certain Persons) and new subchapters including Subchapter C-1 (Cemetery Broker Registration).

On January 1, 2014, the provisions relating to regulation of cemetery brokers in Section 711.0381 and Subchapter C-1 of the Texas Health and Safety Code became effective. New rules were adopted under 7 TAC §§24.1 – 24.3 that included the procedures for registering as a cemetery broker, the responsibilities of a cemetery broker after registration, and the requirements for registered cemetery brokers regarding consumer complaints.

A person or company seeking to register as a cemetery broker must submit a registration form along with a $100 registration fee to the Department. Upon determination that the submitted form is complete and accepted for registration, the registrant is notified accordingly. After initial registration, a registered cemetery broker must pay an annual $100 administration fee. A cemetery broker must notify the Department in writing if any of their information submitted during their initial registration has changed no later than the 60th day after the date of the change.

Each registered cemetery broker must provide their consumers with written notice on how to file a consumer complaint. Additionally, if a cemetery broker receives a consumer complaint, the broker must respond to the complaint in writing and send a copy of the response to the Department. The cemetery broker is obligated to retain documentation regarding the steps taken to resolve the complaint.

Five cemetery brokers registered with the Department during 2014. A comprehensive list can be found on the Department's website.

Legal Division

The Legal Division provides support to all other divisions of the Department and responds to legal inquiries from customers outside the agency. Legal support can take the form of advice and consultation, issuance of formal legal opinions, representation in contested case hearings, and drafting statutes and rules. The Division is also responsible for providing responses to requests for public information on behalf of the agency. As the agency has been called upon to regulate an increasingly complex array of financial entities, the demand for legal support has grown accordingly.

Examples of matters addressed by the Legal Division in 2014 include:

- Determination of licensing requirements for MSBs
- Enforcement actions against unlicensed entities engaged in money transmission
- Review of merger, acquisition, and change of control documents for banks
- Removal and prohibition actions
- Issuance of guidance for authorized delegates of MSBs
- Examination violation enforcement
- Draft of best practices for debit card processing
- Enforcement for misuse of prepaid funeral contract funds

One of the more interesting legal issues tackled in 2014 by the Department was virtual currency. Shortly after the price of Bitcoin peaked at $1,240 in December 2013, one of the major Bitcoin exchange sites, Mt. Gox, collapsed. In April, Texas became the first state to issue a detailed guidance (Supervisory Memorandum 1037) regarding how its money transmitter law applies to cryptocurrency. Under the Texas Money Services Act, cryptocurrency cannot be considered money, and therefore the only Bitcoin-related businesses that must be licensed in Texas are those that also handle government-issued currencies in ways that trigger licensure. The Supervisory Memorandum was viewed favorably by both the industry and regulators, and more than one state issued its own guidance based on the Texas memorandum.

During 2014, the Legal Division assisted in the issuance of more than a dozen Commissioner orders. Below is a list of public orders that became final in 2014.

Date	Order No.	Entity Name	Order Title
2/6/2014	2014-001	Jose Mireles	Consent Order Prohibiting Further Participation
5/22/2014	2014-005	Gonzalez Funeral Home, Gonzalez Family Funeral Home, LLC, Gonzalez-Rivera Funeral Home of Edinburg, LLC, Adan N. Gonzalez, Jr., Myrna Doris Gonzalez, Marc Anthony Gonzalez, and Aaron Rivera, Edinburg, TX	Final Order and Proposal for Decision Following Exceptions
5/29/2014	2014-006	Bill.com, Inc., Palo Alto, California	Consent Order
6/2/2014	2014-008	Dinar Corp., Inc. and Husam Tayeh, President of Dinar Corp., Inc., Carson City, Nevada	Order to Cease and Desist Activity
7/23/2014	2014-009	The Palms Memorial Gardens, Inc., the Palms Memorial Gardens Cemetery Association, Carlos Aparicio and Helen Aparicio, Portland, TX	Consent Order
8/19/2014	2014-012	Robert Hoffman and Xchange of America, LLC, Stuart, Florida	Agreed Order
8/28/2014	2014-014	Parker, Diane R.	Consent Removal Order
9/11/2014	2014-016	Belinda Neel Allee and James R. (“Randy”) Allee, former owners of the Callaway-Allee Funeral Home, Crockett, Texas	Consent Order
9/16/2014	2014-017	Tsai, Shang-Kuan a/k/a Scott Tsai	Consent Order Prohibiting Further Participation
10/10/2014	2014-015a	SMART Payment Plan, LLC, Naples, Florida	Amended Consent Order Nunc Pro Tunc
10/17/2014	2014-015b	SMART Payment Plan, LLC, Naples, Florida	Second Consent Order
10/22/2014	2014-020	Wilson Holdings, Inc., Houston, Texas	Consent Order
10/23/2014	2014-021	Belinda Neel Allee, James R. Allee, and James Allee II, Crockett, Texas	Emergency Order to Seize Prepaid Funeral Records
11/26/2014	2014-027	Escrow Hill Limited and Administration Services, LLC D/B/A Escrowhill.com and Andee Hill, Chief Executive Officer, Auckland, New Zealand and Westminster, California	Order to Cease and Desist Activity

