

*State of Georgia*  
*Department of*  
*Banking & Finance*



*2015 Annual Report*

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**State of Georgia**  
**Department of Banking and Finance**



**ANNUAL REPORT**  
**For Year Ending December 31, 2015**

Nathan Deal  
Governor

Kevin B. Hagler, CEM  
Commissioner

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# Message from the Commissioner

Georgia's banking industry continued to improve throughout 2015, and bankers across the state consistently relayed a sense of renewed optimism for the future of banking in our state. Conversations have shifted from work-out solutions for problem assets, to much more positive discussions about meeting the needs of borrowers and putting deposits to work in the communities they serve. The Department's examination results reflected that positive outlook with a strong trend of ratings upgrades, particularly in the Asset Quality and Earnings CAMELS components. Examinations resulted in very few loan downgrades, and most banks have been able to clear Other Real Estate from their books with little or no negative impact. Most impressively, 41 banks received an upgrade to their composite ratings further reflecting the positive strides in the industry.



**Kevin B. Hagler**

As of year-end 2015, the Department regulated 159 banks, a decline of 15 charters from the prior year. This decline came partially from the closure of Capital City Bank & Trust Company, Atlanta, and The Bank of Georgia, Peachtree City; however, 13 open-bank mergers were the real driving force. A heightened level of merger activity was a nationwide phenomenon in 2015 as banks formed strategic alliances to better face the head winds of a low interest rate environment, a high level of competition among lenders, and an increased regulatory burden coming from Washington, DC. Banks also merged to create liquidity events for shareholders as demand has pent up throughout the recession. While merger activity has reduced the number of banks regulated by the Department, the total assets under supervision has continued to increase, as state chartered banks are generally larger and more complex. The Georgia Department of Banking and Finance is the 4<sup>th</sup> largest state banking regulator in the country based on total assets of \$277 billion under supervision.

The Department regulates 53 credit unions, and while that number is unchanged from 2014, there was a moderate amount of merger activity present. Six (6) federally chartered credit unions merged into state chartered credit unions, two (2) state chartered credit unions merged into federally chartered credit unions, and we welcomed Robins Financial Credit Union, Warner Robins, and Southeastern Credit Union, Valdosta, to the family of state chartered credit unions. Credit union assets under supervision also continue to grow despite consolidation in the industry. The Department has \$17 billion in total assets under supervision in its credit union portfolio. The credit union industry has also demonstrated positive financial performance during 2015, but shares the challenge of generating quality assets in sufficient volume to more fully deploy deposits.

The Department also has regulatory oversight of 12,625 non-depository entities. The number of mortgage loan originator licensees continues to grow significantly year over year, with 2015 resulting in a 14% increase over the prior year. We also continued to see an increase in the number of mortgage companies licensed in Georgia. The number of money service business licensees declined by 6% over the year due to a decline in the number of check casher renewals. The volume of Sellers of Payment Instruments and Money Transmitters increased modestly during the year.

# *Message from the Commissioner*

The Department's work with the Code Review Task Force, a public/private partnership with the banking industry, combined with outreach to representatives of the credit union industry as well as the non-depository industry culminated in the Department's housekeeping bill (HB 184, Bruce Williamson of the 115th) for the 2015 legislative session. The bill revised statutory provisions governing the majority of the entities regulated by the Department – banks, credit unions, bank holding companies, money service businesses, mortgage companies, loan originators, and merchant acquirer limited purpose banks – as well as certain provisions addressing the Department's general powers. Highlights of the legislation included clarification of the Department's ability to grant parity to state chartered banks and credit unions with their federal counterparts, and empowered the Department to place credit unions in conservatorship as a potential alternative to liquidating a credit union through a receivership.



