

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



2017 Annual Report

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State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2017

Nathan Deal
Governor

Kevin B. Hagler, CEM
Commissioner

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Message from the Commissioner

Years of moderate, steady improvement in Georgia's banking industry culminated in a significant milestone in 2017; the first full year without a bank closure in Georgia since the Great Recession. August of 2008 through August of 2016 bookends a dark chapter in which 81 state-chartered banks were closed alongside 10 federally-chartered banks. While some banks in the state continue to work through legacy issues from the recession, and the number of state-chartered banks has declined to 145, the industry as a whole is much stronger than it was pre-recession with higher capital positions, far less reliance on concentrations in acquisition, development, and construction lending, and improved risk management. Despite a decline in the total number, state-chartered banks have grown by \$19 billion in total assets since year-end 2008, reflecting not just larger size but expanded capacity and capabilities to meet the growing needs of Georgia's economy.



Kevin B. Hagler

Consolidation in the bank portfolio due to merger activity slowed to 5 transactions in 2017 - compared to 9 in 2016 and 13 in 2015 - but a backfilling of the industry by de novo banks in Georgia remains conspicuously absent, though conversations with interested groups have notably increased. The Department welcomed FNB South, Alma into the family of state-chartered banks with its conversion from a national bank charter. The Department has the fifth largest banking portfolio in the country measured by total assets under supervision, and regulates 82 percent of all banks headquartered in the state.

The number of state-chartered credit unions remained unchanged from the previous year at 49, but the portfolio grew by \$1.3 billion in total assets reflecting solid growth. Merger activity in the credit union portfolio slowed, with just one transaction in 2017 down from four in 2016. The Department welcomed Coosa Valley Credit Union, Rome, to the family of state-chartered credit unions with its conversion from a federal charter.

Non-depository financial institution licenses under the Department's regulatory oversight grew to 17,702 in 2017. Strong demand for mortgage loan originator licenses continues with a year-over-year increase of 20 percent. In fact, the number of mortgage loan originator licenses has nearly doubled in five years, and now stands at 15,561. The Department also continues to see strong growth in the number of mortgage companies licensed in Georgia. The number of licensed money service businesses continues to decline slightly year-over-year driven primarily by a decline in the number of licensed check cashers. In 2017 we saw a slight increase in seller of payment instrument licenses and a slight decline in money transmitter licenses, due in part to fintech companies moving from one license type to the other as their business offerings expand.

Message from the Commissioner

The culmination of the Department's work with the Code Review Task Force, a public/private partnership with the banking industry, its initiation of a similar working group with the credit union industry, and collaborative efforts with representatives of the mortgage industry resulted in the enactment of the Department's housekeeping bill (HB 143, Bruce Williamson of the 115th) for the 2017 legislative session. The bill revised statutory provisions related to the majority of entities regulated by the Department – banks, credit unions, trust companies, bank holding companies, money service businesses, and mortgage lenders and brokers – as well as certain provisions addressing the Department's general powers. Generally speaking, the revisions focused on modernizing the Code, eliminated antiquated requirements or provisions found in Title 7 to reduce regulatory burden, and provides for greater consumer protection. Of particular interest, the bill authorized the Department to issue stand-alone trust company charters and removed prohibitions against trust companies that are chartered out of state from acting as a fiduciary in this state. In addition, the bill attempted to address long-standing confusion related to the legal lending limit for banks by simplifying the underlying calculation.

A handwritten signature in blue ink, appearing to read "Kevin Hagler".

