

OKLAHOMA
STATE BANKING
DEPARTMENT

2019

ANNUAL REPORT
TO THE
GOVERNOR

MICK THOMPSON
BANK COMMISSIONER



J. KEVIN STITT
GOVERNOR

STATE OF OKLAHOMA
STATE BANKING DEPARTMENT

October 25, 2019

The Honorable Kevin Stitt
Governor, State of Oklahoma
2300 N Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Dear Governor Stitt:

Pursuant to Title 6 O.S., Section 212 of the Oklahoma Banking Code, I am pleased to submit the State Banking Department's 2019 Annual Report. This report contains information on the financial institutions the Department regulates as well as an update on the agency's budget and regulatory activities during the past year.

The State Banking Department is charged with regulating all state chartered banks, credit unions, savings and loan associations, trust companies, money order companies, and money transmission licensees in the State of Oklahoma. The total banking assets supervised by the State Banking Department are over \$72 billion.

I hope you find this report informative and should you have any questions regarding the contents of this publication, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mick Thompson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Mick Thompson
Commissioner

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**Additional information may be found on the
Department's website at Banking.ok.gov.**

MISSION

The mission of the State Banking Department is to allocate human and other resources to implement an effective regulatory program for financial institutions. The Department has been, and will continue to be, an advocate for financial institutions in the implementation of this program. However, our primary focus is to ensure the continuance of safe and sound financial practices in the State's financial institutions. It would follow that the financial services offered by these sound institutions would foster economic growth and meet the public demand for these services in their communities.

HOW MISSION IS ACCOMPLISHED

The Department is committed to the development of its staff through education, economic rewards, and the availability of a pleasant work environment. In that regard, the following objectives have been formulated by the Department:

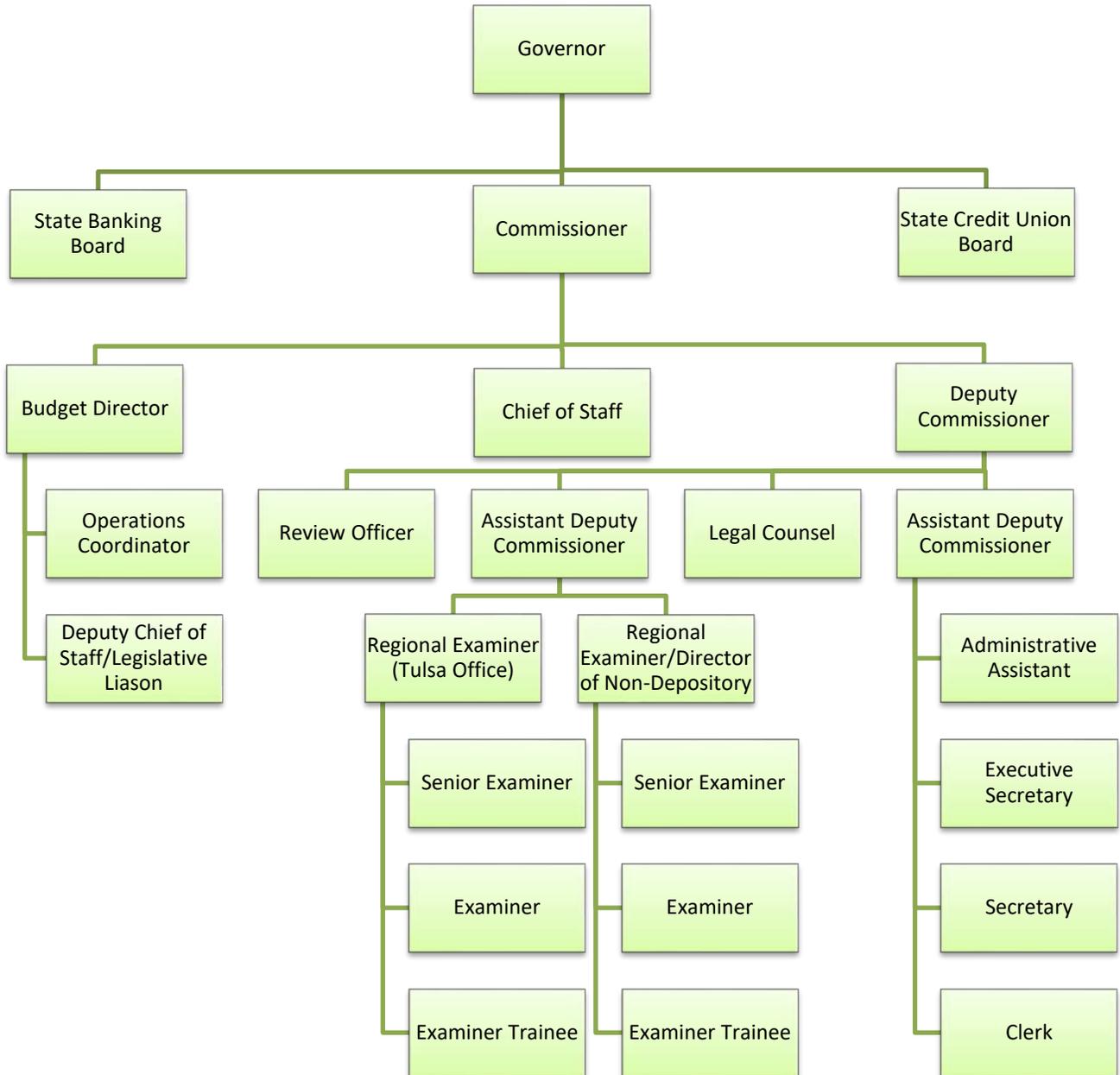
- To strengthen the examination program by improving examination methods and procedures and by improving research and development to stay abreast of changes within the financial industry;
- To improve training programs for Department personnel by more efficient utilization of funds and resources, enhancement of internal training programs, and early detection and identification of external schools and seminars to be attended;
- To improve communication among bank management, regulatory agencies, public entities, and the general public;
- To acquire and maintain the required physical and human resources to allow more efficient and consistent operation; and
- To improve the work environment, benefits, and morale of Department personnel in order to enhance staff motivation and satisfaction, improve productivity, and reduce turnover.