Division of Strategic Support

The Division of Strategic Support (DSS) provides critical support and resources to divisions within the agency to assist staff in performing their duties and responsibilities. DSS handles an array of duties, including the oversight of examiner training and commissioning, consumer complaints, publications, financial education, policy and procedure development, and as of 2014, the Department's websites.

With such a diverse list of duties, a few of the more noteworthy undertakings for 2014 include redesigning the website, financial education outreach efforts, consumer assistance activity, and administering the test for commissioning examiners.

Redesigning the Face of the Department

In April 2014, the Department launched its redesigned website. The site features more information, easier navigation and improved accessibility. Users are given the ability to download fillable forms, submit questions via a web form and translate the site into several languages. Mobile and tablet users were given a user-friendly, responsive design and enhanced on-the-go functionality.

The project began in the fall of 2013 with the selection of a web design firm that assisted the Department during the design process. A significant amount of brainstorming and research was performed to arrive at the wireframe, or mock phase of the project. With the help of staff, the website was reorganized to offer visitors quick access to industry specific information.

The design phase allowed the Department to decide what the website's appearance would be, which encompassed colors, fonts, logos, and other branding materials. While the overall aesthetic appearance was important, the primary goal of the website was to design a product that worked for the Department's audience. As a result, each industry page became a one-stop hub to obtain pertinent information, such as examination procedures, forms, enforcement actions, and applicable regulations.

Throughout the redesign, the main goal was to provide users with a more functional and user-friendly website to access a wealth of information. Improving the site with powerful search capabilities and tools allows the Department to communicate with the industries more effectively and efficiently.

Adding a searchable corporate activities database has allowed users to search by application type or date. This search feature permits users to filter by criteria and review corporate charter activity processed by the agency. The search provides information on a variety of charter and license applications, interims, mergers, conversions, subsidiaries, home office relocations, name changes, branches and branch relocations, and closures for a specific time period.

An upgrade to our supervised, registered and licensed entity search was also a part of the redesign. Before, the search function was difficult to use and information was not displayed in an easy to follow manner. The search now provides the entity's contact information in a clear, concise manner. The outcome of the intuitive search is faster for each regulated entity.

Of the features that were added or improved during the redesign, the most important has been the release of the official portal called Data Exchange (DEX). DEX permits the Department to communicate and securely share documents with its regulated entities. This feature has been well received and has given the Department the ability to offer our regulated entities another option to communicate.

Financial Education

The existence of unbanked and underbanked households present an opportunity for banks to expand access to their products and services and establish relationships with these underserved groups. In November 2014, the Corporation for Enterprise Development (CFED) released new data on the number of unbanked and underbanked households in every census tract, city, and county in the country. The top ten counties with the highest rate of unbanked households are in Texas, Mississippi, Louisiana and South Dakota. Of the counties with more than 100,000 households, Hidalgo County, Texas, has the highest proportion of unbanked households at 21.6%.

In an effort to reach the goal of banking communities, the Department's Financial Education Coordinator has held multiple outreach programs and taught at multiple schools in the state. The redesign of the website allows individuals to easily contact the Coordinator and request financial literacy material, including the Department's financial education brochure.

Financial education webinars held in April and October focused on topics that assisted institutions in fulfilling the education needs of their communities. These free webinars are well received and have high participation rates averaging 200 participants per session. These webinars have allowed financial literacy champions from coast-to-coast to exchange information.

Furthermore, the Financial Education Coordinator conducted numerous bank visits where the financial education needs of a financial institution's community were assessed. These visits allow the Department to identify the "Who's Who" in Texas financial education. During these visits, the latest financial literacy curriculum and kits that meet the Texas education mandates were provided. Financial literacy requirements as well as the bank's level of involvement in implementing these requirements in their area high schools and middle schools were also discussed.

