

State of Georgia
Department of
Banking & Finance



2013 Annual Report

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State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2013

Nathan Deal
Governor

Kevin B. Hagler, CEM
Commissioner

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Message from the Commissioner

I am deeply honored to have been appointed Commissioner by Governor Deal in July of 2013, and I take on this new role with great optimism for the financial industries we regulate. Specifically, banking in Georgia has shown marked improvement in 2013, building upon positive trends from the prior year. While the closure of three banks during the first half of 2013 is considered anything but positive, the fact that the volume of closures is down considerably from the five previous years reflects the stabilization that is occurring in Georgia's economy. Further, our examinations and those of our federal counterparts are consistently resulting in improved safety and soundness ratings and the gradual removal of formal enforcement actions. However, significant challenges still remain. Banks and credit unions alike find themselves working very hard in an economy that is improving, but much more slowly than anyone would like, while at the same time facing the hurdles of increased federal regulation and amplified customer expectations. Nonetheless, I am confident that the dedicated, hardworking individuals in our financial institutions will rise to every challenge and continue to build and support the communities that they serve.



Kevin B. Hagler

In support of those banks and credit unions operating in Georgia under a state charter, I issued two Declaratory Orders in July to achieve parity with national banks and federal credit unions. The Orders determined that overdraft fees imposed by state-chartered banks and state-chartered credit unions in connection with deposit accounts are not considered interest and, therefore, not subject to state law usury limitations. Both state and federally chartered institutions have charged these fees for years. Federal law has provided for more than a decade that such overdraft fees are not interest allowing national banks and federal credit unions the ability to charge overdraft fees without risk of violating usury limitations. Therefore, it was necessary to issue the orders confirming the Department's historical interpretation in order to ensure parity for state-chartered institutions.

The Department completed its initial rules issuance in 2013 for the Merchant Acquirer Limited Purpose Bank (MALPB) charter that was created when Governor Deal signed the MALPB Act into law on March 28, 2012. The rules for this unique and innovative charter were developed after much research and discussion with participants in the payments industry including, but not limited to: merchant acquirers, representatives from the payment card networks, and federal regulators. After two separate comment periods and subsequent revisions, the final rules became effective on December 23, 2013. The Department eagerly anticipates accepting its first MALPB application in 2014.

Message from the Commissioner

I am also very proud to mention that in 2013 the Department received its fifth re-accreditation from the Conference of State Bank Supervisors (CSBS). The Department has been accredited for over 20 years, a great reflection on the dedication, commitment and professionalism of our staff. The accreditation process also helps us identify opportunities for efficiencies as well as best practices from our state banking department colleagues across the country.

The Non-Depository Division continued to target mortgage fraud and unlicensed activity. During 2013, the Department issued over 600 administrative actions and the risk-focused examination program continued to yield positive results. According to the LexisNexis Mortgage Asset Research Institute's 15th Periodic Mortgage Fraud Case Report (August 2013), mortgage fraud in Georgia continued to decrease. Georgia has one of the lowest mortgage fraud index numbers in the country. We will continue to work with federal, state, and local law enforcement and regulatory agencies, the Georgia Real Estate Fraud Prevention & Awareness Coalition, community task forces, and the industry to fight mortgage fraud and unlicensed activity.

We greatly appreciate the strong, positive working relationship we have with all of our stakeholders in the financial industries in Georgia.



