

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



2019 Annual Report

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State of Georgia
Department of Banking and Finance



ANNUAL REPORT
For Year Ending December 31, 2019

Brian P. Kemp
Governor

Kevin B. Hagler, CEM
Commissioner

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Message from the *Commissioner*

The Department proudly celebrated its 100th anniversary this year. On August 16, 1919, Governor Hugh M. Dorsey signed legislation creating the State Department of Banking, and on January 1, 1920, the Department opened its doors under the leadership of Superintendent of Banks T.R. Bennett. Prior to the creation of a stand-alone banking department, the Banking Bureau and its examiners operated under the State Treasurer. In 1972, a statutory reorganization renamed the State Department of Banking to the current Department of Banking and Finance, and the title of superintendent was replaced with commissioner. This reorganization, which recognized that the Department's purview had extended well beyond banking regulation, is why the Department's seal indicates that the Department was formed in 1972 as opposed to 1919. The Department's first Annual Report included the following quote from Superintendent Bennett - "When the first Acts were passed (1890 and 1907), there were fifty-two banks operating in the State, having total assets of about \$25MM, and adequate laws were not enacted until thirty years later, when the banking assets of State Banks and Trust Companies had reached over \$350MM. Therefore, none could better realize the vital importance of a Department of Banking and proper supervision, than the bankers of the State; not only for the protection of bankers, but that the patrons of banks should have protection of the State in handling of their funds." It is important to note that the Department's mission has remained consistent over these one hundred years as we continue to work hard each day to support a safe and sound banking environment that benefits the citizens of Georgia and promotes economic development.



Georgia's banks performed well in 2019 with strong asset growth and earnings, and we welcomed two de novo banks with the opening of Tandem Bank, Tucker, in September, and Loyal Trust Bank, Johns Creek, in November. The bank portfolio also saw a high level of merger activity highlighted by the acquisition of SunTrust Bank, Atlanta by BB&T, Winston-Salem, North Carolina, which garnered significant national attention as the largest banking merger since the Great Recession. This merger alone accounts for the significant shift in the bank summary financials contained in this report.

Credit unions in the state continued to grow and now represent over \$21 billion in total assets under the Department's supervision. In January we welcomed Go Energy Financial Credit Union (f/k/a GEMC Credit Union), Tucker, to the family of state-chartered credit unions.

Growth in the non-depository portfolio remained strong in 2019 with a 5% increase year-over-year in the total number of licensees driven by demand for mortgage loan originator licenses. Mortgage lenders, brokers, loan originators, and registrants totaled 19,756 at the end of the year. The number of licensed money service businesses remained relatively stable on the whole with a slight decline

Message from the Commissioner

in the number of check cashers and an uptick in the number of sellers of payment instruments, which is directly attributable to the growth in fintech companies.

The Department's continued work with the credit union task force, a public/private partnership with the credit union industry, along with collaborative efforts with representatives of the banking industry and the non-depository industry resulted in the enactment of the Department's housekeeping bill (HB 185, Bruce Williamson of the 115th) for the 2019 legislative session. The bill revised statutory provisions related to the majority of entities regulated by the Department – banks, credit unions, mortgage lenders and brokers, mortgage loan originators, and money service businesses – as well as certain provisions addressing the Department's general powers. Generally speaking, the revisions focused on modernizing the Code and eliminating antiquated requirements or provisions found in Title 7. Of particular interest, in an effort to ensure that consumers' deposits maintain federal insurance when a credit union acquires a bank, the bill provides that if a bank is acquired by a credit union the bank's customers are deemed members of the credit union upon consummation of the transaction.



