

State of Georgia
Department of
Banking & Finance



2014 Annual Report

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State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2014

Nathan Deal
Governor

Kevin B. Hagler, CEM
Commissioner

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Message from the *Commissioner*

Georgia's economy continued to grow and improve in 2014, which had a strong positive effect on the industries the Department regulates. Collectively, state chartered banks showed significant improvement across essentially all key measures as problem assets continued to decline, resulting in improved earnings and rising capital levels. Bank charter consolidation accelerated in 2014 as the number of state chartered banks declined from 182 to 174; the product of one closure and seven mergers as banks seek economies of scale and liquidity for shareholders. Despite the consolidations, the total banking assets under Department supervision increased to \$273 billion placing Georgia fourth among state regulators and highlighting a trend of fewer but larger, more complex institutions in the state. State chartered credit unions collectively showed modest increases in earnings and total assets in 2014 despite the challenges of an extremely low interest rate environment and soft loan demand - circumstances shared by all financial institutions. Credit union charter consolidation continued in 2014, with key personnel retirements being the primary driver.



Kevin B. Hagler

With the improvement of our regulated entities, the Department was able to accept additional leadership roles at the national level, which will give the Department a better understanding of the systemic issues facing the financial institutions we regulate and the impact those issues have on the broader economy. In May 2014, I joined the Board of the Conference of State Bank Supervisors (CSBS) as a Member at Large. Senior Deputy Commissioner Steve Pleger became the Board Chair of the National Association of State Credit Union Supervisors (NASCUS) in August 2014, and Deputy Commissioner Rod Carnes took on the role of President of the American Association of Residential Mortgage Regulators (AARMR) that same month. The Department has long held membership and leadership roles in CSBS, NASCUS, and AARMR as a means to gain greater perspective on issues that affect the industries we regulate and to give us increased influence with our federal counterparts. With the rapid expansion of federal laws and a new federal agency, the Department felt it was important that we redouble our efforts to raise Georgia's profile, and that of the state system, in Washington, DC.

We have also increased our involvement at home by partnering with the Georgia Bankers Association to form the Code Review Task Force (CRTF). Deputy Commissioner for Legal Affairs Bo Fears leads the Department's efforts in this area and is working alongside a number of banking attorneys and bankers to review and make consensus recommendations for improvements to state statutes that directly affect banks chartered by the Department. The CRTF will focus on the statutory provisions contained in Title 7, most of which are primarily enforced by the Department, as well as provisions outside of Title 7 that also impact banks. It is commonly recognized as a best practice that financial institution laws be examined and updated every five years; however, the Financial Institutions Code of Georgia has not been subject to such a thorough review since 1999.

The Department has consistently sought legislative revisions to modernize and streamline Georgia law since 1999, and 2014 was no exception with a number of bills either introduced at the request of the Department or actively supported by the Department. Much of the Department's focus during the 2014 legislative session

Message from the *Commissioner*

involved our non-depository regulated entities with House Bill 982, which modernized the law related to check cashers, money transmitters, and sellers of payment instruments. Among a host of other changes, the law provided that these money service businesses (MSBs) must apply for licensure and renewal through the Nationwide Multistate Licensing System (NMLS). The Department substantially revised its rules and regulations dealing with MSBs in order to implement these statutory changes. House Bill 750 amended the Georgia Residential Mortgage Act to exempt employees of certain nonprofit corporations who originate mortgage loans and have been determined by the Department to satisfy certain enumerated criteria from having to obtain mortgage loan originator licenses. House Bill 883 corrected a couple of Code section cross-references contained in the Georgia Merchant Acquirer Limited Purpose Bank Act passed during the 2012 session.

While not as directly involved, the Department was nonetheless highly supportive of House Bill 824 which confirmed and clarified that overdraft fees and other common bank fees are not considered interest for purposes of usury. This law codified the parity orders issued by the Department in 2013 related to overdraft fees. We were also very supportive of House Bill 809 which added the bad-faith assertion of patent infringement to the list of violations of the Georgia Fair Business Practices Act. The bill was introduced as a result of banks and other businesses receiving vague and threatening demand letters alleging patent infringement from out-of-state patent trolls.

As touched on above, our non-depository section was positively impacted by a transition of all MSBs to the NMLS. The Department now has over 11,000 licensees on the NMLS including the mortgage entities that have been on the system since 2009. The NMLS provides both the Department and our regulated entities much greater efficiency during the licensing and license renewal process.

On a final note, the Department reached a significant milestone in 2014 with the approval of Credorax Bank North America, MALPB as the first merchant acquirer limited purpose bank charter in the state and, for that matter, the country. We look forward to working with Credorax and helping foster the payments industry which already plays such a crucial role in Georgia's economy.



