

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



2016 Annual Report

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State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2016

Nathan Deal
Governor

Kevin B. Hagler, CEM
Commissioner

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Message from the *Commissioner*

Throughout 2016, banking in Georgia continued a trend of growth and financial improvement as the industry continued to distance itself from the dark days of the Great Recession. The number of banks in problem status, those with a CAMELS composite rating of 3, 4, or 5, declined significantly during the year from 40 to 32, and now represents 21% of the portfolio. This progress is remarkable considering that 66% of the banking portfolio was in problem status in 2010. The decline in the number of banks in problem status actually undersells the improvement in the industry as the vast majority of banks still in problem status are trending positively and are much closer to shedding that designation than in previous years. A broad analysis of banking financials further reveals a positive trend as practically every key ratio - net income, return on average assets, capital levels, the level of non-performing assets, etc. - showed improvement. The lone outlier was that the net interest margin appeared to remain flat, but there is a general expectation that this too will begin a positive trend as it is anticipated the Federal Reserve Bank will continue raising interest rates.



Kevin B. Hagler

The banking portfolio experienced a net decline of 10 charters during the year; the bulk of which was the result of industry consolidation. Fortunately, there was only one bank closure, The Woodbury Banking Company, Woodbury, during the year. The other departures from the banking landscape were the result of one voluntary dissolution and nine mergers, though three of the mergers would best be described as corporate reorganizations under a common holding company. On a positive note, the Department welcomed AB&T, Albany into the family of state-chartered banks in 2016 with its conversion from a national bank charter. Industry consolidation is certainly not unique to Georgia, and the state remains well banked with 149 state-chartered banks working to serve the needs of our citizens. The Department has the fourth largest banking portfolio in the country as measured by total assets under supervision, and 78% of all banks chartered in the United States are state-chartered.

There were 49 state-chartered credit unions at the end of 2016, a reduction from 53 the previous year. This reduction is entirely due to merger activity, which is a continuing trend in the industry particularly among the state's smallest credit unions. Notwithstanding the consolidation, the Department's credit union portfolio continues to grow in asset size, totaling nearly \$18 billion in total assets and serving many of Georgia's citizens. Overall, the credit union industry remains healthy.

At the end of 2016, the Department had regulatory oversight of 15,085 non-depository entities. Growth in the number of mortgage loan originator licenses remains significant year-over-year, with an increase of nearly 23% over 2015. The Department also continues to see an increase in the number of mortgage companies licensed in Georgia. The number of money service businesses declined slightly over the year due to a decline in the number of check casher license renewals; however, the volume of sellers of payment instruments and money transmitters increased modestly during the year.

Message from the *Commissioner*

The Department's continued work with the Code Review Task Force, a public/private partnership with the banking industry, along with collaborative efforts with representatives of the credit union industry and the non-depository industry resulted in the enactment of the Department's housekeeping bill (HB 811, Bruce Williamson of the 115th) for the 2016 legislative session. The bill revised statutory provisions related to the majority of entities regulated by the Department – banks, credit unions, bank holding companies, money service businesses, mortgage loan originators, and merchant acquirer limited purpose banks – as well as certain provisions addressing the Department's general powers. Although the majority of the modifications related to eliminating antiquated requirements or provisions found in Title 7, some of the revisions focused on modernizing the Code. Of particular interest, in an effort to try and keep pace with technological innovation, the bill defined virtual currency as well as provided that money transmitters or sellers of payment instruments that transmit virtual currency are governed by the money service businesses laws.

Kevin B. Hagler, CEM
Commissioner

A handwritten signature in blue ink, appearing to read "Kevin Hagler". The signature is stylized and cursive.