Kevin B. Hagler, CEM
Commissioner

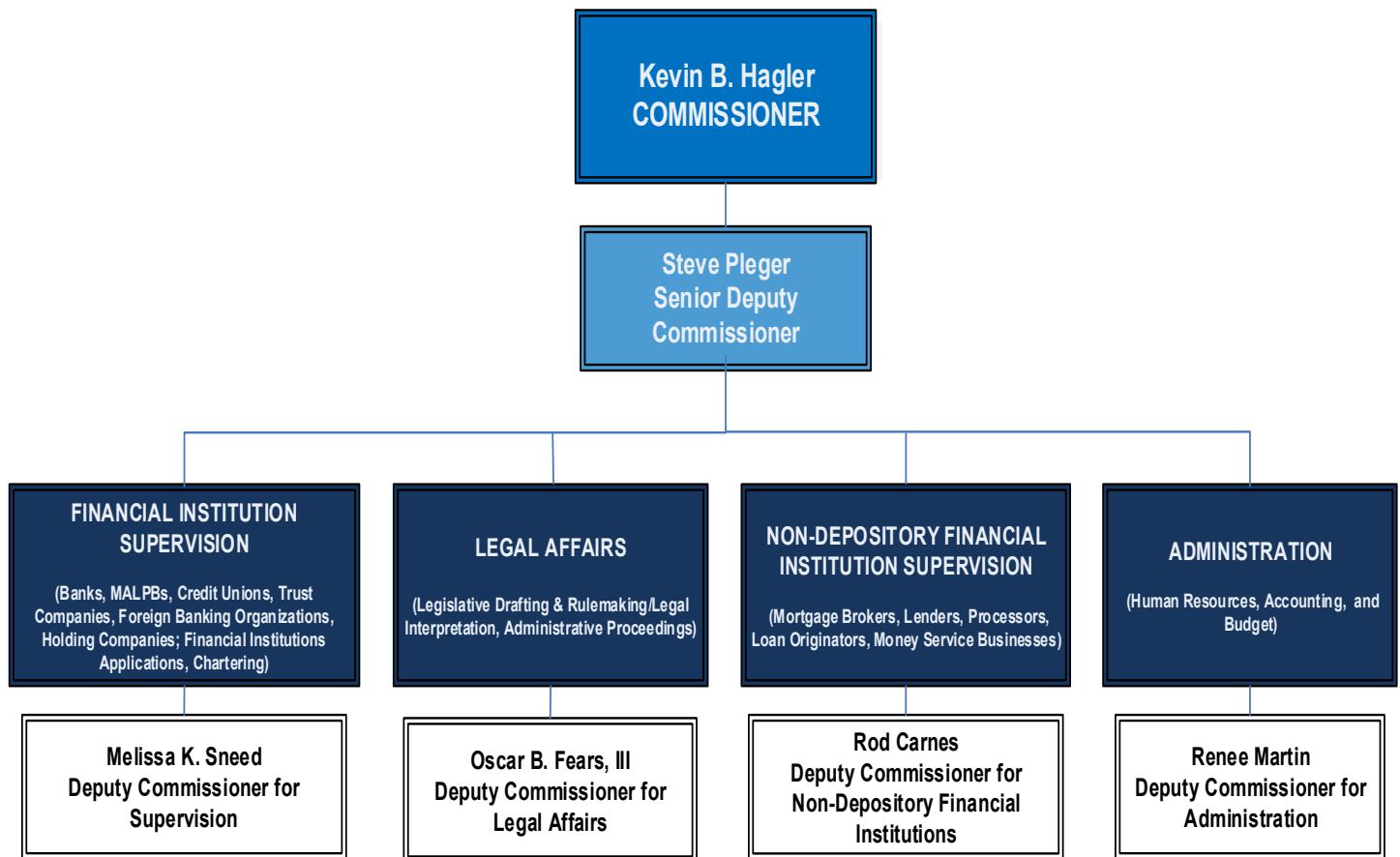
Organizational Structure

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.

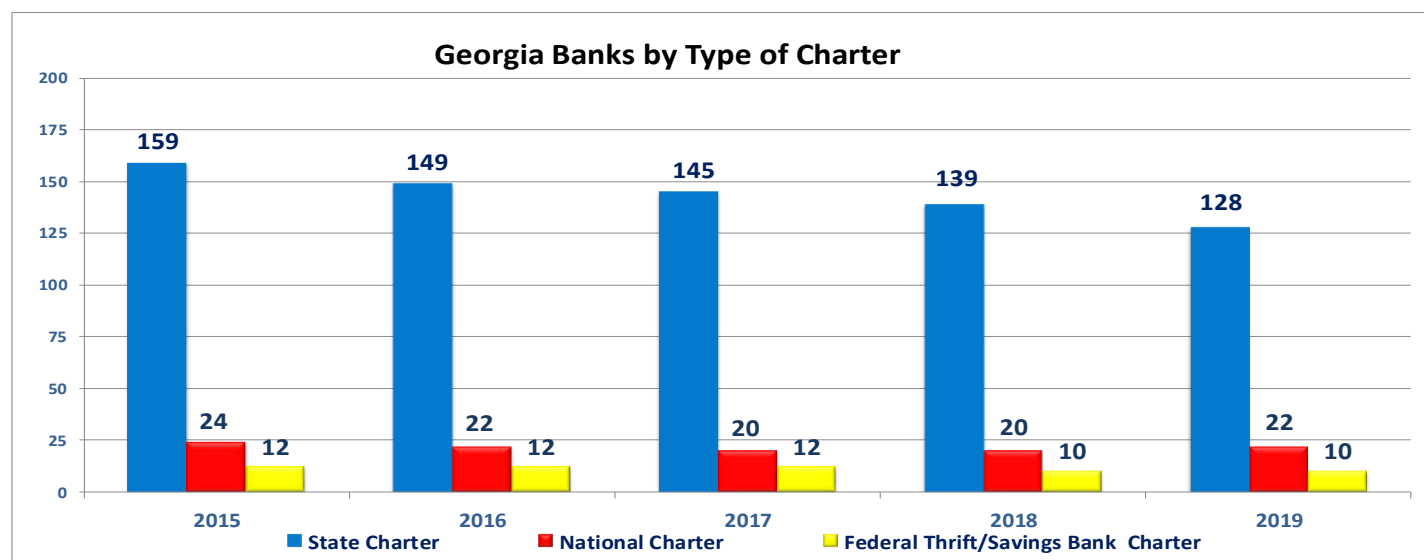
DEPARTMENT OF BANKING AND FINANCE



Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

At the end of 2019, the number of Georgia state-chartered banks totaled 128, representing a net decrease of 11 banks from the previous year. While two new state-chartered banks opened in 2019, the net decrease resulted from 12 state-chartered banks merging out of existence and one state-chartered bank self-liquidating. A five-year financial performance summary for Georgia state-chartered banks can be found on Page 5 of this Report.



BANK HOLDING COMPANIES

A total of 106 bank holding companies were supervised by, or registered with, the Department at the end of 2019, representing a decrease of eight from 114 in the previous year. This decline is attributed to the bank merger activity mentioned above.