Kevin B. Hagler, CEM
Commissioner

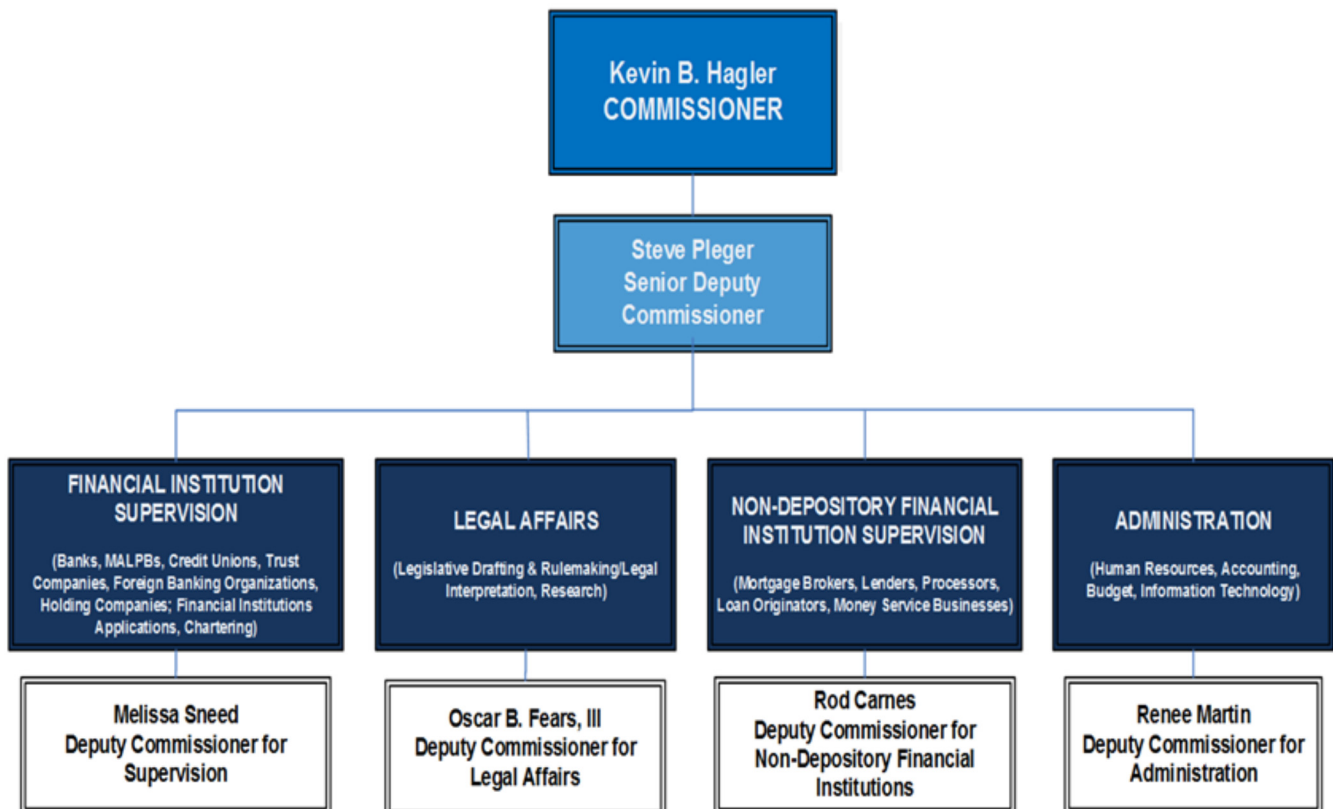
Organizational Structure

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, as well as check cashers, sellers of payment instruments, money transmitters, international banking organizations, and bank holding companies conducting business in Georgia.

The Department is headed by a Commissioner who is appointed by the Governor to serve a four-year term. Functionally, the Commissioner reports directly to the state's Chief Financial Officer, who reports to the Governor. 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. Each of these divisions is headed by a Deputy Commissioner.

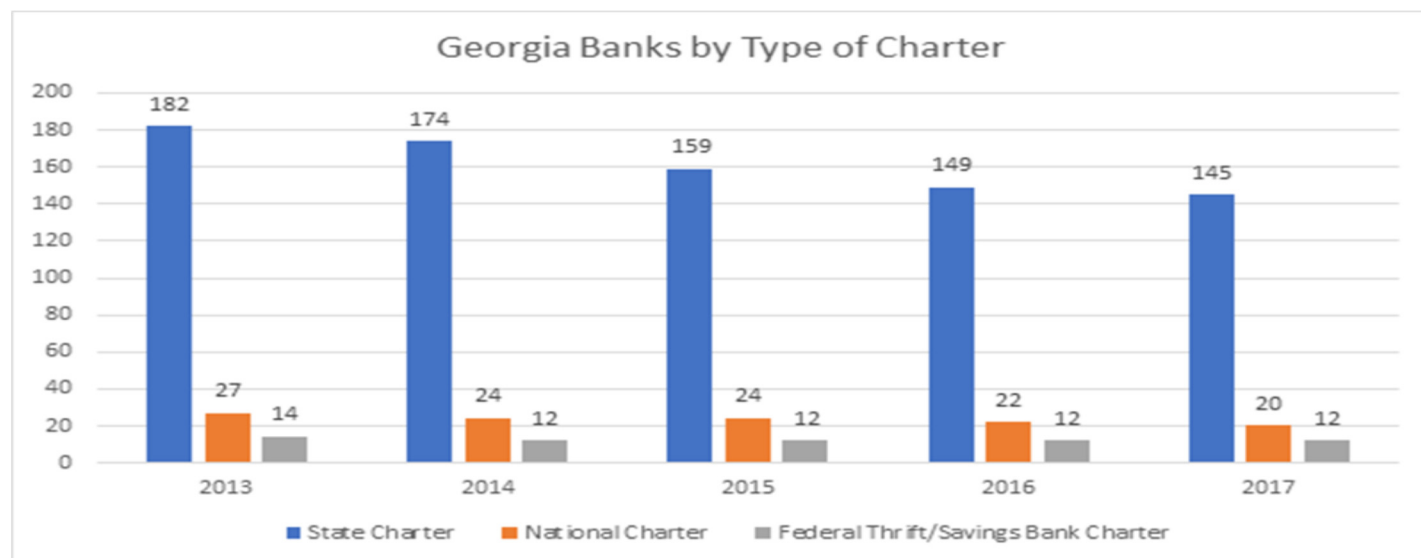
DEPARTMENT OF BANKING AND FINANCE



Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

At the end of 2017, the number of Georgia state-chartered banks totaled 145, representing a net decrease of four banks from the previous year. This decrease resulted from five state-chartered banks merging out of existence while one national-chartered bank converted to a state-chartered bank. Despite the decrease in number, total assets for Georgia state-chartered banks increased by roughly \$5.0 billion or 1.7 percent to \$298.2 billion at the end of 2017. A five-year financial performance summary for Georgia state-chartered banks can be found on Page 6 of this Report.



BANK HOLDING COMPANIES

A total of 119 bank holding companies were supervised by, or registered with, the Department at the end of 2017, representing a slight decrease from 122 in the previous year. This decline is attributed to the deregistration of three bank holding companies during 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. A representative office is not considered to be a main office or a branch office. There were 50 representative offices registered in Georgia at the end of 2017.

FOREIGN BANKING ORGANIZATIONS

Four international representative offices were registered with the Department at the end of 2017. The remaining international banking facility licensed by the Department deregistered during the year.

Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

As shown in the table below, Georgia state-chartered bank assets totaled \$298.2 billion and ranked fifth in the country at the end of 2017. 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 12/31/2017

State	State Charter	National Charter	All Bank Charters
New York	755,225	146,167	901,392
California	479,175	259,328	738,503
Utah	321,403	198,314	519,717
Illinois	300,197	166,794	466,991
Georgia	298,192	10,101	308,293
Massachusetts	286,745	2,314	289,059
North Carolina	278,908	1,751,536	2,030,444
Texas	259,417	133,293	392,710
Alabama	246,789	14,520	261,309
Ohio	178,430	2,858,743	3,037,173
Delaware	154,830	904,927	1,059,757
Missouri	129,865	25,732	155,597
Pennsylvania	90,622	74,464	165,086
Arkansas	90,240	7,397	97,637
Virginia	77,183	601,365	678,548
Tennessee	76,792	50,029	126,821
Mississippi	76,206	18,014	94,220
Iowa	75,695	5,073	80,768
Indiana	65,068	23,951	89,019
Louisiana	64,812	7,284	72,096
Oklahoma	55,210	44,832	100,042
Colorado	53,789	6,505	60,294
Wisconsin	53,659	44,305	97,964
Washington	53,118	16,192	69,310
Michigan	52,229	5,134	57,363
Kentucky	52,068	5,986	58,054
Florida	51,389	105,376	156,765
Minnesota	44,772	23,967	68,739
New Jersey	44,600	28,556	73,156
Kansas	44,039	14,236	58,275
Hawaii	43,938	664	44,602
Nebraska	37,411	27,600	65,011
Maryland	34,565	1,015	35,580
Montana	33,664	642	34,306
South Carolina	32,696	1,749	34,445
Oregon	29,882	495	30,377
South Dakota	26,595	3,160,789	3,187,384
West Virginia	23,829	4,774	28,603
Arizona	23,107	1,282	24,389
North Dakota	22,431	3,718	26,149
Nevada	10,983	9,707	20,690
New Mexico	10,070	2,018	12,088
Rhode Island	6,817	122,111	128,928
Wyoming	6,269	1,548	7,817
Maine	5,586	5,853	11,439
Connecticut	5,578	72,397	77,975
Idaho	5,559	-	5,559
New Hampshire	2,695	-	2,695
Alaska	2,321	3,653	5,974
Vermont	1,007	1,575	2,582

Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

State-Chartered Bank Financial Summary

<i>(dollar figures in millions)</i>	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Number of institutions reporting	182	174	*158	149	145
AGGREGATE CONDITION AND INCOME DATA					
Net income	1,951	2,459	2,788	2,890	3,299
Total assets	255,331	272,984	277,173	293,224	298,192
Earning assets	229,595	247,803	253,124	267,437	269,530
Total loans & leases	185,814	196,973	201,965	214,126	216,061
Other real estate owned	1,451	1,100	791	640	424
Total deposits	203,963	216,470	229,395	240,448	246,303
Equity capital	30,649	32,296	33,100	33,428	34,790
PERFORMANCE RATIOS (YTD, %)					
Yield on earning assets	3.83	3.64	3.43	3.51	3.73
Cost of funding earning assets	0.34	0.30	0.26	0.27	0.35
Net interest margin	3.49	3.34	3.17	3.24	3.38
Noninterest income to avg. earning assets	1.43	1.47	1.47	1.48	1.47
Noninterest expense to avg. earning assets	3.63	3.26	2.96	2.92	2.93
Net charge-offs to loans & leases	0.59	0.34	0.23	0.28	0.23
Credit-loss provision to net charge-offs	70.47	71.14	52.74	91.84	106.68
Net operating income to average assets	0.77	0.94	1.02	1.02	1.15
Retained earnings to average equity	4.93	3.94	4.03	3.03	3.99
Return on assets	0.78	0.93	1.03	1.02	1.12
Return on equity	6.36	7.81	8.56	8.62	9.73
Percent of unprofitable institutions	15.93	13.79	12.03	10.07	9.66
CONDITION RATIOS (%)					
Net loans and leases to assets	71.59	71.13	71.95	72.19	71.63
Loss allowance to:					
Loans and leases	1.62	1.42	1.26	1.14	1.14
Noncurrent loans and leases	77.90	98.35	101.86	87.70	92.19
Noncurrent loans & leases to total loans & leases	2.08	1.45	1.23	1.30	1.23
Nonperforming assets to assets	2.09	1.45	1.18	1.17	1.03
Core deposits to total liabilities	83.79	83.63	88.16	86.99	87.30
Equity capital to total assets	12.00	11.83	11.94	11.40	11.67
Core capital (leverage) ratio	9.98	9.86	10.08	9.82	10.03
Total capital to risk-weighted assets	13.50	13.00	12.92	12.74	13.08