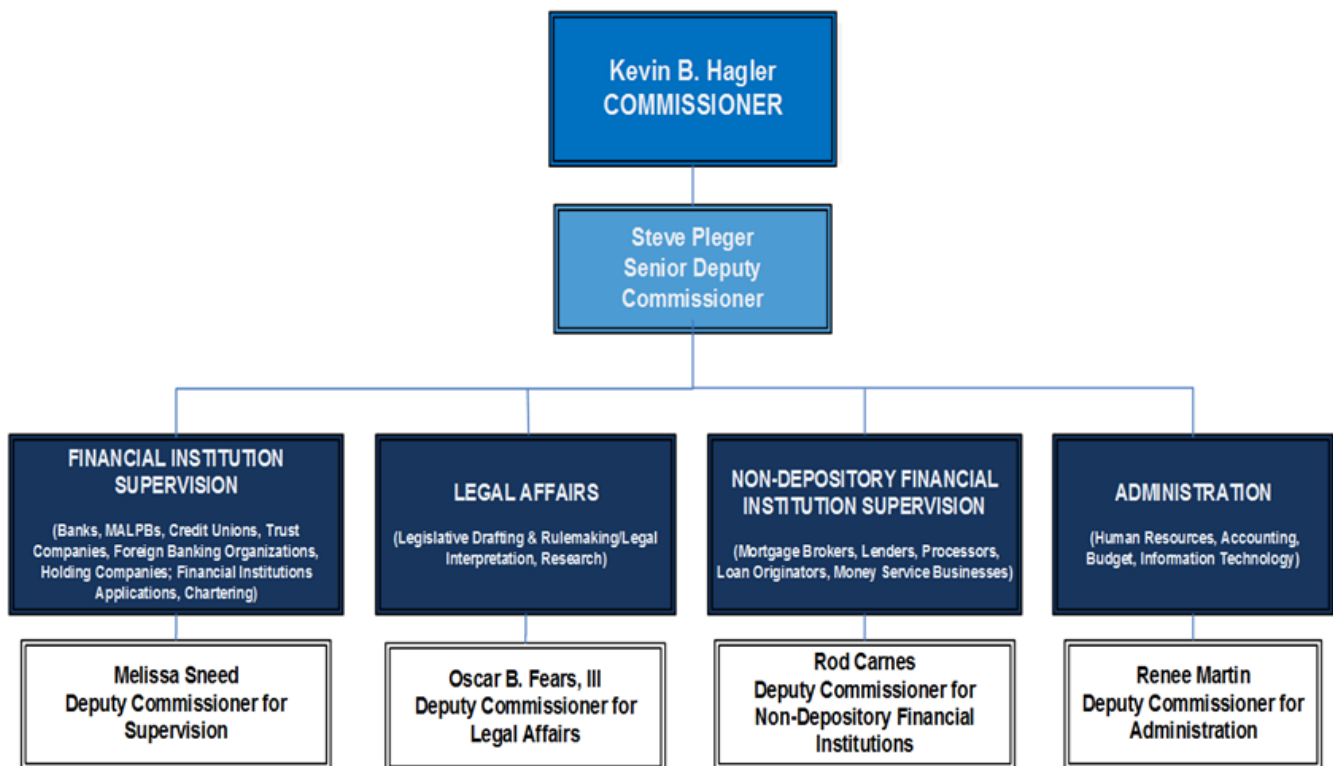
Organizational Structure

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.

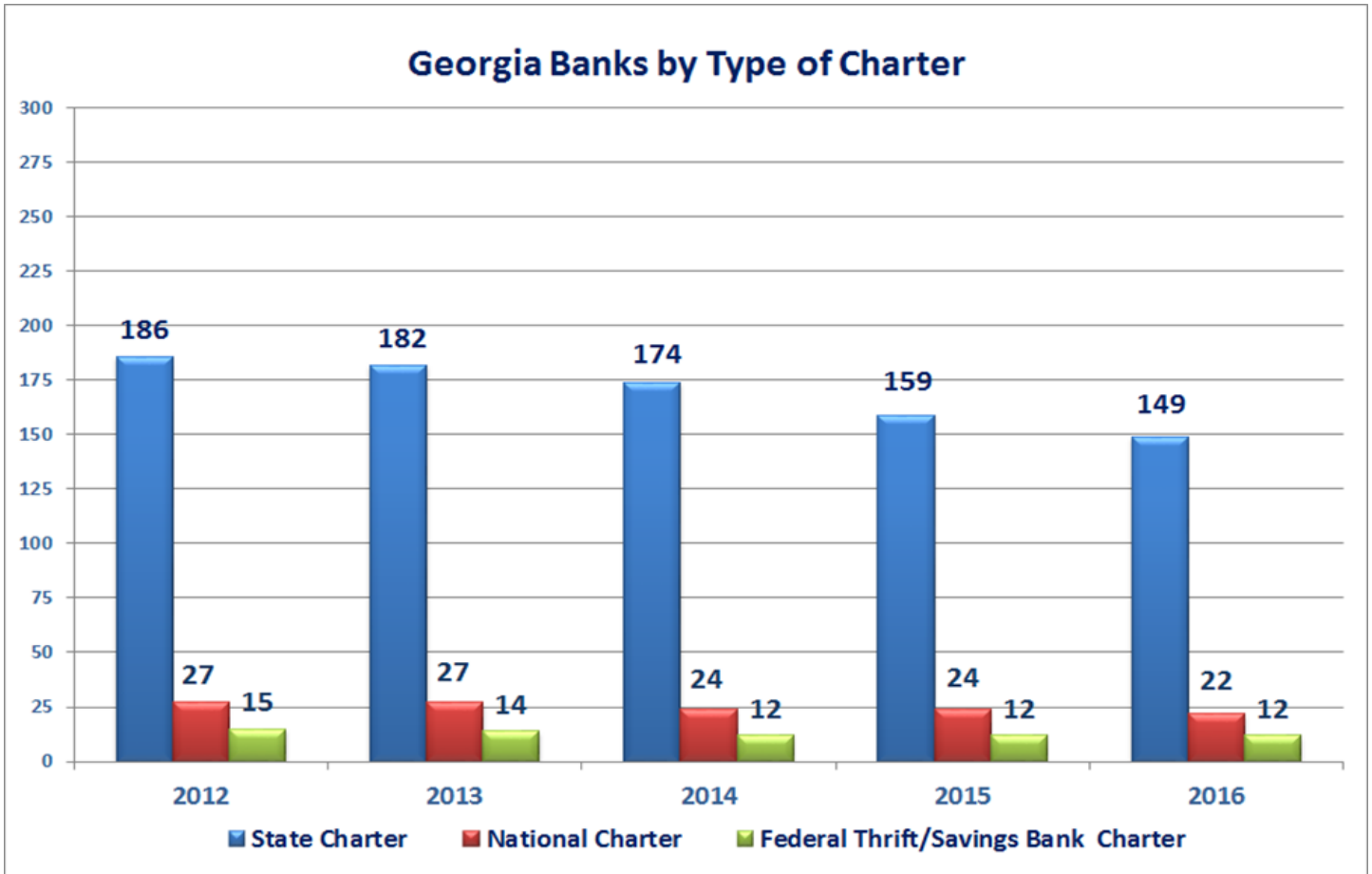
DEPARTMENT OF BANKING AND FINANCE



Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

As of the end of the year, the number of state-chartered banks totaled 149, representing a net decrease of 10 or roughly 6.3 percent from the previous year. This decrease was the result of one bank being closed by the Department and placed into FDIC receivership, one bank self-liquidated, nine banks being merged out of existence, and one bank converted from a federal charter to a state charter. Total state-chartered bank assets under the Department's supervision was approximately \$293 billion at the end of 2016. 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 2016