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).

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 2019, unchanged from the prior year.

FOREIGN BANKING ORGANIZATIONS

Four international representative offices were registered with the Department at the end of 2019. This number is unchanged from the prior year.

Financial Institution Supervision

STATE-CHARTERED BANKING STATISTICS

As shown in the table below, Georgia state-chartered commercial bank assets under supervision decreased as a result of SunTrust's merger with BB&T (North Carolina) to twelfth in the country by the end of 2019 (savings banks not included in totals below). The table is sorted by total state charter assets and dollar figures are in millions.

State	State Charter	National Charter	All Bank Charters
New York	849,108	167,182	1,016,290
California	576,238	267,705	843,943
North Carolina	530,519	1,852,996	2,383,515
Utah	322,381	337,748	660,129
Massachusetts	307,510	2,024	309,534
Illinois	303,785	195,272	499,057
Texas	284,535	142,803	427,338
Alabama	259,587	860	260,447
Delaware	168,160	825,361	993,521
Missouri	140,698	30,726	171,424
Tennessee	132,707	6,033	138,740
Georgia	113,636	31,879	145,515
Arkansas	106,596	6,169	112,765
Pennsylvania	105,651	93,472	199,123
Mississippi	90,607	19,929	110,536
Virginia	86,179	636,611	722,790
Iowa	81,790	5,734	87,524
Indiana	74,182	27,978	102,160
New Jersey	72,623	47,793	120,416
Louisiana	69,901	7,733	77,634
Oklahoma	59,048	55,117	114,165
Washington	58,616	17,028	75,644
Wisconsin	56,289	50,190	106,479
Kentucky	53,280	6,124	59,404
Ohio	50,765	3,269,551	3,320,316
Colorado	50,695	6,465	57,160
Kansas	47,941	17,180	65,121
Minnesota	45,083	26,056	71,139
Hawaii	45,010	665	45,675
Nebraska	43,556	29,699	73,255
Florida	41,092	118,546	159,638
Montana	40,376	627	41,003
Maryland	36,567	1,397	37,964
South Carolina	36,535	1,907	38,442
Michigan	35,392	6,563	41,955
Oregon	33,082	539	33,621
West Virginia	30,105	5,347	35,452
Arizona	29,881	1,329	31,210
South Dakota	29,276	3,220,777	3,250,053
North Dakota	27,834	4,082	31,916
New Mexico	10,989	391	11,380
Nevada	10,586	16,758	27,344
Rhode Island	7,895	165,867	173,762
Wyoming	7,304	1,425	8,729
Maine	5,926	6,447	12,373
Idaho	5,709	-	5,709
Connecticut	4,814	90,301	95,115
Alaska	2,522	3,808	6,330
New Hampshire	2,188	-	2,188
Vermont	1,140	1,699	2,839

Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

State-Chartered Bank Financial Summary

<i>(dollar figures in millions)</i>	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
<i>Number of banks reporting</i>	128	138*	145	149	158
AGGREGATE CONDITION AND INCOME DATA					
Net income	1,394	4,148	3,298	2,890	2,788
Total assets	113,636	308,305	298,192	293,224	277,173
Earning assets	104,335	280,275	269,530	267,437	253,124
Total loans & leases	83,412	225,372	216,061	214,126	201,965
Other real estate owned	170	339	424	640	791
Total deposits	93,682	248,492	246,303	240,448	229,395
Equity capital	13,681	35,651	34,789	33,428	33,100
PERFORMANCE RATIOS (YTD, %)					
Yield on earning assets	4.98	4.14	3.73	3.51	3.43
Cost of funding earning assets	0.90	0.57	0.35	0.27	0.26
Net interest margin	4.08	3.58	3.38	3.24	3.17
Noninterest income to avg. earning assets	0.90	1.34	1.47	1.48	1.47
Noninterest expense to avg. earning assets	2.93	2.93	2.93	2.92	2.96
Net charge-offs to loans & leases	0.14	0.20	0.23	0.28	0.23
Credit-loss provision to net charge-offs	152.28	77.36	106.72	91.84	52.74
Net operating income to average assets	1.34	1.39	1.15	1.02	1.02
Retained earnings to average equity	6.10	3.94	3.99	3.03	4.03
Return on assets	1.34	1.39	1.12	1.02	1.03
Return on equity	11.39	11.97	9.72	8.62	8.56
Percent of unprofitable institutions	4.69	4.35	9.66	10.07	12.03
CONDITION RATIOS (%)					
Net loans and leases to assets	72.81	72.35	71.63	72.19	71.95
Loss allowance to:					
Loans and leases	0.81	1.03	1.14	1.14	1.26
Noncurrent loans and leases	136.02	85.31	92.20	87.70	101.86
Noncurrent loans & leases to					
total loans & leases	0.60	1.20	1.23	1.30	1.23
Nonperforming assets to total assets	0.59	0.99	1.03	1.17	1.18
Core deposits to total liabilities	80.05	83.99	87.33	86.99	88.16
Equity capital to total assets	12.04	11.56	11.67	11.40	11.94
Core capital (leverage) ratio	10.46	10.14	10.03	9.82	10.08
Total capital to risk-weighted assets	13.62	12.82	13.07	12.74	12.92

*One self-liquidating bank did not file a yearend Call Report.