Source: FDIC Quarterly Banking Profile

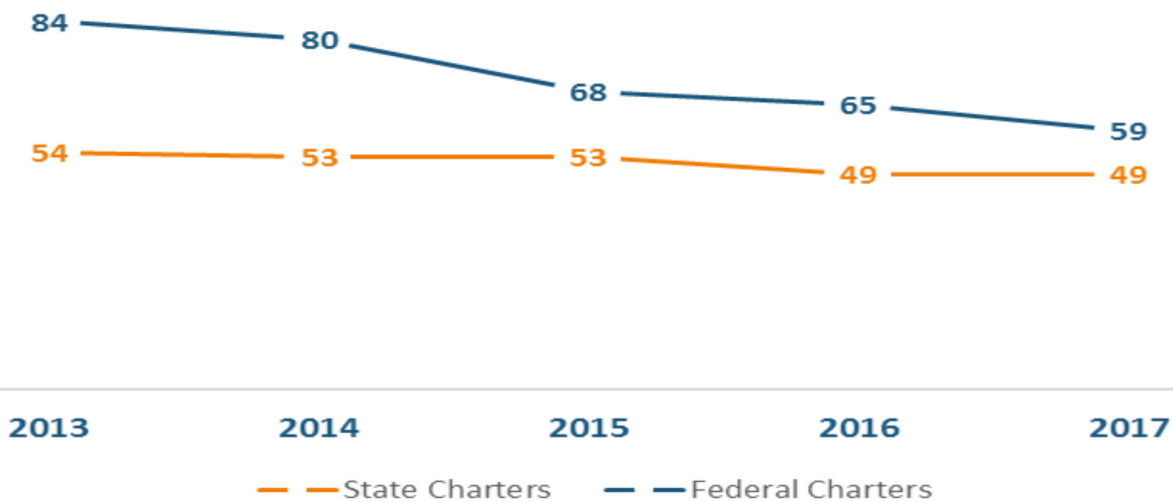
* While there were 159 state-chartered banks in Georgia at year end 2015, one bank, Farmers State Bank, Lumpkin County, self-liquidated as part of a purchase and assumption transaction completed in the first quarter of 2016 without filing a 12/31/2015 Call Report.

Financial Institution Supervision

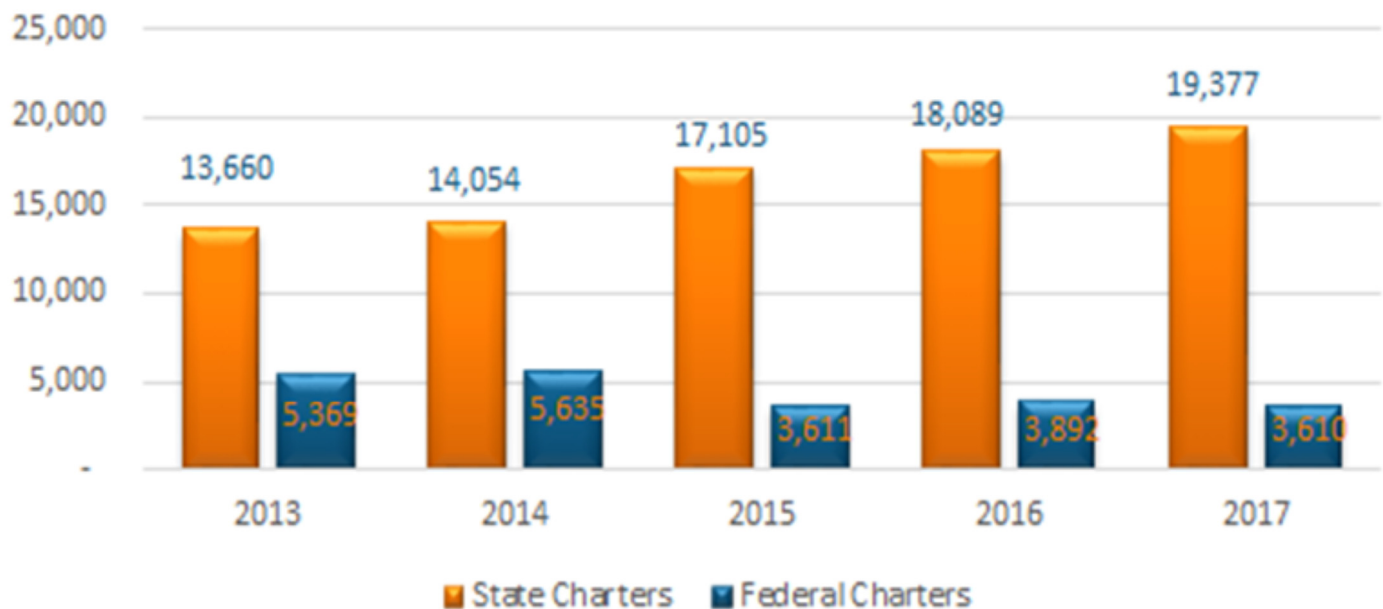
STATE-CHARTERED CREDIT UNION STATISTICS

The number of Georgia state-chartered credit unions remained unchanged at 49 at the end of 2017, but total assets grew by roughly \$1.3 billion or 7.1 percent. A five-year financial performance summary for Georgia state-chartered credit unions can be found on the Page 8 of this Report.