Evolution of Consumer Assistance

Consumer protection has been a hot button since the financial crisis of 2008. Over the years, the consumer assistance staff has dealt with many interesting situations. Generally, consumers are concerned with the interpretation and application of state and federal banking laws in their particular case. But in each of those cases, the objective is to reach a fair and amicable resolution between the complainant and regulated entity.

In 2014, there were 3,675 opportunities to offer assistance to consumers on a wide range of questions and complaints, ranging from typical deposit account issues to more complicated matters such as credit issues. Of all complaints filed, eight banks were found to be in error and $32,644.44 was recovered on behalf of consumers. These complaints dealt with inadvertent account closures, unauthorized withdrawals, missing deposits or services fees.

A new issue addressed by staff in 2014 related to the passage of House Bill 3068 in the 83rd Legislative Session which prohibited a surcharge on purchases made using a debit card or stored value card instead of cash, credit card or a similar means of payment. Although the law became effective September 1, 2013, consumer activity did not begin until 2014. The Department investigated and responded to 23 complaints and questions in which merchants appeared to be acting contrary to the law. Based on the consumer complaint activity, the agency issued best practices for merchants. The issuance of these practices helped ease consumer concerns.

The Department has accepted complaints from consumers for many years. With the creation of the Consumer Financial Protection Bureau and their acceptance of complaints on a variety of financial products and services beginning in March 2012, the overall volume of complaints filed with the Department has decreased over time. However, with a more user-friendly website platform, electronic communication between consumers and the agency improved, allowing both consumers and bankers to submit questions more easily. The enhanced site positively impacted the complaint process by establishing a more virtual, paperless system saving space and money.

Commissioning Examiners

DSS is entrusted with securing the testing material used to commission agency examiners. For Assistant Examiners, the process is intense with years of preparation and is more rigorous when compared to other states and federal standards. An examiner's journey towards commissioned status entails a five to seven year specialized training process. Once commissioned, an examiner has mastered a variety of skills that are necessary to fulfill the regulatory responsibilities of the Department, and only commissioned examiners can manage examinations and sign examination reports.

The testing process is known as the Commissioning Process, or Bank Examination Testing System (BETS). There are four distinctive phases of the testing process: General Knowledge, Credit Analysis, CAMELS Knowledge Panel, and a Test Bank. Each phase requires material preparation and coordination to assemble panels for each candidate. Over the years, the number of candidates progressing through the testing process has increased as the agency successfully improved its retention of staff after being granted Self-Directed, Semi-Independent status in September 2010.

Once a candidate passes all four phases of the process, they are promoted to a Commissioned Examiner. As of December 31, 2014 there were 73 Commissioned Examiners.

Administrative Services Division

The Administrative Services Division is responsible for the agency's accounting, purchasing and procurement, building maintenance, risk management and business continuity functions. Similarly to other businesses and state government agencies, the Department is also audited on a regular basis. In 2014, the Department underwent a post payment audit by the Texas Comptroller of Public Accounts and a risk management program review by the State Office of Risk Management (SORM).

Audits

The purpose of the post payment audit was to determine whether the Department's expenditures complied with state law and with the processing requirements of the Uniform Statewide Accounting System and the Uniform Statewide Payroll/Personnel System.

The goal of SORM's risk management program review was to verify, monitor, evaluate and approve the department's risk management and health and safety programs and to identify any exposures to property and liability losses including workers' compensation issues.

There were no significant findings related to either audit and the Department successfully implemented all recommendations in a timely manner.

Business continuity planning has become a necessity in the last decade to many sectors; including state agencies. Below are a few highlights of interest relating to this area.

Affiliation - Texas Office of Homeland Security

The Department partners with the Texas Office of Homeland Security in their coordination and planning of critical infrastructure protection for Texas Specific Sectors. The Department co-leads the Banking and Financial Services Sector and is involved in the identification and protection of critical infrastructure and key resources (CIKR) for Texas. The primary goal of this partnership is to provide a strategy for working collaboratively with public and private partners to:

*Identify critical infrastructure;

*Reduce CIKR vulnerability;

*Promote the continued operation and resiliency of CIKR in the face of natural disasters, technological failures and deliberate attacks; and

*Enhance understanding of CIKR and develop, share and disseminate information to support prevention of attacks and response/recovery following attacks and disasters.

Continuity of Operations Plan

The State of Texas must be prepared to ensure the continuing performance of critical government functions under all conditions, including emergencies that disrupt normal operations. In October 2014, the Department issued a continuity of operations plan (COOP) in accordance with the Texas State Agency Continuity Planning Policy Guidance Letter issued by the Texas Department of Public Safety, the Texas Department of Information Resources, and the State Office of Risk Management.