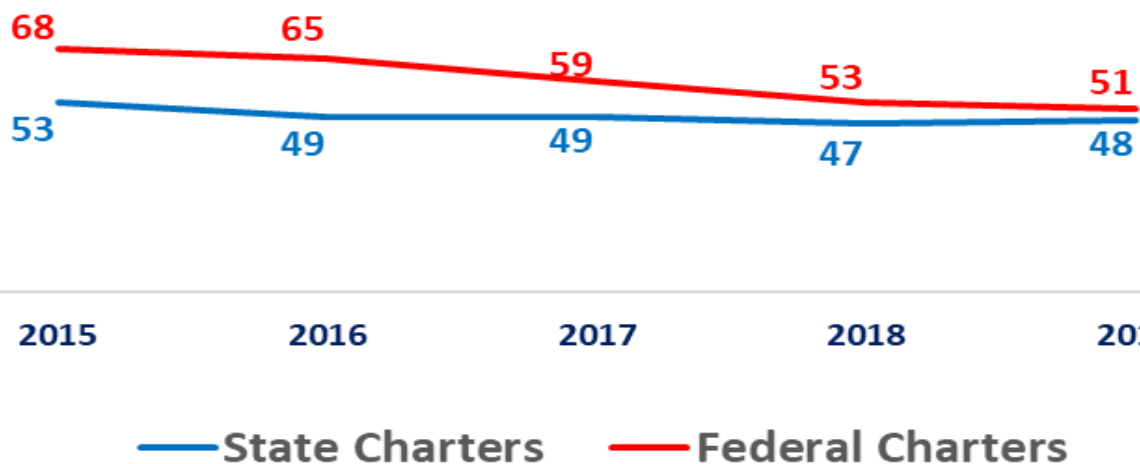
Source: FDIC Quarterly Banking Profile

Financial Institution Supervision

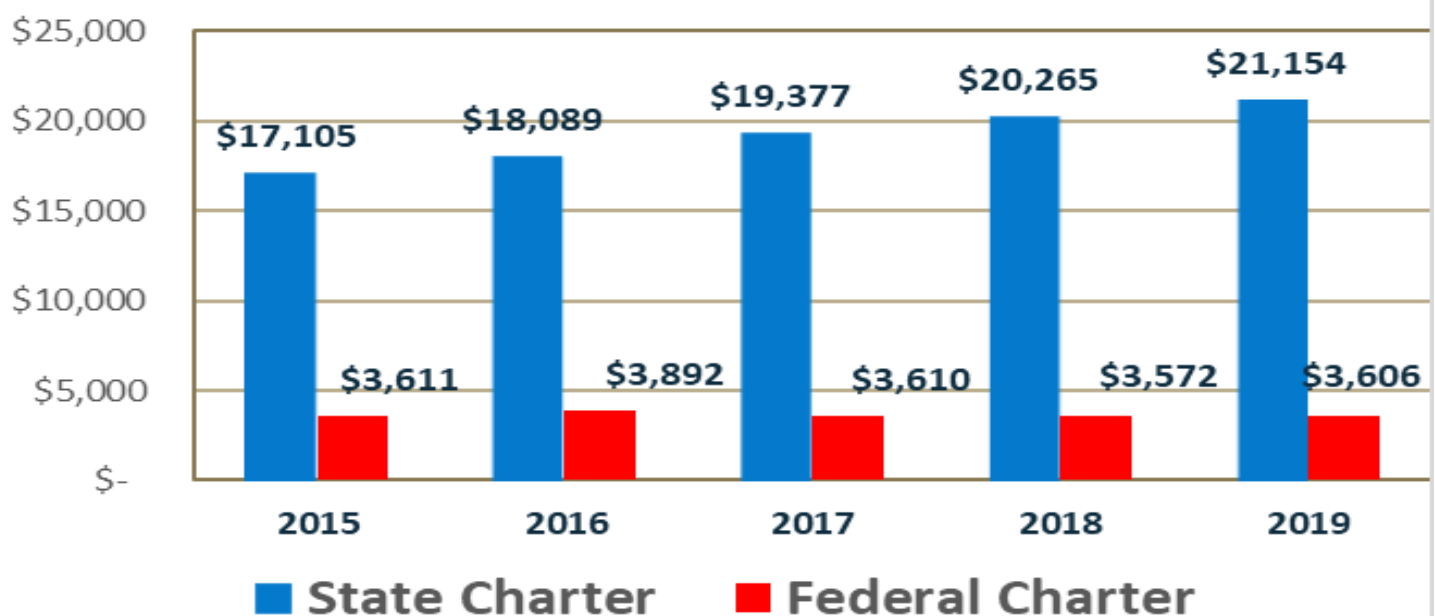
STATE-CHARTERED CREDIT UNION STATISTICS

The number of Georgia state-chartered credit unions increased by one to a total of 48 and state-chartered credit union assets grew by roughly \$1 billion to a total just over \$21 billion at the end of 2019. A five-year financial performance summary for Georgia state-chartered credit unions can be found on Page 7 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