GEORGIA CREDIT UNIONS BY CHARTER TYPE



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



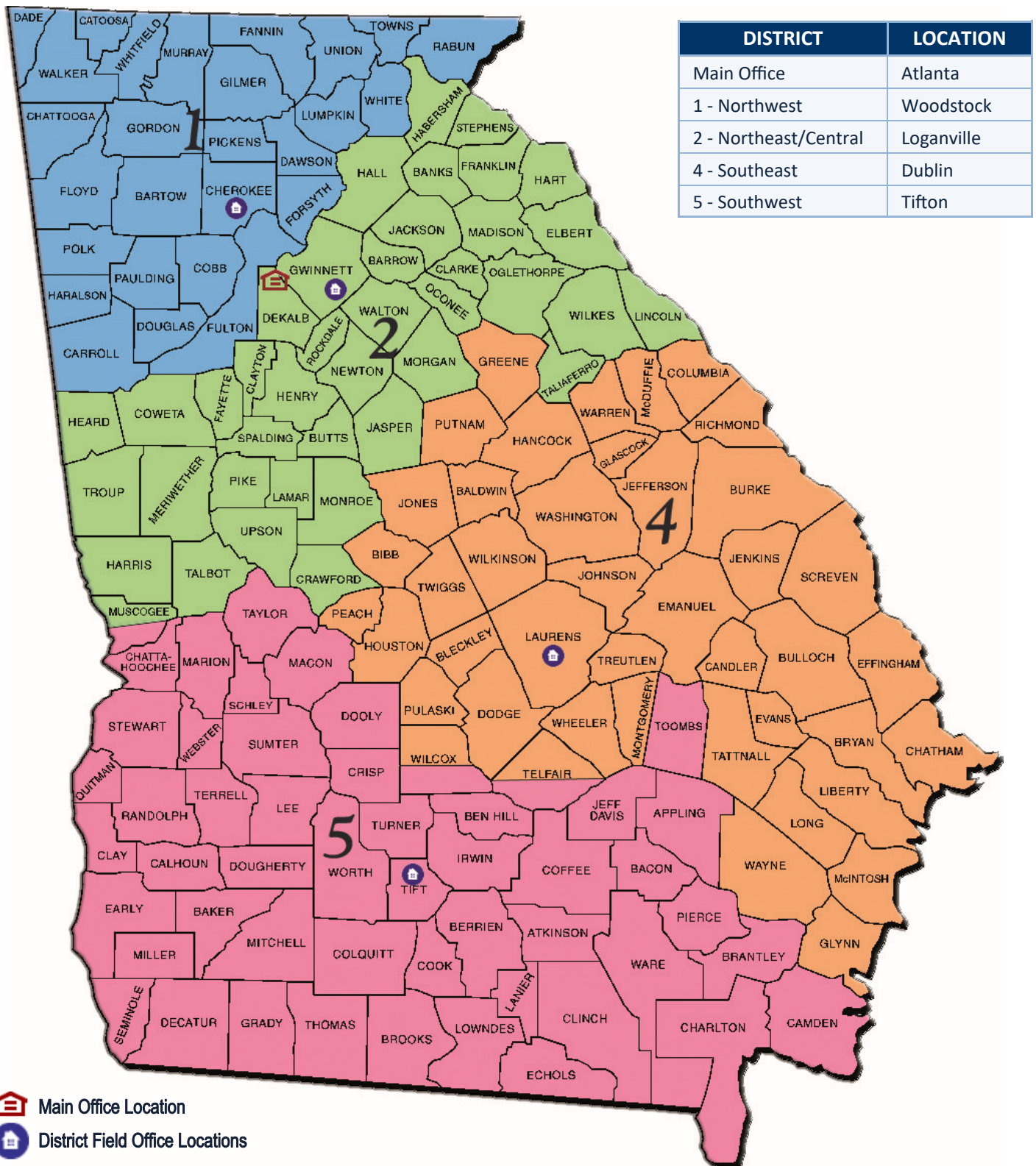
Financial Institution Supervision

State-Chartered Credit Union Financial Summary

<i>(dollar amounts in millions)</i>	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Number of institutions reporting	54	53	53	49	49
ASSETS					
Cash & Equivalents	1,156	817	1,245	1,142	1,382
Total Investments	4,053	3,817	3,950	3,709	3,216
Total Loans	7,912	8,819	11,215	12,447	13,922
(Allowance for Loan & Lease Losses)	(84)	(80)	(85)	(89)	(102)
Land And Building	209	208	230	233	243
Other Fixed Assets	30	31	35	43	64
NCUSIF Deposit	116	118	139	145	157
All Other Assets	264	306	371	447	484
TOTAL ASSETS	13,660	14,054	17,105	18,089	19,377
LIABILITIES & CAPITAL					
TOTAL LIABILITIES	192	218	349	409	466
TOTAL SHARES & DEPOSITS	11,990	12,244	14,703	15,491	16,561
Regular Reserve	222	224	238	236	238
Other Reserves	(32)	(24)	(26)	(22)	(26)
Undivided Earnings	1,288	1,391	1,841	1,975	2,138
TOTAL EQUITY	1,478	1,591	2,053	2,188	2,350
TOTAL LIABILITIES, SHARES, & EQUITY	13,660	14,054	17,105	18,089	19,377
INCOME & EXPENSE					
Loan Income	383	384	457	489	553
Investment Income	39	47	57	59	65
Other Income	175	187	236	253	275
Total Employee Compensation & Benefits	192	210	246	272	299
Temporary Corporate CU Stabilization Expense & NCUSIF Premiums	9	-	-	-	-
Total Other Operating Expenses	195	208	254	267	298
Non-operating Income & (Expense)	2	1	2	1	5
Provision for Loan/Lease Losses	44	41	48	57	81
Cost of Funds	64	57	62	61	71
NET INCOME (LOSS) EXCLUDING STABILIZATION EXPENSE & NCUSIF PREMIUM	105	103	142	145	149
Net Income (Loss)	96	103	142	145	149