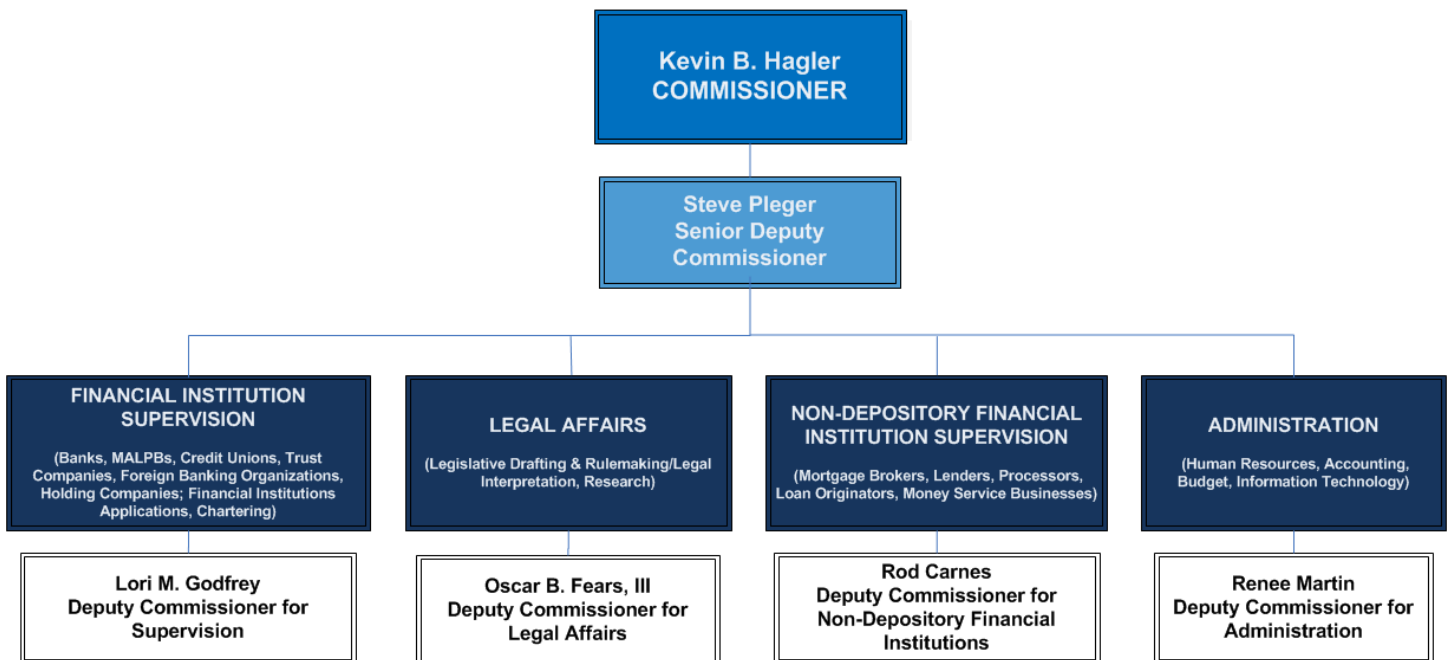
Kevin B. Hagler, CEM
Commissioner

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 merchant acquirer limited purpose banks (MALPBs) chartered in Georgia.

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

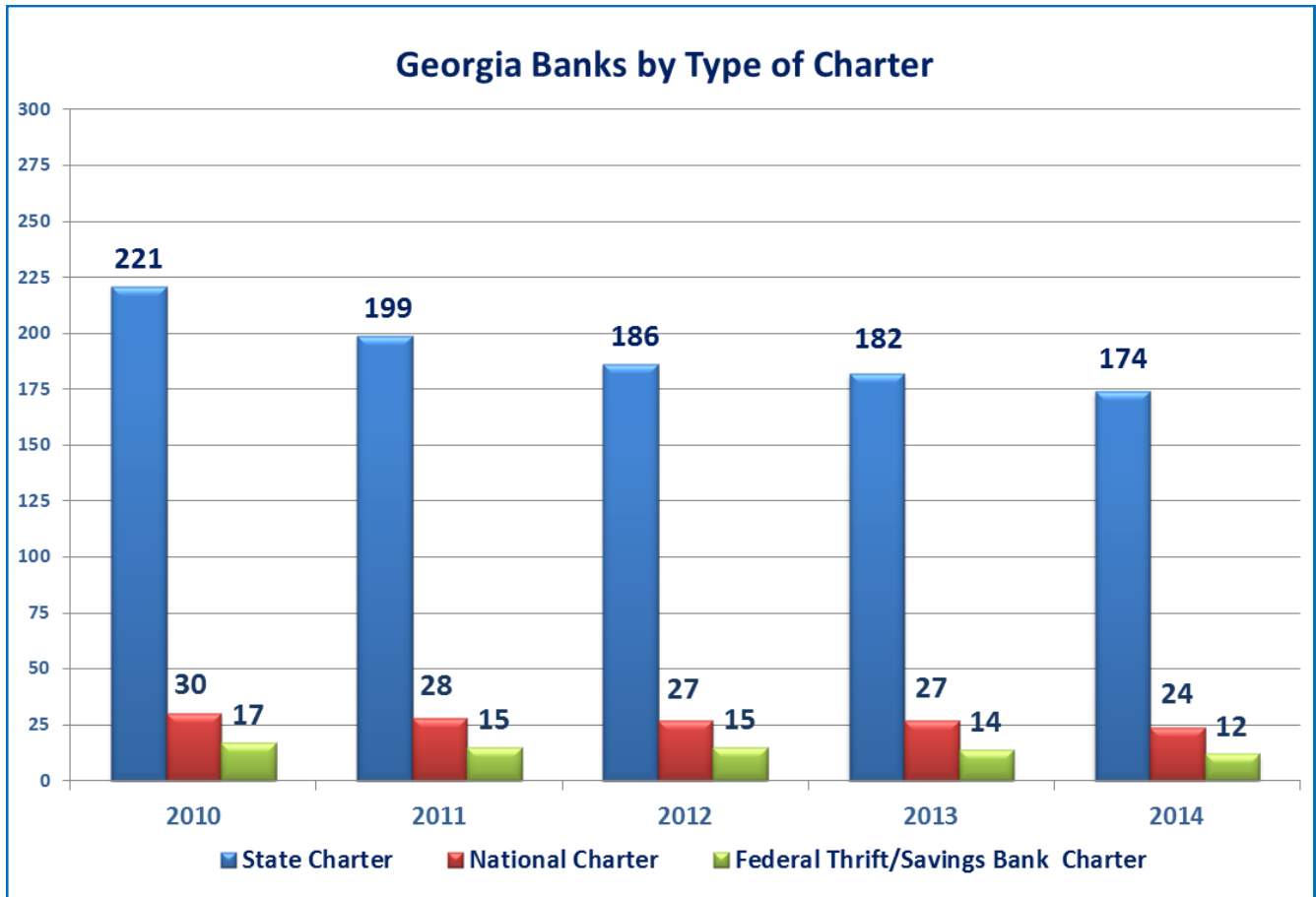
Functionally, the Department reports directly to the State's Chief Financial Officer and the Governor. The Department is headed by a Commissioner who is appointed by the Governor to serve a four-year term. Commissioner Kevin B. Hagler is assisted by Senior Deputy Commissioner Steve Pleger. The Department's operations are divided along functional lines: Financial Institution Supervision, Non-Depository Financial Institution Supervision, Legal 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 174, representing a net decrease of eight or roughly 4.4% from the previous year. This decrease was the result of one bank being closed by the Department and placed into FDIC receivership and seven banks being merged out of existence. Total state-chartered bank assets under the Department's supervision at year-end was approximately \$273 billion. A four-year financial performance summary for state-chartered banks can be found on **Page 7** of this Report.