Financial Institution Supervision

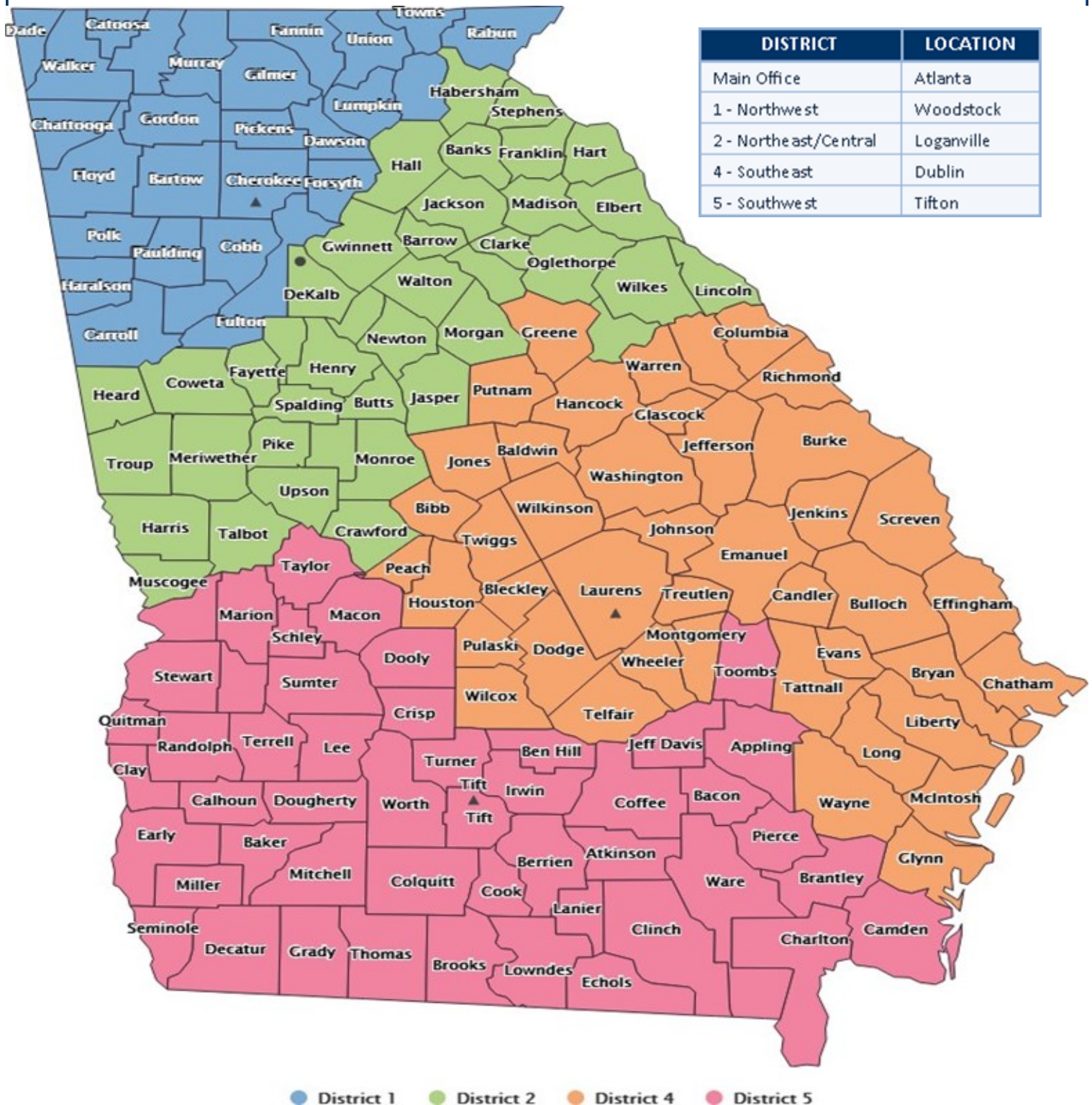
State-Chartered Credit Union Financial Summary

<i>(dollar amounts in millions)</i>	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Number of institutions reporting	48	47	49	49	53
ASSETS					
Cash & Equivalents	1,716	1,199	1,382	1,142	1,245
Total Investments	2,889	3,082	3,216	3,709	3,950
Total Loans	15,609	15,052	13,933	12,458	11,220
(Allowance for Loan & Lease Losses)	(118)	(95)	(102)	(89)	(85)
Land And Building	254	245	243	233	230
Other Fixed Assets	85	69	64	43	35
NCUSIF Deposit	169	166	157	145	139
All Other Assets	550	547	484	447	371
TOTAL ASSETS	21,154	20,265	19,377	18,088	17,105
LIABILITIES & CAPITAL					
TOTAL LIABILITIES	3,724	432	466	409	349
TOTAL SHARES & DEPOSITS	18,383	17,290	16,561	15,491	14,703
Regular Reserve	239	239	238	236	238
Other Reserves	9	(30)	(26)	(22)	(26)
Undivided Earnings	2,523	2,334	2,138	1,975	1,841
TOTAL EQUITY	2,771	2,545	2,350	2,188	2,053
TOTAL LIABILITIES, SHARES, & EQUITY	21,154	20,265	19,377	18,088	17,105
INCOME & EXPENSE					
Loan Income	695	625	553	489	457
Investment Income	92	79	65	59	57
Other Income	322	311	275	253	236
Total Employee Compensation & Benefit	361	324	299	272	246
Temporary Corporate CU Stabilization					
Expense & NCUSIF Premiums	-	-	-	-	
Total Other Operating Expenses	350	337	298	267	254
Non-operating Income & (Expense)	10	8	5	1	2
Provision for Loan/Lease Losses	72	75	81	57	48
Cost of Funds	128	98	71	61	62
NET INCOME (LOSS) w/o STABILIZATION					
EXPENSE & NCUSIF PREMIUM	208	189	149	145	142
NET INCOME (LOSS)	208	189	149	145	142