Financial Institution Supervision

Examination Districts and Work Areas



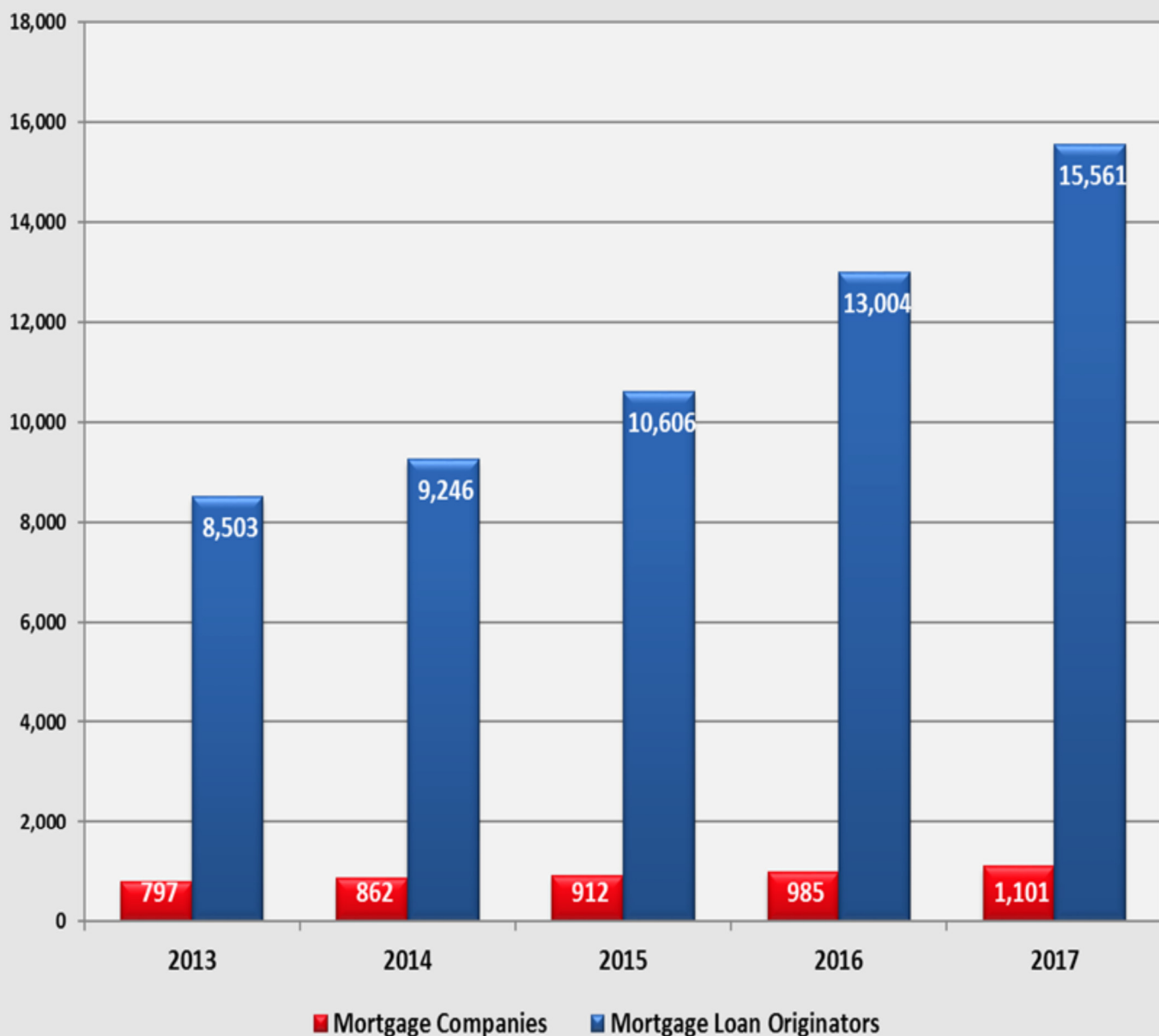
The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** 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 2017, active mortgage licensees and registrants totaled 16,662, representing a net increase of 2,673 or roughly 19.1 percent from the previous year. The year-over-year increase is largely due to heightened demand for mortgage loan originator licenses, which reflects the continuation of a longer-term trend.