State-Chartered Georgia Banks Taken into Receivership During 2014

Receivership				
Name	City	County	Date	Transaction Type
Eastside Commercial Bank	Conyers	Rockdale	7/18/2014	All Deposit, Non-Conforming, Whole Bank P&A / No Loss Sharing

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 BANKING STATISTICS

As shown in the table below, Georgia state-chartered commercial bank assets under supervision ranked fourth in the country at the end of 2014. NOTE: Savings banks are not included in the asset figures below.

Commercial Bank Assets by State (in thousands)
Ranked by Total Assets per State Charter as of 12/31/2014

State	National Charter	State Charter	All Bank Charters
NY	122,959,931	668,378,668	791,338,599
CA	232,647,221	354,831,471	587,478,692
MA	1,997,338	295,059,405	297,056,743
GA	8,223,548	271,304,801	279,528,349
IL	141,953,284	246,595,004	388,548,288
NC	1,576,315,782	240,822,920	1,817,138,702
TX	123,973,390	239,579,880	363,553,270
AL	10,069,701	229,686,255	239,755,956
OH	2,686,125,503	156,643,827	2,842,769,330
UT	153,951,783	134,391,411	288,343,194
DE	779,300,145	122,721,077	902,021,222
MO	29,690,605	103,947,027	133,637,632
PA	64,959,855	91,346,528	156,306,383
IA	6,694,551	64,457,497	71,152,048
VA	531,637,609	62,716,613	594,354,222
MS	16,170,975	61,364,055	77,535,030
TN	32,286,833	53,768,666	86,055,499
LA	4,767,145	53,291,781	58,058,926
FL	80,310,015	53,254,559	133,564,574
AR	12,348,085	52,071,408	64,419,493
KY	6,097,812	49,107,159	55,204,971
WI	38,355,482	47,915,409	86,270,891
MN	22,661,976	42,714,928	65,376,904
CO	3,102,973	42,585,425	45,688,398
OK	43,480,373	42,220,270	85,700,643
MI	4,179,090	42,012,546	46,191,636
IN	25,946,836	40,456,373	66,403,209
HI	640,346	38,015,868	38,656,214
NE	24,255,823	37,054,896	61,310,719
KS	17,170,043	36,955,583	54,125,626
WA	16,191,681	36,311,813	52,503,494
NJ	23,979,591	34,844,386	58,823,977
SC	3,024,825	32,324,853	35,349,678
OR	372,925	30,684,200	31,057,125
MT	615,131	27,210,319	27,825,450
MD	612,713	26,958,669	27,571,382
WV	4,406,611	24,172,189	28,578,800
SD	2,913,889,055	22,709,204	2,936,598,259
ND	3,313,942	19,133,032	22,446,974
AZ	6,860,187	12,734,029	19,594,216
NM	7,192,945	9,015,901	16,208,846
NV	6,767,979	5,778,767	12,546,746
RI	103,082,714	5,544,831	108,627,545
WY	1,512,542	5,380,690	6,893,232
ID		4,446,479	4,446,479
CT	24,346,727	3,295,379	27,642,106
ME	21,272,528	3,105,102	24,377,630
VT	1,388,959	2,606,466	3,995,425
AK	3,312,586	2,198,436	5,511,022
NH		2,147,062	2,147,062
DC	675,812	1,440,862	2,116,674

Financial Institution Supervision

BANK HOLDING COMPANIES

A total of 201 bank holding companies were supervised by or registered with 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-depository 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 activities other than a banking business, and is not considered a main office or a branch office. As of the end of 2014, there were 49 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