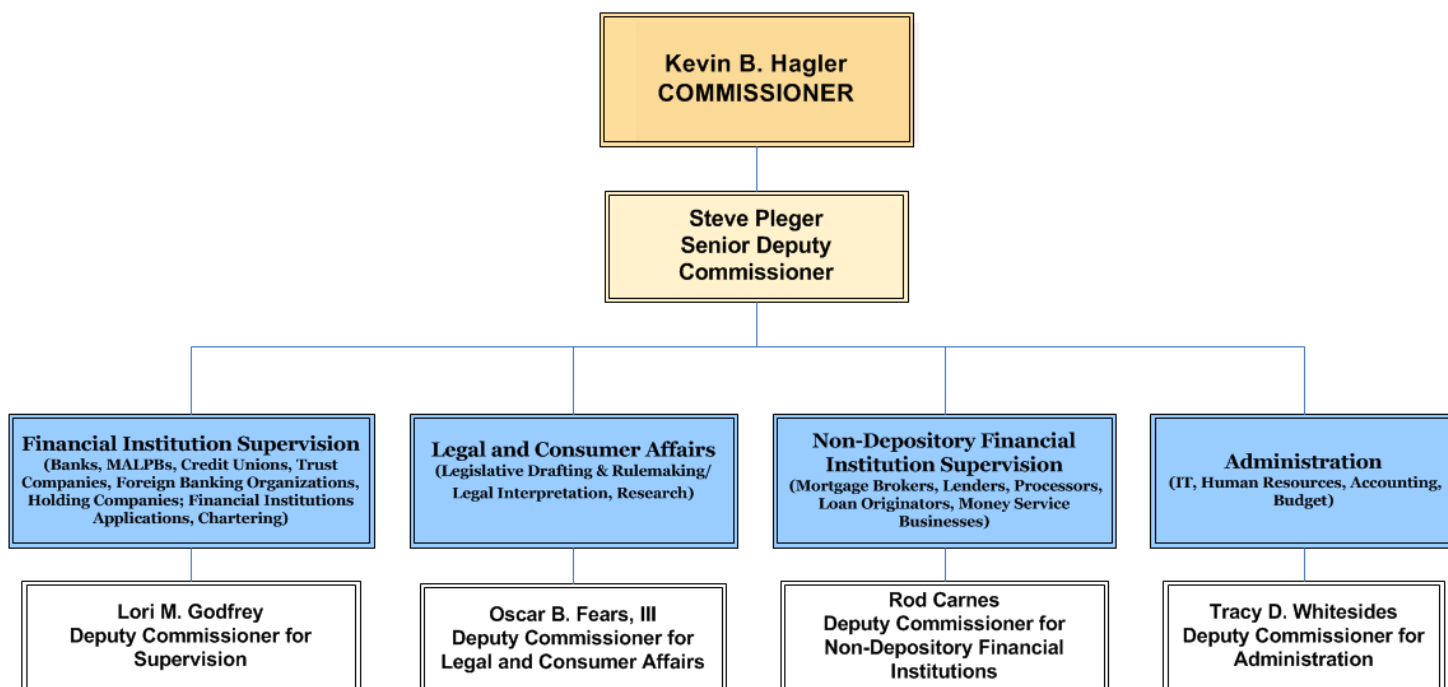
Kevin B. Hagler, CEM
Commissioner

Organizational Structure

The Department of Banking and Finance (Department) is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, and state-chartered trust companies. The Department also has responsibility for the supervision, regulation, and examination of MALPBs chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors; mortgage loan originators; check cashers; sale of check companies; money transmitters; international banking organizations; and bank holding companies conducting business in Georgia.

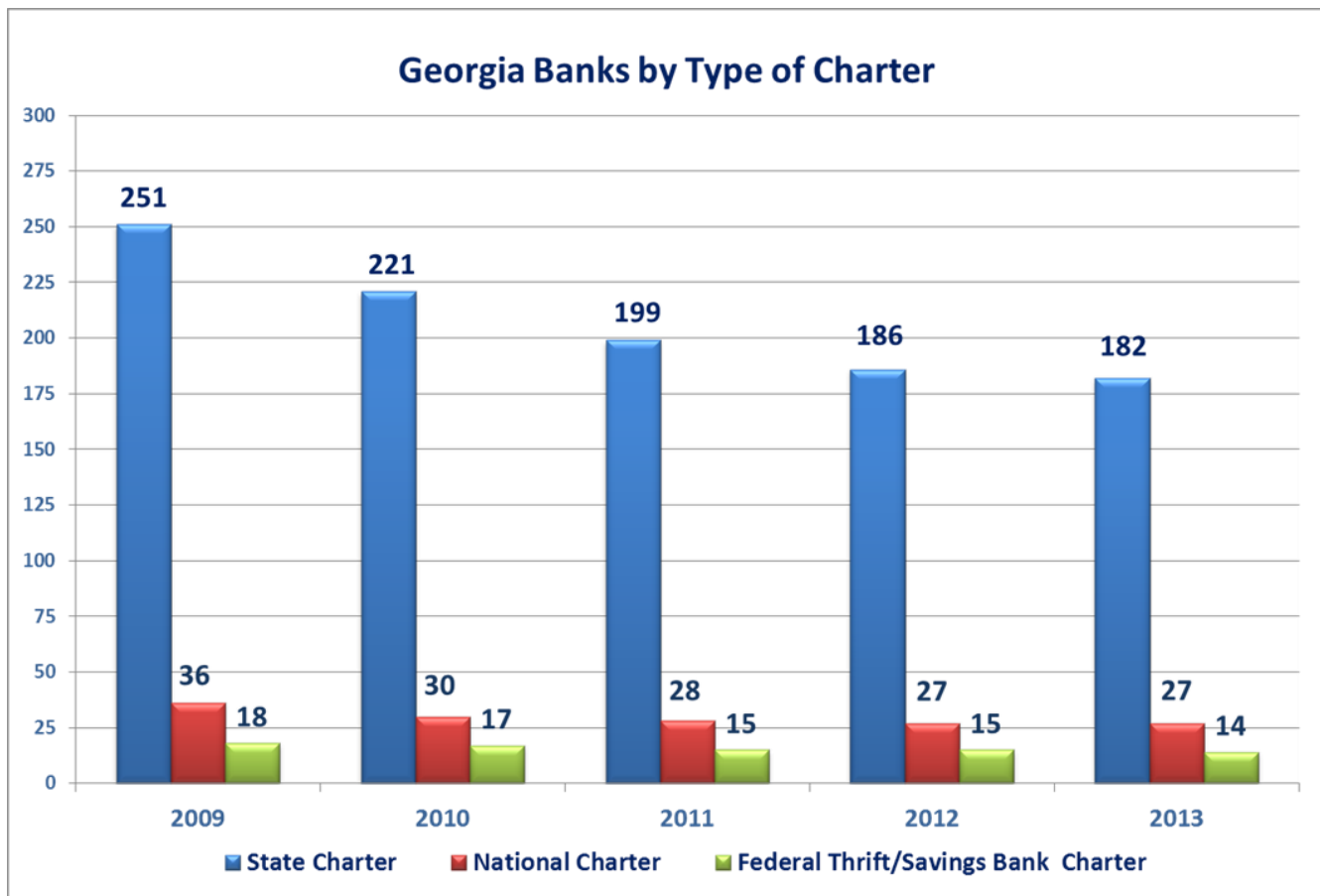
Functionally, the Department reports directly to the State's Chief Financial Officer and the Governor. The Department is headed by a Commissioner who is appointed by the Governor to serve a four-year term. Commissioner Kevin B. Hagler is assisted by Senior Deputy Commissioner Steve Pleger. The Department's operations are divided along functional lines: Financial Institution Supervision, Non-Depository Financial Institution Supervision, Legal and Consumer Affairs, and Administration. These divisions are headed by Deputy Commissioners.



Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

As of the end of the year, the number of state-chartered banks totaled 182, representing a net decrease of four or roughly 2% from the previous year. This decrease was the result of three state-chartered banks being closed by the Department and placed into FDIC receivership and one bank being merged out of existence. Total bank assets under the Department's supervision at year-end was approximately \$255 billion. A five-year financial performance summary for state-chartered banks can be found on **Page 7** of this Report.



The chart on **Page 6** shows Georgia state-chartered banks that were closed by the Department during 2013. In each bank closure, the FDIC was appointed as receiver of the bank effective upon the Department taking possession.

Detailed information about failed banks can be found on the FDIC's website at:

<http://www.fdic.gov/bank/individual/failed/banklist.html>. This webpage contains useful information for the customers and vendors of these banks. This includes information on the acquiring bank (if applicable), how customer accounts and loans are affected, and how vendors can file claims against the receivership.

Financial Institution Supervision

State-Chartered Georgia Banks Taken into Receivership During 2013

Name	City	County	Receivership	
			Date	Transaction Type
Frontier Bank	LaGrange	Troup	03/08/2013	All Deposit, Whole Bank P&A /No Loss Sharing
Douglas County Bank	Douglasville	Douglas	04/26/2013	Whole Bank P&A / Commercial Only Loss Share
Sunrise Bank	Valdosta	Lowndes	05/10/2013	All Deposit P&A Agreement

BANK HOLDING COMPANIES

A total of 207 bank holding companies were registered with or supervised by the Department at the end of the year.

TRUST COMPANIES

Trust activities continue to be conducted principally by bank trust departments. There is one state-chartered non-deposit trust company in Georgia that is an independent trust company (Reliance Trust Company, Atlanta, Georgia).

REPRESENTATIVE OFFICES OF BANKS AND BANK HOLDING COMPANIES

A representative office is an office established by a bank, a bank holding company, or an agent or subsidiary of either for the purpose of conducting other than a banking business, and is not considered a main office or a branch office. As of the end of 2013, there were 58 entities registered with the Department having representative offices operating in Georgia.

FOREIGN BANKING ORGANIZATIONS

The number of foreign banking organizations licensed by or registered with the Department remained unchanged during the year. One international bank agency holds an agency license, but operates as an international representative office only. In addition, one international banking facility continued to be licensed and two international representative offices continued to be registered during the year.

Financial Institution Supervision

State-Chartered Bank Financial Summary

	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
<i>(dollar figures in millions)</i>					
Number of institutions reporting	182	186	199	221	251
AGGREGATE CONDITION AND INCOME DATA					
Net income	1,950	2,037	414	(1,939)	(3,249)
Total assets	255,332	252,692	256,839	256,307	252,309
Earning assets	229,566	225,300	227,862	224,414	219,323
Total loans & leases	185,815	179,647	180,729	182,298	179,090
Other real estate owned	1,453	2,044	2,571	3,259	2,870
Total deposits	203,963	204,129	203,067	206,567	198,056
Equity capital	30,647	30,672	29,043	27,712	25,630
PERFORMANCE RATIOS (YTD, %)					
Yield on earning assets	3.83	4.08	4.39	4.59	4.73
Cost of funding earning assets	0.34	0.48	0.75	1.10	1.63
Net interest margin	3.49	3.60	3.64	3.49	3.10
Noninterest income to avg. earning assets	1.43	1.50	1.38	1.40	1.54
Noninterest expense to avg. earning assets	3.63	3.63	3.59	3.65	3.86
Net charge-offs to loans & leases	0.59	1.47	1.94	2.81	2.80
Credit-loss provision to net charge-offs	70.33	79.93	80.66	97.53	121.67
Net operating income to average assets	0.77	0.62	0.12	-0.82	-1.29
Retained earnings to average equity	2.72	6.52	1.30	-7.25	-12.52
Return on assets	0.78	0.80	0.16	-0.75	-1.26
Return on equity	6.35	6.85	1.45	-6.98	-12.18
Percent of unprofitable institutions	14.84	25.27	42.21	55.66	68.13
CONDITION RATIOS (%)					
Net loans and leases to assets	71.59	69.77	68.83	69.27	69.12
Loss allowance to:					
Loans and leases	1.62	1.86	2.18	2.61	2.61
Noncurrent loans and leases	77.75	68.77	45.78	47.09	40.61
Noncurrent loans & leases to					
total loans & leases	2.09	2.71	4.76	5.53	6.44
Nonperforming assets to assets	2.09	2.74	4.35	5.21	5.71
Core deposits to total liabilities	83.79	84.29	80.21	77.89	71.37
Equity capital to total assets	12.00	12.14	11.31	10.81	10.16
Core capital (leverage) ratio	9.98	9.63	8.97	8.37	7.68
Total capital to risk-weighted assets	13.51	14.30	13.75	12.92	12.11

Source : Call Report and Thrift Financial Report
FDIC-Division of Insurance and Research