Source: NCUA Financial Performance Reports

Financial Institution Supervision

Examination Districts and Work Areas



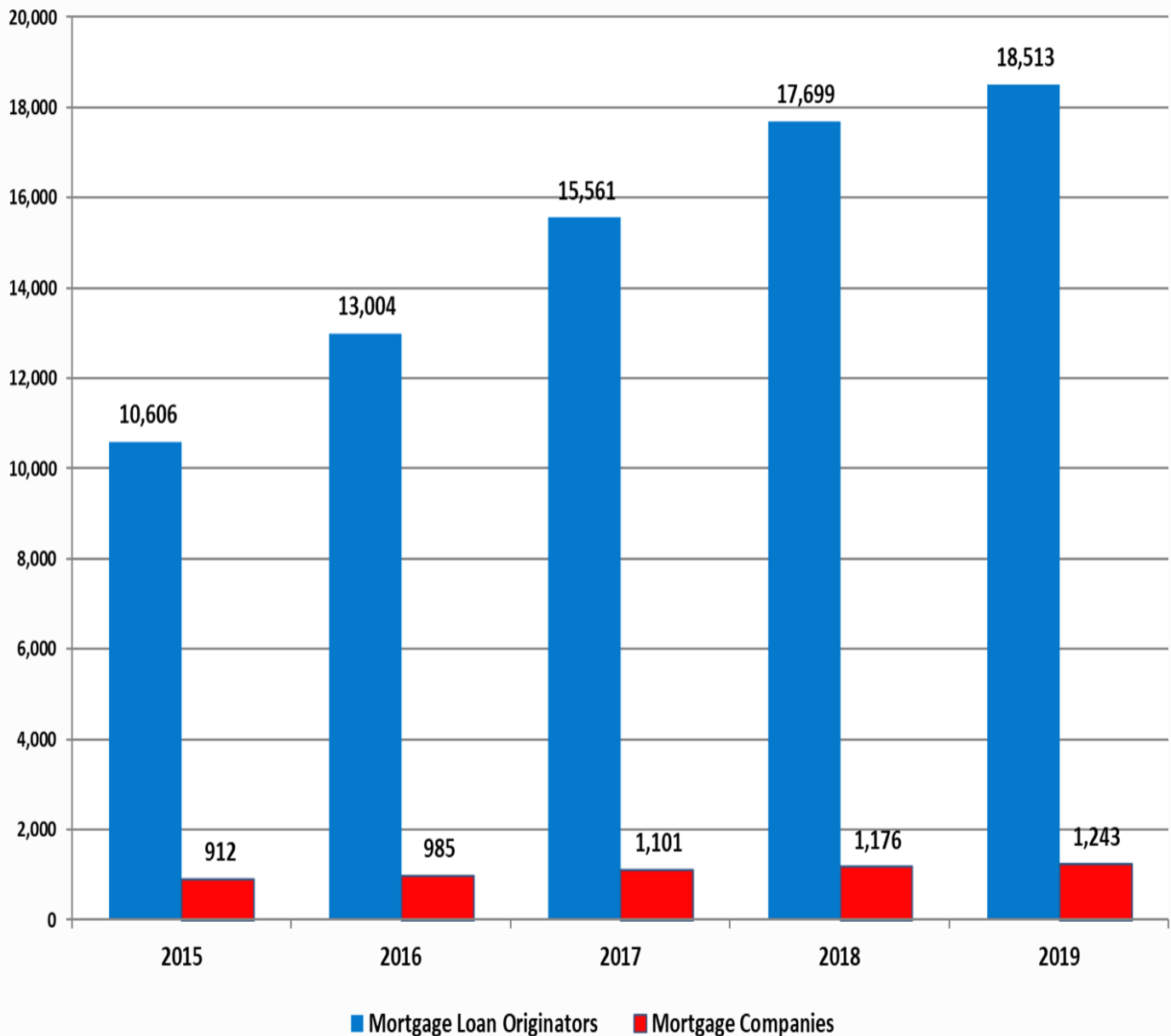
The above map is primarily for the purpose of exhibiting geographical district boundaries based on current institution assignments. However, some districts may have institutions assigned in other areas of the state due to multibank holding companies and/or district workload and scheduling issues. **Note:** 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 2019, active mortgage licensees and registrants totaled 19,756, representing a net increase of 881 or roughly 5 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