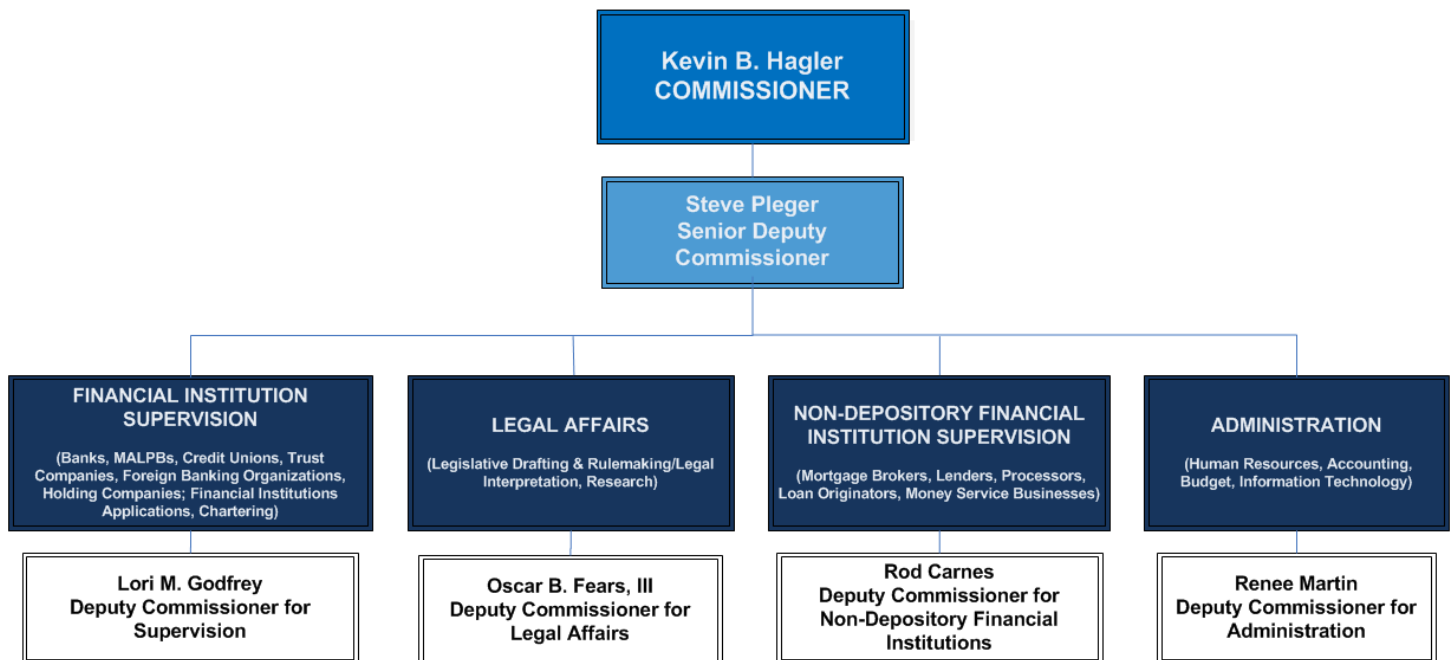
Kevin B. Hagler, CEM  
Commissioner

# 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.

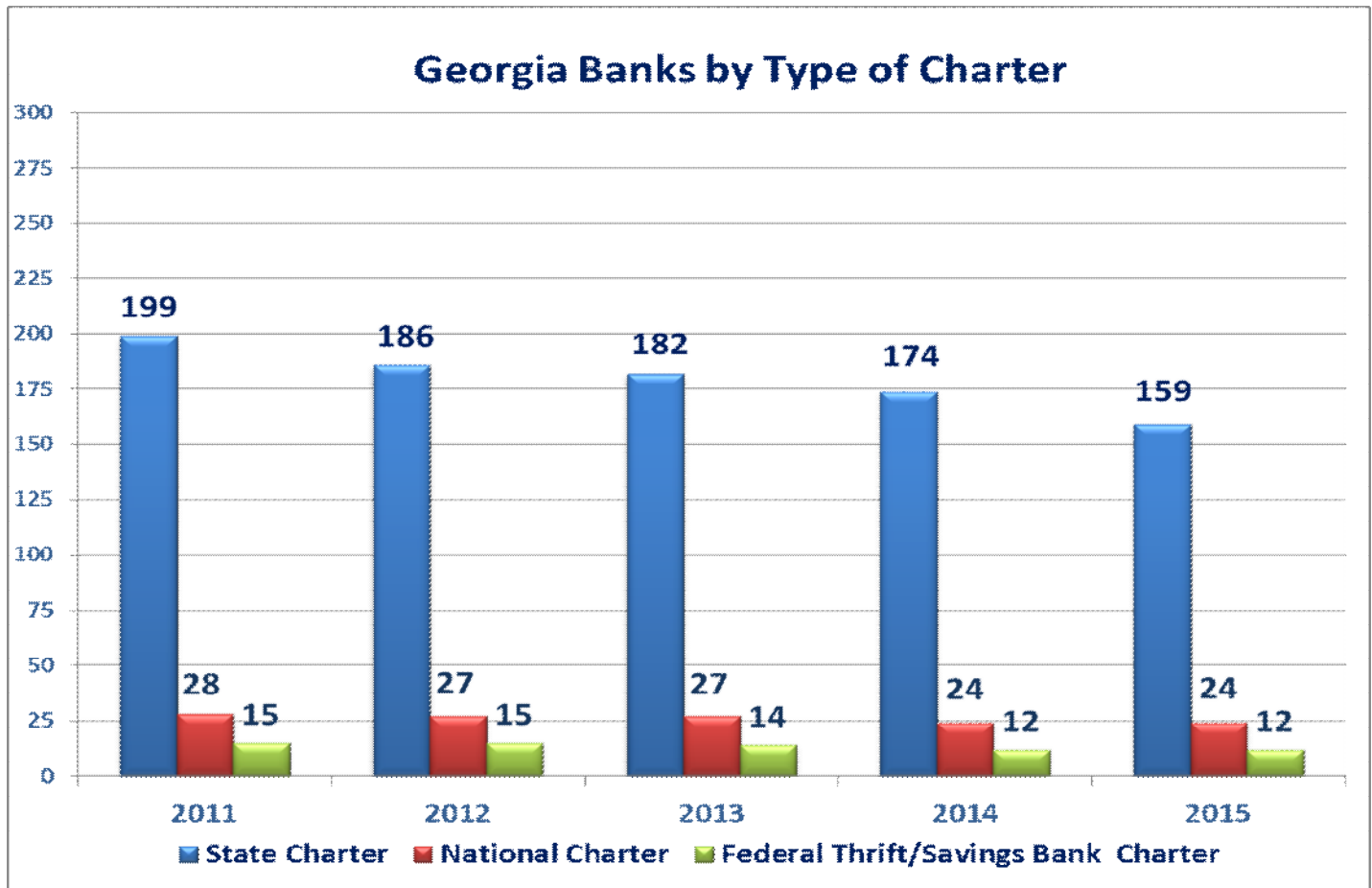
Functionally, the Department reports directly to the State's Chief Financial Officer and the Governor. The Department is headed by a Commissioner who is appointed by the Governor to serve a four-year term. Commissioner Kevin B. Hagler is assisted by Senior Deputy Commissioner Steve Pleger. The Department's 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 159, representing a net decrease of 15 or roughly 8.6 percent from the previous year. This decrease was the result of two banks being closed by the Department and placed into FDIC receivership and 13 banks being merged out of existence. Total state-chartered bank assets under the Department's supervision at year-end was approximately \$277 billion. A five-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 2015

Name	City	County	Receivership	Transaction Type
			Date	
Capitol City Bank & Trust Company	Atlanta	Fulton	2/13/2015	All Deposit, Whole Bank P&A / No Loss Sharing
The Bank of Georgia	Peachtree City	Fayette	10/02/2015	All Deposit, Whole Bank P&A / No Loss Sharing

Source: FDIC Failed Bank List

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

<https://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 2015. NOTE: Savings banks are not included in the asset figures below.