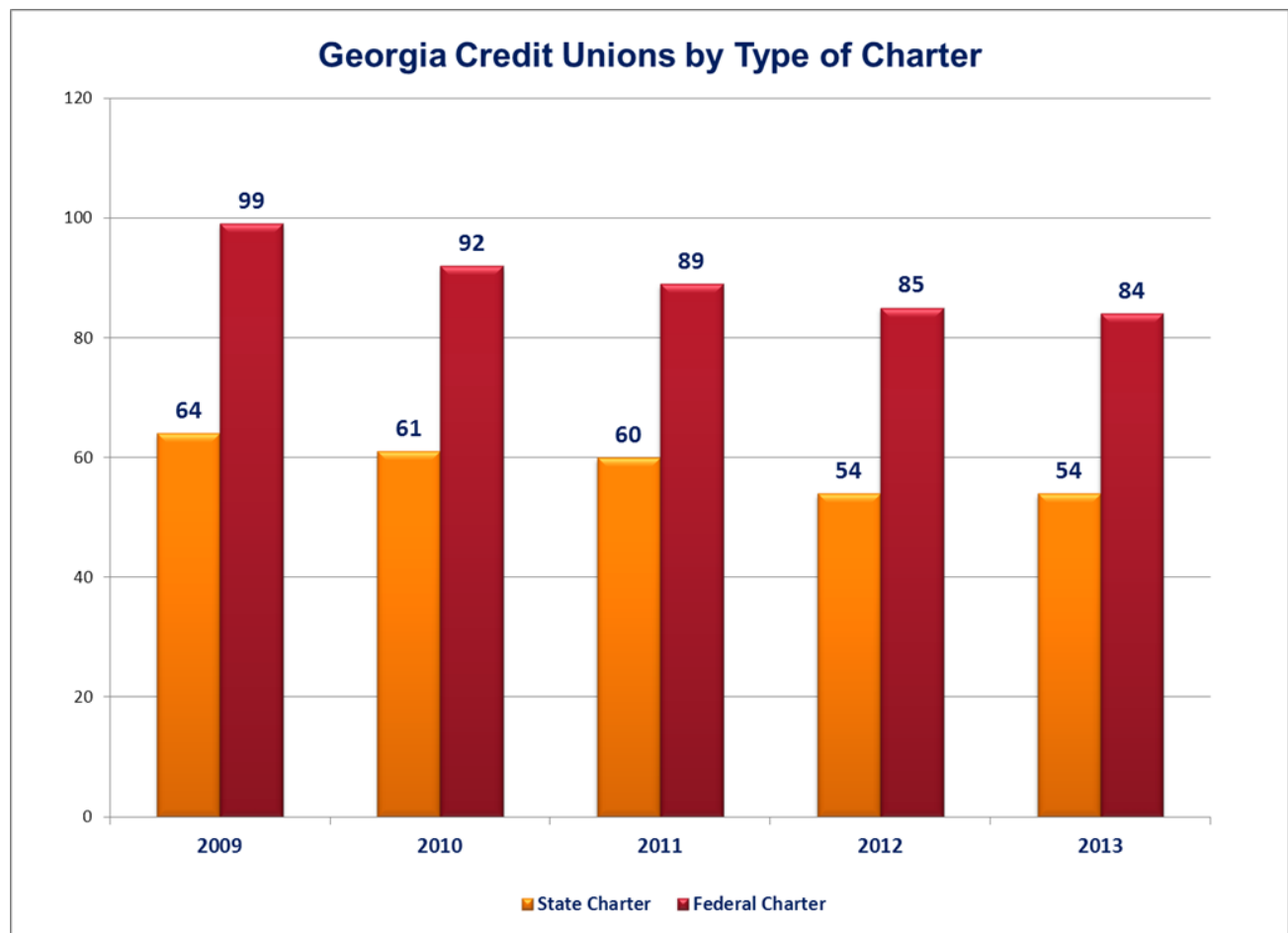
[Performance information above was obtained from the FDIC's State Banking Performance Summary.](#)

The State Banking Performance Summary provides up to three years' key financial and ratio data for commercial banks and savings institutions in each state.

Financial Institution Supervision

STATE-CHARTERED CREDIT UNION STATISTICS

There were 54 state-chartered credit unions in Georgia at year-end 2013. During the year, one credit union merged out of existence and one credit union converted to a state charter. A five-year balance sheet and income statement snapshot for state-chartered credit unions can be found on **Page 8** of this Report.



Financial Institution Supervision

State-Chartered Credit Union Financial Summary

<i>(dollar figures in millions)</i>	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009
ASSETS:					
Cash & Equivalents	1,156	1,190	1,122	1,230	1,006
TOTAL INVESTMENTS	4,053	3,943	3,882	3,543	3,625
TOTAL LOANS	7,912	7,395	7,023	6,502	5,878
(Allowance for Loan & Lease Losses)	(84)	(87)	(92)	(92)	(74)
Land And Building	209	203	207	194	171
Other Fixed Assets	30	29	32	33	34
NCUSIF Deposit	116	110	103	94	82
All Other Assets	264	205	202	133	122
TOTAL ASSETS	13,660	13,003	12,500	11,646	10,853
LIABILITIES & CAPITAL:					
TOTAL LIABILITIES	192	182	253	152	699
TOTAL SHARES & DEPOSITS	11,990	11,448	10,954	10,208	8,953
Regular Reserve	222	218	220	223	212
Other Reserves	(32)	(12)	(9)	(26)	(11)
Undivided Earnings	1,287	1,166	1,082	1,090	1,001
TOTAL EQUITY	1,478	1,372	1,294	1,286	1,201
TOTAL LIABILITIES & EQUITY	13,660	13,003	12,500	11,646	10,853
INCOME & EXPENSE:					
Loan Income	383	390	402	399	358
Investment Income	39	41	51	60	83
Other Income	175	161	138	131	107
Total Employee Compensation & Benefits	192	180	169	157	139
Temporary Corporate CU Stabilization Expense & NCUSIF Premiums ¹	9	10	26	24	N/A
Total Other Operating Expenses	195	185	239	158	136
Non-operating Income & (Expense)	2	(2)	2	(4)	(17)
Prov for Loan/Lease Losses	44	52	58	78	75
Cost of Funds	64	80	106	137	175
Net Income (Loss) EXCLUDING Stabilization Expense & NCUSIF Premium ²	105	95	20	56	N/A
NET INCOME	96	85	(6)	31	32
Total Credit Unions Reporting	54	54	60	61	64