The purpose of the COOP is to establish, define, communicate and practice required actions to be taken in case of a significant event such as a natural disaster, mechanical malfunction or terrorist attack. The focus of the COOP's operating procedures is to ensure that Department employees understand how to execute a COOP activation as quickly and efficiently as possible. This COOP activation enables the Department to reestablish operations at a COOP facility, with the added flexibility of telework, so that the Department continues to provide continuity of government capability and execute its primary mission essential functions.

The Department's COOP, along with other state agencies' COOPs, will ensure a statewide continuity of planning readiness and that the most critical government services continue to be available to the citizens of Texas under any conditions.

IT Division

Texas, like many governmentaland commercial organizations, has experienced security incidents involving sensitive and confidential data. To be proactive, the agency volunteered to have a security assessment by Gartner Inc. in 2013. Gartner is a world's leading information technology research and advisory company. The security assessment program was established by the Texas Department of Information Resources (DIR) to assist state agencies in strengthening their electronic networks.

The security assessment examined the agency's Information Technology (IT) Security Program in relation to current industry leading practices. The outcome of the security assessment showed some strengths and gaps in the security environment. To close these security gaps, the Department's first action in 2014 was to hire an Information Security Officer (ISO), Mr. Dale Harville. Dale previously served as the Network Manager and ISO for Texas A&M University, San Antonio, Texas. He has a master's degree in Computer Information Systems and a minor in Information Systems Security with over 28 years of experience in the IT field.

Dale immediately began to work in re-writing the agency IT policy and procedure manual. The new IT manual is very comprehensive and documents the Department's security practices. The agency has always been very proactive in adhering to strong security practices such as using full disk encryption, forced thumb drive encryption and bios passwords. For the past eleven years, the Department has been through penetration tests administered by DIR and is regularly reviewed by the agency's outsourced internal audit program.

The Gartner security assessment identified best practices that had been overlooked by the Department. With the addition of the new ISO, the Department has installed a web filter that blocks web traffic to sites with a high threat potential or which are not business appropriate. The Department has moved to virtualized servers adding benefits for improved disaster recovery, increasing server uptime, and reducing vendor specific hardware. The Department also purchased new network switches to segment server traffic from internal user traffic, thus increasing protection in the event viruses infiltrate the system.

Other changes implemented in 2014 include a help desk ticketing system and a desktop management system. The new ticketing system offers Department personnel another resource to report computer problems or issues and allows IT staff to track and resolve them more efficiently. The desktop management system allows the Department to maintain better control over its computer resources by automating desktop management routines such as installing patches, distributing software, managing IT assets and software licenses, maintaining up-to-date virus definitions, and ensuring personnel have access to the correct network folders and printers.

The Department's goal has always been to safeguard data pertaining to its regulated entities. With the improvements executed above, security gaps were greatly reduced, ensuring that future enhancements will refine the agency's security program.

DEPARTMENT Financial Information

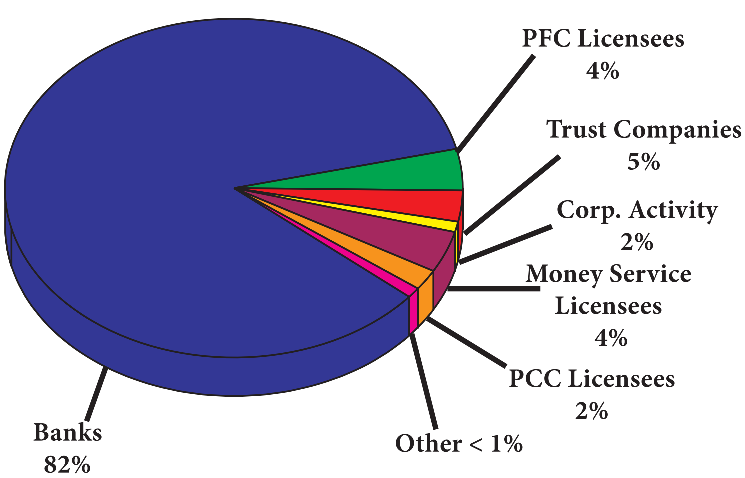
UNAUDITED

TEXAS DEPARTMENT OF BANKING (451)