Number of Mortgage Licensees and Registrants

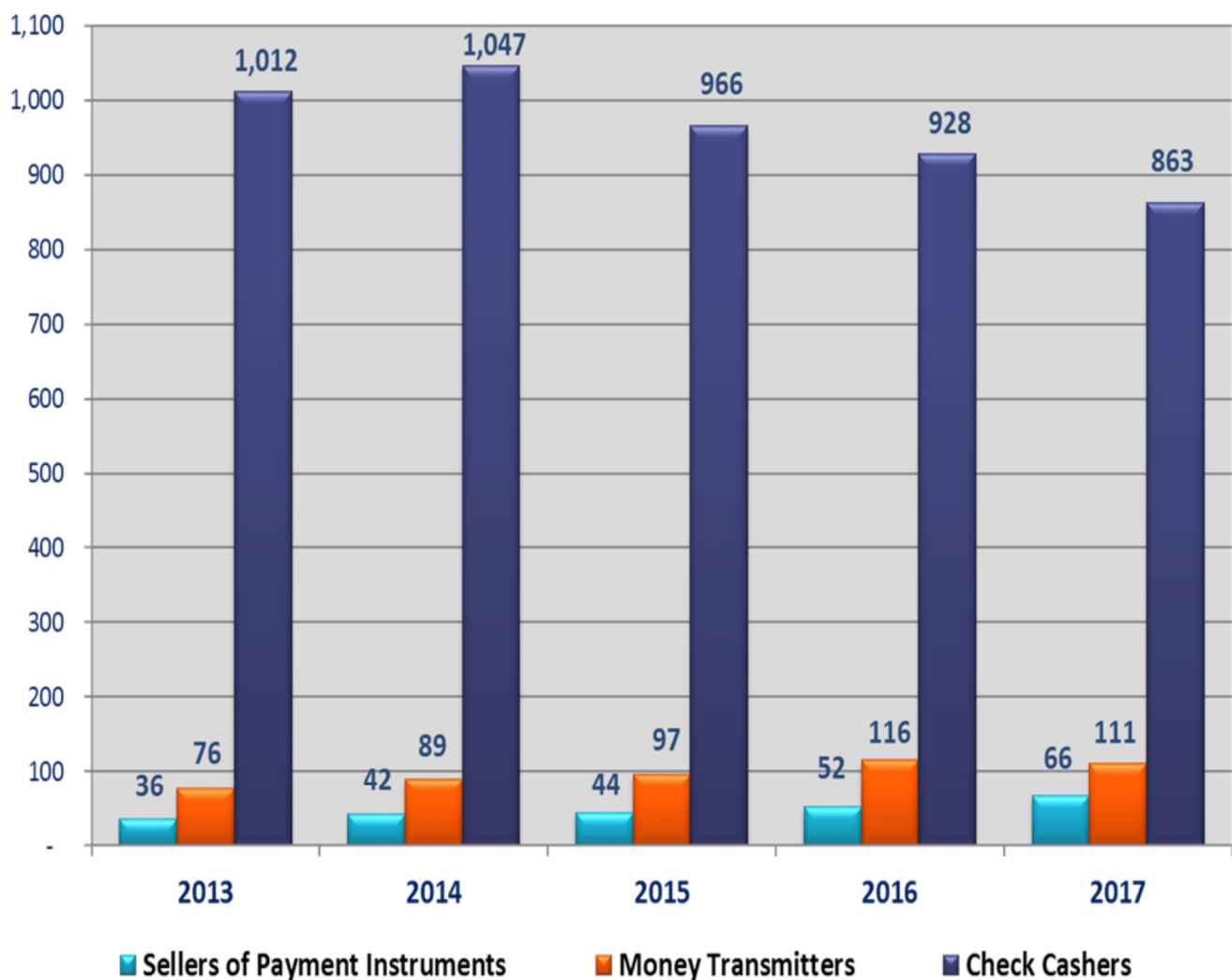


Non-Depository Financial Institution Supervision

MONEY SERVICE BUSINESSES STATISTICS

Unless otherwise exempt, anyone that engages in the cashing of 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.

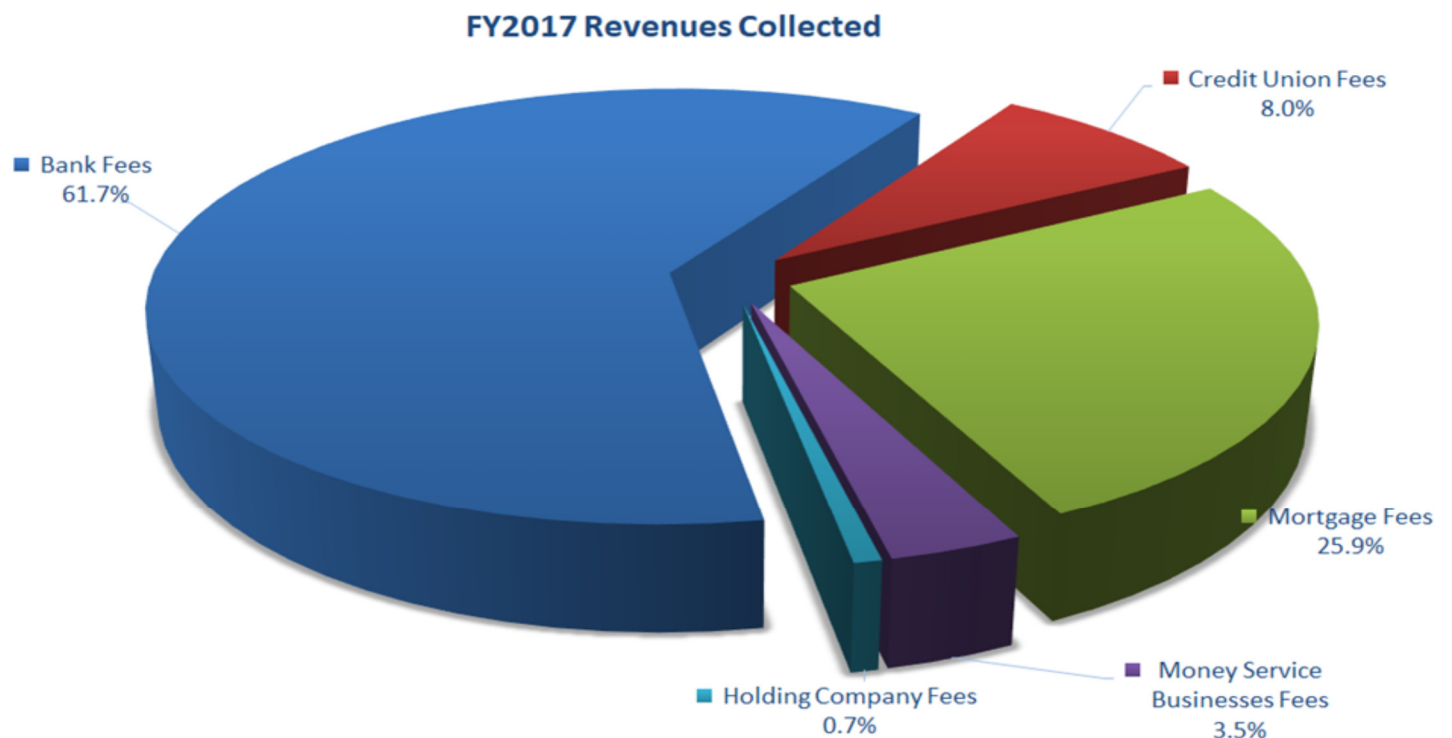
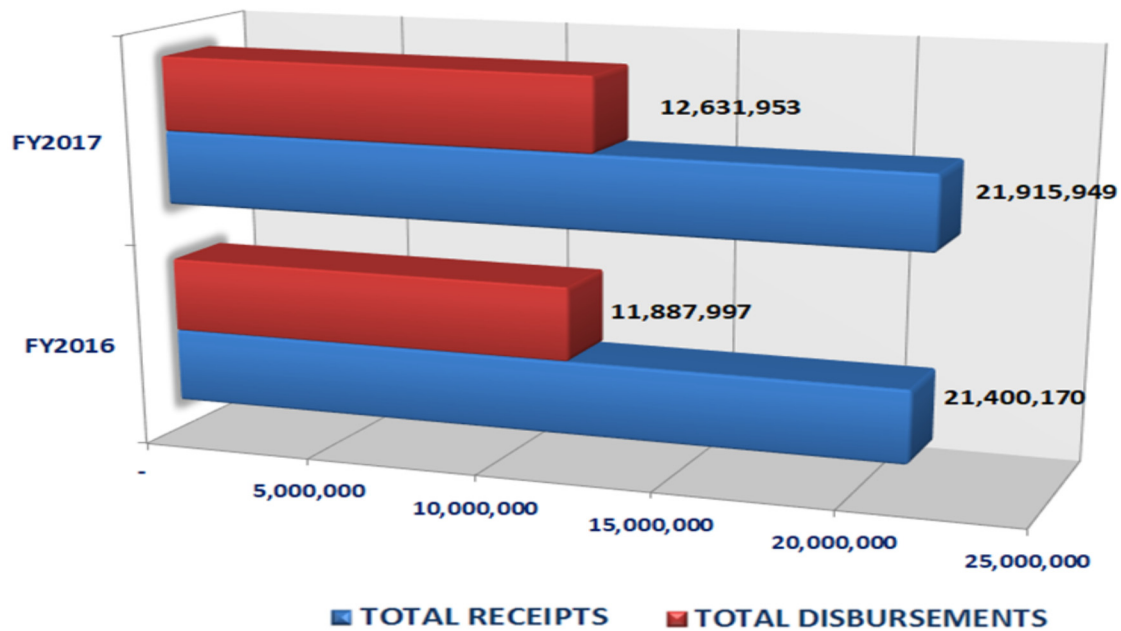
Number of Money Service Businesses Licensed