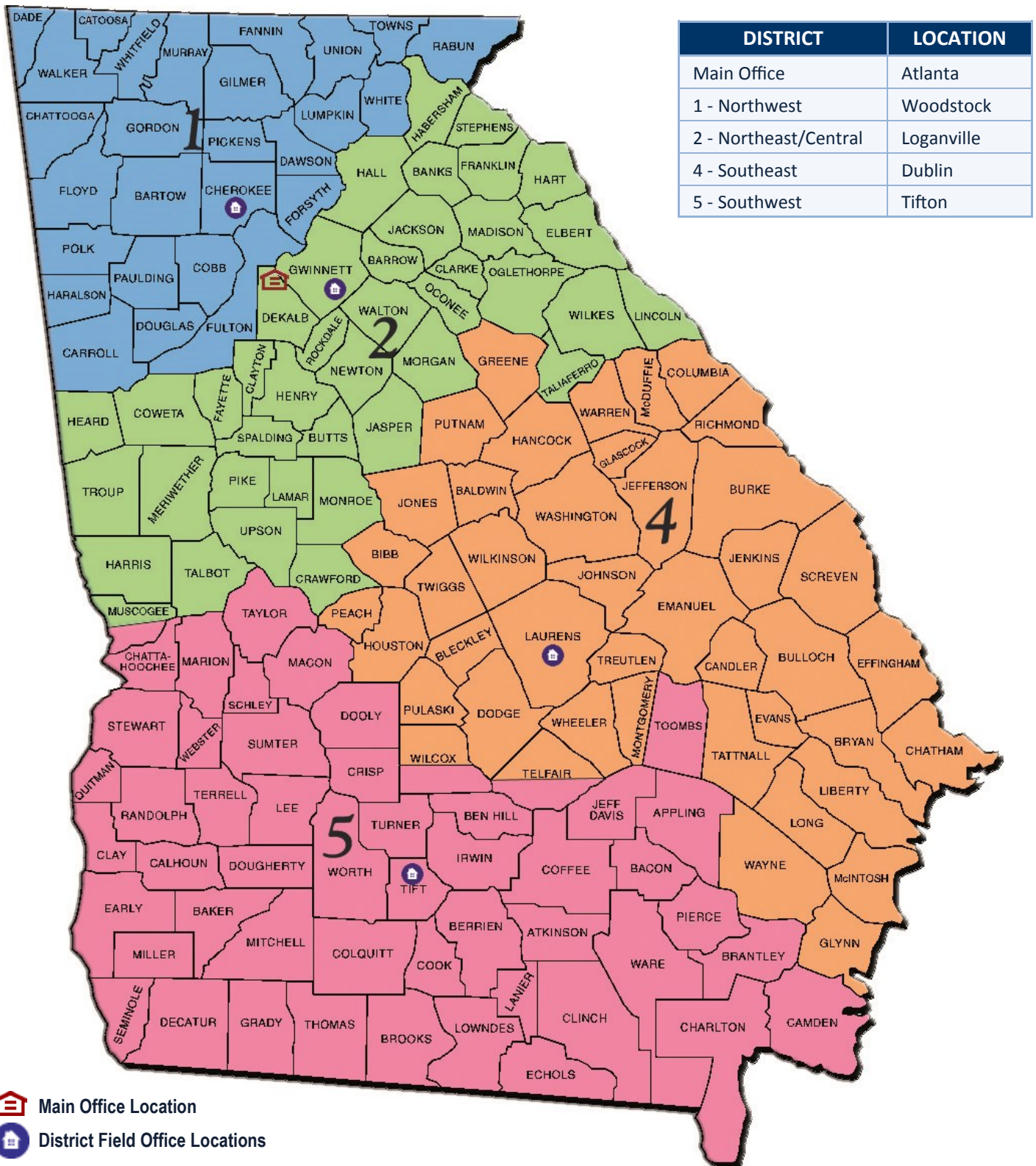
¹ Prior to September 2010, this account was named NCUSIF Stabilization Expense. For December 2010 and forward, this account includes Temporary Corporate CU Stabilization Expense and NCUSIF Premiums.

² Prior to September 2010, this account was named Net Income (Loss) Before NCUSIF Stabilization Expense. From December 2010 forward, NCUSIF Stabilization Income, if any, is excluded.

[Performance Data above was generated using the NCUA's Financial Performance Report \(FPR\) System.](#)

Financial Institution Supervision

Examination Districts and Work Areas



The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** District 3 was merged into Districts 1 and 2 on December 31, 2010.