**Bank Assets by State (dollar figures in millions)**  
**Ranked by Total Assets per State Charter as of 12/31/2015**

State	National Charter	State Charter	All Bank Charters
New York	143,256	736,943	880,199
California	250,951	390,665	641,616
Massachusetts	2,146	285,871	288,017
<b>Georgia</b>	<b>9,019</b>	<b>277,174</b>	<b>286,193</b>
North Carolina	1,641,707	275,173	1,916,880
Utah	203,941	273,574	477,515
Illinois	150,796	261,133	411,929
Texas	117,391	246,960	364,351
Alabama	11,373	244,501	255,874
Ohio	2,550,347	163,139	2,713,486
Missouri	31,236	112,755	143,991
Pennsylvania	68,912	79,477	148,389
Iowa	5,696	67,800	73,496
Mississippi	16,218	67,301	83,519
Virginia	566,218	66,718	632,936
Louisiana	6,428	59,356	65,784
Arkansas	15,976	59,334	75,310
Florida	85,327	58,694	144,021
Tennessee	34,439	57,040	91,479
Wisconsin	40,084	50,288	90,372
Kentucky	6,394	48,096	54,490
Indiana	27,980	44,976	72,956
Oklahoma	45,464	44,611	90,075
Colorado	3,567	44,470	48,037
Michigan	4,514	44,255	48,769
Minnesota	24,239	43,407	67,646
Hawaii	636	40,565	41,201
Nebraska	25,389	39,398	64,787
Washington	15,476	39,071	54,547
Kansas	15,668	39,064	54,732
New Jersey	26,142	37,909	64,051
Oregon	420	31,606	32,026
Montana	649	28,953	29,602
Maryland	792	28,938	29,730
West Virginia	4,657	26,743	31,400
South Dakota	2,936,251	24,520	2,960,771
South Carolina	1,644	24,486	26,130
North Dakota	3,510	20,118	23,628
Arizona	1,212	16,707	17,919
New Mexico	3,826	9,603	13,429
Nevada	8,171	9,574	17,745
Rhode Island	108,177	5,903	114,080
Wyoming	1,742	5,549	7,291
Idaho	-	4,636	4,636
Connecticut	64,608	3,794	68,402
Maine	5,212	3,354	8,566
Vermont	1,434	2,908	4,342
New Hampshire	-	2,278	2,278
Alaska	3,569	2,273	5,842
Delaware	5,610	501	6,111

Source: FDIC Quarterly Banking Profile

# Financial Institution Supervision

## **BANK HOLDING COMPANIES**

A total of 198 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 2015, there were 50 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

<i>(dollar figures in millions)</i>	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Number of institutions reporting	199	186	182	174	*158
<b>AGGREGATE CONDITION AND INCOME DATA</b>					
Net income	414	2,038	1,950	2,466	2,790
Total assets	256,839	252,690	255,331	273,006	277,174
Earning assets	227,862	225,316	229,595	247,804	253,124
Total loans & leases	180,729	179,647	185,814	196,981	201,967
Other real estate owned	2,571	2,044	1,451	1,103	792
Total deposits	203,067	204,129	203,963	216,470	229,395
Equity capital	29,043	30,670	30,649	32,303	33,103
<b>PERFORMANCE RATIOS (YTD, %)</b>					
Yield on earning assets	4.39	4.08	3.83	3.64	3.43
Cost of funding earning assets	0.75	0.48	0.34	0.30	0.26
Net interest margin	3.64	3.60	3.49	3.34	3.17
Noninterest income to avg. earning assets	1.38	1.50	1.43	1.47	1.47
Noninterest expense to avg. earning assets	3.59	3.63	3.63	3.26	2.96
Net charge-offs to loans & leases	1.94	1.47	0.59	0.34	0.23
Credit-loss provision to net charge-offs	80.66	79.90	70.57	70.90	52.67
Net operating income to average assets	0.12	0.62	0.77	0.94	1.02
Retained earnings to average equity	1.30	6.53	2.71	3.68	4.07
Return on assets	0.16	0.80	0.78	0.94	1.03
Return on equity	1.45	6.85	6.35	7.83	8.57
Percent of unprofitable institutions	42.21	25.27	15.93	12.64	11.39
<b>CONDITION RATIOS (%)</b>					
Net loans and leases to assets	68.83	69.77	71.59	71.12	71.95
Loss allowance to:					
Loans and leases	2.18	1.86	1.62	1.42	1.26
Noncurrent loans and leases	45.78	68.77	77.90	98.13	101.86
Noncurrent loans & leases to					
total loans & leases	4.76	2.71	2.08	1.45	1.23
Nonperforming assets to assets	4.35	2.74	2.09	1.45	1.19
Core deposits to total liabilities	80.21	84.29	83.79	83.63	88.16
Equity capital to total assets	11.31	12.14	12.00	11.83	11.94
Core capital (leverage) ratio	8.97	9.63	9.98	9.86	10.08
Total capital to risk-weighted assets	13.75	14.30	13.50	13.00	12.92

Source: FDIC Quarterly Banking Profile

\*While there were 159 state-chartered banks in Georgia at year end 2015, one bank, Farmers State Bank, Lumpkin County, self-liquidated as part of a purchase and assumption transaction completed in the first quarter of 2016 without filing a 12/31/2015 Call Report.

