FACTS ABOUT CHARTERING

A

STATE-CHARTERED BANK

IN GEORGIA

As a supplement to this document, refer also to the ***Guide for Groups Interested in Chartering a State Bank in Georgia.***

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ADVANTAGES OF A STATE CHARTER

We believe that the state charter offers several distinct benefits:

Local, Responsive, and Timely Decision Making

State-chartered banks and credit unions have local access to decision makers in Georgia who are familiar with the unique competitive environment that those institutions face. Top decision makers can be easily reached for timely responses to questions and concerns from state-chartered institutions.

Decision Makers More Knowledgeable of Local Communities and Local Market Conditions

The Department's management philosophy promotes decision making at the lowest possible level with quick access to senior management, when necessary, thereby ensuring responsive and timely action on all types of issues. In addition to the Administrative Staff in Atlanta, the Department has field offices throughout the state which are responsible for examination and supervision of banks and credit unions in their designated districts. Examiners live in the area where they examine these institutions and are familiar with the local market and community. Therefore, the Department is able to perform its regulatory function in a firm, yet fair manner, responsive to the particular needs of an institution.

Competent Regulation and Supervision

The philosophy of the Department is that all financial institutions deserve firm, fair, and consistent regulation and supervision. The Department is nationally accredited through the Conference of State Bank Supervisors and the National Association of State Chartered Credit Union Supervisors. Regulatory activities are conducted in cooperation with federal and other state regulators through joint examinations and interstate agreements. Cooperation with federal regulators allows for examinations to be conducted on an alternative schedule; therefore, most banks are examined by federal regulators only once in two to three years.

More Cost Effective Regulation and Supervision

Annual regulatory assessment fees, hourly examination fees, and some application fees are substantially less than comparable federal charters. In the last several years, the Department's annual regulatory assessments have averaged one-half the cost of comparable federal assessments. Hourly examination fees assessed for specialty exams are almost half the rate of comparable hourly fees charged by federal regulators. Some application fees, including the bank charter application, are typically lower than comparable fees assessed by the federal regulators.

Authorized Powers Comparable to or Greater Than Federal Powers

State-chartered institutions have comparable powers to federal institutions in all areas of operation. Further, the Georgia Financial Institutions Code contains a parity provision allowing the Commissioner to issue regulations to authorize a state institution to conduct an activity allowed for a federal institution unless such activity is expressly prohibited by state law. Therefore, should you discover a situation where you feel a state institution is disadvantaged versus a federally-chartered institution, you could petition the Department to use the parity provision to authorize the activity for a state institution. Georgia banking law permits activities which are incidental or complimentary to banking activities simply by written request to the Commissioner. Additionally, state banks can conduct activities not authorized for national banks, provided such activities are authorized under state law and approved by the FDIC under Section 24 of the FDI Act.

FREQUENTLY ASKED QUESTIONS ABOUT CHARTERING A COMMERCIAL BANK:

Q. WHO REGULATES AND CHARTERS COMMERCIAL BANKS?

A. Commercial bank regulation in Georgia involves three federal agencies and one state agency. Following is an overview and discussion of the different chartering agencies.

State and Federal Charters

Chartering agencies ensure that new banks have the necessary capital and management expertise to meet the public's financial needs. The charterer is an institution's primary regulator, with front-line duty to protect the public from unsafe and unsound banking practices. Chartering agencies conduct on-site examinations to assess a bank's financial condition and monitor compliance with banking laws. They issue regulations, take enforcement actions, and close banks if they fail.

You may have seen or heard the term "dual banking system." This refers to the fact that both state and federal governments issue bank charters for the need and convenience of the public. The Office of the Comptroller of the Currency (OCC) charters national banks; the Georgia Department of Banking and Finance (DBF) charters state banks. "National" or "state" in a bank's name has nothing to do with where it operates; it refers to the kind of charter the bank has.

The Deposit Insurer (Federal Deposit Insurance Corporation)

The Federal Deposit Insurance Corporation (FDIC) administers the Bank Insurance Fund, which insures the deposits of member banks. All states now require newly-chartered state banks to join the FDIC before they can accept deposits from the public.

The FDIC is the federal regulator of state-chartered banks that do not belong to the Federal Reserve System. It cooperates with the DBF to supervise and examine these banks, and has considerable authority to intervene to prevent unsafe and unsound banking practices. Under the Federal Deposit Insurance Corporation Improvement Act (FDICIA), the FDIC also has backup examination and regulatory authority over national and Fed-member banks. The FDIC receives failed institutions from the chartering agencies, and either liquidates them or sells the institutions to redeem insured deposits.

The Central Bank (Federal Reserve Bank and Federal Reserve System)

The Federal Reserve System influences the flow of money in and out of banks by raising or lowering its requirements for bank reserves and buying and selling federal securities. It lends money to banks at low interest rates (the "discount rate") to help banks meet their short-term liquidity needs, and is known as the "lender of last resort" for banks experiencing liquidity crises. Together, the FDIC and the Federal Reserve form the federal safety net that protects depositors when banks fail.

Membership in the Federal Reserve System is required for national banks, optional for state banks. While many large state banks have become Fed members, most state banks have chosen not to join. The Federal Reserve is the federal regulator of state-chartered member banks, and cooperates with the DBF to supervise these institutions.

Q. WHAT ARE THE STEPS REQUIRED TO OBTAIN A GEORGIA BANK CHARTER?

A. The steps to forming a new state bank charter are contained in the Department's Application Manual included in this information package. After your group is organized, the Commissioner will meet with

the group to discuss the entire chartering process prior to the filing of the charter application. At this meeting, each organizer has the opportunity to ask the Department any question regarding the chartering process.

Q. ***WHAT ARE THE DIFFERENCES IN YOUR CHARTERING PROCESS FROM THAT OF THE OCC FOR A NATIONAL BANK?***

A. You would need to confer with the OCC to fully understand their process. But we feel the processes are very similar in (1) the material required; (2) the questions asked; and (3) the time it takes to get a decision. Both agencies work with the FDIC on any bank charter application since federal deposit insurance is required for a state as well as a national bank; however, each agency has a separate decision to make about the charter application.

Q. ***WHAT IS THE MINIMUM CAPITAL NECESSARY TO CHARTER A STATE BANK?***

A. Minimum capital requirements are set forth in the Official Code of Georgia as follows: Capital stock of a newly chartered (de novo) bank should total not less than $3,000,000. If the main office is to be located in a county with a population of less than 200,000 as of the most recent United States census, the minimum shall be $2,000,000. In practice, greater amounts of capital (stock) have historically been required by both DBF and the OCC depending upon the location of the bank, the number of locations proposed at start-up, and the strategic direction and scope of operations of the bank as set forth in the business plan. The amount of start-up capital required by the state and national bank regulator will normally be in a comparable range for banks located in similar markets and having similar business plans.

Factors that are considered in determining the adequacy of capital include: organizing expenses; earning prospects; economic and competitive conditions in the community to be served; the experience and competence of management; the risks inherent in the expected asset and liability mix; the amount of fixed asset investment; and the ability to raise additional capital when needed.