At the end of 2017, the number of money service businesses licensed by the Department totaled 1,040, representing a net decrease of 56 licenses or roughly 5.1 percent from the previous year. The year-over-year decrease is primarily attributable to fewer renewals of check casher licenses, although there was a modest decrease in the number of money transmitter licenses as well.

Administration

FISCAL YEAR 2017 RECEIPTS AND DISBURSEMENTS



NOTE: Revenues of the Department are collected and remitted to the Office of the State Treasurer. The level of the Department's expenditures is subject to the state's 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 2017

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2016	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2017
BANKS	149	0	1	-5	0	145
TRUST COMPANIES	1	0	0	0	0	1
MALPBS	0	0	0	0	0	0
CREDIT UNIONS	49	0	1	-1	0	49
BANK HOLDING COMPANIES (Supervised and/or Registered)	122	0	0	0	-3	119
SELLERS/ISSUERS OF PAYMENT INSTRUMENTS	52	16	0	0	-2	66
MONEY TRANSMITTERS	116	14	0	0	-19	111
CHECK CASHERS	928	70	0	0	-135	863
INTERNATIONAL BANK AGENCIES	0	0	0	0	0	0
INTERNATIONAL BANKING FACILITIES	1	0	0	0	-1	0
INTERNATIONAL BANK REPRESENTATIVE OFFICES	4	0	0	0	0	4
REPRESENTATIVE OFFICES	50	0	0	0	0	50
MORTGAGE BROKERS, LENDERS, REGISTRANTS AND ORIGINATORS	13,989	5,458	0	0	-2,785	16,662

Benefits of the State Charter

\$ Local, Responsive, and Timely Decision Making

State-chartered financial institutions have access to local decision makers in Georgia who are familiar with their unique marketplace and competitive environment. Decision makers in our Atlanta office and in field offices located around the state are easily reached for timely responses to questions and concerns from state-chartered institutions.

\$ Local Community and Market Knowledge

Examination staff live in the districts where they work and are familiar with the local markets and communities. The Department's culture promotes decision-making by staff that have first-hand knowledge of your financial institution but with quick access for escalation to the Commissioner, when necessary, to ensure responsive and timely action on issues of concern to you.

\$ Effective Regulation and Supervision

The Commissioner believes that all financial institutions deserve right-sized regulation and supervision scaled to their size, complexity, and risk profile. The Department is nationally accredited through the *Conference of State Bank Supervisors (CSBS)* and the *National Association of State Chartered Credit Union Supervisors (NASCUS)* to ensure that "best practice" regulation and supervision principles are implemented. Supervisory activities of the Department are conducted in coordination with federal and other state regulators, as applicable, through joint examinations and interstate cooperative agreements to deliver a seamless supervisory experience that minimizes duplication and regulatory burden.

\$ Efficient Regulation and Supervision

Annual regulatory fees and assessments to cover costs of the Department's regulation and supervision activities are typically far less than those charged to comparable federally-chartered financial institutions.

\$ Powers Comparable or Superior to Federal Charters

State-chartered financial institutions frequently enjoy powers that equal or exceed those available to federally-chartered financial institutions. To maintain competitiveness of the state charter, the Department routinely assesses laws and regulations, in coordination with the industry and our federal regulatory peers, to identify opportunities to expand powers or reduce unnecessary regulatory burden. A recent example: on May 3, 2018, Governor Deal signed House Bill 780 into law, which provides that a state-chartered bank or credit union may exercise any power available to a similar federally-chartered financial institution so long as the bank or credit union provides advance notice and the Department offers no objection to the exercise of such power.

Firm, but fair, right-sized regulation and supervision are guiding principles for promoting safe, sound, competitive financial services in Georgia.



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

DEPARTMENT OF
BANKING AND FINANCE

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