HOW MISSION IS MEASURED

To accomplish its mission, the Banking Department examines banks, credit unions, trust companies, and savings associations, and rates them based on safety and soundness. The Department also compares trends of capital requirements and assets of prior years. The Department can then recognize weaknesses and implement formal and informal supervisory action to ensure compliance with applicable laws and prevent the failure of a financial institution. The Department can also compare the results of each examination to evaluate the progress of each financial institution.

With respect to its supervision of money order companies and money transmitters, the Department supervises such institutions to assure they maintain adequate security (such as a surety bond) and net worth. The Department's supervision is directed at consumer protection and making sure that only those companies with sound business operations may conduct business in Oklahoma.

ORGANIZATIONAL CHART



COMPARATIVE STATEMENT OF EXPENDITURES AND RECEIPTS

EXPENDITURES	FY-19	FY-18
Personal Services	\$6,313,787	\$5,963,165
Professional Services	249,143	177,705
Travel	392,572	455,315
Equipment	0	30,304
Other Operating Expenses	319,917	293,335
TOTAL	\$7,275,419	\$6,919,824

RECEIPTS	FY-19	FY-18
Assessments Deposited into GRF	\$820,091	\$744,017
Assessments and Fees Deposited into the Banking Department's Revolving Funds		
- Banks	\$ 7,398,892	\$ 6,813,159
- Trust Companies	124,592	176,472
- Credit Unions	352,230	294,494
- Savings and Loan Associations	1,749	1,753
- Money Order Companies	19,480	7,660
- Money Transmitter Companies	393,400	316,600
- Misc. Fees	4,700	1,395
TOTAL ASSESSMENTS & FEES	\$9,115,134	\$8,355,550

INSTITUTIONS SUPERVISED

as of June 30, 2019

Type of Institutions	Number of Institutions	Examinations Performed 7/1/2018 to 6/30/2019
Commercial Banks (1)	154	57
Bank Trust Departments		
- Active	16	5
- Inactive (2)	10	N/A
Savings and Loans	1	1
Trust Companies	7	4
Credit Unions	13	8
Money Order Companies (3)	14	0
Money Transmitter Companies (4)	110	0
TOTAL	325	76

(1) Commercial banks: 52 were independent exams (includes 1 conversion exam of a national bank) and 5 were joint with FDIC or Federal Reserve. 142 of the 154 banks (92%) are rated 1 or 2.

