

GBA

GEORGIA BANKERS ASSOCIATION
the resource that empowers

GEORGIA BANKING UPDATE JANUARY 2019



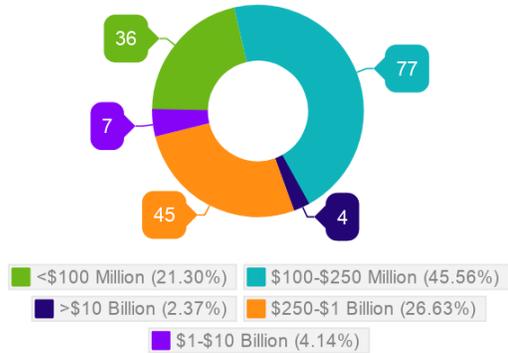
ADVOCACY | COMMUNITY | EDUCATION | SERVICES

GEORGIA BANKS AT A GLANCE

222 BANKS WITH DEPOSITS OR OFFICES IN GEORGIA



ASSET-SIZE DIVERSITY
Georgia-Based Banks

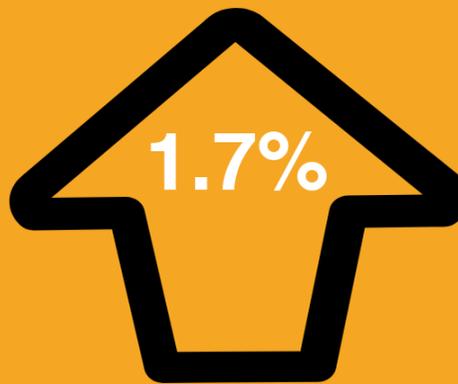


50,000 EMPLOYED

STATEWIDE GEORGIA BANK PERFORMANCE



EARNINGS YTD THROUGH Q3 2018



LOANS GROWING



NET-INTEREST MARGINS UP

PROFITABILITY AND CREDIT QUALITY SHINE



96%
PROFITABLE AT MID-YEAR



99%
LOANS BEING PAID ON TIME

GEORGIA BANKING FACTS & FIGURES

(through Sept. 30, 2018, unless noted otherwise)

- > Year-to-date net income through Sept. of \$3.25 billion, up 30%
- > Quarterly earnings in Q3 of \$1.15 billion, up 29.3%
- > Total loans and leases of \$227.9 billion, up 1.7%
- > Deposits of \$256.7 billion.
- > 96% of all Georgia-based banks were profitable and 83% reported earnings gains through third quarter
- > Net interest margin was 3.55%, which is above national average
- > Noncurrent loans were stable at 1.22%
- > Loans charged off declined from already low levels
- > Capital levels remain strong across the industry.

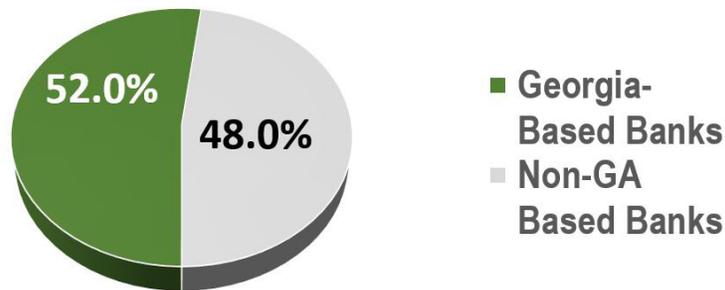
	GEORGIA BANKS	GEORGIA BANKS	NATIONAL
	9/30/2018	9/30/2017	9/30/2018
Totals are YTD	\$ in 000s	\$ in 000s	\$ in 000s
Number of Institutions Reporting	169	178	5,477
Total Employees (full-time equivalent)	41,355	42,856	2,070,684
Total Assets	\$315,748,215	\$312,602,661	\$17,672,777,296
Other Real Estate Owned	\$377,871	\$497,734	\$7,186,749
Total Deposits	\$256,704,452	\$257,638,855	\$13,573,675,823
Noncurrent Loans & Leases	\$2,778,742	\$2,727,968	\$101,259,368
Total Loans & Leases	\$227,928,285	\$224,139,344	\$9,939,304,918
Net Income	\$3,253,833	\$2,501,686	\$177,905,760
Net Charge-Offs	\$318,168	\$358,469	\$34,893,662
Net Charge-Offs to Loans	0.19%	0.22%	0.48%
% of Profitable Institutions	96%	95%	98%
% of Institutions with Earning Gains	83%	66%	77%
Net Interest Margin	3.55%	3.34%	3.38%
Return on Assets (ROA)	1.40%	1.08%	1.36%
Return on Equity (ROE)	12.12%	9.48%	12.05%
Loss Allowance to Loans	1.06%	1.16%	1.24%
Noncurrent Loans to Loans	1.22%	1.22%	1.02%
Equity Capital to Assets	11.47%	11.48%	11.28%
Total Risk-Based Capital Ratio	13.17%	13.10%	14.62%

EVOLVING GEORGIA BANK LANDSCAPE

Georgia remains a well-banked state, having the most state-based banks in the Southeast. There is significant choice and access to banking for individuals, families and businesses. And, banks from all over the country are attracted to Georgia because of the economy and business diversity. Competition is robust in terms of rates, terms, products and services. Georgia historically has had a large number of banks, and still does.