Q. ***WHAT ABOUT S CORPORATION TAX ELECTION?***

A. The Small Business Job Protection Act of 1996 removed the long-standing prohibition against financial institutions being taxed as S corporations. Qualifying financial institutions, including state-chartered banks, can now elect S corporation status effective for tax years beginning after December 31, 1996. For tax purposes, an S corporation passes through the stockholder's pro-rata share of taxable income or loss to the stockholder's personal tax return. Each organizing group should determine the bank's eligibility for an S corporation election and the effect of the election on the bank and its stockholders. The organizing group may wish to obtain advice and guidance from an accounting firm to determine the perceived advantages and disadvantages of electing S corporation status.

COMMON MISCONCEPTIONS REGARDING THE STATE CHARTER VS. THE NATIONAL CHARTER:

1. Capital Requirements

There is a misconception among some bankers and consultants that the State requires a higher level of capitalization than the OCC. Doing a detailed analysis of recent State and Federal charters refutes this misconception. We have had some banks that have, as a part of their business plans, proposed higher levels of capitalization, but this was a business decision and not mandated by our Department. We require the same level of initial capitalization as the FDIC, eight percent (8%) Tier One Capital for the first three years, which would be a similar requirement for a National Charter. We do generally require a higher capital level for proposed banks that are in higher cost areas, that propose to open with multiple locations, or which otherwise have business needs for higher capital. We have made a conscious decision that capital requirements should be based on business needs and not based on a chartering decision.

2. Facilities

There is a misconception that the State does not permit opening in temporary quarters. The Department has approved numerous charters opening in temporary quarters, provided that the facilities were adequate to meet their initial requirements and consistent with their business plans. Likewise, the Department has permitted banks to open with multiple locations, provided that this is consistent with the business plan and provided the level of capital and management is sufficient to support the locations proposed.

3. Fees

There is a misconception that State and National Charters have comparable exam and supervision fees. The fact is that our fees are significantly lower that the supervision fees for National Banks.

4. Stock Distribution/Subchapter S Corporations

There again is a misconception that it is more difficult to obtain a charter for a proposed bank wishing to have concentrated ownership or wishing to pursue Sub-S status. The Department encourages a broad and diversified shareholder base for a new bank. However, the Department recognizes that in some instances the organizing group may wish to limit the number of shareholders due to certain tax considerations or for other purposes. In such situations the Department may approve the charter provided the limited shareholder base does not adversely affect the benefits of the new charter for its proposed market area and provided the applicant demonstrates adequate support for the bank in the proposed market area by means other than a diverse shareholder base. The decision to pursue a Sub-S designation is a business decision, and the Department supports such a decision provided it is consistent with the bank's business plan and with safe and sound bank operations.

5. Stock Warrants/Options

The Department's and the FDIC's Statement of Policies allow for organizer warrants/options if they meet the requirements outlined by both regulatory authorities. The Department utilizes the FDIC's Policy Statement on the issuance of warrants or options to directors or organizers, and permits the appropriate usage of executive officers warrants or options as a part of the bank's written Compensation Policy.

6. Earnings Requirements

In the past, the Department has required proposed new banks to reach cumulative profitability within three years. We have revised our requirements to require reasonable positive net earnings, adequate to support the bank by the end of the third year. This standard is also applied by FDIC for both state and national banks.

7. Loan Limits

There may be some misunderstanding that the loan limitations for state and federal charters are the same. There are material differences between the requirements for national banks and the state requirements which are contained in Section 7-1-285 of the Code of Georgia (OCGA). The Department's limitations are based on Statutory Capital Base, as defined by the Code. In addition, an important distinction is that state banks may lend in excess of the unsecured loan limit, up to 25% of Statutory Capital Base provided that the line is fully secured by good collateral or other ample security. A national bank may lend over the 15% unsecured limitation only if the line is secured by readily-marketable collateral. Normally such security must be traded on national exchange or otherwise demonstrated to be readily-marketable. This provides state chartered banks with additional flexibility regarding the type of security, provided that the loan relationship is properly secured, adequately perfected, and properly margined. Refer to OCGA Section 7-1-285 for further details regarding this and other related issues pertaining to loan limitations.

8. Convenience and Needs

There has been a presumption by certain parties that the Department would not approve a new charter for a community already served by a State chartered bank. The Department has always looked at the business and operating plan for a proposed bank and the ability of the market area to support a new charter in making such decisions. A review of our recent chartering activity will indicate that the Department has approved a number charters in the same community with another state-chartered bank when the proposed bank made a good business case for another bank in the market.

9. Supervisory Philosophy

We have heard expressed that somehow the OCC was less burdensome and had a lighter regulatory style than the State. We do not believe this to be the case for the following reasons:

1) The Department has streamlined applications, consistent with federal agencies for well-managed banks without supervisory issues,

2) We have extended the examination interval to 18 months,

3) Our banks have timely, quick access to supervisors in the event of a regulatory dispute,

4) We actively survey our financial institutions about our performance,

5) We attempt to maintain a consistent, firm, but fair regulatory posture and also attempt to avoid cycling between extremely tight supervision and extremely loose oversight.

6) We have tried to be receptive to new methods of supervision, as long as we believe that they do not lose sight of the safety and soundness mission of the Department.

BANK CHARTERS

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It is the policy of the Department to maintain a sound banking system without placing undue restraint upon entry into that system. The vital relationship of banking to the monetary system precludes complete free market operation with unlimited entry, and its corollary, unlimited exit. A healthy competitive banking environment providing optimum choice and convenience to the public and stimulating economic growth and efficiency is an important objective of the chartering process. Although each new entrant to the market increases the competitive alternatives, it is not in the public interest to charter so many banks that none can grow to a size sufficient to offer a full range of needed services. In chartering banks the Department will admit only those qualified applicants that can be economically supported and profitably operated. In evaluating a new bank application, the following factors will be considered:

FINANCIAL HISTORY AND CONDITION. Only in certain special situations would a de novo bank charter have financial history. The main areas to be considered in analyzing this factor are the reasonableness and achievability of the submitted Business Plan and the premises and other fixed assets to be owned or leased by the proposed bank. The minimum size of the proposed building should be at least 6,000 square feet. Any proposal with less than this size may be approved but must be substantiated as to adequacy in the application. Generally, if the applicant intends to outsource some or all of its backroom operations, the de novo bank may be able to operate in a smaller facility.

CAPITAL. The minimum initial capital required for a new bank must satisfy all of the following factors:

- Capital should be sufficient to support the anticipated volume and character of operations for a minimum of three years; total capital must be adequate to meet three-year projected needs resulting in a Tier 1 capital-to-assets leverage ratio of at least eight (8) percent. If the applicant is being established as a wholly-owned subsidiary of an existing bank holding company, the Department will consider the financial resources of the parent organization as a factor in assessing the adequacy of the proposed initial capital injection. Provided the Department determines that the bank holding company will be a source of financial strength for the new bank, some flexibility may be allowed in meeting the three year capital requirement. In such cases, the Department may find favorably with respect to the adequacy of the capital factor provided:

    1. The holding company shall provide a written commitment to maintain the proposed institution's Tier 1 leverage capital ratio at no less than 8 % throughout the first three years of operation, and the Department must determine that the holding company has the financial capacity to honor that commitment.

    2. The initial capital injection is sufficient to provide for a Tier 1 leverage capital ratio of at least 8% at the end of the first year of operation, based on a realistic business plan.

- Capital should be adequate to enable the new bank to provide the necessary banking services, including loans of sufficient size, to meet the needs of prospective customers.