Name	City	County	Receivership		Transaction Type
			Date		
The Woodbury Banking Company	Woodbury	Meriwether	8/19/2016		All Deposit, Partial 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 2016. 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 12/31/2016

State	National Charter	State Charter	All Bank Charters
New York	119,847	713,778	833,625
California	263,433	436,126	699,559
North Carolina	1,677,501	299,501	1,977,002
Georgia	9,519	293,226	302,745
Massachusetts	2,355	288,537	290,892
Utah	201,786	279,274	481,060
Illinois	158,674	277,365	436,039
Texas	122,431	254,569	377,000
Alabama	12,312	245,395	257,707
Ohio	2,779,475	173,772	2,953,247
Delaware	871,294	142,143	1,013,437
Missouri	26,113	124,218	150,331
Pennsylvania	65,187	83,999	149,186
Arkansas	6,867	81,185	88,052
Iowa	5,287	72,007	77,294
Mississippi	16,981	71,402	88,383
Virginia	605,289	69,758	675,047
Louisiana	6,543	62,797	69,340
Tennessee	36,823	62,300	99,123
Indiana	24,923	54,895	79,818
Florida	98,344	52,579	150,923
Oklahoma	44,710	50,911	95,621
Colorado	3,891	50,909	54,800
Kentucky	5,832	50,786	56,618
Wisconsin	43,625	50,122	93,747
Washington	15,586	47,755	63,341
West Virginia	15,586	47,755	63,341
Michigan	5,053	47,676	52,729
Minnesota	25,148	43,449	68,597
Hawaii	669	42,155	42,824
Nebraska	26,121	41,269	67,390
Kansas	15,620	41,259	56,879
New Jersey	27,526	40,147	67,673
Oregon	467	34,536	35,003
Maryland	901	31,900	32,801
Montana	542	29,718	30,260
South Dakota	3,103,777	25,140	3,128,917
South Carolina	1,814	24,726	26,540
North Dakota	3,765	21,051	24,816
Arizona	1,259	19,838	21,097
Nevada	9,433	10,209	19,642
New Mexico	3,888	9,771	13,659
Rhode Island	117,047	6,566	123,613
Wyoming	1,682	5,983	7,665
Idaho	-	4,963	4,963
Connecticut	67,925	4,311	72,236
Maine	5,521	3,714	9,235
Vermont	1,523	3,017	4,540
New Hampshire	-	2,507	2,507
Alaska	3,609	2,305	5,914

Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

BANK HOLDING COMPANIES

A total of 122 bank holding companies were supervised by or registered with the Department at the end of 2016. The number of bank holding companies declined significantly from the prior year primarily due to a change in the definition of “bank” in O.C.G.A. § 7-1-600 through the passage of HB 811 during the 2016 legislative session.

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 to be a main office or a branch office. There were 50 entities registered with the Department as having representative offices operating in Georgia at the end of 2016.

FOREIGN BANKING ORGANIZATIONS

One international banking facility was licensed by the Department and four international representative offices were registered with the Department at the end of 2016.

Financial Institution Supervision

<i>(dollar figures in millions)</i>	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Number of institutions reporting	186	182	174	*158	149
AGGREGATE CONDITION AND INCOME DATA					
Net income	2,038	1,950	2,466	2,790	2,891
Total assets	252,690	255,331	273,006	277,174	293,226
Earning assets	225,316	229,595	247,804	253,124	267,433
Total loans & leases	179,647	185,814	196,981	201,967	214,127
Other real estate owned	2,044	1,451	1,103	792	640
Total deposits	204,129	203,963	216,470	229,395	240,448
Equity capital	30,670	30,649	32,303	33,103	33,431
PERFORMANCE RATIOS (YTD, %)					
Yield on earning assets	4.08	3.83	3.64	3.43	3.51
Cost of funding earning assets	0.48	0.34	0.30	0.26	0.27
Net interest margin	3.60	3.49	3.34	3.17	3.24
Noninterest income to avg. earning assets	1.50	1.43	1.47	1.47	1.49
Noninterest expense to avg. earning assets	3.63	3.63	3.26	2.96	2.92
Net charge-offs to loans & leases	1.47	0.59	0.34	0.23	0.28
Credit-loss provision to net charge-offs	79.90	70.57	70.90	52.67	91.84
Net operating income to average assets	0.62	0.77	0.94	1.02	1.02
Retained earnings to average equity	6.53	2.71	3.68	4.07	3.04
Return on assets	0.80	0.78	0.94	1.03	1.02
Return on equity	6.85	6.35	7.83	8.57	8.62
Percent of unprofitable institutions	25.27	15.93	12.64	11.39	8.72
CONDITION RATIOS (%)					
Net loans and leases to assets	69.77	71.59	71.12	71.95	72.19
Loss allowance to:					0.00
Loans and leases	1.86	1.62	1.42	1.26	1.14
Noncurrent loans and leases	68.77	77.90	98.13	101.86	87.70
Noncurrent loans & leases to					0.00
total loans & leases	2.71	2.08	1.45	1.23	1.30
Nonperforming assets to assets	2.74	2.09	1.45	1.19	1.17
Core deposits to total liabilities	84.29	83.79	83.63	88.16	86.99
Equity capital to total assets	12.14	12.00	11.83	11.94	11.40
Core capital (leverage) ratio	9.63	9.98	9.86	10.08	9.82
Total capital to risk-weighted assets	14.30	13.50	13.00	12.92	12.72

