Department Overview

★ Established in 1905 by the 29th Legislature.
★ Rich tradition of professional and sound regulation.
★ Practices and promotes fiscal responsibility.
★ Reduces regulatory burden by coordinating regulatory activities with other state and federal agencies.
★ Agency responsible for all direct and indirect costs; no cost to General Revenue Fund. Granted Self-Directed, Semi-Independent status by 81st Legislature.
★ Department Mission – Ensures Texas has a safe, sound and competitive financial services system.
★ Department Motto – “Tough but Fair.”
★ Sunset date was extended to September 1, 2031 by the 86th Legislature.
The Department conducts examinations of entities under its supervision to evaluate the safety and soundness and compliance with state and federal laws. Total assets of the regulated entities represented in the table are approximately $770.1 billion.

Thirteen Texas state-chartered banks operate branches in eleven other states.
Assets of Federally Insured Texas Financial Institutions

$1,774.0 Billion
As of December 31, 2020

- Texas State-Chartered Banks (217)
  - $345.3 Billion
  - 19.5%

- Texas State-Chartered Savings Institutions (23)
  - $395.3 Billion
  - 22.3%

- Texas State-Chartered Credit Unions (171)*
  - $48.4 Billion
  - 2.7%

- Texas Federally-Chartered Banks (166)
  - $167.0 Billion
  - 9.4%

- Texas Federally-Chartered Savings Institutions (4)
  - $111.1 Billion
  - 6.3%

- Texas Federally-Chartered Credit Unions (261)*
  - $74.9 Billion
  - 4.2%

- Out-of-State State-Chartered Banks (45)
  - $83.9 Billion
  - 4.7%

- Out-of-State Federally-Chartered Savings Institutions (5)
  - $1 Billion
  - <1%

- Out-of-State Nationally-Chartered Banks (30)
  - $547.2 Billion
  - 30.8%

- Out-of-State Federally-Chartered Savings Institutions (5)
  - $1 Billion
  - <1%

* Credit Union data was not available for December 31, 2020. Data reflected is as of September 30, 2020.

As of December 31, 2010

7,658 All U.S. Banks

615 All Texas Banks

5,009 All U.S. Banks

410 All Texas Banks

As of February 22, 2021

Source: FDIC

Presented by the Texas Department of Banking
Changes Over the Years

Presented by the Texas Department of Banking

Source: Texas Department of Banking

Presented by the Texas Department of Banking
Banks are generally in satisfactory condition.

<table>
<thead>
<tr>
<th>Ratios</th>
<th>All Texas Banks</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets</td>
<td>0.88%</td>
<td>0.72%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>9.02%</td>
<td>6.88%</td>
</tr>
</tbody>
</table>

*Source: FDIC. Financial Data as of December 31, 2020*

The Department defines problem banks as a 3, 4, or 5 rated financial institution.

*Source: Texas Department of Banking*

### Bank Failures

<table>
<thead>
<tr>
<th>Year</th>
<th>All Texas Banks</th>
<th>Nation</th>
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<tbody>
<tr>
<td>2010</td>
<td>1</td>
<td>154</td>
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<tr>
<td>2011</td>
<td>1</td>
<td>92</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
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<td>2019</td>
<td>1</td>
<td>4</td>
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<tr>
<td>2020</td>
<td>0</td>
<td>4</td>
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<tr>
<td>As of 2/28/21</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: FDIC*
Presented by the Texas Department of Banking

181 employees as of January 31, 2021
Regulatory Concerns for Banking

★ Pandemic Impact
  ○ Challenges in meeting customer financial needs – office closings, customer/employee safety, and technology
  ○ Industries severely affected – hospitality, oil and gas, and commercial office space
  ○ Historically low interest rate environment – narrow net interest margins
  ○ Paycheck Protection Program – administration and collection

★ Cybersecurity Risk
  ○ Self-assessment tool for mitigating the risks of ransomware
  ○ Supply chain compromise (SolarWinds)

★ Economic Uncertainty

★ Competition From Fintech Companies
REGULATORY CONCERNS FOR MONEY SERVICES BUSINESSES (MSB)

★ Pandemic Impact
  o Currency exchangers face challenges in meeting customer needs – office closings and customer/employee safety

★ Technological Advancements have Increased the Types of Money Transmission Products and Services Being Offered
  o Department must adapt to adequately supervise the MSB

★ Cybersecurity Risk

★ Office of the Comptroller of the Currency Proposed Fintech Charter

★ Unlicensed Activity – the Internet is a vehicle for businesses to operate without licensure

★ Banks Continue to Close MSB Accounts (De-risking)
  o Currency exchangers are having difficulties opening accounts