- Capital should be sufficient to purchase, build or lease a suitable permanent banking facility and equipment. Total fixed asset investment should not exceed sixty percent of the Statutory Capital Base.

State law requires that the **capital stock** component of total equity capital for newly chartered banks be not less than $3,000,000. If the main office is to be located in a county with a population of less than 200,000 as of the most recent United States census, the minimum shall be $2,000,000. In practice, greater amounts of capital (stock) have historically been required, depending upon the location and the particulars of the charter application. In addition to the above minimum levels of capital stock, Georgia law requires that the bank have paid-in capital in an amount not less than twenty percent (20%) of capital stock and an expense fund in an amount set by the Department which shall not be less than five percent (5%) of capital stock. Realistically, the expense fund should be adequate to cover pre-opening expenses and projected losses in the first three years of operation.

The ability of a bank to attract capital funds for future growth is important to the chartering process. It will generally be assumed that a broad and diverse group of stockholders providing the initial capitalization of the bank will maintain the capital funding at adequate levels. Smaller or concentrated shareholder groups will be required to demonstrate their ability to support the capital funding needs of a growing bank through a broad range of economic circumstances.

During the first three years of operation, cash dividends shall be paid only from net operating income and shall not be paid until an appropriate allowance for loan and lease losses has been established and overall capital is considered adequate. The adequacy of overall capital should be determined in accordance with the Department's Policy Statement on "Capital Adequacy for Financial Institutions" contained herein.

STOCK DISTRIBUTION. To enhance community support, the Department encourages a broad and diversified shareholder base for a new bank. However, the Department recognizes that in some instances the organizing group may wish to limit the number of shareholders due to certain tax considerations or for other purposes. In such situations the Department may approve the charter provided the limited shareholder base does not adversely affect the benefits of the new charter for its proposed market area and provided the applicant demonstrates adequate support for the bank in the proposed market area by means other than a diverse shareholder base. Generally, at least 50% of the stock to be issued should be to local residents of the community, or persons with substantial business interests in the community or others who may reasonably be expected to utilize the services of the bank.

Subscribers to 10% or more of the stock, proposed officers, and all directors irrespective of the level of their subscription may finance, in the aggregate, more than 50% of the purchase price and individually more than 75% of the purchase price, provided supporting justification is furnished in the application establishing these financing arrangements as acceptable. The burden of proof of stock financing arrangements which exceed 50% aggregately and 75% individually rests with the above parties. These financing arrangements are arrangements that are secured or predicated in any manner upon the stock purchased; therefore to the extent that other collateral is securing these obligations, this collateral value may be netted against the loan amount for determining if these limits are being exceeded. If the arrangements are not considered appropriate, the adequacy of capital structure requirement in the charter application may be found by the Department to be unacceptable.

The bank may not make a loan or refinance any loan associated with the initial purchase of bank or holding company stock after a permit to begin business is granted by the Department. If the arrangements are not considered appropriate, the Department may find the bank's capital structure (at application or once the bank has opened for business) to be unacceptable.

Stock subscriptions are considered a measure of community need and support for a new bank. An applicant that is unable to provide such broad and diverse stock subscribers as would normally be expected relative to the size of the community in which the new bank is to be located must be prepared to demonstrate the community need and support by other means.

Section **7-1-391**, O.C.G.A., prohibits the payment of any fee, compensation, or commission for promotion in connection with the organization of a new bank. This restriction does not impair the payment of reasonable compensation to attorneys, accountants, or consultants for services rendered in connection with the preparation and filing of an application or the payment of out-of-pocket expenses incidental to the preparation of an application and other matters necessary and incidental to preparations toward commencing business as a bank. Person(s) not otherwise involved or affiliated with the bank during its organization, who are utilized to locate purchasers of stock and who charge a fee for such service shall not be considered promoters and such expenses shall be considered usual and ordinary in the organization of a new bank. All such expenses must be fully documented and commensurate with local market prices for similar services and products. Representation before the Department for compensation may only be through a practicing attorney, public accountant, or full time bank consultant practitioner.

Use of Consultants to Raise Bank Stock

The Department strongly recommends community bank organizing groups attempt to sell the proposed bank's stock on their own rather than utilizing third party consultants. This recommendation reflects our experience that most banks have been able to successfully sell bank stock within their community and also reflects our concern regarding the expenses associated with many of these programs. It is noted that some groups that have experienced difficulty in selling stock have utilized such consultants to assist them in finalizing the stock sale.

It has been our observation that the fees assessed for these services appear to have been increasing at a substantial rate, with fees noted as high as three to four percent of the total stock issue, net of organizer stock. This could result in fees of $300,000 to $400,000 on a capital issuance of $12,000,000. This is in addition to the normal consultant fees paid for preparation of the charter application.

In most cases, these third party stock sale arrangements depend heavily upon the organizers' contacts within the community to facilitate stock sales, which again raises questions as to whether such arrangements reflect the most efficient use of bank capital.

While the fees are certainly not the only consideration in making such a business decision, the board of directors should carefully consider their duty to act as responsible stewards of the shareholders funds. Fees of this magnitude could be utilized to hire full time bank employees that could be utilized not only to sell stock, but also for business development, policy formulation and other tasks necessary to organize a bank.

The Department recommends that organizing groups carefully consider the implications of using a stock sales consultant and review all options before utilizing an outside consultant to assist the bank in the stock sale. Banks that utilize outside consultants in facilitating the stock sales can anticipate the following responses from the Department:

1. We will indicate at our prefiling meeting that it is our clear preference that community bank organizing groups make an effort to sell their own stock within their community. If the organizers and operating management of the bank are properly composed, it has been our experience that there should not be difficulty in the sale of bank stock.

2. If an organizing group determines to utilize a marketing arrangement, then they should expect the amount of capital that will have to be raised to be higher than if such an arrangement is not utilized. The additional amount of capital will depend on the business plan of the bank, but could be a substantially greater amount.

3. If an organizing group determines to utilize such an arrangement, the Department will require the Board of Directors to adopt a resolution indicating that they desire to utilize the services of a consultant in the sale of bank stock. Each Board member should attest to having reviewed all contract terms to be utilized in such an arrangement, including the fees for these services.

4. The Department considers the fees contracted between bank consultants and organizing groups to be a business decision of the prospective organizers, however we reserve the right to require any contract terms that are considered detrimental to the interests of a bank or its shareholders to be omitted from the contract or revised.

5. The Financial History and Condition Factor in the application process does require the Department to consider the reasonableness of aggregate fees paid to outside consultants. The Department has preferred to permit the organizers to utilize their business judgment in such matters. If we determine that the amount of proposed fees for the services that are being provided are abusive or contrary to the interests of the bank, then this can impact the decision of the Department to grant a bank charter.

6. The Department will continue to review the shareholder listings for denovo community banks to make certain that shareholder composition reflects adequate community support for the success of the proposed bank.

Investment in Community Banks by Investment Funds

As stated previously, the Department expects at least 50 percent of the proposed bank's stock should be owned within the trade area of the bank. Any investment in the proposed community bank by investment funds should represent a relatively small percentage of total stock holdings; not greater than 10 percent of the stock on an aggregate basis. One of the factors in the decision to charter a new bank is a clear indication that there is tangible community support for a bank. If a prospective bank is unable to sell their stock within the community but instead has to raise capital from outside investment funds, it raises a concern regarding whether an additional bank charter is needed in the proposed trade area. Any denovo bank that proposes to have an alternative capital structure or composition should discuss this with the Department prior to filing their bank application.