Source: FDIC Quarterly Banking Profile

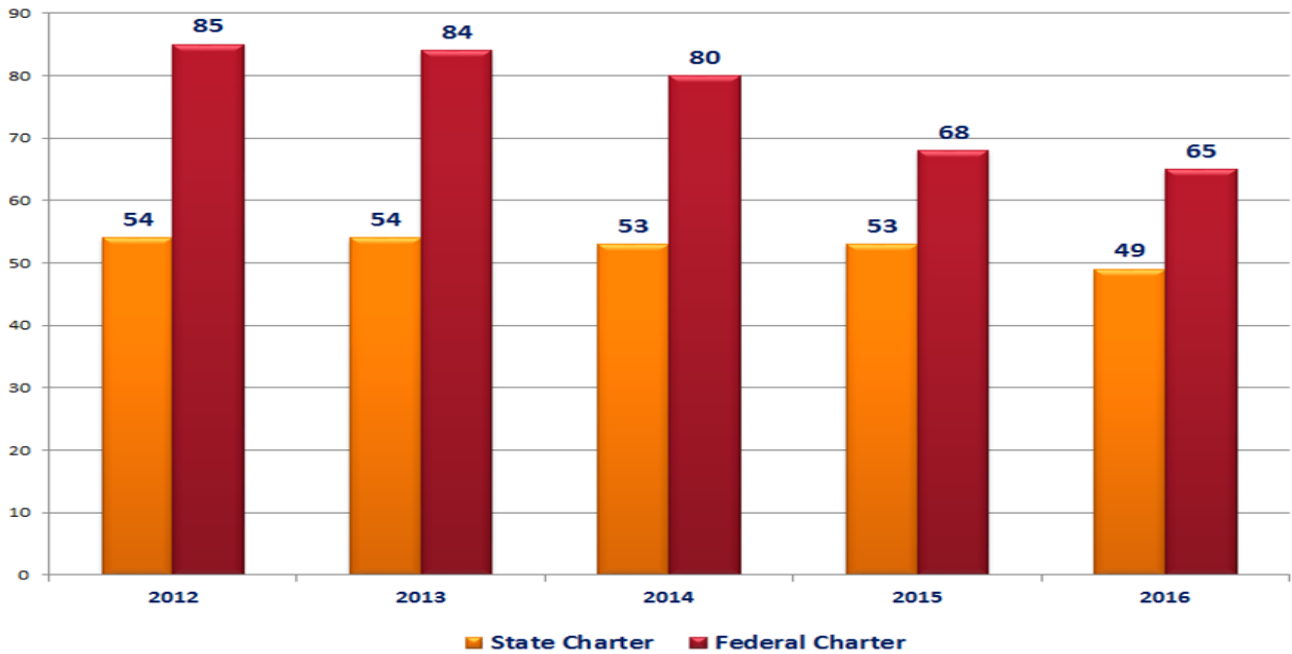
* While there were 159 state-chartered banks in Georgia at year end 2015, one bank, Farmers State Bank, Lumpkin County, self-liquidated as part of a purchase and assumption transaction completed in the first quarter of 2016 without filing a 12/31/2015 Call Report.

Financial Institution Supervision

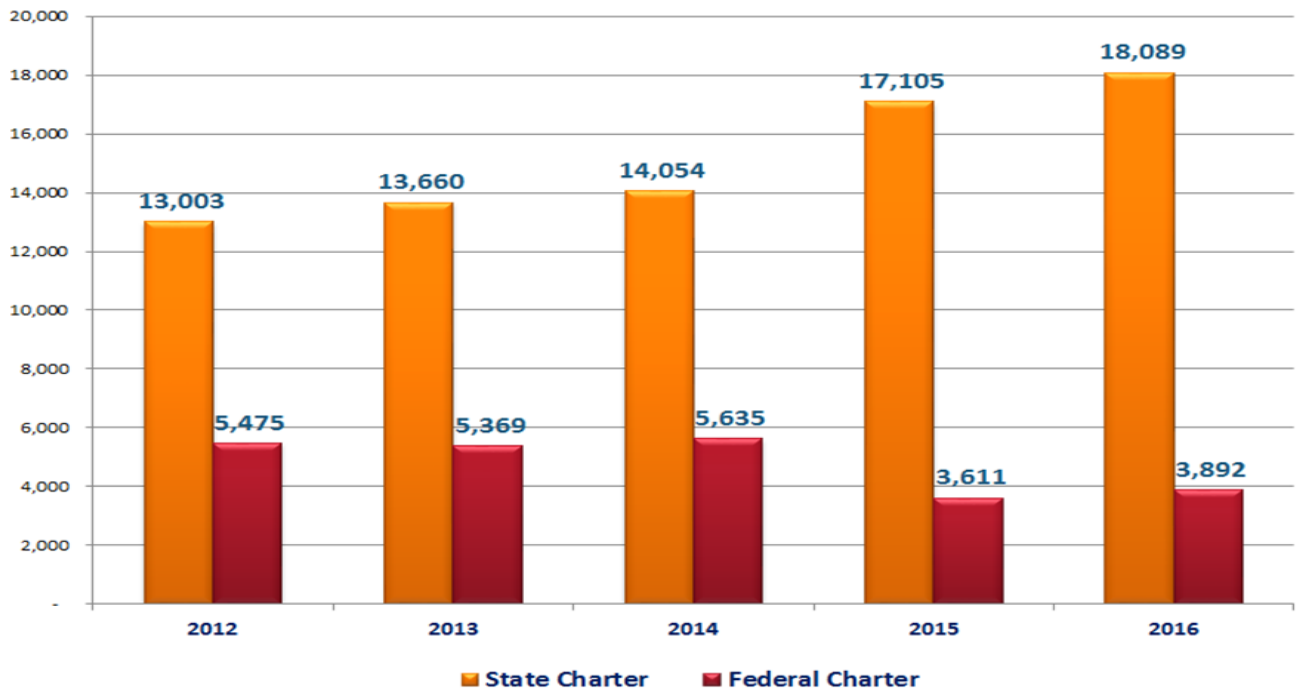
STATE-CHARTERED CREDIT UNION STATISTICS

There were 49 state-chartered credit unions in Georgia at the end of 2016. During the year, four credit unions merged out of existence. A five-year balance sheet and income statement snapshot for state-chartered credit unions can be found on **Page 9** of this Report.