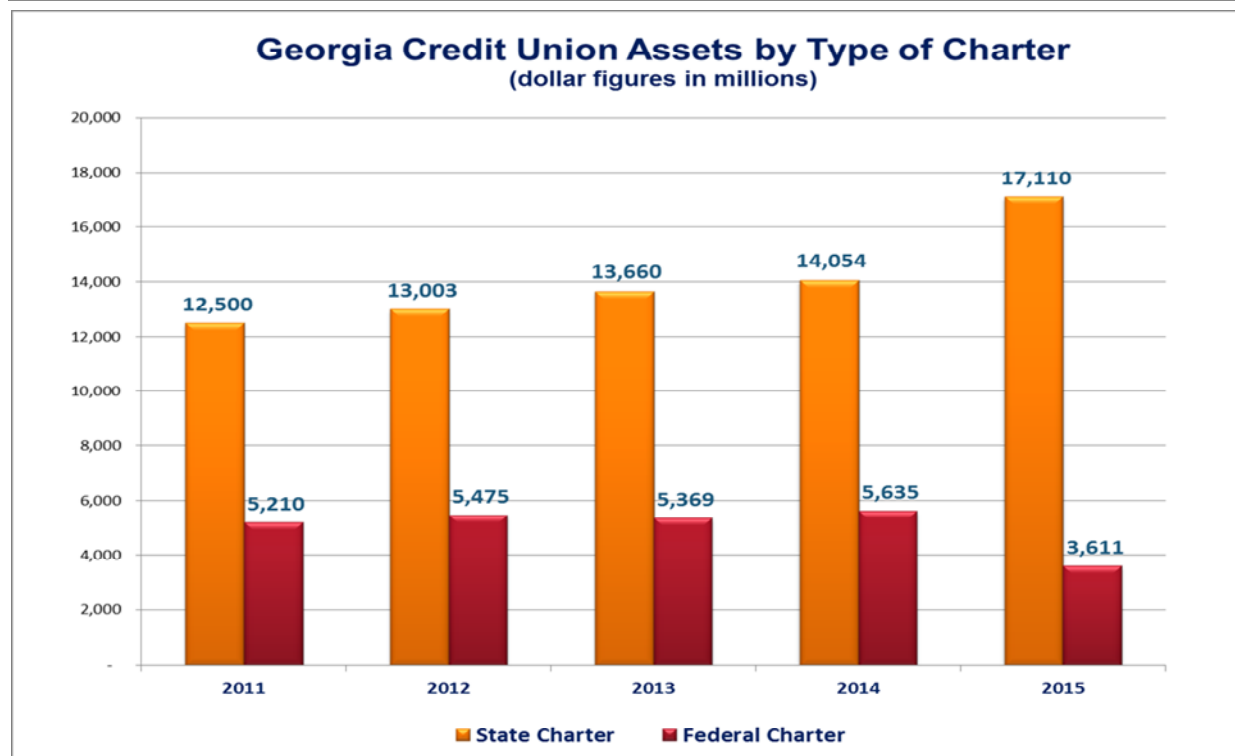
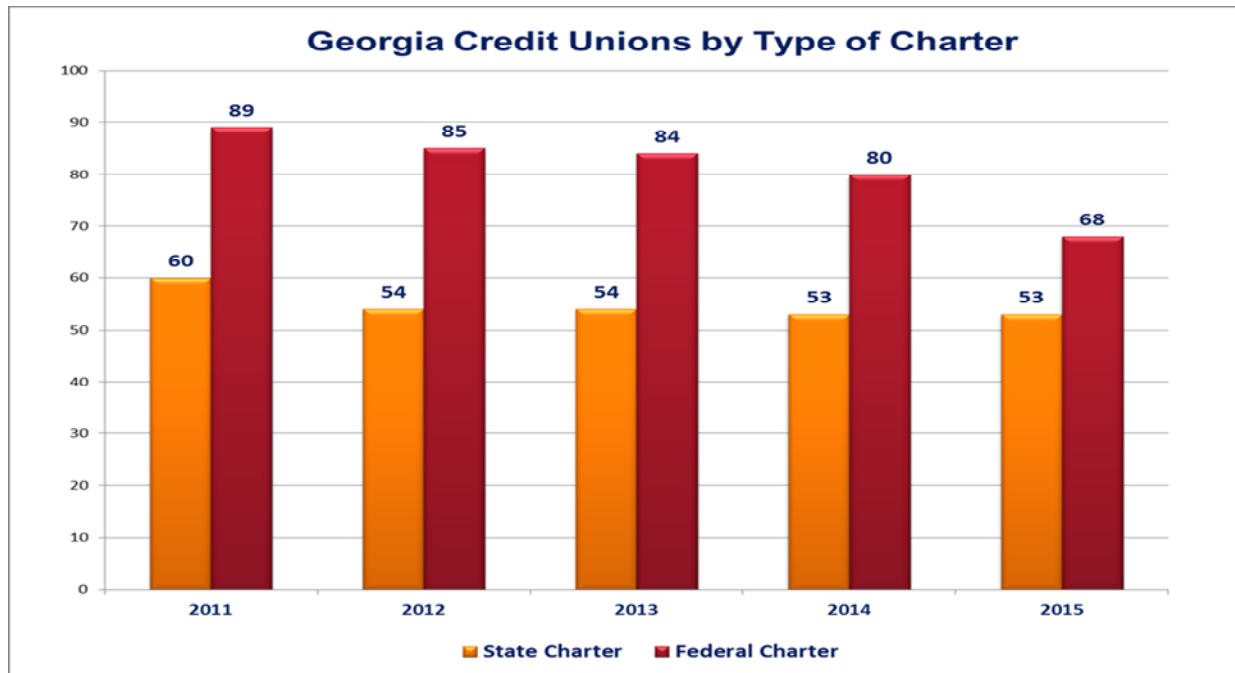
# Financial Institution Supervision