NOTE: The forgoing limitation on aggregate investment by investment funds is for community banks. Larger banks with broader business plans, greater levels of capital and more sophisticated management may have higher levels of such investment, with regulatory approval.

Stock Benefit Plans

Stock benefit plans established to compensate incorporators in connection with the organization of a bank including stock options, stock warrants, or other stock based compensation plans may be appropriate if the plans enhance the success of the bank and can be justified as reflective of the contributions made to the bank. If a bank holding company is being organized simultaneously with the organization of a new bank and stock benefit plans are established at the bank holding company, similar rules and conditions regarding these stock benefit plans would apply. These stock benefit plans must be fully disclosed in the application filed with the Department and subsequent offering material used in stock subscription

solicitations. Original Articles of Incorporation must provide for sufficient shares without preemptive rights to meet such stock benefit plans.

Stock benefit plans issued to directors of the bank/ holding company shall contain the following minimum terms:

1. Must be exercised within ten years from the date of the bank's incorporation;

2. Must be exercised at a price equal to or in excess of the fair market value of the stock at the time the rights are granted;

3. May not result in the holder (including shares owned by the holder's spouse and minor children) owning more than 20% of the outstanding stock of the institution, unless the Department has approved the holder owning more than 20% of the outstanding stock of the institution in the approval of the bank's charter application;

4. May be granted only to persons named as incorporating directors (plus the proposed chief executive officer if accorded confidential treatment in the application) in the original Articles of Incorporation;

5. Must contain a provision allowing the institution's primary state and/or federal regulator to direct the institution to require plan participants to exercise or forfeit their stock rights if the institution's capital falls below the minimum requirements, as determined by its primary state or federal regulator;

6. May not be transferable under any circumstances.

7. Must be accounted for in accordance with Generally Accepted Accounting Principles including the provisions of FAS 123R.

Stock benefit plans issued to other incorporators as compensation for financial risk borne during the organizational phase or as compensation for professional or other services rendered in conjunction with the organization shall contain the following minimum terms:

1. Must serve as compensation for services rendered or money placed at risk during the organizational phase of the bank;

2. Must be exercised within ten years from the date of the bank's incorporation;

3. Must be exercised at a price equal to or in excess of the fair market value of the stock at the time the rights are granted;

4. May not result in the holder (including shares owned by the holder's spouse and minor children) owning more than 20% of the outstanding stock of the institution, unless the Department has approved the holder owning more than 20% of the outstanding stock of the institution in the approval of the bank's charter application;

5. Must contain a provision allowing the institution's primary state and/or federal regulator to direct the institution to require plan participants to exercise or forfeit their stock rights if the institution's capital falls below the minimum requirements, as determined by its primary state or federal regulator.

6. Must be accounted for in accordance with Generally Accepted Accounting Principles including the provisions of FAS 123R.

EARNINGS. Projections of income and expenses of the proposed bank should be based on realistic, supportable estimates of deposit and loan volume. While initial operating losses may be expected, net earnings should result in a month-to-month operating profit which is adequate to support the bank by the end of the third year.

MANAGEMENT. Organizers, proposed directors, and officers should be of good moral character and reputation, should have employment and business histories demonstrating success, and should be responsible in personal and financial affairs. A majority of the organizers and directors of a proposed bank must be from the local community and should represent a diversification of occupational and business interests. Officers should have demonstrated abilities and experience commensurate with the position for which proposed. Members of the initial management group, which includes directors and officers, and changes within the management group during the first two years of operation, require prior approval of the Department. The name and a resume' on the proposed chief executive officer must be submitted with all applications. To protect current employment, such information may be included in the confidential section of the application. The proposed chief executive officer (CEO) should have been continuously employed in a commercial bank for the five years immediately preceding the filing of the application and must demonstrate proven competence in the areas of bank administration and either bank operations or direct commercial lending. The Department prefers that the proposed CEO has previous experience

as a bank CEO; however, the Department may approve a strong candidate without previous CEO experience if that candidate is supported by a strong Senior Lender and a strong Chief Operations Officer. Successful charter applicants will be required to obtain Department approval prior to commencing business for the one or more additional officer candidates. It is expected that these officers will augment the experience of the chief executive officer such that the resultant management team shall demonstrate proven competence in the areas of bank administration, commercial and consumer lending, bank operations, and ~~i~~investment/funds management.

All proposed directors, including the chief executive officer, and all non-director stock subscribers to ten percent or more of the proposed capital stock shall file financial and biographical information on forms prescribed by the Department including supplemental reports relative to all equity interest which constitute more than ten percent of their individual net worth. The applicant group shall provide the Department with personal, independent credit reports on each of the foregoing individuals as part of the financial and biographical information. Persons subsequently proposed to be added to the board and any new chief executive officer employed during the first two years after the granting of the charter or subscribing to 10% or more of the initial capital stock issue shall be required to make similar filings and be approved by the Department prior to their taking office or being issued any stock. Such persons shall also provide written consent for the Department to conduct appropriate investigation for possible criminal misconduct through the Georgia Bureau of Investigation and the Federal Bureau of Investigation.

Executive Officer Compensation in De novo Banks

In order to provide for safe and sound compensation practices for executive officers, bank management shall provide to the Department a Compensation Policy that shall, at a minimum, reflect the maximum proposed compensation for senior bank officers, including core compensation, signing bonuses, other bonuses or incentive compensation features and other forms of compensation including deferred compensation, ESOP's, 401K payments or any other form of executive compensation provided to these officers. Expense items paid by the bank that reflect expenses paid that would, under normal circumstances, have to be paid by the individual bank officer would be included in the definition of compensation.

The total level of compensation shall be demonstrated to be reasonable based upon the business plan of the bank, normal and customary levels of compensation within the industry taking into consideration geographic and competitive factors, the asset quality of the financial institution, the capital level of the bank and the operations and profitability of the bank.

The Compensation Policy should be forwarded at the time of the application filing, so that it can be thoroughly reviewed during the application process. Note that compensation that is not considered reasonable based on the criteria above may be grounds for the disapproval of an application or may result in the modification of the application to meet safety and soundness requirements. The Department will be looking to make certain that compensation formulas consider bank performance and are predicated on maintaining creditworthy bank assets. Please also note that proposed compensation levels and practices are subject to FDIC approval, relative to the decision to grant Federal deposit insurance.

Bank Directors Serving as Members of the Operating Management of the Bank

The Department has concerns regarding de novo bank proposals which involve providing members of the board of directors with an office in the bank, and in some cases allowing them to draw a salary for being a part of bank management. Unless this individual is an experienced banker (a previous CEO, bank lender, operational officer or CFO with appropriate experience), the Department believes that this structure is counterproductive to the success of a de novo bank. Some concerns noted with the practice are as follows:

This arrangement often creates uncertainties regarding the authority of the CEO and other management and has resulted in excessive management turnover in several charters. This can be seriously disruptive to any bank and has been noted to impede and delay bank profitability in de novo banks.

This arrangement in some cases has resulted in a circumvention of normal credit approval practices and has resulted in attempts by certain board members to push through loans which don't meet the standard underwriting criteria of the bank. Directors should be involved in the credit process through the establishment of loan policies and through their appropriate involvement on the loan committee.