Georgia Credit Unions by Type of Charter



Georgia Credit Union Assets by Type of Charter (dollar figures in millions)



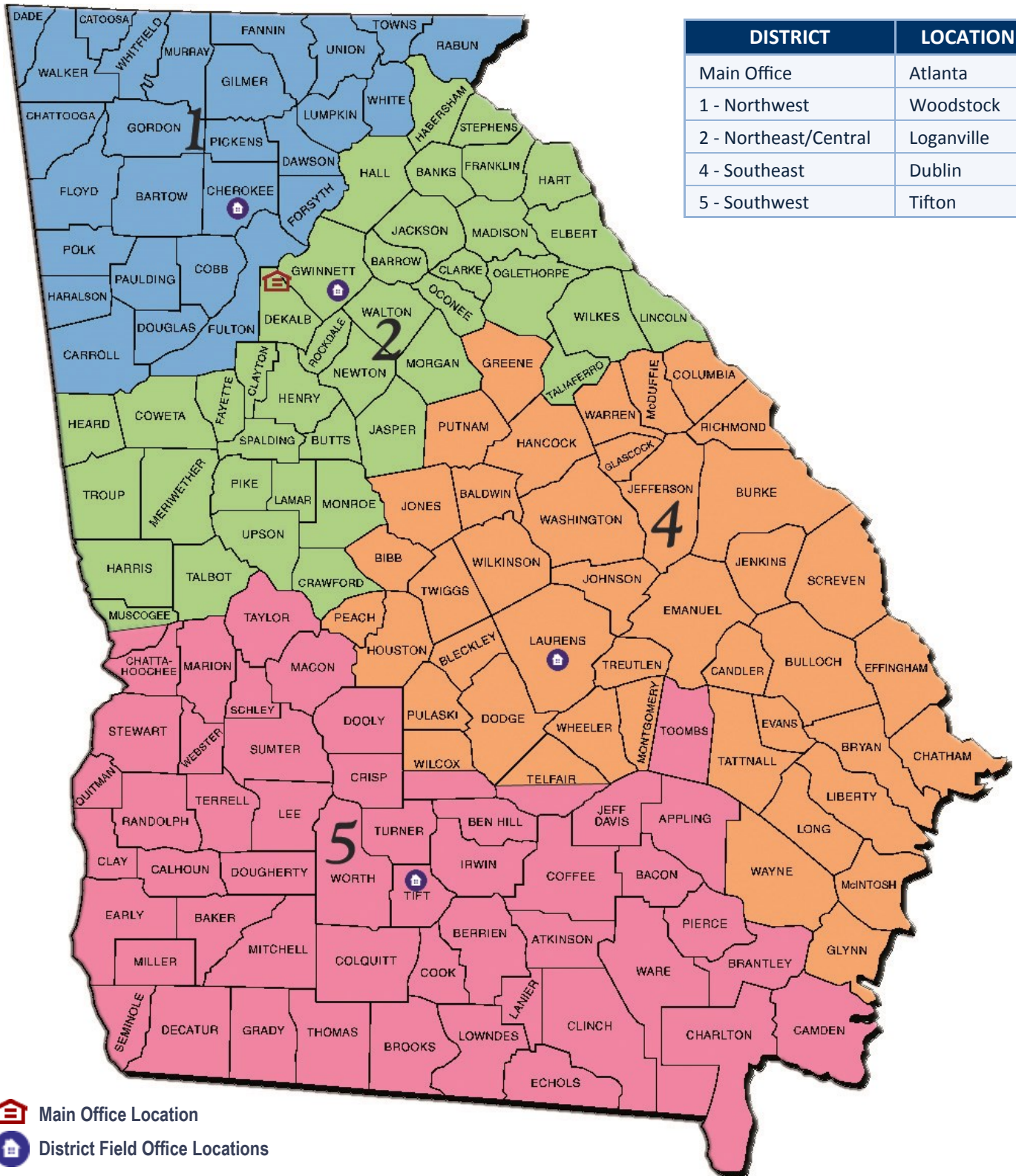
Financial Institution Supervision

State-Chartered Credit Union Financial Summary

<i>(dollar figures in millions)</i>	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Number of institutions reporting	54	54	53	53	49
ASSETS:					
Cash & Equivalents	1,190	1,156	817	1,245	1,142
TOTAL INVESTMENTS	3,943	4,053	3,817	3,950	3,709
TOTAL LOANS	7,395	7,912	8,819	11,215	12,447
(Allowance for Loan & Lease Losses)	(87)	(84)	(80)	(85)	(89)
Land And Building	203	209	208	230	233
Other Fixed Assets	29	30	31	35	43
NCUSIF Deposit	110	116	118	139	145
All Other Assets	205	264	306	371	447
TOTAL ASSETS	13,003	13,660	14,054	17,105	18,089
LIABILITIES & CAPITAL:					
TOTAL LIABILITIES	182	192	218	349	409
TOTAL SHARES & DEPOSITS	11,448	11,990	12,244	14,703	15,491
Regular Reserve	218	222	224	238	236
Other Reserves	(12)	(32)	(24)	(26)	(22)
Undivided Earnings	1,166	1,288	1,391	1,841	1,974
TOTAL EQUITY	1,294	1,294	1,294	1,294	1,294
TOTAL LIABILITIES, SHARES, & EQUITY	13,003	13,660	14,054	17,105	18,089
INCOME & EXPENSE					
Loan Income	390	383	384	457	489
Investment Income	41	39	47	57	59
Other Income	161	175	187	236	253
Total Employee Compensation & Benefits	180	192	210	246	272
Temporary Corporate CU Stabilization Expense & NCUSIF Premiums	10	9	-	-	0
Total Other Operating Expenses	185	195	208	254	267
Non-operating Income & (Expense)	(2)	2	1	2	1
Provision for Loan/Lease Losses	52	44	41	48	57
Cost of Funds	80	64	57	62	61
NET INCOME (LOSS) EXCLUDING STABILIZATION EXPENSE & NCUSIF PREMIUM	95	105	103	142	145
Net Income (Loss)	85	96	103	142	145