## STATE-CHARTERED CREDIT UNION STATISTICS

There were 53 state-chartered credit unions in Georgia at year-end 2015. During the year, two credit unions merged out of existence and two converted from a federal to a state charter. A five-year balance sheet and income statement snapshot for state-chartered credit

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# Financial Institution Supervision

## State-Chartered Credit Union Financial Summary

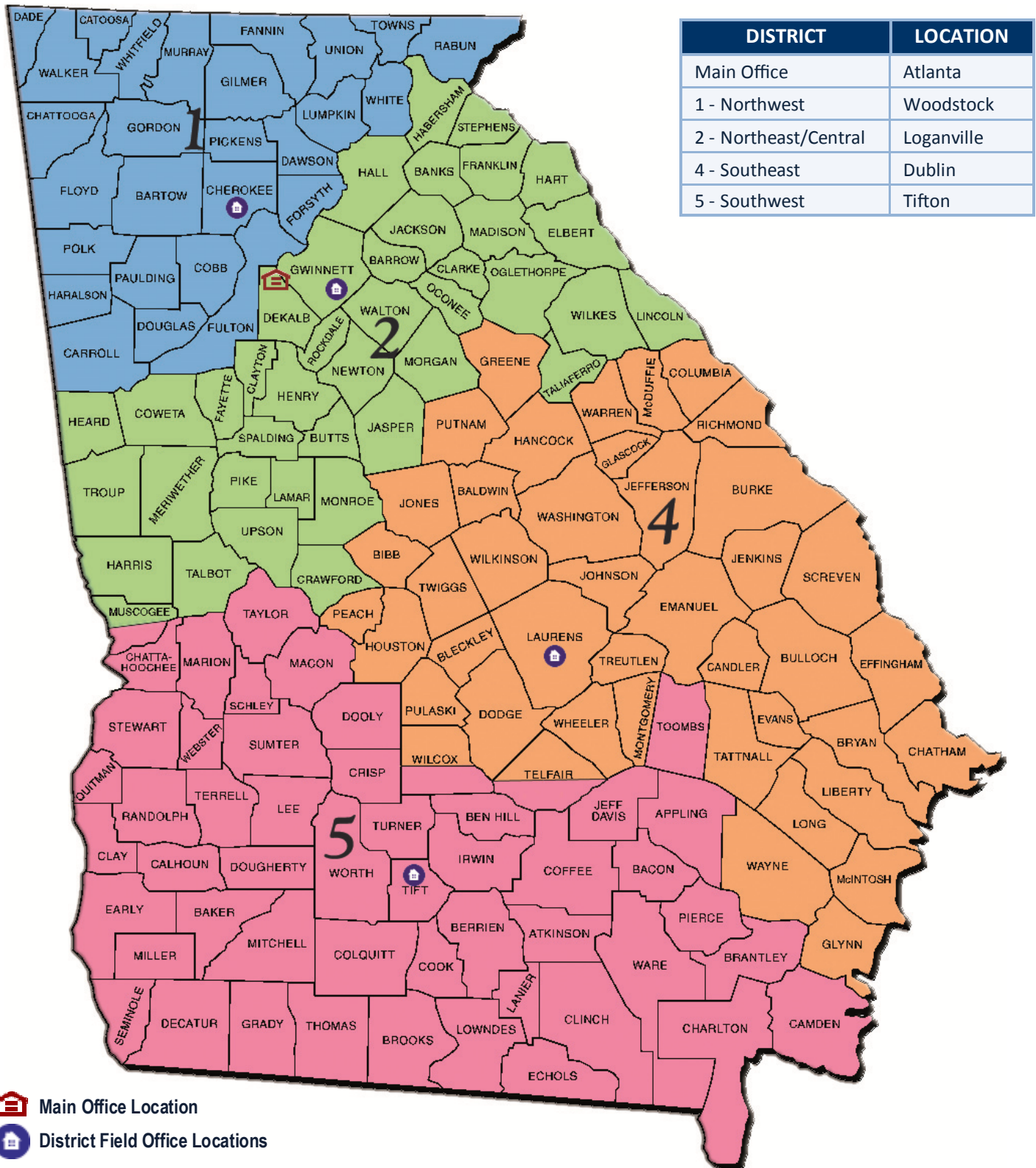
<i>(dollar figures in millions)</i>	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
<b>Number of institutions reporting</b>	<b>60</b>	<b>54</b>	<b>54</b>	<b>53</b>	<b>53</b>
<b>ASSETS:</b>					
Cash & Equivalents	1,122	1,190	1,156	817	1,245
<b>TOTAL INVESTMENTS</b>	3,882	3,943	4,053	3,817	3,950
<b>TOTAL LOANS</b>	7,023	7,395	7,912	8,819	11,215
(Allowance for Loan & Lease Losses)	(92)	(87)	(84)	(80)	(85)
Land And Building	207	203	209	208	230
Other Fixed Assets	32	29	30	31	35
NCUSIF Deposit	103	110	116	118	139
All Other Assets	202	205	264	306	376
<b>TOTAL ASSETS</b>	12,500	13,003	13,660	14,054	17,110
<b>LIABILITIES &amp; CAPITAL:</b>					
<b>TOTAL LIABILITIES</b>	253	182	192	218	349
<b>TOTAL SHARES &amp; DEPOSITS</b>	10,954	11,448	11,990	12,244	14,703
Regular Reserve	220	218	222	224	238
Other Reserves	(9)	(12)	(32)	(24)	(26)
Undivided Earnings	1,082	1,166	1,288	1,391	1,846
<b>TOTAL EQUITY</b>	1,294	1,294	1,294	1,294	1,294
<b>TOTAL LIABILITIES, SHARES, &amp; EQUITY</b>	12,500	13,003	13,660	14,054	17,110
<b>INCOME &amp; EXPENSE</b>					
Loan Income	402	390	383	384	457
Investment Income	51	41	39	47	57
Other Income	138	161	175	187	236
Total Employee Compensation & Benefits	169	180	192	210	246
Temporary Corporate CU Stabilization					
Expense & NCUSIF Premiums	26	10	9	-	-
Total Other Operating Expenses	239	185	195	208	254
Non-operating Income & (Expense)	2	(2)	2	1	2
Provision for Loan/Lease Losses	58	52	44	41	43
Cost of Funds	106	80	64	57	62
<b>NET INCOME (LOSS) EXCLUDING STABILIZATION</b>					
<b>EXPENSE &amp; NCUSIF PREMIUM</b>	20	95	105	103	147
<b>Net Income (Loss)</b>	(6)	85	96	103	147