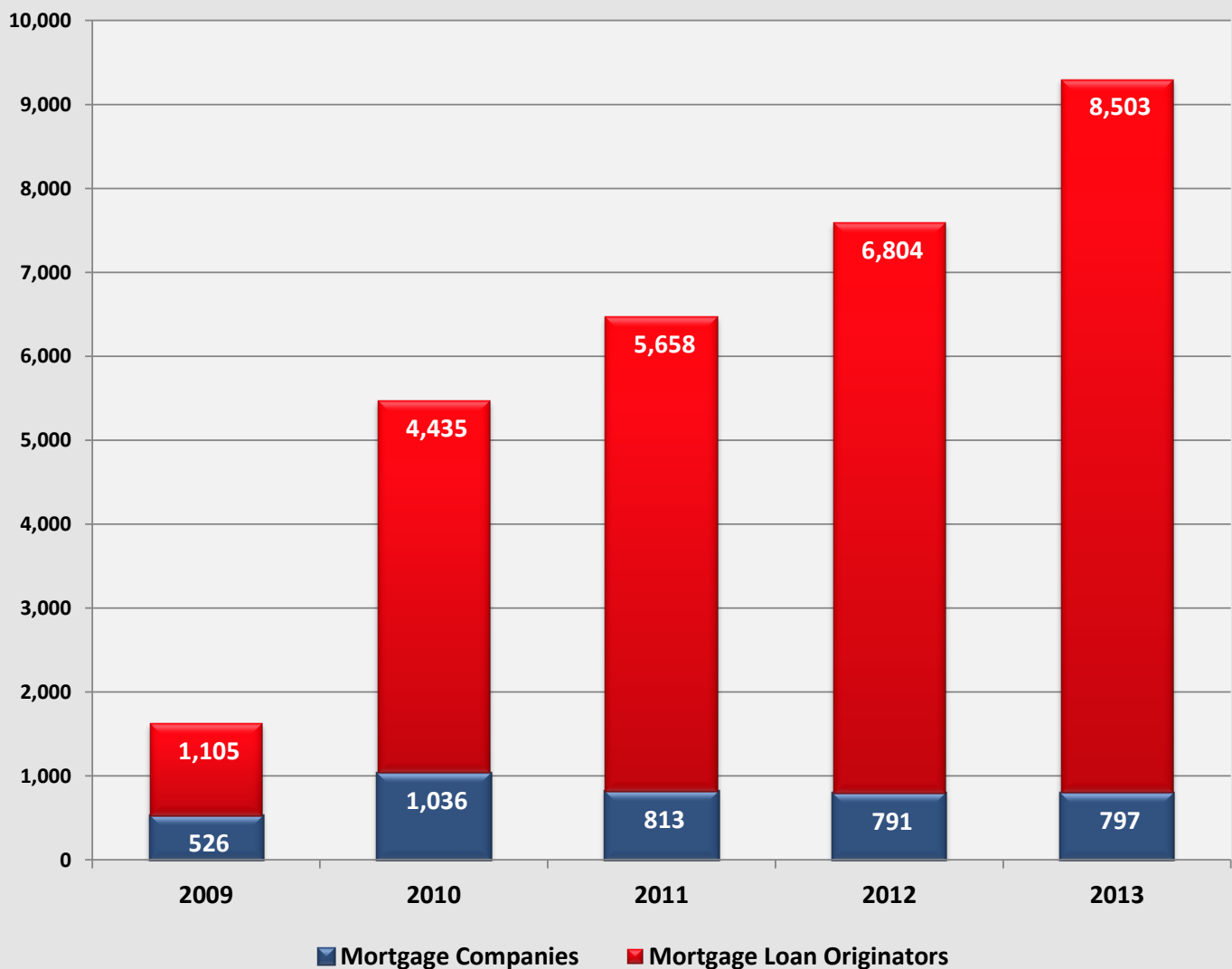
Non-Depository Financial Institution Supervision

MORTGAGE LICENSEE AND REGISTRANT STATISTICS

Article 13 of Title 7 of the Official Code of Georgia Annotated requires all persons who transact business as a residential mortgage lender, broker, processor or loan originator be licensed or registered with the Department, unless they are exempt.

At the end of 2013, active mortgage licensees and registrants totaled 9,300, representing a net increase of 1,705 or roughly 22% from the previous year. The majority of the increase was due to continued licensing of mortgage loan originators.