Salaries in de novo institutions are a particular concern. Most de novo institutions don't have the ability to pay salaries to anyone unless those salaries can be demonstrated to be accretive to the bottom line of the bank. Paying substantial salaries to directors serving as business development officers or other similar positions is a concern. Several situations observed

involved salaries near or even above the level of the CEO. The Department reserves the right to determine that such a salary is inappropriate during the de novo period based on the needs of the bank and the services proposed to be provided.

We believe these arrangements have fostered other inappropriate practices with directors in certain cases including non-arm's length business transactions, inappropriate bank expenditures, inappropriate usage of bank vehicles and other objectionable practices.

These practices (if not included in the business plan filed with the application) are considered to be a substantive modification of the business plan, requiring the approval of the Department and the FDIC. This is another basis for the Department objecting to this practice.

Additionally, we believe this practice, particularly in a bank with below peer earnings performance, could constitute a basis of action by shareholders since it could be alleged in some cases that these arrangements represented self-dealing or were otherwise not representing the best interests of shareholders.

The Department will continue to review the merits of all proposals and practices on a case by case basis, but will generally disallow these practices during the de novo period for any bank which failed to include these provisions in the bank's application and business plan filed with the regulators and in the prospective materials provided to the shareholders. In cases where these practices are included in these documents, the Department may still determine that these practices are not appropriate where a case cannot be demonstrated that they make sound business sense for the bank and serve the best interest of all shareholders.

The Department is considering such limitations during the de novo period of the bank, which is normally the first three years of operations of the bank or the period until the bank reaches cumulative profitability, which ever is longer. After this period elapses, it will be a business decision of the Board to determine if this practice is appropriate (but the above concerns remain unless this individual can be demonstrated to be an experienced banker or that these arrangements are otherwise demonstrated to be a sound business decision.) Also it should be noted that the Department permits the Board of Directors to establish director and committee fees at reasonable amounts, once the bank has reached cumulative profitability. We regard this issue to be a matter of sound corporate governance and properly meeting the fiduciary responsibilities of a bank director.

CONVENIENCE AND NEEDS OF THE COMMUNITY TO BE SERVED. The current economic condition or growth potential of the market in which the new bank proposes to locate is an important consideration in determining the bank's probable success. Essential to the concept of banking opportunity is that there does or will exist a volume of business for which the new bank can realistically compete. Also important is a determination of the portion of that business the new bank could acquire and whether that portion is sufficient to generate a profit. Where the de novo bank is purchasing and assuming the assets/liabilities of an existing branch(s), the amount of information required in support of the Convenience and Needs factor may be abbreviated since the bank would be replacing a competitor in the market.

Evidence of banking opportunity may be indicated in a number of ways including trends in population, employment, residential and commercial construction, sales, company payrolls and businesses established. Geographic and environmental restrictions to further development should be fully explored.

PRIMARY SERVICE AREA. Within the broader concept of a market, the applicant should delineate a Primary Service Area (PSA). The dimensions of the PSA will necessarily vary with the type of market to be served. A rural bank may serve a relatively large area if banking alternatives are limited; conversely, the PSA of an urban bank may be limited to several city blocks. The PSA is defined as the smallest area from which the bank expects to draw approximately 75% of its deposits and should be drawn around a natural customer base. It should not be unrealistically delineated to exclude competing banks or to include areas of concentrated population. Barriers to access such as major highways, rivers, mountains or other impediments should be considered.

LOCATION. The importance of the specific site depends upon the type of market to be served. The precise location of a bank in a sparsely populated area with limited competition may be less significant than that of an urban or suburban bank whose success may be more dependent upon the convenience of its location.

POPULATION. Composition of the population, including daily or seasonal inflows, within the PSA is an important indication of the potential support for a bank. Population characteristics such as income, age distribution, educational level,

occupation and stability should be considered. Ratios of population per banking office are not conclusive evidence of support for a new bank.

FINANCIAL INSTITUTIONS. The growth rate and size of banks and other financial institutions in the market are also important indicators of economic condition and potential business for a new bank. Location and services offered are indicative of the competitive climate of the market. Other financial institutions such as savings and loan associations, credit unions, finance companies, mortgage companies, and insurance companies may be considered competing institutions to the extent their services parallel those of the new bank.

CONSISTENCY OF CORPORATE POWERS. Normally a proposed bank is chartered for the purpose of performing all powers that a commercial bank is allowed under the law. If the bank has the word "Trust" in their name or anticipates exercising trust powers in the future, it must be chartered as a "bank and trust company" in the Articles of Incorporation. No bank may exercise trust powers other than those allowed for Individual Retirement Accounts, without the prior written approval of the Department.

ESTABLISHMENT OF A DE NOVO BANK BY A REGISTERED BANK HOLDING COMPANY. Pursuant to O.C.G.A. Section **7-1-608(b)(3)**, a bank holding company registered with the Department and owning a bank that does a lawful banking business in this state may acquire control through the formation of a de novo bank in Georgia, provided that Department approval and any required federal approvals are obtained. However, no out-of-state bank holding company may enter Georgia to do a banking business by formation of a de novo bank. Additionally, a de novo bank established or formed under the above Code Section shall be subject to the three-year age requirement contained in Section 7-1-608(a)(2) - which states that the bank being acquired must have been in existence or continuously operating or incorporated as a bank for a period of three years or more prior to the date of acquisition. A bank holding company may, however, merge or consolidate a de novo bank which may be less than three years old, established pursuant to Section 7-1-608(b)(3), into another bank owned by that holding company.

Notwithstanding the foregoing, affiliation shall be disallowed whenever the performance of the sponsoring bank has been found to be unacceptable. Further, the performance of the sponsoring bank shall be considered in assessing the MANAGEMENT FACTOR on the de novo application.

Management or consulting contracts between the affiliated bank/bank holding company and the de novo bank shall be assessed for equitable pricing, affordability, and controlling influences. Contractual services purchased from the affiliate must be supported by competitive bids or other similar evidence that compensation is no greater than that provided by independent providers of comparable services or products.

HOLDING COMPANY FORMATION. If a holding company is anticipated at the time of application of the proposed bank, it is appropriate for the applicant to submit the holding company application to the Department and the Federal regulator thirty (30) days after the charter application has been submitted. The applicant should, however, indicate in the charter application their plan to form a holding company and state that the application is forthcoming. No additional fee will be required if the holding company application is filed within 120 days of the filing of the charter application.

OTHER FACTORS. The organization of a new bank is normally begun to serve a demonstrated need for new or additional banking services in a specific community. An application for a proposed new bank will not be approved by the Department if its establishment would threaten the viability of a newly chartered bank. Such protection of a newly chartered bank typically will not exceed one year.

From time to time, specialized forms of banking activity which are not directed at the retail or community level are developed and the Department reserves the right to modify the policies and provisions set forth herein in order that the entire economy of this State may be adequately served at both the wholesale and retail levels. Organization of a new bank for speculative purposes or resale to undisclosed buyers is not permitted.