Source: NCUA Financial Performance Reports



# Financial Institution Supervision

## Examination Districts and Work Areas

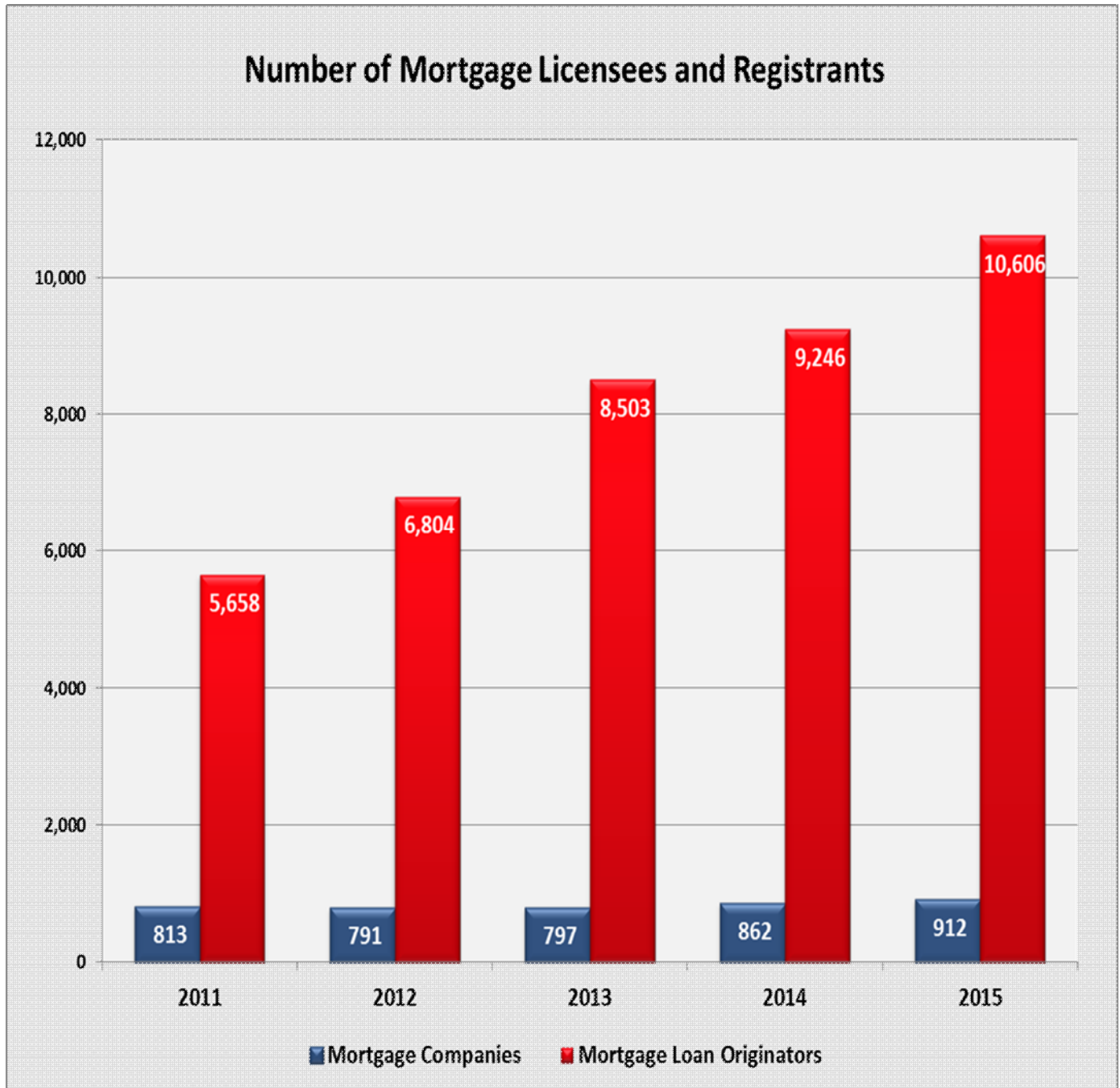


The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** 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 2015, active mortgage licensees and registrants totaled 11,518, representing a net increase of 1,410 or roughly 14 percent from the previous year. The increase year over year continues to be largely due to continued licensing of mortgage loan originators.