(2) Trust Departments endowed with trust powers which do not currently provide fiduciary supervision for any trust accounts.

(3) Money Order licensees submit audited financial statements at the time their license is renewed. The statements are reviewed internally along with other documentation required at the time.

(4) Money Transmitter licensees are examined annually upon renewal of their license. The Banking Department reviews each licensee for purposes of financial safety and soundness. The Banking Department has entered into agreements with the Oklahoma Bureau of Narcotics and Dangerous Drugs Control and the Federal Department of Homeland Security to conduct investigations of agent locations for purposes of criminal conduct.

CONSOLIDATED REPORT OF CONDITION

OKLAHOMA STATE CHARTERED BANKS

as of June 30, 2019

Number of Banks – 154

ASSETS	Thousands of Dollars
Cash and Due from Banks	5,372,837
Securities	8,299,758
Federal Funds Sold	532,158
Loans – Net of Reserve	39,926,265
Bank Premises – F&F	1,344,869
Other Real Estate Owned	106,022
Intangible Assets	803,423
Other Assets	1,546,380
TOTAL ASSETS	57,931,712

LIABILITIES	Thousands of Dollars
DEPOSITS	
Noninterest-bearing Deposits	12,895,283
Interest-bearing Accounts	35,833,320
TOTAL DEPOSITS	48,728,603
Federal Funds Purchased	585,376
Other Borrowed Money	1,501,332
Subordinated Notes and Debentures	3,093
Other Liabilities	565,555
TOTAL LIABILITIES	51,383,959

EQUITY CAPITAL	Thousands of Dollars
Preferred Stock	20,000
Common Stock	136,533
Surplus	2,479,038
Undivided Profits	3,911,039
Noncontrolling Interests in Consolidated Subs.	1,143
TOTAL EQUITY CAPITAL	6,547,753
TOTAL LIABILITIES, PREFERRED STOCK AND EQUITY CAPITAL	57,931,712

	6-30-2019	6-30-2018	6-30-2017
Percentage of Total Capital to Total Assets	11.30%	10.74%	10.88%
Percentage of Total Capital to Total Deposits	13.44%	12.65%	12.86%
Percentage of Total Loans to Total Deposits	82.90%	81.41%	80.87%
Percentage of Cash Reserve to Total Deposits	9.81%	9.75%	9.75%

CONSOLIDATED REPORT OF CONDITION

OKLAHOMA STATE CHARTERED BANKS

Selected Performance and Condition Ratios

	6-30-19	12-30-18	6-30-18	12-31-17	6-30-2017	12-31-2016
Number of Banks Reporting	154	153	156	158	158	156
Unprofitable Banks	5.19%	4.58%	3.21%	6.96%	5.06%	4.49%
Banks with Earnings Gains	59.09%	65.36%	63.46%	53.16%	47.47%	59.62%

Yield on Earning Assets	5.04%	4.78%	4.63%	4.31%	4.38%	4.33%
Net Interest Margin	4.04%	4.05%	4.02%	3.86%	3.95%	3.94%
Noninterest Inc./Earning Assets	1.15%	1.05%	1.07%	1.11%	1.15%	1.21%
Noninterest Exp./Earning Assets	3.31%	3.24%	3.26%	3.27%	3.34%	3.43%
Net Operating Income to Assets	1.15%	1.42%	1.42%	1.21%	1.21%	1.27%

Return on Assets (ROA)	1.16%	1.42%	1.41%	1.23%	1.22%	1.30%
Return on Equity (ROE)	10.50%	13.19%	13.14%	11.20%	11.28%	11.93%

Loan Loss Reserve to Loans	1.14%	1.15%	1.13%	1.06%	1.19%	1.18%
Noncurrent Loans to Loans	.95%	1.13%	.86%	.80%	0.88%	0.87%
Core Capital (Leverage) Ratio	10.38%	10.27%	10.22%	10.23%	10.21%	10.36%
Tier 1 Risk-Based Capital Ratio	10.77%	11.01%	10.87%	10.45%	11.21%	11.11%
Total Risk-Based Capital Ratio	14.38%	14.17%	14.16%	14.03%	14.20%	14.07%