	12/31/2014	12/31/2013	12/31/2012	12/31/2011
<i>(dollar figures in millions)</i>				
Number of institutions reporting	174	182	186	199
AGGREGATE CONDITION AND INCOME DATA				
Net income	2,466	1,950	2,038	414
Total assets	273,006	255,331	252,690	256,839
Earning assets	247,804	229,595	225,316	227,862
Total loans & leases	196,981	185,814	179,647	180,729
Other real estate owned	1,103	1,451	2,044	2,571
Total deposits	216,470	203,963	204,129	203,067
Equity capital	32,303	30,649	30,670	29,043
PERFORMANCE RATIOS (YTD, %)				
Yield on earning assets	3.64	3.83	4.08	4.39
Cost of funding earning assets	0.30	0.34	0.48	0.75
Net interest margin	3.34	3.49	3.60	3.64
Noninterest income to avg. earning assets	1.47	1.43	1.50	1.38
Noninterest expense to avg. earning assets	3.26	3.63	3.63	3.59
Net charge-offs to loans & leases	0.34	0.59	1.47	1.94
Credit-loss provision to net charge-offs	70.90	70.57	79.90	80.66
Net operating income to average assets	0.94	0.77	0.62	0.12
Retained earnings to average equity	3.68	2.71	6.53	1.30
Return on assets	0.94	0.78	0.80	0.16
Return on equity	7.83	6.35	6.85	1.45
Percent of unprofitable institutions	12.64	15.93	25.27	42.21
CONDITION RATIOS (%)				
Net loans and leases to assets	71.12	71.59	69.77	68.83
Loss allowance to:				
Loans and leases	1.42	1.62	1.86	2.18
Noncurrent loans and leases	98.13	77.90	68.77	45.78
Noncurrent loans & leases to total loans & leases	1.45	2.08	2.71	4.76
Nonperforming assets to assets	1.45	2.09	2.74	4.35
Core deposits to total liabilities	83.63	83.79	84.29	80.21
Equity capital to total assets	11.83	12.00	12.14	11.31
Core capital (leverage) ratio	9.86	9.98	9.63	8.97
Total capital to risk-weighted assets	13.00	13.50	14.30	13.75

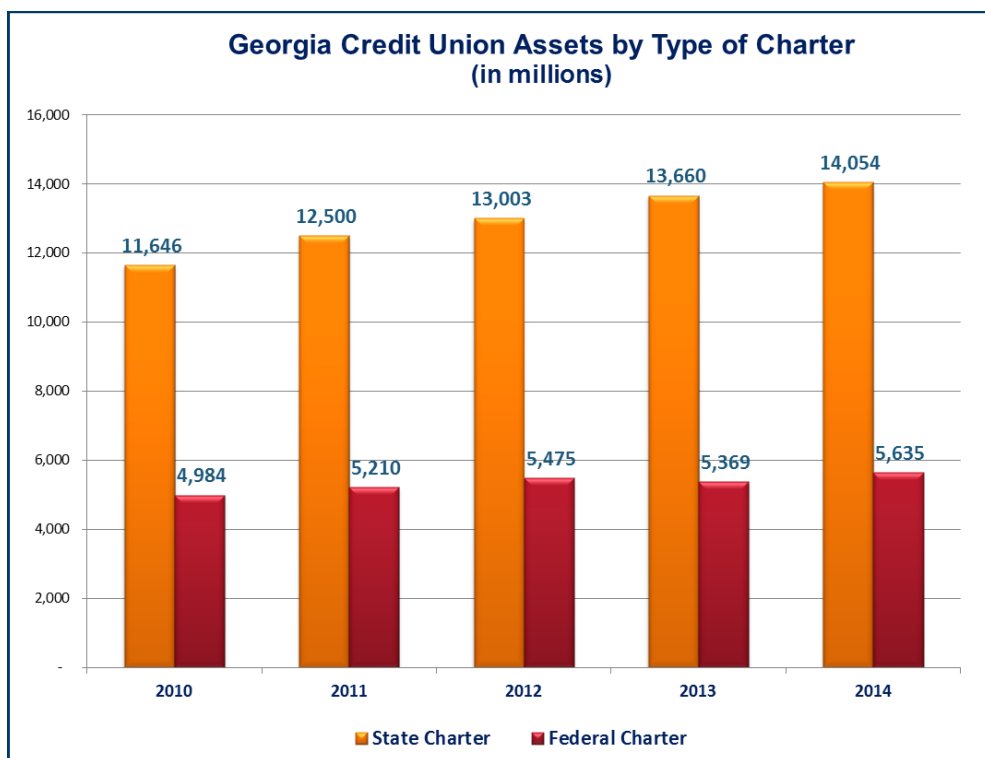
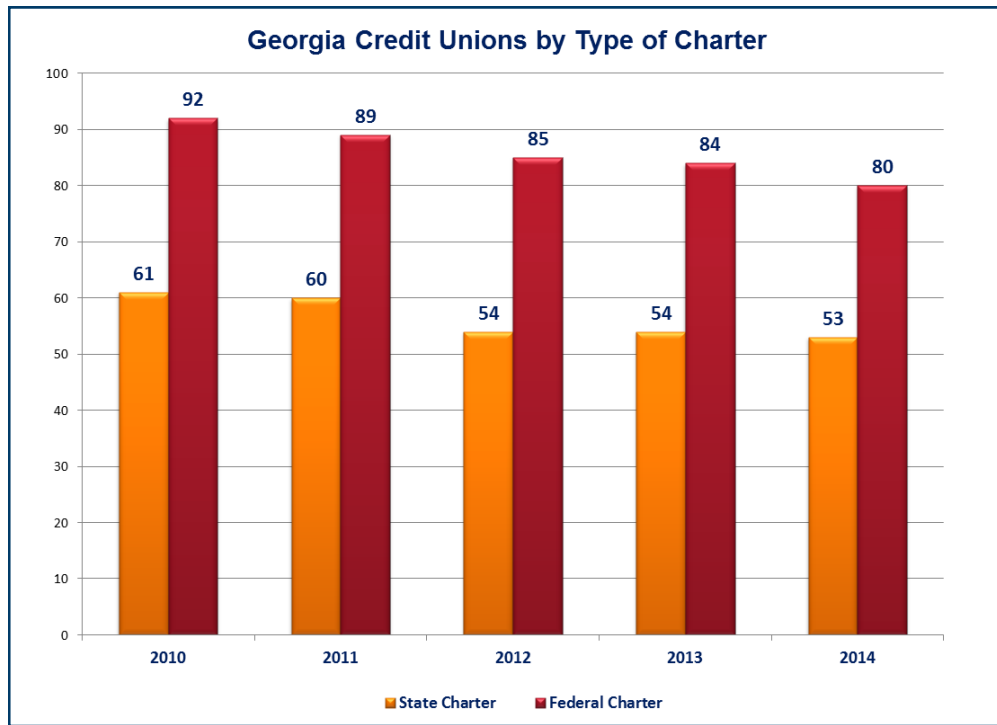
[Performance information above was obtained from the FDIC's State Banking Performance Summary.](#)