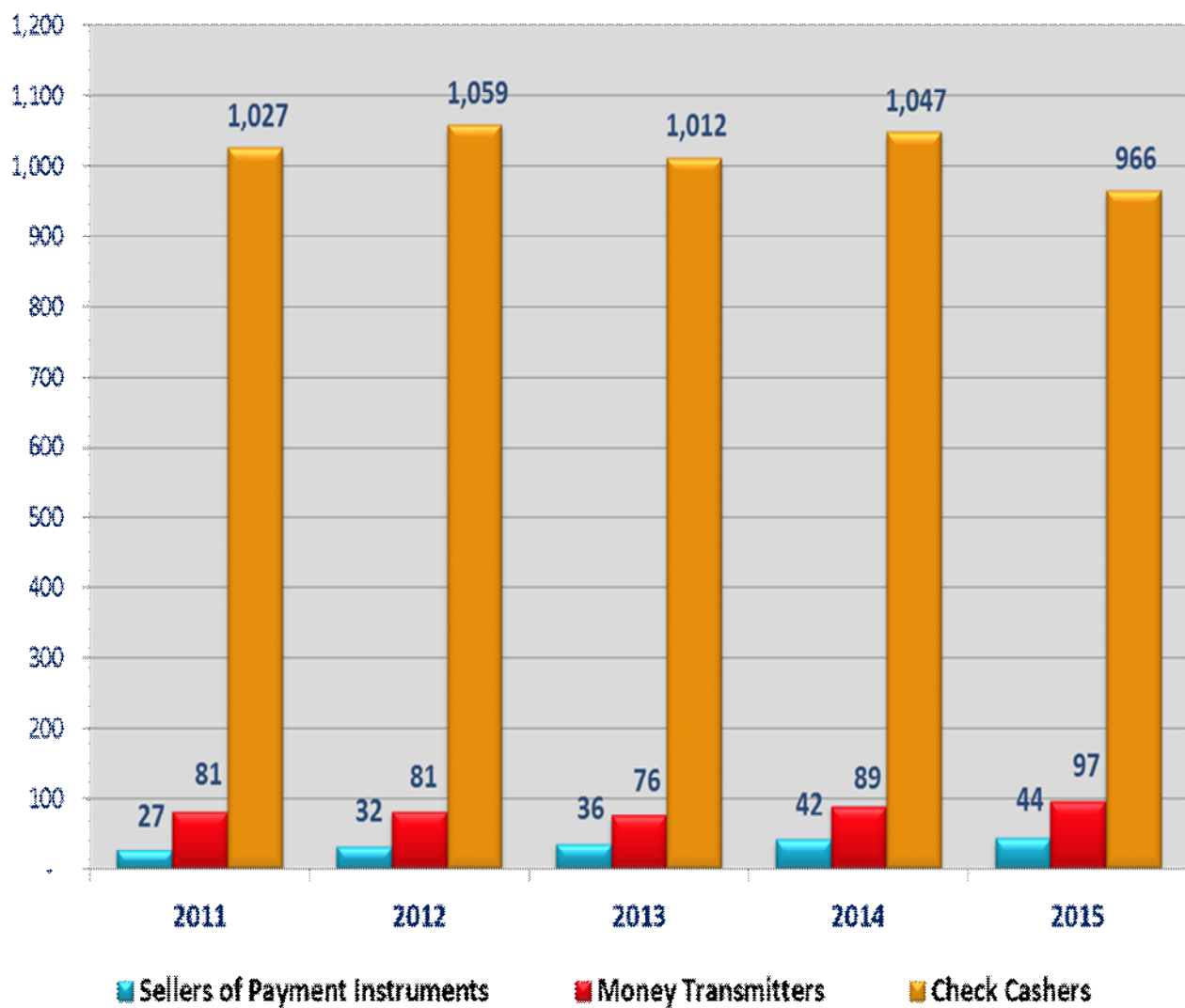


# Non-Depository Financial Institution Supervision

## 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. At the end of 2015, the number of money service businesses licensed by the Department totaled 1,107, representing a net decrease of 71 or roughly 6 percent from the previous year. The net decrease year over year is due to a decline in the number of renewals for check casher licenses.