SUMMARY OF CHANGES

OKLAHOMA STATE CHARTERED BANKS

July 1, 2018 through June 30, 2019

TOTAL STATE CHARTERED BANKS AS OF JUNE 30, 2018	156
NEW BANK CHARTERS (1)	2
CONVERSIONS TO STATE BANKS (2)	1
CONVERSIONS TO NATIONAL BANKS	0
ACQUISITIONS	
- State Banks acquired by Other State Banks	0
MERGERS	
- State Banks merged into Other State Banks (3)	4
- State Banks merged into National Banks	0
- State Banks merged into Out-of-State Banks (4)	1
TOTAL STATE CHARTERED BANKS AS OF JUNE 30, 2019	154

(1) Watermark Bank, Oklahoma City, Oklahoma. Effective date was January 22, 2019.

Gateway First Bank, Jenks, Oklahoma. Effective date was May 3, 2019.

(2) The First National Bank of Coweta, Coweta, Oklahoma, conversion to a state charter as FNB Coweta. Effective date was June 30, 2019.

(3) First Bank of Chandler, Chandler, Oklahoma merged with and into BancFirst, Oklahoma City, Oklahoma. Effective date was September 7, 2018.

The Morris State Bank, Morris, Oklahoma merged with and into Mabrey Bank, Bixby, Oklahoma. Effective date was August 24, 2018.

Farmers Exchange Bank, Cherokee, Oklahoma merged with and into Gateway First Bank, Jenks, Oklahoma. Effective date was May 3, 2019.

State Guaranty Bank, Okeene, Oklahoma merged with and into High Plains Bank, Keyes, Oklahoma. Effective date was May 31, 2019.

(4) City Bank and Trust Company, Guymon, Oklahoma merged with and into Equity Bank, Andover, Kansas. Effective date was August 24, 2018.

Summary of Changes - Other

The First State Bank, Ryan, Oklahoma changed its name to First Summit Bank. Effective date was January 18, 2019.

High Plains Bank, Keyes, Oklahoma relocated its main office to Okeene, Oklahoma. Effective date was May 31, 2019.

CONSOLIDATED REPORT OF CONDITION

OKLAHOMA STATE CHARTERED CREDIT UNIONS

as of June 30, 2019

Number of Credit Unions – 13

Corporate Credit Unions – None

ASSETS	Thousands of Dollars
Cash, Cash Equivalents and Cash on Deposit	168,596
Total Loans	1,716,648
Loans Held for Sale	2,481
<i>Less: Allowance for Loan Losses</i>	(18,882)
Total Investments (Market Value, AFS only)	573,165
Land & Building (Net of Depreciation)	64,589
Other Fixed Assets	9,101
Other Real Estate Owned	134
Share Insurance Capitalization Deposit	19,986
Other Assets (including Share Insurance Fund)	42,380
TOTAL ASSETS	2,578,198

LIABILITIES	Thousands of Dollars
Total Borrowings	40,980
Dividend/Interest Payable	225
Accounts Payable and Other Liabilities	29,468
TOTAL LIABILITIES	70,673
TOTAL SHARES AND DEPOSITS	2,218,511

EQUITY	Thousands of Dollars
Regular Reserves	38,966
<i>Plus: Unrealized G/L on AFS Securities</i>	0
Other Reserves and Miscellaneous Equity	5,923
Reserve for Nonconforming Investments	0
Undivided Earnings (including YTD Net Income)	244,125
TOTAL EQUITY	289,014
TOTAL LIABILITIES, SHARES, AND EQUITY	2,578,198