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 53 state-chartered credit unions in Georgia at year-end 2014. During the year, one credit union merged out of existence. A four-year balance sheet and income statement snapshot for state-chartered credit unions can be found on **Page 9** of this Report.



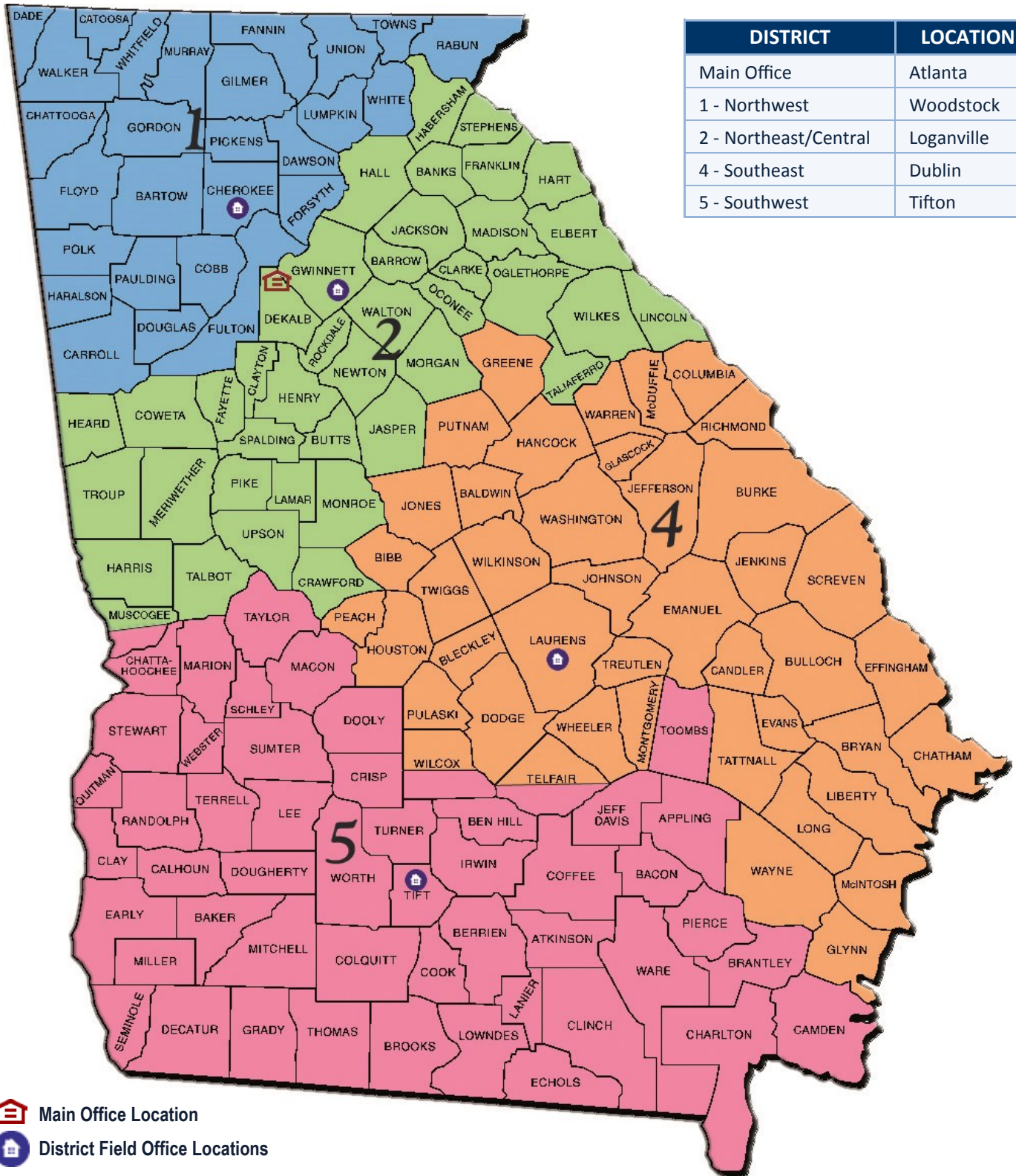
Financial Institution Supervision

State-Chartered Credit Union Financial Summary

<i>(dollar figures in millions)</i>	12/31/2014	12/31/2013	12/31/2012	12/31/2011
ASSETS:				
Cash & Equivalents	817	1,156	1,190	1,122
TOTAL INVESTMENTS	3,817	4,053	3,943	3,882
TOTAL LOANS	8,819	7,912	7,395	7,023
(Allowance for Loan & Lease Losses)	80	84	87	92
Land And Building	208	209	203	207
Other Fixed Assets	31	30	29	32
NCUSIF Deposit	118	116	110	103
All Other Assets	306	264	205	202
TOTAL ASSETS	14,054	13,660	13,003	12,500
LIABILITIES & CAPITAL:				
TOTAL LIABILITIES	218	192	182	253
TOTAL SHARES & DEPOSITS	12,244	11,990	11,448	10,954
Regular Reserve	224	222	218	220
Other Reserves	(24)	(32)	(12)	(9)
Undivided Earnings	1,391	1,288	1,166	1,082
TOTAL EQUITY	1,591	1,478	1,372	1,294
TOTAL LIABILITIES, SHARES, & EQUITY	14,054	13,660	13,003	12,500