Source: NCUA Financial Performance Reports

Financial Institution Supervision Examination Districts and Work Areas

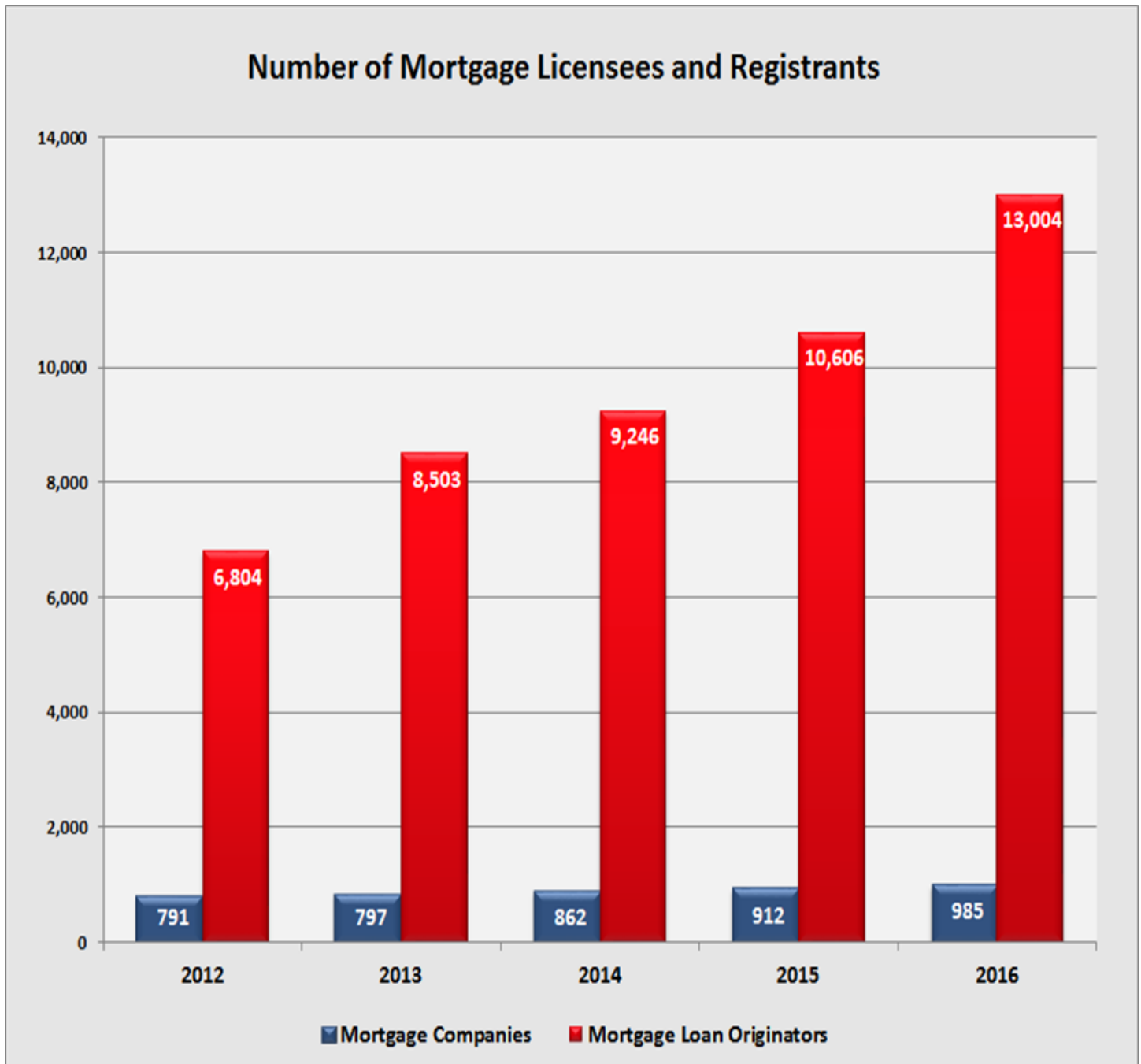


The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** 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 2016, active mortgage licensees and registrants totaled 13,989, representing a net increase of 2,471 or roughly 21 percent from the previous year. The year-over-year increase is largely due to mortgage loan originator licenses.