SUMMARY OF CHANGES

OKLAHOMA STATE CHARTERED

CREDIT UNIONS

July 1, 2018 through June 30, 2019

NAME CHANGE

- None

CONVERSIONS

- None

MERGERS

- None

CONSOLIDATED REPORT OF CONDITION

OKLAHOMA STATE CHARTERED TRUST COMPANIES

as of June 30, 2019

Number of Trust Companies – 7

ASSETS	Thousands of Dollars
Cash & Due From Banks	12,424
Notes, Loans & Other Receivables	3,355
Stocks, Bonds, Securities & Investments	10,350
Trust Company Premises, Furniture, Fixtures, and Other Assets Representing Trust Company Premises	2,017
Other Real Estate	0
Investments in Subsidiaries	7,609
Title Records	2,039
Other Assets	2,989
TOTAL ASSETS	40,783
LIABILITIES	Thousands of Dollars
Certificates & Other Forms Representing Deposits of Individuals, Partnerships and Corporations	
Certificates & Other Forms Representing Deposits of Government and Political Subdivisions	0
Accounts Payable	1,520
Notes Payable	
Custodial and Escrow Accounts Payable	
Reserve Provision for Taxes, Interest, etc.	8,122
Other Liabilities	371
TOTAL LIABILITIES	10,013
RESERVES ON LOANS & SECURITIES	Thousands of Dollars
Reserves for Bad Debt Losses on Loans	449
Reserves for Losses on Securities	0
TOTAL RESERVES ON LOANS & SECURITIES	449
CAPITAL ACCOUNTS	Thousands of Dollars
Capital Notes and Debentures (Specify interest & maturity each issue outstanding)	0
Preferred Stock-Total Par Value	0
Common Stock-Total Par Value	2,512
Surplus	17,344
Paid in Excess	
Undivided Profits	3,287
Reserves for Contingency & Other Capital Reserves including Provisions for Abstract & Title Guarantees	7,178
TOTAL CAPITAL ACCOUNTS	30,291
TOTAL LIABILITIES, RESERVES & CAPITAL ACCOUNTS	40,783

SUMMARY OF CHANGES

TRUST COMPANIES
as of June 30, 2019

None.

CONSOLIDATED REPORT OF CONDITION

OKLAHOMA STATE CHARTERED SAVINGS AND LOAN ASSOCIATIONS

as of June 30, 2019

Number of Savings & Loans – 1

ASSETS	Thousands of Dollars
Cash and Noninterest-Bearing Deposits	1,136
U.S. Government Securities	3,882
Other Investment Securities	763
Mortgage Loans	2,496
Non-Mortgage Loans	190
Repossessed Real Estate and Other Assets	0
Real Estate Held for Investment	0
Investment in Subsidiaries	0
Premises and Equipment	25
Other Assets	22
TOTAL ASSETS	8,514

LIABILITIES	Thousands of Dollars
Deposits	5,549
Advances from Federal Home Loan Bank	0
Other Borrowings	0
Other Liabilities	27
TOTAL LIABILITIES	5,576

EQUITY CAPITAL	Thousands of Dollars
Common Stock	100
Paid in Excess of Par	784
Unrealized Gains (Losses) on Available-for-Sale Securities	0
Retained Earnings	2,054
TOTAL EQUITY CAPITAL	2,938
TOTAL LIABILITIES AND EQUITY CAPITAL	8,514

SUMMARY OF CHANGES

OKLAHOMA STATE CHARTERED SAVINGS AND LOAN ASSOCIATIONS

July 1, 2018 through June 30, 2019

MERGERS

- None

MONEY SERVICE BUSINESSES

The Oklahoma State Banking Department supervises and regulates the following non-depository money service business activities:

- Sale of Checks
- Money Transmitters

Sale of Checks. The Oklahoma Sale of Checks Act (Title 6 O.S. § 2101 *et seq.*) requires any person selling or issuing checks (*e.g.*, money orders) to first obtain a license from the State Banking Commissioner. Each license must be renewed annually on or before June 1.

As of June 30, 2019, there were 11 companies licensed under the Oklahoma Sale of Checks Act. These 11 licensees were doing business at 1,727 agent locations in Oklahoma.

Money Transmission. The Oklahoma Financial Transaction Reporting Act (Title 6 O.S. § 1511 *et seq.*) and the regulations promulgated by the Oklahoma State Banking Board (Title 85:15-1-1 *et seq.*), require any person engaged in the business of money transmission to first obtain a license from the State Banking Commissioner. Each license must be renewed annually on or before January 1.

As of June 30, 2019, there were 126 companies licensed to conduct a money transmission business in Oklahoma. These 126 licensees were doing business at 5,535 agent locations in Oklahoma.