INCOME & EXPENSE				
Loan Income	384	383	390	402
Investment Income	47	39	41	51
Other Income	187	175	161	138
Total Employee Compensation & Benefits	210	192	180	169
Temporary Corporate CU Stabilization Expense & NCUSIF Premiums	-	9	10	26
Total Other Operating Expenses	208	195	185	239
Non-operating Income & (Expense)	1	2	(2)	2
Provision for Loan/Lease Losses	41	44	52	58
Cost of Funds	57	64	80	106
NET INCOME (LOSS) EXCLUDING STABILIZATION EXPENSE & NCUSIF PREMIUM	103	105	95	20
Net Income (Loss)	103	96	85	(6)
Total Credit Unions Reporting	53	54	54	60

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

Financial Institution Supervision Examination Districts and Work Areas



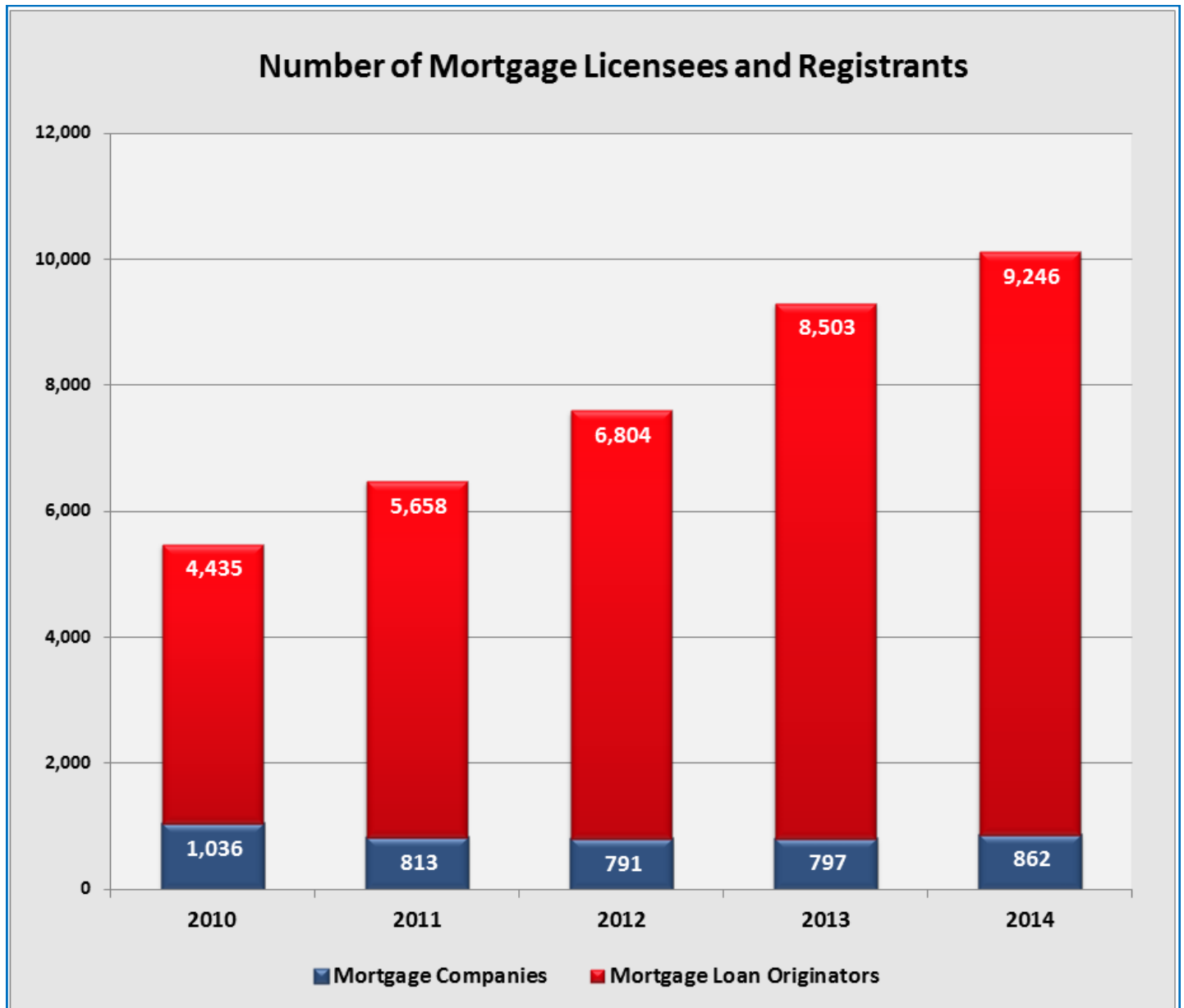
The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** 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 (O.C.G.A.) 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 2014, active mortgage licensees and registrants totaled 10,108, representing a net increase of 808 or roughly 9% from the previous year. The increase year over year continues to be largely due to continued licensing of mortgage loan originators.