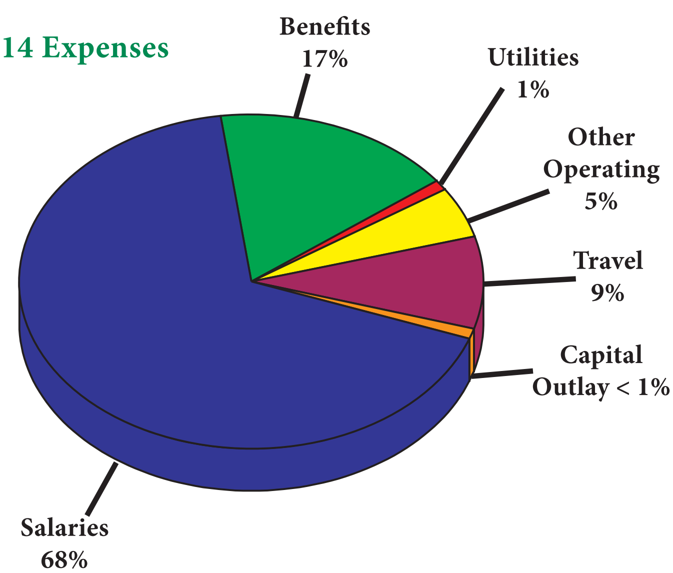
For the Fiscal Year Ended August 31, 2014

	Governmental Funds Total
EXPENDITURES:	
Salaries and Wages	15,993,460.61
Payroll Related Costs	4,058,799.95
Professional Fees and Services	121,591.04
Travel	2,055,744.46
Materials and Supplies	259,209.76
Communications, Utilities, Repairs and Maintenance	353,548.43
Rentals and Leases	331,692.48
Printing and Reproduction	6,520.32
Other Expenditures	447,987.99
Capital Outlay	35,115.44
Total Expenditures	$23,663,670.48