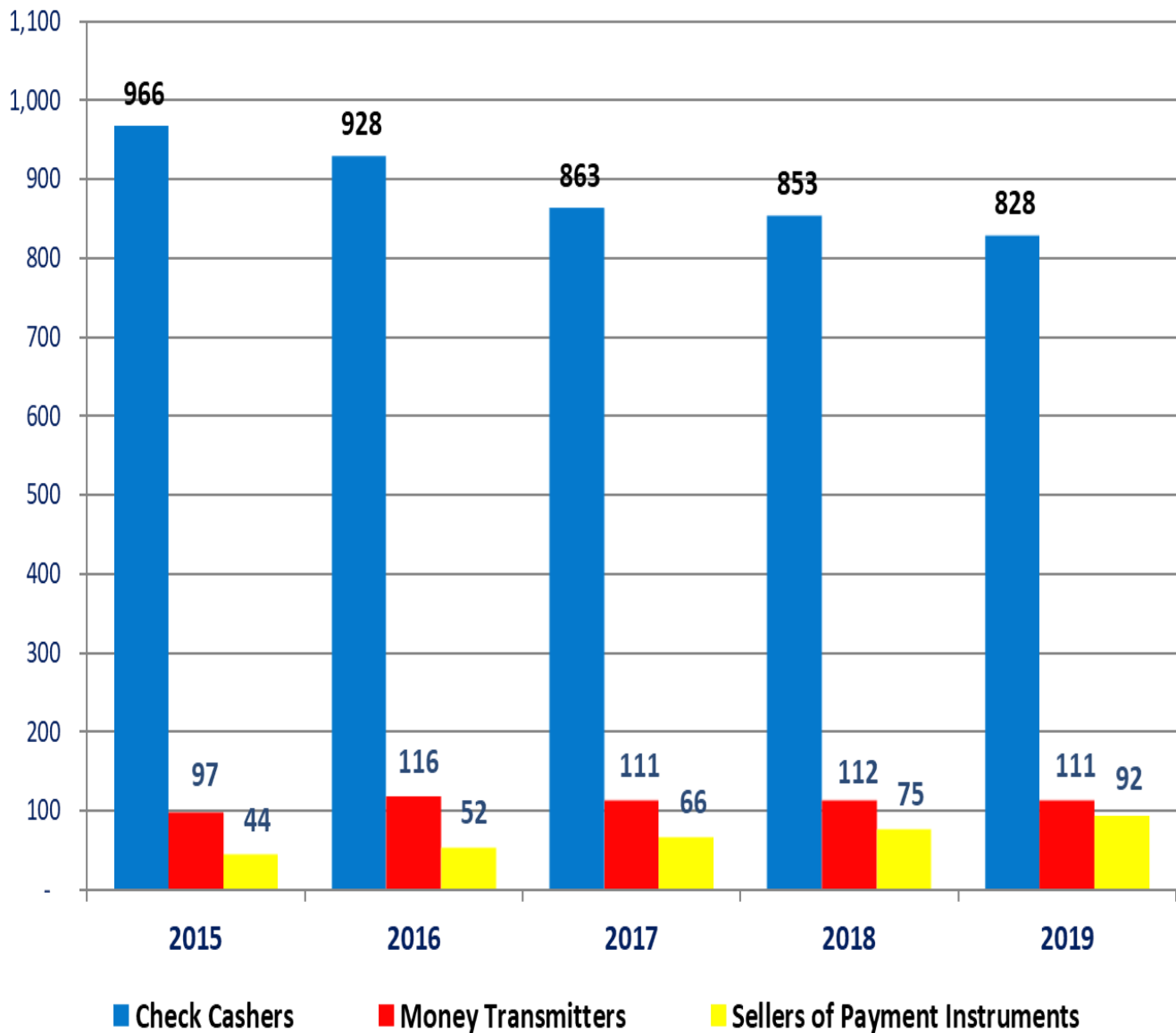
Non-Depository Financial Institution Supervision

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.

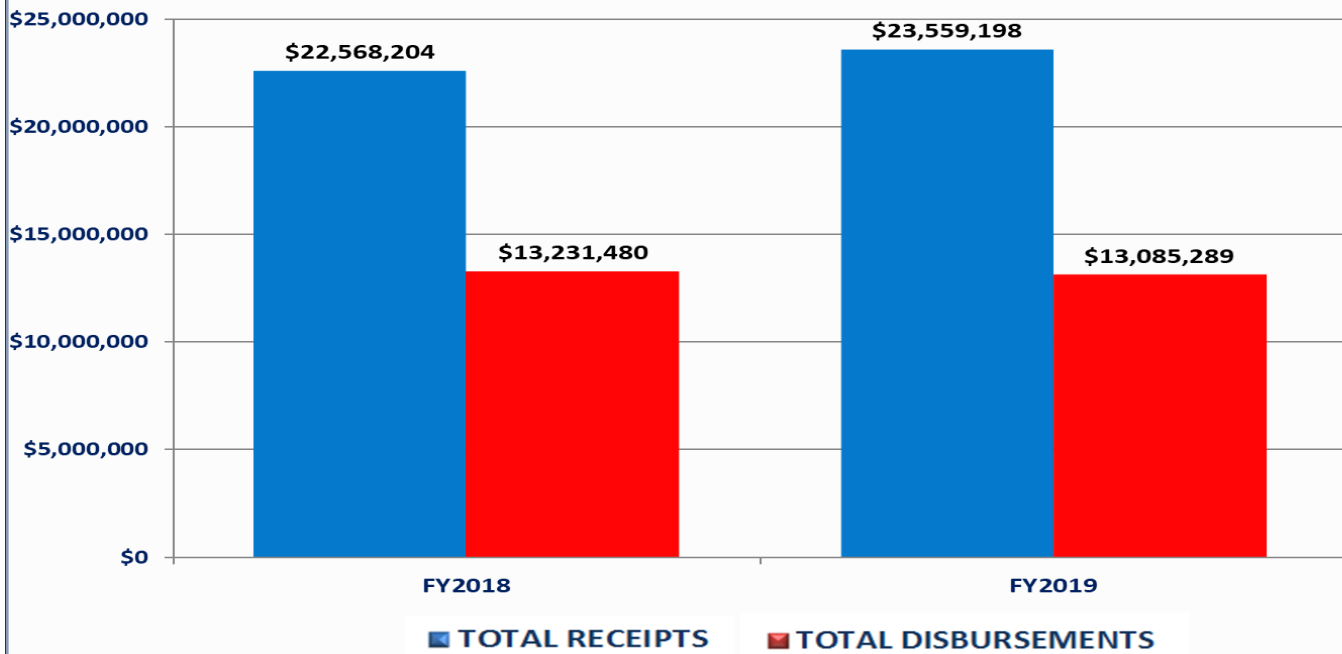
At the end of 2019, the number of money service businesses (MSB) licensed by the Department totaled 1,031, a net decrease of nine licensees from the previous year.