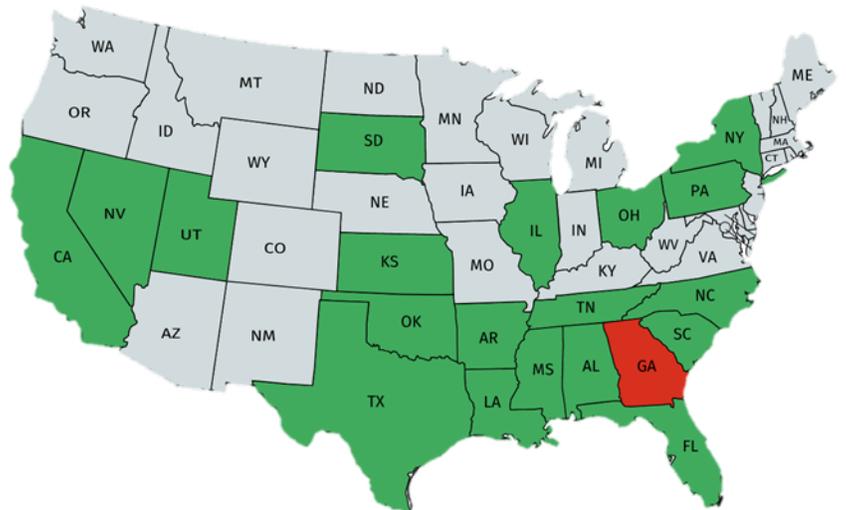
- > Banks from 20 other states do business in Georgia*
- > 222 Total Banks
- > 2,311 Georgia Offices
- > \$250.4 Billion in Georgia deposits as of June 30, 2018

Deposit Market Share in Georgia



STATE-BASED BANKS (Jan. 7, 2019)	
Georgia	169
Kentucky	150
Tennessee	144
Alabama	119
Florida	118
Louisiana	118
Arkansas	93
Virginia	74
Mississippi	73
South Carolina	51
West Virginia	51
Maryland	46
North Carolina	48

WHERE ARE OUR BANKS HEADQUARTERED?



* FDIC market share data, June 30, 2018, published in October 2018.

ECONOMIC & BANKING ENVIRONMENT SUMMARY

- > Georgia is the 8th most populous state; top-10 growth expected through 2020.
- > Georgia is 8th in the nation for net in-migration (2010-17).
- > More Georgia residents than ever are employed. Through November 2018, 4.97 million Georgians were employed.
- > The unemployment rate through November 2018 was 3.5 percent, better than the national average.
- > We're carefully monitoring the impact of \$2.5 billion in direct losses from Hurricane Michael on the state's agribusiness sector and related business and family finances.
- > #1 state for business six consecutive years.
- > Housing is still relatively affordable, especially compared to other regions in the country.
- > Business relocations remain good.
- > Ports, rail, air and highway transportation infrastructure are general advantages as ongoing challenges are being addressed by state leadership.
- > Georgia has become a leader in the financial services technology sector, and the agribusiness, healthcare and education sectors are economic development strengths.
- > Customer satisfaction with banks is high, and banks are the most trusted for information and data protection.
- > Competition for high-quality borrowers is strong, with attractive rates and terms for borrowers.
- > Deposit rates are rising and competition is intensifying.

GBA REGULATORY & LEGISLATIVE PRIORITIES

- > Promote the general welfare and usefulness of banking and the preservation of a sound banking system.
- > Support policy and regulatory actions that enable lending and foster job creation.
- > Remove excessive regulation and other barriers to serving families, businesses and our hometowns.
- > Advocate for regulatory structures that are tailored to varied bank business models and risk profiles.
- > Advocate for continued charter choice and a level playing field with nonbank financial services providers.

STATE LEGISLATIVE UPDATE

The Georgia General Assembly convened for its 2019 session January 14. GBA will be represented throughout the session by our Senior Vice President for Government Relations, **Elizabeth Chandler**, 404.420.2027, President and CEO, **Joe Brannen**, 404.420.2026, and our Government Relations Consultant **Steve Bridges**, 404.420.2037. Contact any of them with questions about legislation, information about your legislator's stance on a particular issue or to request any other information related to the Georgia General Assembly. This will be the first session of a 2-year legislative cycle. Keep track of all the banking-related bills we're following by visiting the State Issues page on the GBA website. We'll note bills we support, bills we oppose and others of interest we're monitoring. Also, we'll email a GBA Legislative Update at the close of each week's activities to keep you posted about how the session is progressing. Following are some of the issues we expect to see in this year's session.

Department of Banking and Finance Housekeeping Bill. The Department has drafted a bill encompassing a handful of issues that is currently being reviewed by the incoming Kemp administration. The bill includes provisions to eliminate barriers to forming de novo banks, eliminate appropriated retained earnings references because that no longer impacts legal lending limits, authorize background checks for trust company directors and officers, among other provisions affecting other entities the Department regulates.