Number of Mortgage Licensees and Registrants



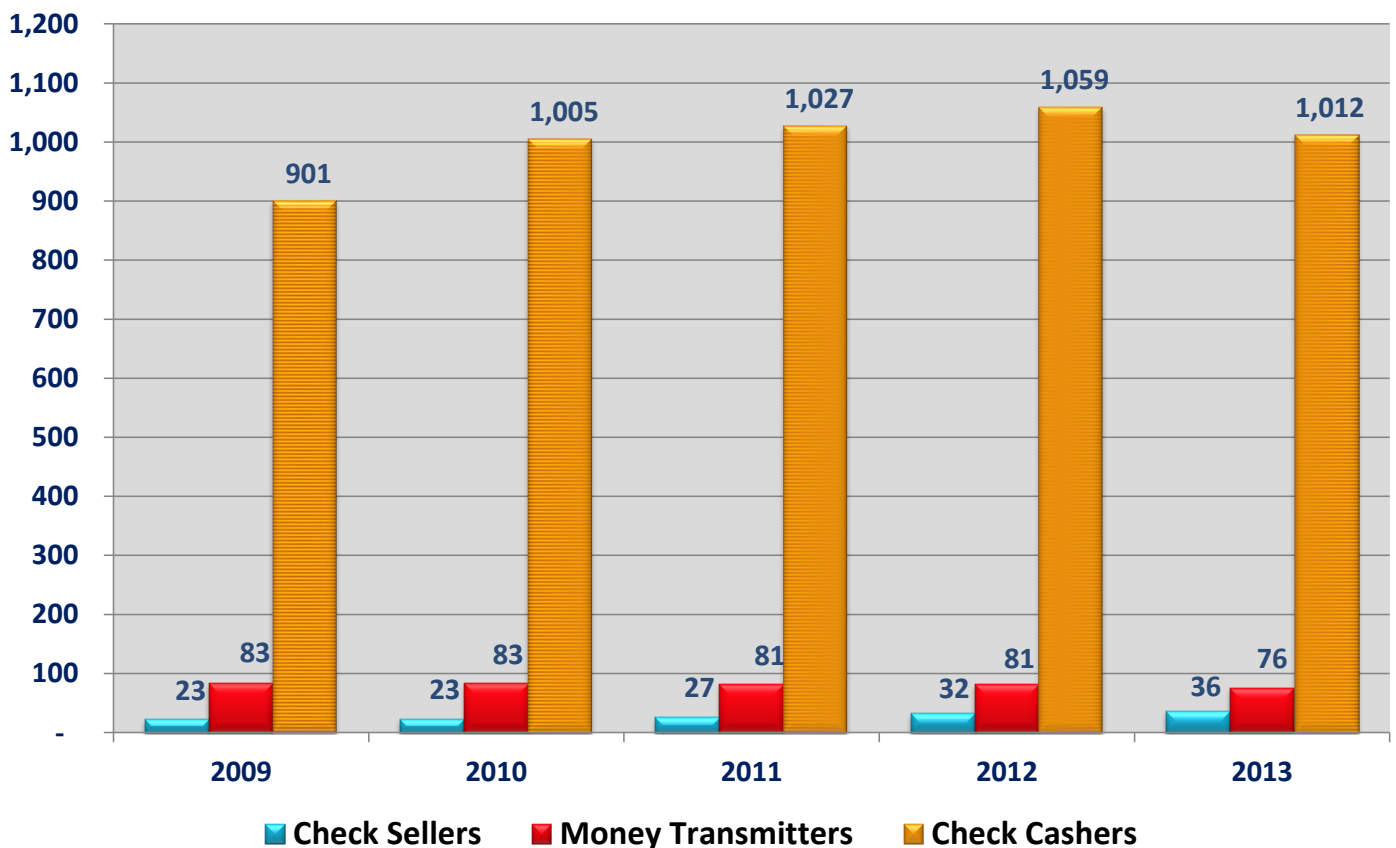
Non-Depository Financial Institution Supervision

MONEY SERVICE BUSINESSES STATISTICS

Unless otherwise exempt, anyone that engages in the cashing of checks, money orders, or other drafts for a fee must be licensed or registered by the Department under Article 4A of Title 7 of the Official Code of Georgia Annotated.

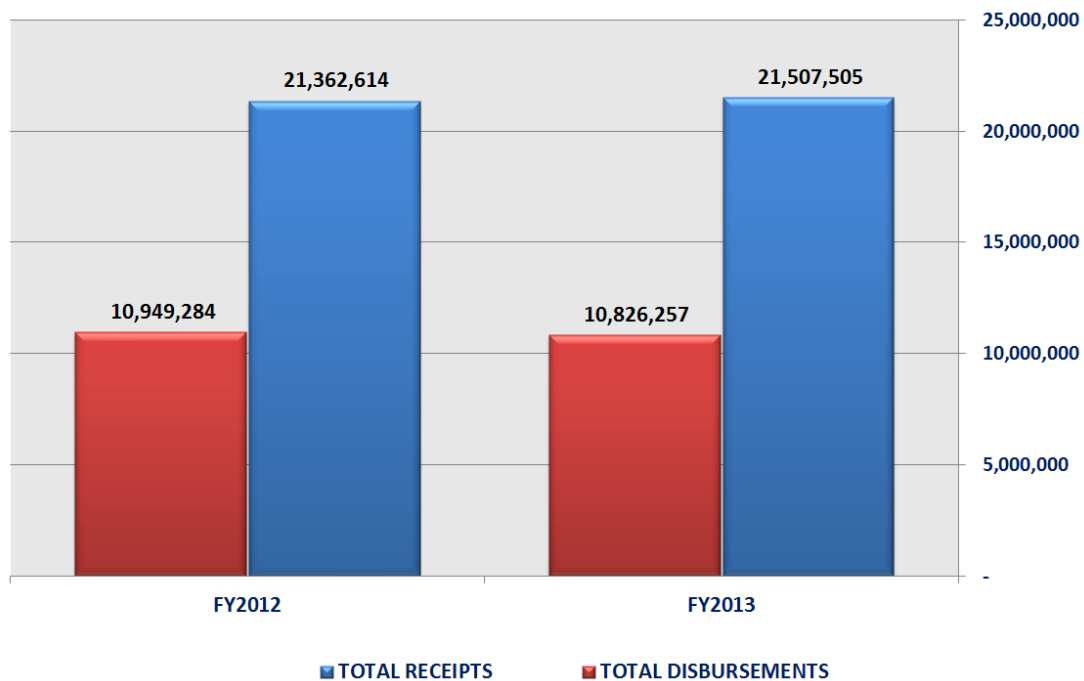
Unless otherwise exempt, anyone that (1) engages in the selling or issuing of checks or money orders, or (2) engages in the business of receiving money for transmission or transmitting money, must be licensed by the Department under Article 4 of Title 7 of the Official Code of Georgia Annotated. At the end of the year, there were approximately 23,000 authorized agents of licensees doing business in Georgia.