Number of Money Service Businesses Licensed

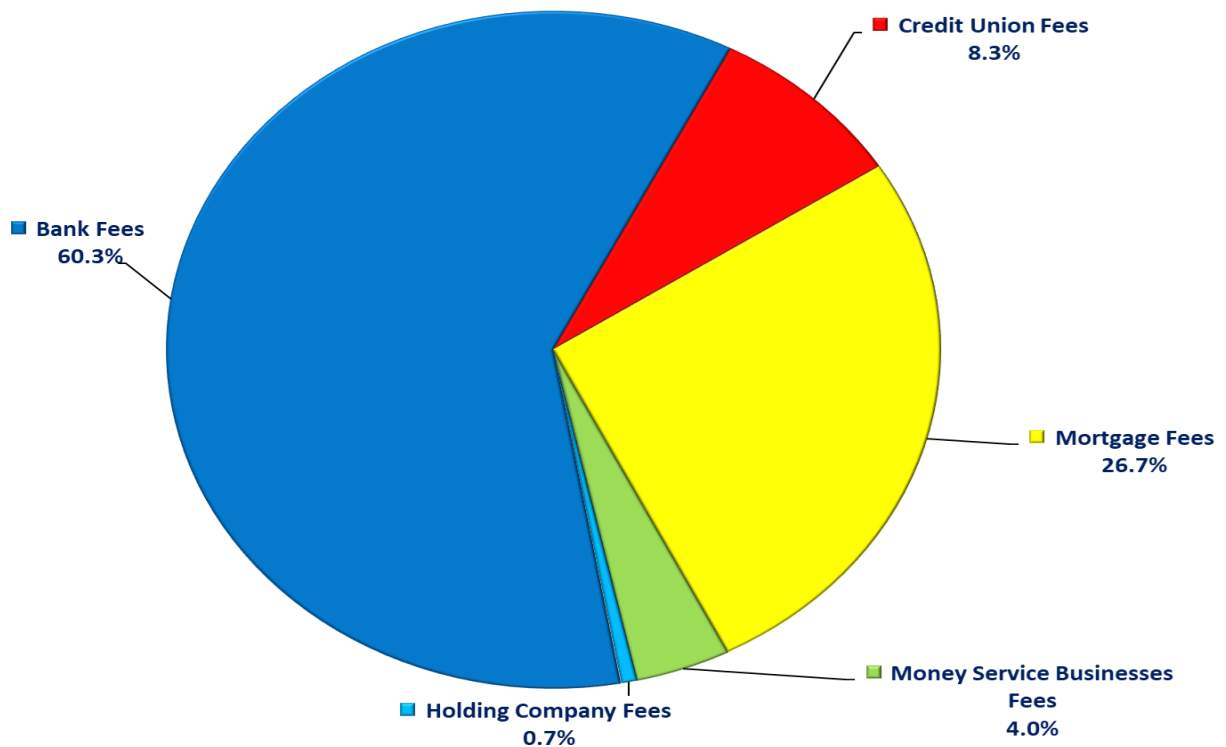


Administration

FISCAL YEAR 2019 RECEIPTS AND DISBURSEMENTS



FY2019 Revenues Collected



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 2019

FINANCIAL INSTITUTION, REGISTRANT, OR LICENSEE	Totals 12/31/2018	Opened Registered Licensed	Converted	Merged	Closed Liquidated Deregistered	Totals 12/31/2019
BANKS	139	2	0	-12	-1	128
TRUST COMPANIES	1	0	0	0	0	1
MALPBS	0	0	0	0	0	0
CREDIT UNIONS	47	0	1	0	0	48
BANK HOLDING COMPANIES (Supervised and/or Registered)	114	0	0	-8	0	106
SELLERS/ISSUERS OF PAYMENT INSTRUMENTS	75	23	0	0	-6	92
MONEY TRANSMITTERS	112	12	0	0	-13	111
CHECK CASHERS	853	78	0	0	-103	828
INTERNATIONAL BANK AGENCIES	0	0	0	0	0	0
INTERNATIONAL BANKING FACILITIES	0	0	0	0	0	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	18,875	4,741	0	0	-3,860	19,756

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. O.C.G.A. 7-1-296 and 7-1-671 provide 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.

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DEPARTMENT OF
BANKING AND FINANCE

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