IMPORTANCE OF FILING PRIORITY IN THE EVENT OF CONFLICTING APPLICATIONS. The Department's Statement of Policies indicates that priority of filing ordinarily will not be a factor in the decision-making process relative to matters before the Department when two or more applications are pending concurrently from different applicants. The Department's first obligation is to see that each activity proposed is in compliance with the laws, regulations, and policies applicable to that situation. Where only one application can be implemented and the choice rests ultimately with a bank's management or its shareholders, the Department will normally defer the selection to that group. However, where the selection must be made between conflicting applications by the Department and no clear priority of one application over

another exists, the Department shall exercise its discretion in favor of the application which it perceives to be most favorable to the delivery of quality financial services to the community to be served. Absent a substantial difference in the quality of prospective financial services or the proposed delivery system, and where a priority is clearly established, deference shall be given on the basis of such priority. Priority shall be determined on the basis of one or more of the following factors:

a) Completion of Preliminary and Final Documentary filings.

b) Preliminary meetings with the Department to discuss the transaction and incidental applications, investigations, and approvals.

c) Employment of outside consultant services utilized in completing applications and expenditure of other significant out-of-pocket funds incidental to the filing of an application.

d) Publication of Public Notices.

The Department recognizes that applications and decisions leading up to the filing of an application in today's regulatory environment may require a substantial outlay of funds without any assurance of final approval. It is also recognized that careful and deliberate research, study, and consideration of alternatives is the best avenue to achieve a successful operation. Accordingly, an applicant which has out of caution, prudence, or other motivation elected to expend such time and money to insure a greater probability of success in their decision making process should not be disadvantaged relative to a conflicting application which has been ill-conceived or hastily prepared simply to establish priority in the regulatory process. **Priority of filing ordinarily will not be a factor in the decision-making process.**

All expenses incurred in connection with the organization of a bank are to be assumed by the organizers. If a charter is issued, expenses determined to be reasonable by the Department may be reimbursed by the bank after the commencement of business. In no event shall the amount of or payment of any fee be solely contingent upon action, decision, or forbearance on the part of the DBF. A contingent expense or fee will ordinarily result in disapproval of the application.

Any financial arrangement or transaction involving the proposed bank and its organizers, directors, officers, major shareholders or their associates or interests ordinarily should be avoided. If there are transactions of this nature, they must be fair, fully disclosed, reasonable and comparable to similar arrangements that could have been made with unrelated parties.

The name of the new bank will be considered in accordance with the Policy Statement for Title Changes.

The foregoing policy will generally not be applicable to a corporate reorganization or to proposals to organize a bank to facilitate the acquisition of any existing bank.

PROCESSING PROCEDURES

PROCESSING. If the applicant meets the qualifying criteria outlined on Page 2 of this Manual, expedited processing procedures will be followed. If the applicant meets all of the expedited processing criteria, with the exception of the holding company size criteria, the application will still be processed in an expedient manner. In such cases, the applicant should discuss the proposal with the Department prior to submitting the application. If the application qualifies for expedited processing, the Department will act within 60 days of acceptance of the application, or the end of the public comment period, whichever is later. For all other bank charter applications, particularly where the applicant will be an independent bank, regular processing procedures will be followed. Typically, the Department will act with 90 days of acceptance of the application.

PUBLICATION REQUIREMENTS. Publication for public comment on the charter application may commence no sooner than five (5) days prior to the date the application is mailed or delivered to the Department. The form of publication may be joint with the federal regulator, if only one publication notice is desirable. The publication should be published in a newspaper of general circulation in the community in which the applicant's main office is or will be located and in which the applicant proposes to engage in business as notification to any interested parties of their right to protest the application.

A separate Publication of the Articles of Incorporation will have to be made, following acceptance of the Articles by the Department, in accordance with O.C.G.A. **§ 7-1-392.**

Persons desiring to organize a bank should obtain forms and instructions from the Department. Normally, the group of organizers will arrange a meeting with representatives of the Department and the primary federal regulator prior to receiving an application. Charter applications should be filed simultaneously with the Department and the primary federal regulator since all banks in the State of Georgia must have deposit insurance coverage.

Requests for reconsideration of disapproved applications will not be accepted. A new application may be filed at any time by submitting substantive new or additional information to the Department. To the extent relevant, the Department will consider and incorporate the prior administrative record. A supplemental filing fee will be required. When a charter application is disapproved, a written statement of the reasons for the disapproval will be furnished to the applicant.

The time allowed to open for business normally will be two years from the date of preliminary approval. Preliminary approval will be rescinded if the bank is not open for business within this two-year period.

DEPARTMENT PROCEDURES
BANK AND TRUST COMPANY CHARTERS

1. LAW AND REGULATIONS

Section 7-1-130 thru 134. Names, Registered Offices, and Advertising.
Section 7-1-243. Restrictions on banking and trust nomenclature.
Part 8 Incorporation of Banks and Trust Companies, Section 7-1-390 thru 398.
Section 7-1-608(b)(3). Establishment of a de novo bank by a registered bank holding company.
Section 7-5-1 thru 7-5-6. Credit Cards and Credit Card Banks.
Chapter 80-1-1 Applications, Registrations and Notifications.
Chapter 80-5-1 Supervision, Examination, Registration and Investigation Fees. Administrative Late Fees.
Chapter 80-6-1-.16 Expedited Processing Criteria for Holding Company Sponsored Bank Charters.

2. POLICY STATEMENT

See Policy Statement on Bank Charters.

3. EXPEDITED PROCESSING

Pursuant to O.C.G.A. Section 7-1-608(b)(3), a bank holding company registered with the Department and owning a bank that does a lawful banking business in this state may acquire control through the formation of a de novo bank in Georgia. If the application qualifies for expedited processing, the Department will normally act within 60 days of acceptance of the application or the end of the public comment period, whichever is later. For all other bank charter applications, particularly where the applicant will be an independent bank, regular processing procedures will be followed. Typically, the Department will act within 90 days of acceptance of the application.

Criteria for Expedited processing of Bank Charter Applications:

When the proposed institution is being established as a wholly-owned subsidiary of an "**eligible holding company**", the processing period will be shorter and the application may be abbreviated under certain circumstances. An "eligible holding company" is defined as a bank or thrift holding company that:

- has consolidated assets of $150 million or more;
- has an assigned BOPEC or Thrift Holding Company composite rating of "2" or better;
- has a least 75% of its consolidated depository institution assets comprised of eligible depository institutions.

An "**eligible depository institution**" is one that: **(1)** has a composite CAMELS rating of "1" or "2", **(2)** has a compliance rating of "1" or "2", **(3)** has a Satisfactory or better CRA rating, **(4)** is well-capitalized as defined by the appropriate capital regulations of its primary federal regulator, and **(5)** is not subject to any form of administrative agreement (such as an MOU, Cease and Desist Order, Prompt Corrective Action, etc.) with its primary federal regulator or chartering authority. The definition of administrative agreement generally excludes a Board Resolution for minor supervisory matters. However, an application can be removed from expedited processing for various reasons, including, but not limited to the following:

a) Safety and soundness concerns of the Department dictate a more comprehensive review;

b) Any material adverse comment is received by the Department;
c) Other supervisory concerns, legal issues, or policy issues come to the attention of the Department;
d) If applicable, any acquisition of fixed assets would cause the institution to exceed the state fixed asset limitation;
e) Any other good cause exists for denial or removal.

NOTE: *If the applicant meets all of the criteria above, with the exception of the holding company size criteria, the application could still be processed in a timely manner.* In such cases, the applicant should discuss the proposal with the Department prior to submitting the application.