Number of Money Service Businesses Licensed or Registered

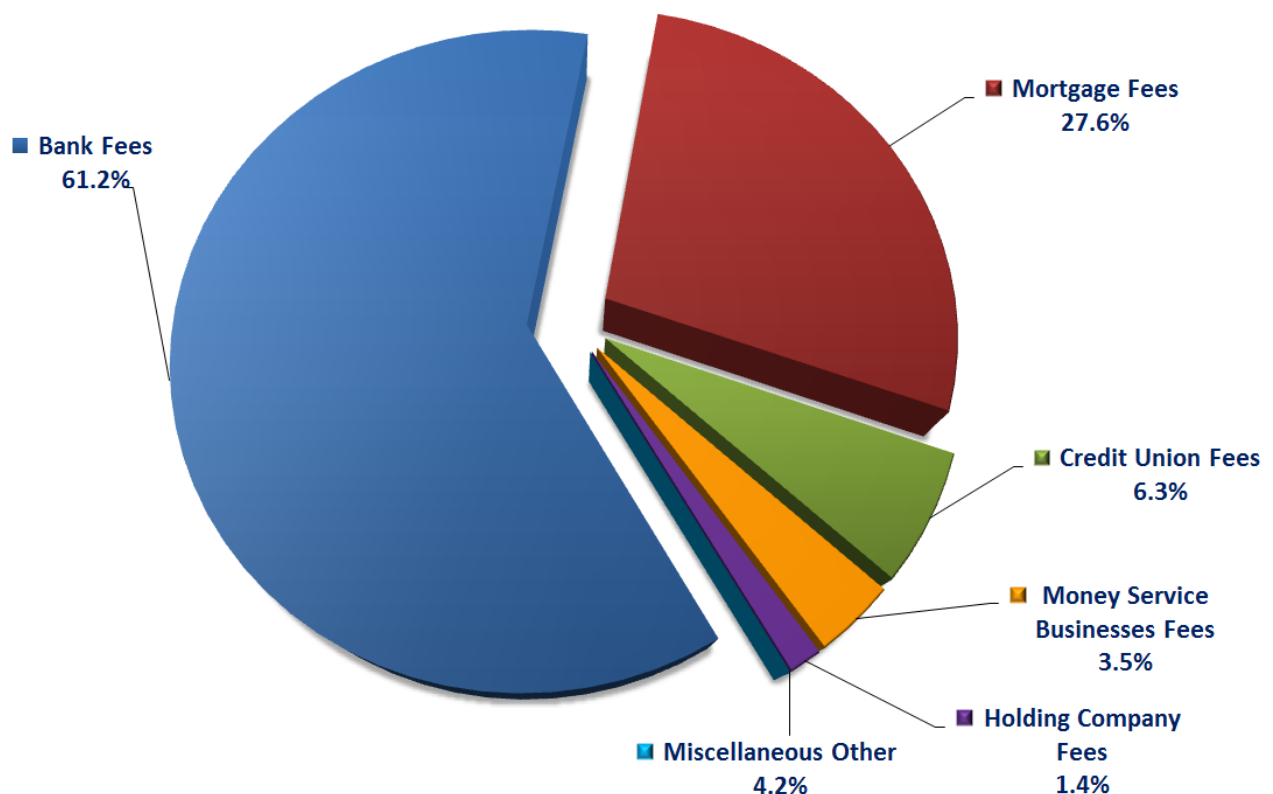


Administration

FISCAL YEAR 2013 RECEIPTS AND DISBURSEMENTS



FY2013 Revenues Collected



NOTE: Revenues collected are remitted to the Office of the State Treasurer. The level of expenditures is subject to the state budgetary process.

SUMMARY OF ACTIVITIES

FOR STATE-CHARTERED FINANCIAL INSTITUTIONS AND OTHER ENTITIES REGULATED BY, LICENSED BY, OR REGISTERED WITH THE DEPARTMENT OF BANKING AND FINANCE DURING 2013

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2012	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2013
BANKS	186	0	0	(1)	(3)	182
TRUST COMPANIES	1	0	0	0	0	1
CREDIT UNIONS	54	0	1	(1)	0	54
BANK HOLDING COMPANIES (Supervised and/or Registered)	212	3	0	0	(8)	207
CHECK SELLERS	32	6	0	0	(2)	36
MONEY TRANSMITTERS	81	7	0	0	(12)	76
CHECK CASHERS	1,059	201	0	0	(248)	1,012
INTERNATIONAL BANK AGENCIES	1	0	0	0	0	1
INTERNATIONAL BANKING FACILITIES	1	0	0	0	0	1
INTERNATIONAL BANK REPRESENTATIVE OFFICES	2	0	0	0	0	2
REPRESENTATIVE OFFICES	54	12	0	0	(8)	58
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	7,595	3,492	0	0	(1,787)	9,300

Our Motto is: "Safeguarding Georgia's Financial Services"

Our Mission is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

*Our Vision is to be the best financial services industry regulator in the country
– Progressive. Proactive. Service-Oriented.*

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