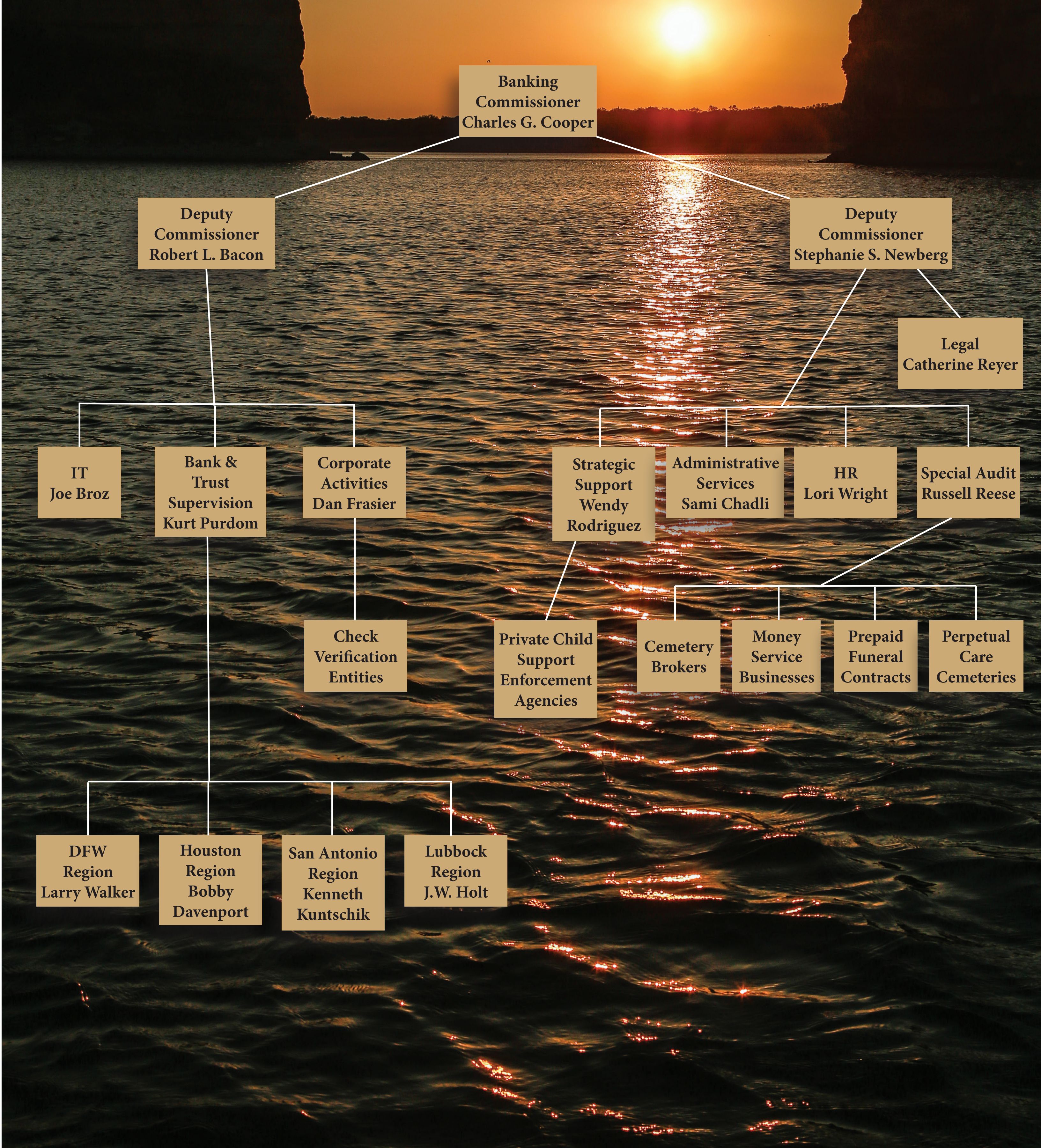
2014 Collected Revenues



2014 Expenses



Organizational Chart
December 2014



Statement of Financial Condition
State-Chartered Banks in Texas

(in millions)

	Dec. 2014*	Dec. 2013	Dec. 2012
NUMBER OF INSTITUTIONS	267	283	293
ASSETS			
Interest Bearing Balances	$ 16,958	$ 17,023	$ 15,138
Federal Funds Sold	956	991	1,404
Trading Accounts	587	362	644
Securities	60,865	56,838	55,809
Total Loans	136,248	122,867	115,115
Less: Allowance for Loan Losses	(1,571)	(1,602)	(1,637)
Premises and Fixed Assets	3,763	3,579	3,346
Other Assets	17,611	16,496	15,791
Total Assets	**$235,417**	**$216,554**	**$205,610**
LIABILITIES AND CAPITAL			
Total Deposits	$ 197,078	$ 181,010	$ 169,154
Federal Funds Purchased & Repos	3,187	3,397	3,486
Trading Liabilities	623	104	475
Other Borrowed Funds	4,467	4,552	5,748
All Other Liabilities	3,483	3,706	4,283
Equity Capital	26,579	23,785	22,464
Total Liabilities and Equity Capital	**$235,417**	**$216,554**	**$205,610**
RATIOS			
Yield on Earning Assets	3.36%	3.61%	3.65%
Net Interest Margin	3.33%	3.30%	3.26%
Return on Assets	1.12%	1.06%	1.00%
Net Charge-offs to Loans	0.10%	0.19%	0.32%
Assets Per Employee ($million)	5.58	5.16	5.17
Loss Allowance to Loans	1.15%	1.30%	1.42%
Equity Capital to Assets	11.28%	10.98%	10.92%
Total Risk-Based Capital Ratio	14.11%	14.62%	14.70%

* Note: One savings bank in Del Rio is classified incorrectly on the FDIC website. The numbers for that bank have been removed from the numbers above for 2014.