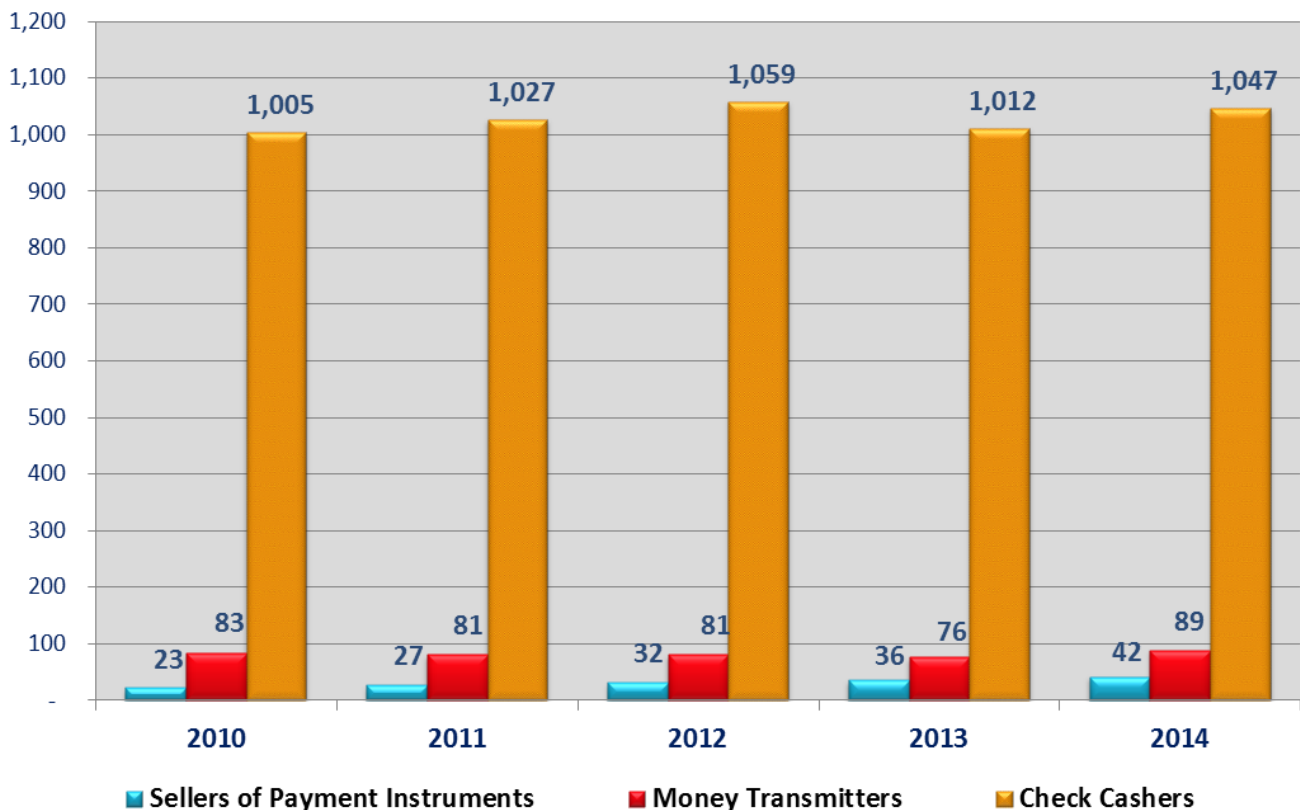
Non-Depository Financial Institution Supervision

MONEY SERVICE BUSINESSES STATISTICS

Unless otherwise exempt, anyone that engages in the cashing of payment instruments for a fee must be licensed by the Department under Article 4A of Title 7 of the O.C.G.A. Unless otherwise exempt, anyone that engages in the sale of payment instruments or money transmission, must be licensed by the Department under Article 4 of Title 7 of the O.C.G.A.

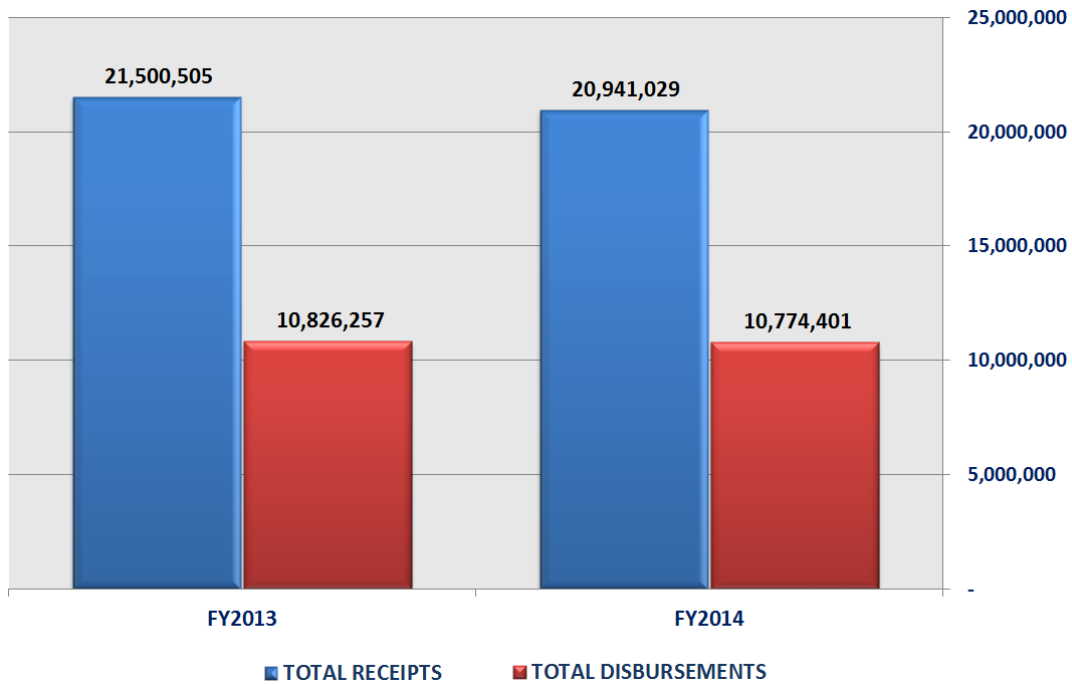
On April 29, 2014, Governor Deal signed House Bill 982 into law. This law, which became effective July 1, 2014, modernized and revised Articles 4 and 4A of Title 7 of the O.C.G.A.. Among a host of other changes was a provision that money service businesses (MSBs) apply for licensure and renewal through the Nationwide Multistate Licensing System (NMLS). As a result, beginning November 1, 2014, the Department began using the NMLS to manage its MSB licensees.