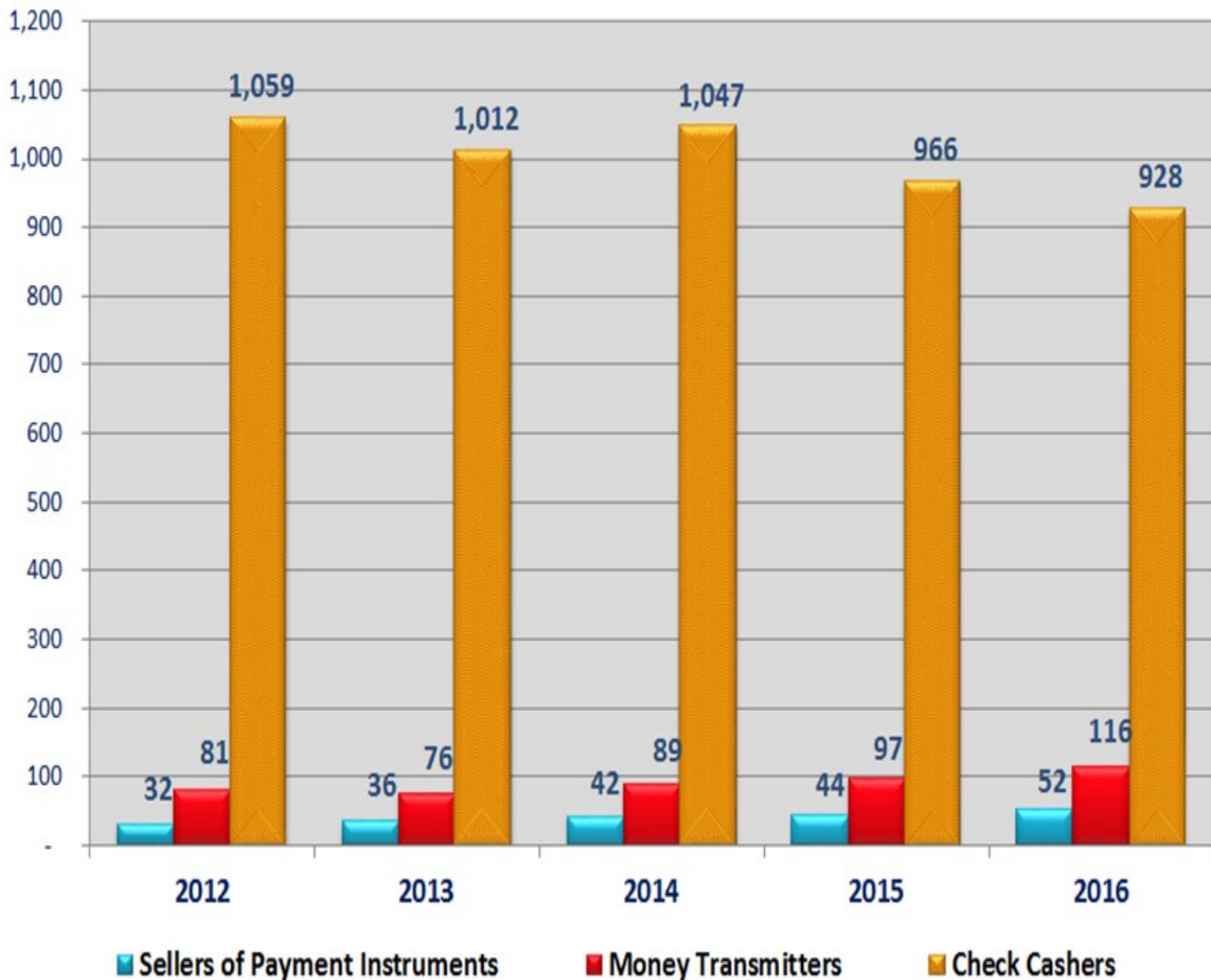


Non-Depository Financial Institution Supervision

MONEY SERVICE BUSINESSES STATISTICS

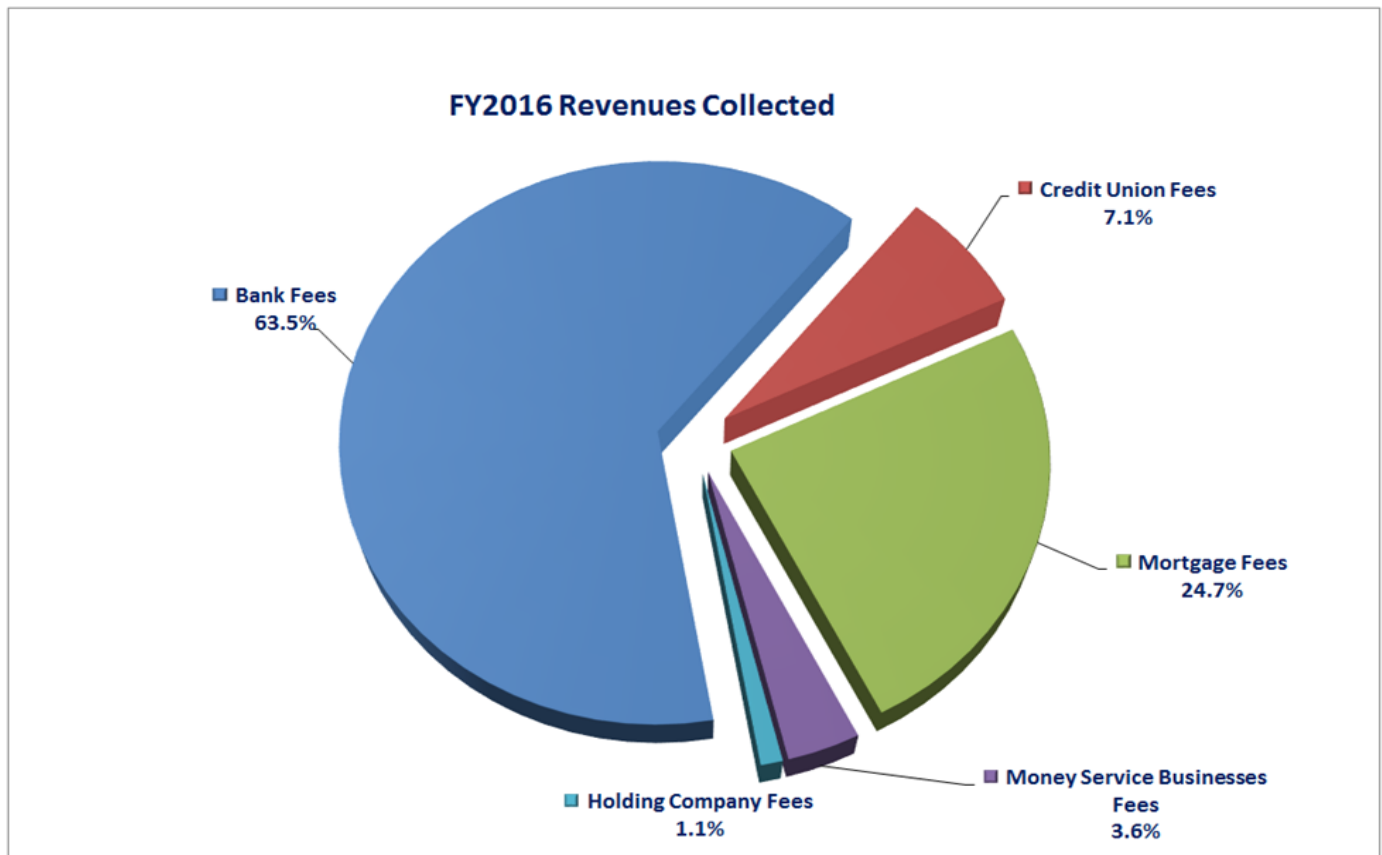
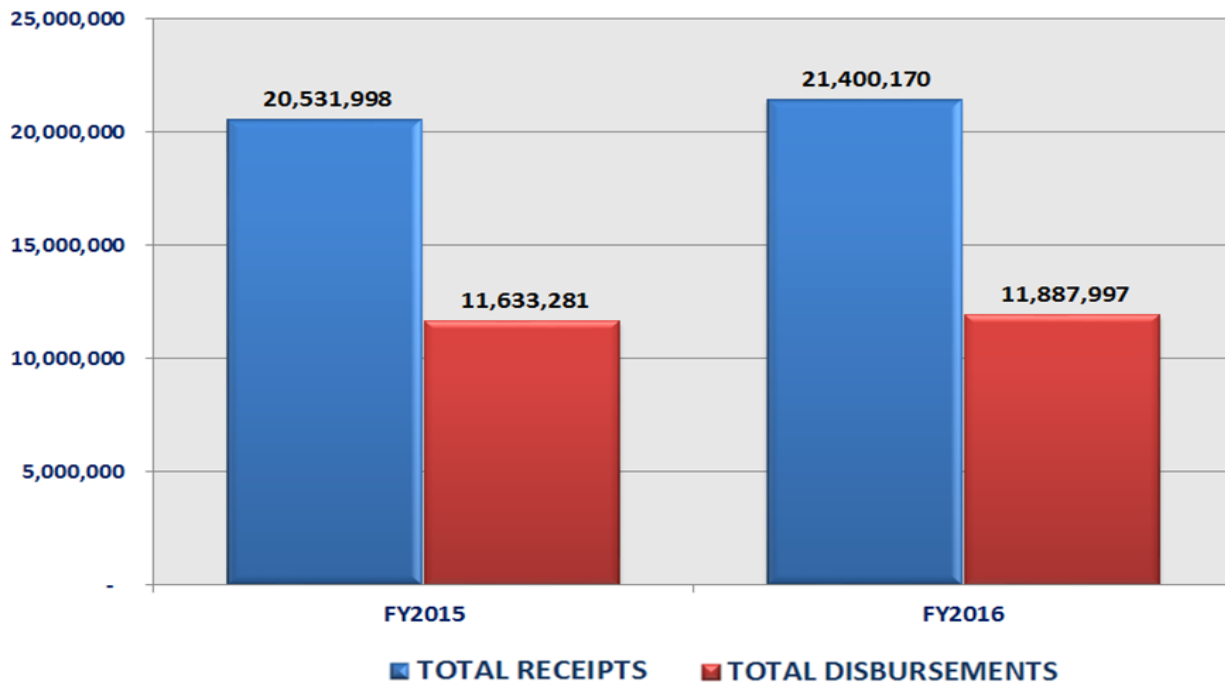
Unless otherwise exempt, anyone that engages in the cashing of payment instruments for a fee must be licensed by the Department under Article 4A of Title 7 of the O.C.G.A. Unless otherwise exempt, anyone that engages in the sale of payment instruments or money transmission, must be licensed by the Department under Article 4 of Title 7 of the O.C.G.A. At the end of 2016, the number of money service businesses licensed by the Department totaled 1,096, representing a net decrease of 11 licenses or roughly 1 percent from the previous year. The year-over-year decrease is attributable to fewer check casher license renewals.

Number of Money Service Businesses Licensed



Administration

FISCAL YEAR 2016 RECEIPTS AND DISBURSEMENTS



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 2016

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2015	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2016
BANKS	159	0	1	-9	-2	149
TRUST COMPANIES	1	0	0	0	0	1
MALPBS	0	0	0	0	0	0
CREDIT UNIONS	53	0	0	-4	0	49
BANK HOLDING COMPANIES (Supervised and/or Registered)	198	2	1	-4	-75	122
SELLERS/ISSUERS OF PAYMENT INSTRUMENTS	44	8	0	0	0	52
MONEY TRANSMITTERS	97	22	0	0	-3	116
CHECK CASHERS	963	99	0	0	-134	928
INTERNATIONAL BANK AGENCIES	0	0	0	0	0	0
INTERNATIONAL BANKING FACILITIES	1	0	0	0	0	1
INTERNATIONAL BANK REPRESENTATIVE OFFICES	4	0	0	0	0	4
REPRESENTATIVE OFFICES	50	0	0	0	0	50
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	11,518	4,526	0	0	-2,055	13,989

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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.

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

Phone: (770) 986-1633

Toll-free: (888) 986-1633

Email: dbfpress@dbf.state.ga.us

DEPARTMENT OF
BANKING AND FINANCE

Visit us on the web at:
dbf.georgia.gov