Statement of Income
State-Chartered Banks in Texas

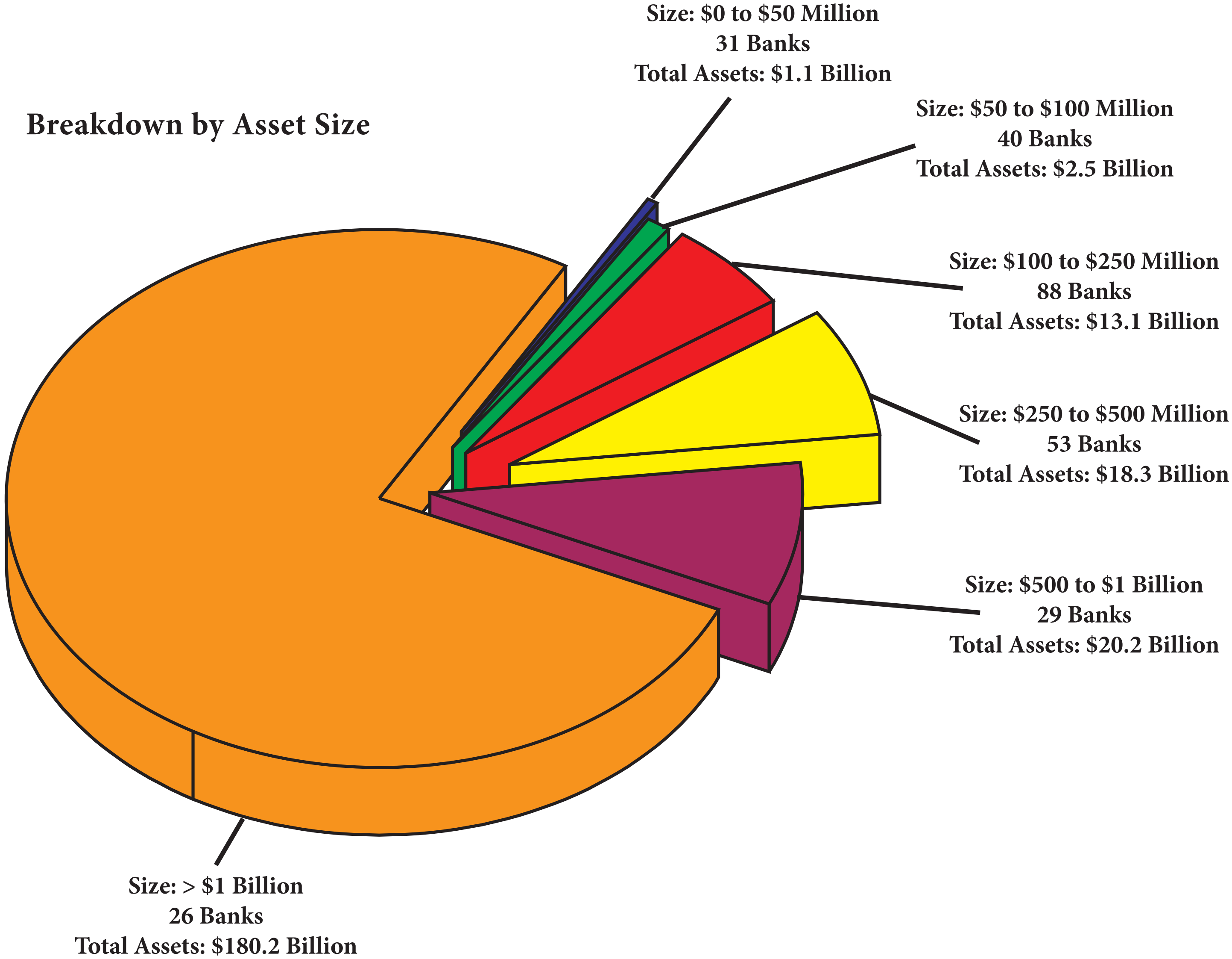
(in thousands)

	Dec. 2014*	Dec. 2013	Dec. 2012
INTEREST INCOME			
Loans	$ 5,886,419	$ 5,523,328	$ 5,118,202
Lease Receivables	37,962	46,301	40,193
Due From Depository Institutions	54,492	50,046	45,413
Securities	1,313,371	1,197,888	1,226,668
Trading Assets	2,325	2,502	3,349
Federal Funds Sold	3,092	3,544	3,901
Total Interest Income	**7,297,661**	**6,823,609**	**6,437,726**
INTEREST EXPENSE			
Deposits	403,984	452,215	526,977
Federal Funds Purchased	32,426	38,308	46,117
Borrowings	44,604	54,121	69,158
Subordinated Notes	33,994	41,141	44,424
Total Interest Expense	**515,008**	**585,786**	**686,676**
Net Interest Income	6,782,653	6,237,823	5,751,050
Provision for Loan Loss	176,131	233,551	256,865
NONINTEREST INCOME			
Service Charges on Deposit Accts.	672,529	682,407	665,611
Other Noninterest Income	2,225,976	2,205,736	1,493,078
Total Noninterest Income	**2,898,505**	**2,888,143**	**2,158,689**
NONINTEREST EXPENSE			
Salaries and Benefits	3,499,544	3,402,625	2,851,755
Premises and Equipment	802,559	757,931	679,004
All Other Noninterest Expense	1,883,128	1,904,946	1,733,070
Total Noninterest Expense	**6,185,231**	**6,065,502**	**5,263,829**
Pre-Tax Net Operating Income	3,319,796	2,826,913	2,389,045
Securities Gains/(Losses)	21,532	53,776	139,078
Applicable Income Taxes	(832,857)	(674,474)	(580,761)
Extraordinary Gains - Net	623	73	(1,658)
NET INCOME	**$ 2,509,094**	**$ 2,206,288**	**$ 1,945,704**

* Note: One savings bank in Del Rio is classified incorrectly on the FDIC website. The numbers for that bank have been removed from the numbers above for 2014.

Financial Information on State-Chartered Banks in Texas

By: Size, Number and Total Assets



Information as of December 2014 obtained from the FDIC database.