3a. PROCEDURES (EXPEDITED PROCESSING)

Initial contact should be made by phone with the Corporate Manager at (770) 986-1645.

1. When the entire organizers group has been formed, a meeting will be scheduled with the Commissioner, Senior Deputy Commissioner, and Deputy Commissioner for Supervision at the Office of the Department of Banking and Finance. A representative from the FDIC (and FRB, if applicable) will also be invited to attend the meeting. The application will be distributed during this meeting at no cost to the organizers.
2. Publication of the public comment notification required by Rule 80-1-1-.04 may commence no more than five days prior to submission of the application with the Department. This publication shall be published in a newspaper of general circulation in the community in which the applicant's main office is located and in a newspaper of general circulation in any other community in which the applicant proposes to engage in business.
3. The application should be filed concurrent with the appropriate Federal regulator. The applicant will be notified within ten (10) business days of receipt of the application. The Department will notify the applicant when the application is substantially complete. The Department and the FDIC may waive a formal field investigation. However, if a field investigation is determined necessary, the field investigation will be joint with the Federal regulator, when possible.
4. For an application submitted under expedited processing, the Department should take action within 60 days of acceptance of the application unless the processing time is extended by a request of additional information prior to or during the investigation process.
   NOTE: The application procedure will be extended in the event of any filing of a formal protest.

3b. DOCUMENTS REQUIRED (EXPEDITED PROCESSING)

1. Application which should include the exact street address location of the proposed main office or a specific location. The application should include the following also:
   a) Financial and Biographical forms on all proposed Directors, Officers, and shareholders of 10% or more of the stock to be offered.
   b) Interagency Charter and Federal Deposit Insurance Application and all required exhibits. Please refer to specific exhibits and pages of exhibits on the application form itself.
   c) Three year business plan.
   d) CRA Statement.
   e) Affidavit required by Section 7-1-391, included in the State Certificate for Application.

   NOTE: An expedited application may be granted waivers on submission of certain financial and background information on the organizers. Where the de novo bank is purchasing and assuming the assets/liabilities of an existing branch(s), the amount of information required in support of the Convenience and Needs factor may be abbreviated since the bank would be replacing a competitor in the market.
2. Certificate of name reservation with the Secretary of State's Office pursuant to Code Section 7-1-131.
3. Three copies of the Articles of Incorporation with original signatures and a check made payable to the Secretary of State for the applicable fee. Publisher's affidavit and publication of the Articles as required by Code Section 7- 1-392, should also be provided when available.
4. Publisher's affidavit and public comment publication as required by regulation, or joint publication with Federal regulator.
5. The filing fee as noted below.

4. PROCEDURES (REGULAR PROCESSING)

Initial contact should be made by phone with the Corporate Manager at (770) 986-1645.

1. When the entire organizers group has been formed, a meeting will be scheduled with the Commissioner, Senior Deputy

Commissioner, and Deputy Commissioner for Supervision at the Office of the Department of Banking and Finance, with all proposed directors to be in attendance. A representative from the FDIC will also be invited to attend the meeting. The application will be distributed during this meeting at no cost to the organizers.

2. Publication of the public comment notification required by Rule 80-1-1-.04 may commence no more than five days prior to submission of the application with the Department. This publication shall be published in a newspaper of general circulation in the community in which the applicant's main office is located and in a newspaper of general circulation in any other community in which the applicant proposes to engage in business.
3. The application should be filed concurrent with the appropriate Federal regulator. The applicant will be notified within ten business days of receipt of the application. The Department will notify the applicant when the application is substantially complete and schedule a field investigation at that time. For the convenience of the applicant, the field investigation will be joint with the Federal regulator when possible.
4. For an application submitted under regular processing, the Department should take action within 90 days of acceptance of the application unless the processing time is extended by a request of additional information prior to or during the investigation process.

   NOTE: The application procedure will be extended in the event of any filing of a formal protest.

4a. DOCUMENTS REQUIRED (REGULAR PROCESSING)

1. Application which should include the exact street address location of the proposed main office or a specific location. The application should include the following also:

a) Financial and Biographical forms on all proposed Directors, Officers, and shareholders of 10% or more of the stock to be offered.

b) Interagency Charter and Federal Deposit Insurance Application and all required exhibits. Please refer to specific exhibits and pages of exhibits on the application form itself.

c) Three year business plan.

d) CRA Statement.

e) Affidavit required by Section 7-1-391, included in the State Certificate for Application.

2. Certificate of name reservation with the Secretary of State's Office pursuant to Code Section 7-1-131.
3. Three copies of the Articles of Incorporation with original signatures and a check made payable to the Secretary of State for the applicable fee. Publisher's affidavit and publication of the Articles as required by Code Section 7- 1-392, should also be provided when available.
4. Publisher's affidavit and public comment publication as required by regulation, or joint publication with Federal regulator.
5. The filing fee as noted below.

5. PROCESSING TIME

Expedited Processing	60 days from acceptance, or end of the public comment period, whichever is later.
Regular Processing	90 to 120 days from acceptance

6. FEES

Expedited Application Fee	$10,000
Regular Application Fee	$20,000
Application Fee (Credit Card Bank charter)	$25,000
Pre-opening Investigation Fee	$5,000
(to be paid at time of Request for Permit to Begin Business)	

FINANCIAL INSTITUTIONS
CHAPTER 80-5-1-.03

SUPERVISION, EXAMINATION, REGISTRATION AND INVESTIGATION FEES. ADMINISTRATIVE LATE FEES

80-5-1-.03 Examination, Supervision, Registration, Application and Other Fees for Financial Institutions and Nonbank Subsidiaries of Banks or Holding Companies.

(1) Examinations. That portion of annual appropriations allocable to regular examination and supervision activities shall be assessed in accordance with the following scale for depository financial institutions:

(a)

If the amount of Total Assets is:		Assessment will be:		
Over	But Not Over	This Amount	Plus	Of Excess Over
0	1,700,000	0	0.001800	* 0
1,700,000	15,000,000	3,060	0.000230	1,700,000
15,000,000	85,000,000	6,119	0.000190	15,000,000
85,000,000	185,000,000	19,419	0.000100	85,000,000
185,000,000	915,000,000	29,419	0.000095	185,000,000
915,000,000	1,825,000,000	98,769	0.000085	915,000,000
1,825,000,000	5,470,000,000	176,119	0.000072	1,825,000,000
5,470,000,000	18,240,000,000	438,559	0.000056	5,470,000,000
18,240,000,000	36,485,000,000	1,153,679	0.000050	18,240,000,000
36,485,000,000	45,000,000,000	2,065,929	0.000040	36,485,000,000
45,000,000,000	57,000,000,000	2,406,529	0.000035	45,000,000,000
57,000,000,000	92,000,000,000	2,826,529	0.000030	57,000,000,000
92,000,000,000	130,000,000,000	3,876,529	0.000025	92,000,000,000
130,000,000,000	180,000,000,000	4,826,529	0.000023	130,000,000,000
180,000,000,000		5,976,529	0.000020	180,000,000,000

* Minimum assessment is $350.

Note: Total Assets and resultant assessment may be rounded to the nearest dollar.