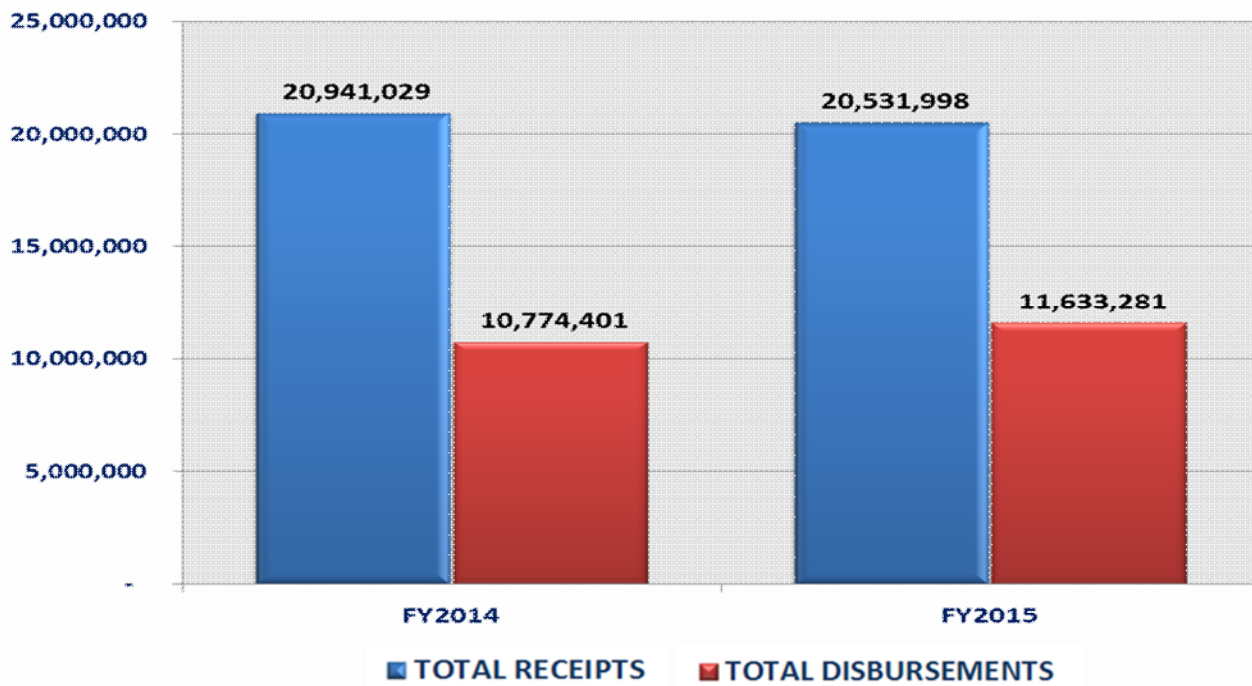
### Number of Money Service Businesses Licensed



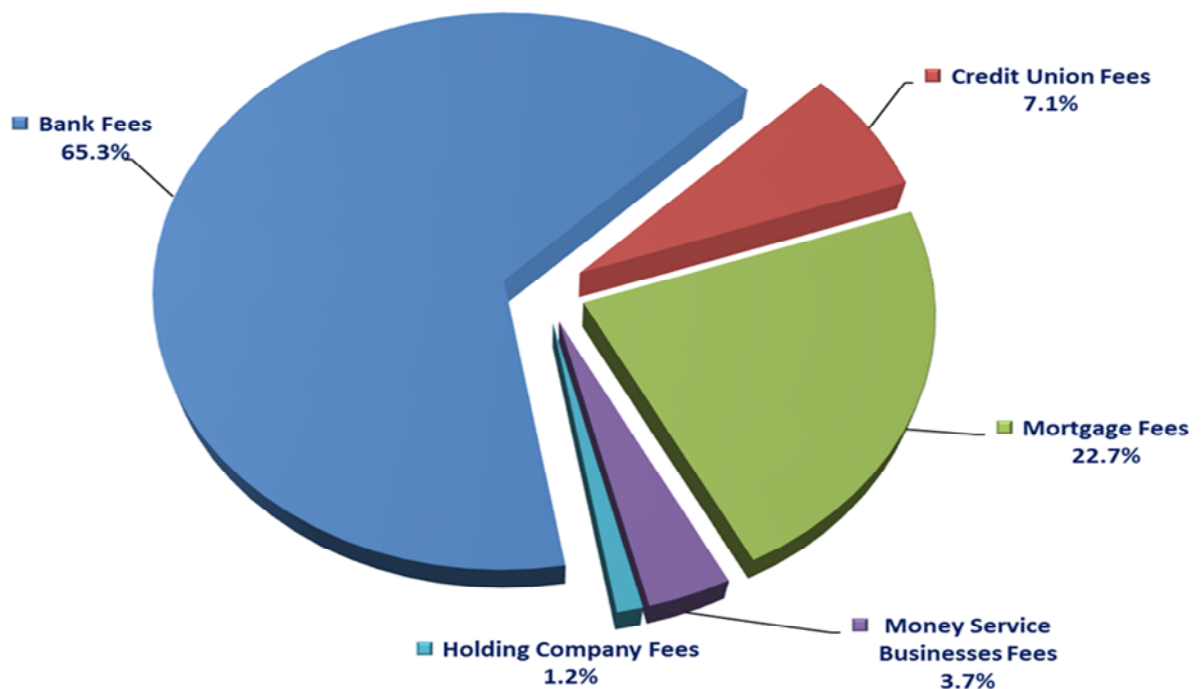


# Administration

## FISCAL YEAR 2015 RECEIPTS AND DISBURSEMENTS



**FY2015 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 2015

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2014	Opened Registered License d	Converted	Merged	Closed Liquidated Deregistere d	Totals 12/31/2015
BANKS	174	0	0	(13)	(2)	159
TRUST COMPANIES	1	0	0	0	0	1
MALPBS	0	0	0	0	0	0
CREDIT UNIONS	53	0	2	(2)	0	53
BANK HOLDING COMPANIES (Supervised and/or Registered)	200	3	0	(3)	(2)	198
SELLERS/ISSUERS OF PAYMENT INSTRUMENTS	42	5	0	0	(3)	44
MONEY TRANSMITTERS	89	14	0	0	(6)	97
CHECK CASHERS	1,047	155	0	0	(236)	966
INTERNATIONAL BANK AGENCIES	1	0	0	0	0	1
INTERNATIONAL BANKING FACILITIES	1	0	0	0	0	1
INTERNATIONAL BANK REPRESENTATIVE OFFICES	2	1	0	0	0	3
REPRESENTATIVE OFFICES	49	10	0	0	(9)	50
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	10,108	3,666	0	0	(2,256)	11,518

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

*Our Vision is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.*

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