Number of Money Service Businesses Licensed

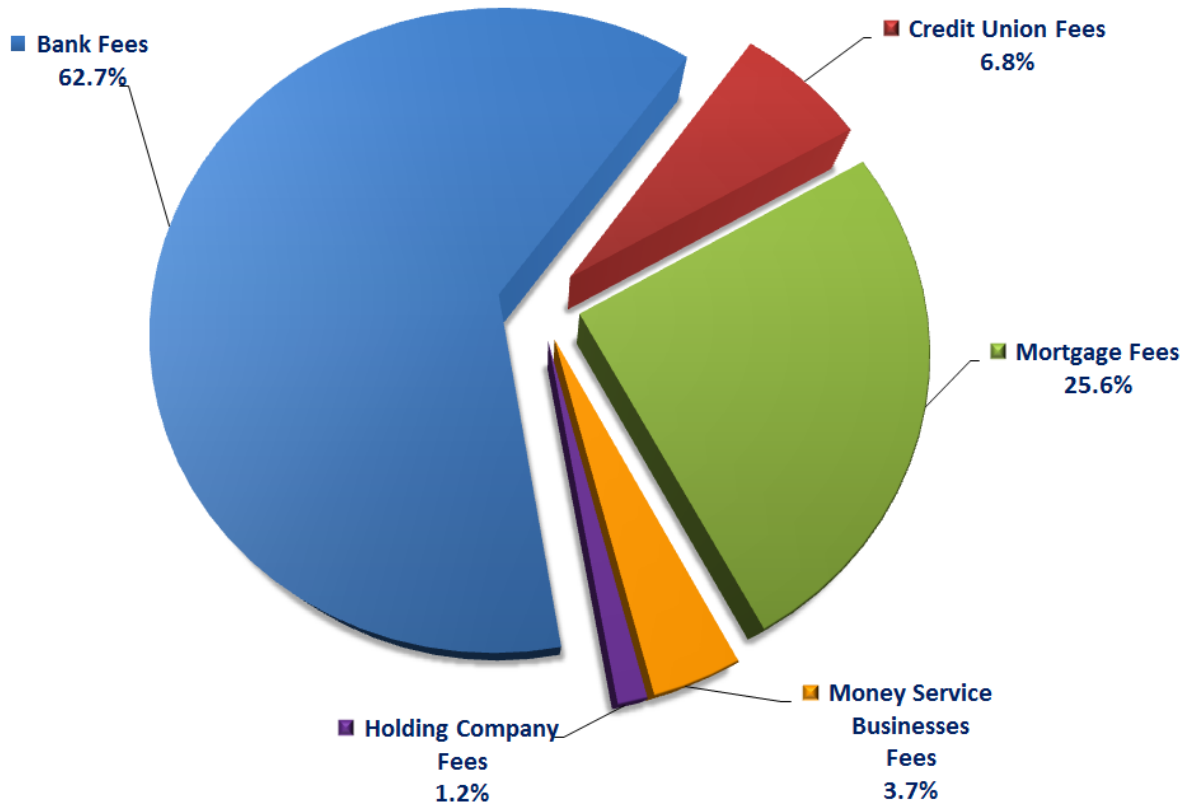


Administration

FISCAL YEAR 2014 RECEIPTS AND DISBURSEMENTS



FY2014 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 2014

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2013	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2014
BANKS	182	0	0	(7)	(1)	174
MERCHANT ACQUIRER LIMITED PURPOSE BANKS (MALPBs)	0	0	0	0	0	0
TRUST COMPANIES	1	0	0	0	0	1
CREDIT UNIONS	54	0	0	(1)	0	53
BANK HOLDING COMPANIES (Supervised and/or Registered)	207	3	0	(6)	(3)	201
CHECK SELLERS	36	6	0	0	0	42
MONEY TRANSMITTERS	76	16	0	0	(3)	89
CHECK CASHERS	1,012	129	0	0	(94)	1,047
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	57	12	0	0	(20)	49
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	9,300	3,672	0	0	(2,864)	10,108

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.*

2990 Brandywine Road, Suite 200
Atlanta, Georgia 30341-5565

Phone: (770) 986-1633

Toll-free: (888) 986-1633

Email: dbfpress@dbf.state.ga.us

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