Newest State Banks, Trust Companies, Money Service Businesses, Cemetery Brokers and Prepaid Funeral Contract Entities

State Bank Conversions

American Momentum Bank,
College Station, January 2014

Farmers State Bank of Newcastle
Newcastle, December 2014

Trust Conversion

Invesco Trust Company
Houston, November 2014

Cemetery Brokers

Lots for Less, Inc.
Dallas, February 2014

Kenneth Charles Lambert
Tomball, February 2014

Avalon Mortuary Service Corporation
Dallas, February 2014

Saldana, Inc.
Fort Worth, May 2014

Long Ngoc Pham
Pearland, December 2014

Prepaid Funeral Contract Entity

Collins-Johnson Funeral Home, Inc.
Conroe, October 2014

Money Service Businesses

Monterry Casa d Cambio, LLC
Hidalgo, TX, January 2014

North American Money Transfer, Inc.
Stone Mountain, GA, January 2014

Darthmouth Capital, LLC
Boston, MA, April 2014

Tipalti, Inc.
Agoura Hills, CA, May 2014

Kaah Express, F.S., Inc.
Minneapolis, MN, May 2014

Sterling Currency Group, LLC
Atlanta, GA, June 2014

Tech Friends, Inc.
Jonesboro, AR, July 2014

Bill.com, Inc.
Palo Alto, CA, September 2014

Realpage Payments Services, LLC
Carrollton, TX, October 2014

U.S. Equity Advantage, Inc.
Orlando, FL, October 2014

FNC Insurance Agency, Inc.
Hagerstown, MD, October 2014

Liberty Galleries, L.L.C.
Cypress, TX, November 2014

U.S. Payments, LLC
Tulsa, OK, December 2014

Top 10 Largest State-Chartered Banks and Trust Companies in Texas

(in thousands)

Banks

Comerica Bank, Dallas	$69,310,249
Frost Bank, San Antonio	$28,327,456
Prosperity Bank, El Campo	$21,504,119
International Bank of Commerce, Laredo	$ 9,892,151
PlainsCapital Bank, Dallas	$ 8,685,931
Southside Bank, Tyler	$ 4,821,186
Legacy Bank of Texas, Plano	$ 4,162,830
Independent Bank, McKinney	$ 4,127,466
Happy State Bank, Happy	$ 2,570,931
City Bank, Lubbock	$ 2,332,169
Total	*$155,734,488*

Percentage of Total Texas State-Chartered Banking Assets - 66.2%

Trust Companies

Invesco Trust Company, Houston	$55,096,434
Hand Benefits & Trust Company, Houston	$18,235,358
The Houston Trust Company, Houston	$ 4,366,691
Westwood Trust Company, Dallas	$ 3,509,119
Austin Trust Company, Austin	$ 3,047,114
Sentinel Trust Company, L.B.A., Houston	$ 2,788,730
Kanaly Trust, LTA, Houston	$ 2,179,827
The Trust Company, San Antonio	$ 1,687,556
Woodway Financial Advisors, Houston	$ 1,636,953
Turtle Creek Trust Company, LTA, Dallas	$ 1,457,879
Total	*$94,005,661*

Percentage of Total Texas State-Chartered Trust Assets - 97.0%

Finance Commission Members

W.J. (Bill) White
Chair
(Consumer Credit Executive)

Paul Plunket
Vice-Chair
(Public Member)

Susan H. Burton
(Public Member)

William (Will) M. Lucas
(Savings Executive)

Victor E. Leal
(Public Member)

Stacy G. London
(Residential Mortgage Loan
Originator Executive)

Cindy F. Lyons
(CPA/Public Member)

Lori B. McCool
(Public Member)

Jonathan B. Newton
(Public Member)

Larry Patton
(Banking Executive)

Hillard (Jay) Shands, III
(Banking Executive)

Senior Department Staff

Charles G. Cooper
Banking Commissioner

Robert L. Bacon
Deputy Commissioner

Stephanie S. Newberg
Deputy Commissioner

Joe Broz
Director - IT

Dan Frasier
Director - Corporate Activities

Kurt Purdom
Director - Bank & Trust Supervision

Russell Reese
Director - Special Audits

Catherine Reyer
General Counsel - Legal

Sami Chadli
Director - Administrative Services

Wendy Rodriguez
Director - Strategic Support

Texas Department of Banking
2601 North Lamar Blvd.
Austin, Texas 78705-4294
(512) 475-1300
(512) 475-1313 Fax
Toll Free: (877) 276-5554
www.dob.texas.gov

THE STATE OF TEXAS
DEPARTMENT OF BANKING