(b) All other financial institutions, including credit card banks, bankers banks, central credit unions, and related corporations not covered elsewhere in this Section, licensees and registrants under Article 4 (Sale of Checks) and 4A (Check Cashers) of Chapter 1 of Title 7, O.C.G.A., licensees and registrants under Article 13 (Georgia Residential Mortgage Act), and trust departments shall pay an examination fee at the rate of $65 per examiner-hour but not less than $500 unless such examination is conducted in conjunction with another ongoing examination in which case there shall be no minimum charge. The above per hour charge shall be compensation for the work of department examiners as well as any necessary, qualified outside assistance. The $500 minimum charge may be waived by the Commissioner or his/her designee when such charge clearly exceeds the hours spent on an examination. Check casher fees for examination shall be remitted to the state treasury net of any fees paid by the Department for examination by a third party.

(c) Notwithstanding the provisions of subsection (b) above, licensees under Article 13 shall pay the actual cost incurred by the Department in the conduct of an out of state examination, including personnel costs, transportation costs, meals, lodging and other incidental expenses, in addition to $65 per examiner hour spent on the examination.

(d) If an examination or supervisory visit is conducted of any financial institution during the same calendar year in which a previous examination has already been conducted, the institution shall pay expenses, including personnel costs, transportation costs, meals, lodging and other incidental expenses, and an additional examination fee at the rate of $65 per examiner-hour required for such examination.

(e) The Department may discount or surcharge all examination and supervision fees herein provided to assure that anticipated revenues of the Department will fund the annual appropriation by the General Assembly.

(f) The Department may also require reimbursement for direct expenses, such as transportation costs, meals, lodging, etc. associated with out-of-state examinations or supervisory visits for any regulated entity, including money services businesses.

(2) Banking applications:

(a) Applicants for new branch offices or relocations of financial institutions shall pay an investigation fee of $1,250 for each application. Simple redesignations of existing bank locations require only prior notification in writing. Branch Offices established under the notice procedure shall pay a fee of $500.

(b) Applicants for approval of new bank, trust company, state savings or mutual savings bank or savings and loan, or building and loan charters shall pay an investigation fee of $20,000 for each application. Bank charter applications qualifying for expedited processing will be assessed an investigation fee of $10,000. Applicants for approval of a new credit card bank or a special purpose bank shall pay an investigation fee of $25,000. Prior to commencing business, successful applicants shall pay a supervisory and examination fee covering the preopening organizational supervision and initial operating supervision of the new institution in the amount of $5,000.

(c) Applicants for approval for a company to become a bank holding company, other than for a de novo bank, may receive regular or expedited processing. Regular processing is $3,500; expedited processing is $2,500. Formation of a holding company simultaneously with formation of a de novo bank requires a regular processing fee of $3,500, which, if applicable, is reduced by the fee for a new state charter.

(d) Applicants for a bank holding company to acquire five (5) percent or more but less than twenty-five (25) percent of the outstanding voting stock of financial institutions, or for review of a change of control shall pay an investigation fee of $3,500 for each such application, provided, however, the Commissioner may waive or reduce such investigation fee in the case of a merger under emergency conditions as determined by the Department or in cases of:

(i) Interstate transactions where a comparable fee has already been paid for an earlier, related transaction among the same entities and where the resulting holding company pays an annual registration fee of $1,000; or

(ii) Interstate transactions involving no Georgia state banks where the resulting holding company with branches or banks in Georgia pays an annual registration fee of $1,000.

(e) Applicants for a bank holding company to acquire more than twenty-five (25) percent of the outstanding voting stock of financial institutions, shall pay an investigation fee of $6,000. Expedited processing for these acquisitions is $4,500. The fee for an intrastate and a covered interstate merger of banks or bank holding companies is $4,500, reduced by a Department fee for a simultaneous acquisition if it has been paid. The Commissioner, however, may waive or reduce such investigation fee in the case of a merger under emergency conditions as determined by the Department or, in cases of:

(i) Interstate transactions where a comparable fee has already been paid for an earlier, related transaction among the same entities and where the resulting holding company pays an annual registration fee of $1,000; or

(ii) Interstate transactions involving no Georgia state banks where the resulting holding company with branches or banks in Georgia pays an annual registration fee of $1,000.

(f) Applicants for license to operate an international agency shall pay an investigation fee of $5,000. In the event the application is denied, $2,000 representing the applicant's initial license fee shall be refunded. International bank agencies and domestic international banking facilities shall pay an annual license or registration fee of $2,000, on the first day of April of each year. Renewal licenses shall be issued for a twelve month period.

(g) Depository financial institutions, except credit card banks, bankers banks, and central credit unions shall pay an annual supervision fee as part of the examination fee prescribed in Rule 80-5-1-.03.

(h) All other financial institutions supervised by the Department who are not already covered by this chapter, except international agencies, shall pay an annual supervision fee of $500, due on or before January 31 of each year.

(i) The investigation fee for conversion to a state bank is $20,000.

(j) If a bank satisfies the banking factors set out in the Department's Statement of Policies, the fee to exercise a single trust power is $250 and the processing is expedited to 7 days. A completed letter form application to exercise limited trust powers will be reviewed in 15 days; the fee is $750. A bank that desires to exercise full trust powers files a regular application including a copy of the FDIC application. A complete application will be reviewed in 30 days; the fee is $1,250. A new trust company, which must be affiliated with a Georgia bank, requires an investigation fee of $20,000.

(k) Regular applications to establish or acquire a subsidiary of a bank shall require a fee of $500. Banks qualified to file expedited applications according to the criteria in DBF Rule 80-1-1-.10 are not subject to a fee.

(l) A credit union that applies for a residential group common bond shall include an application fee of $1,250 to cover the amount of administrative time involved in reviewing this type of common bond group.

(3) General rules for fees; holding companies with subsidiaries in Georgia.

(a) Fifty (50) percent of fees payable under the provisions of subsections (a), (b), (c), (d), (e) and (i) of Section (2) of this Rule may be rebated to the applicant upon withdrawal of the application prior to the performance of any field investigation which might be required. Actual amounts rebated shall be at the discretion of the Department based upon the administrative time devoted to consultation with the applicant and processing of the application. Each bank holding company supervised by or registered with the Department shall pay on or before January 31 of each year an annual registration fee of $1,000. Each Georgia bank holding company or a holding company that owns a Georgia bank shall pay on or before January 31 of each year an additional $500 for each Georgia non-bank subsidiary corporation of the bank holding company, excluding subsidiaries assessed pursuant to Paragraph 80-5-1-.03(1)(a) and subsidiaries paying an annual license or registration fee pursuant to Paragraph 80-5-1-.02(4), as of June 30 preceding the due date of January 31.

(b) Applications covering more than one transaction (branch, acquisition, merger, etc.), which require the Department to separately analyze each application shall pay the applicable fee for each transaction.

(c) The annual assessment rates included in subparagraph (1)(a) above will normally be used in connection with any annual assessment of depository financial institutions having banking offices in more than one state including Georgia. The Commissioner, however, will have the discretion to deviate from the rates included in the assessment schedule and other rates and charges including application fees in order to facilitate or implement interstate efforts to regulate and supervise multi-state banks or for parity reasons.

Authority Ga. L. 1974, pp. 709, 732, 733; Ga. L. 1976, Act 762; 1990, p. 739; 1993, p. 543; O.C.G.A. §7-1-41; §7-1-61.