Moye Decision. The Georgia Court of Appeals issued a decision in March of 2018 calling into question the ability to enforce a guaranty if it was cancelled orally instead of in writing. In working with members of the GBA Bank Counsel Section, we believe legislation is necessary to provide that all changes to a guaranty must be writing – modification, cancellation, alteration, etc.

Rural Development Council Recommendations. We have followed the work of the House Rural Development Council and a Senate study committee looking at similar issues on how to boost rural economies in Georgia. We will be following their recommended legislation closely looking at the potential for greater economic vitality throughout our state.

Reciprocal Deposit Coverage for Municipal Deposits. There is an effort among local government representatives to have legislation introduced allowing for FDIC coverage of public unit deposits through reciprocal deposit products. We support the concept and interested parties have been working with the Office of the State Treasurer on the details of such a program.

HEMP/Marijuana Related Banking Issues. We have followed the study committees charged with determining the viability of growing and distributing industrial HEMP as contemplated in the federal Farm Bill and the low-THC oil products currently allowed in Georgia for certain medical conditions. With an eye on the regulatory treatment of banking such customers, GBA will closely follow these efforts.

Foreclosure Law Changes. There may be efforts to make Georgia's foreclosure process subject to more judicial oversight. Georgia's non-judicial process has served our state well and we oppose changing the current process.

Funeral Home Services Payment. We expect a bill to address order of payment for funeral services to be reintroduced this year. This is coming from funeral home directors frustrated with delayed payment from financial institutions as the priority of payments issues are being sorted out. Our aim is to give banks certainty on order of payment.

Self-Settled Trust. We expect legislation to be reintroduced allowing for a self-settled or asset protection type trust in Georgia. A version was passed in the 2018 session, but vetoed by Governor Deal. GBA worked to amend the legislation to the point where our concerns were alleviated, and we will do so again if the bill resurfaces.

FEDERAL LEGISLATIVE & REGULATORY UPDATE

Although the atmosphere in Washington, D.C. is hyper-partisan, there is no reason for banking-related issues to be partisan, so GBA will continue to press forward for positive legislative changes and regulatory relief allowing our banks and bankers to better serve the needs of their communities. The legislation passed in 2018, S. 2155, was bipartisan and we intend on building on that success in the new Congress.

The federal banking regulators will also play a big role as they implement the provisions of S. 2155 and continue to review outdated regulations or regulations that are doing more harm than good.

Federal legislation and regulation must foster healthy economic growth so Georgia bankers can continue to support the individuals, families and businesses in their communities. Crucial to that is the ability to innovate and freely compete with those within and outside the traditional banking industry. Commonsense banking rules are essential to allow banks the flexibility to offer products and services their communities want and need.

Following is a list of legislative and regulatory issues we expect to be addressed.

Agriculture/Agribusiness. Congress passed and the President signed a five-year extension of the Farm Bill in late 2018. That was helpful to bringing certainty to Georgia's number one industry: agriculture. With the devastation from Hurricane Michael, we ask Congress to quickly respond by appropriating disaster relief money so our producer borrowers and bankers will know with some certainty the resources available as they consider 2019 operating lines.

Brokered Deposits/Rate Caps. We are pleased to see FDIC undertaking a comprehensive review of the regulatory

approach to brokered deposits and the interest rate caps applicable to banks that are less than well capitalized. These rules put in place in 1989 need substantial revision to apply to today's marketplace that has seen significant changes in technology, business models and products. In addition, changes to the economic environment have raised a number of issues relating to the interest rate restrictions.

Data Security. It's time for Congress to address the difference between the robust federal data security requirements for banks and the lack of a similar model for other business sectors. There are too many examples of massive data breaches that have put millions of consumers at risk; protecting consumer information is a shared responsibility of all parties involved. We encourage Congress to pass legislation to ensure all parties have verifiable procedures in place to protect sensitive data; has broad applicability across the U.S.; and allows for both uniform consumer notification and coordination with law enforcement.

Capital Simplification. As directed by the regulatory relief bill passed by Congress in 2018, the federal banking regulators have proposed a rule creating a "Community Bank Leverage Ratio." A community bank above that ratio will be deemed in compliance with risk-based capital requirements such as Basel III. The regulators were given the ability to set the standard between 8% and 10% and proposed 9% as the percentage that would treat qualifying banks as well capitalized. In our comment letter to be filed later this year, we will encourage the regulators to recognize that an 8% threshold is an appropriate level and that the new ratio must remain optional.

Bank Secrecy Act/Anti-Money Laundering Act. Our members continue to report some of the more costly and burdensome regulations are related to BSA/AML compliance. Regulators are encouraged to take a fresh look at the current structure, especially as it relates to complicated rules like "customer due diligence" to identify account ownership. We also support legislation that would raise the current \$10,000 threshold for Currency Transaction Reports.

Home Mortgage Disclose Act (HMDA). The number of banks covered by HMDA as well as the amount of data required to be reported expanded greatly in 2018. As the Consumer Financial Protection Bureau is re-opening consideration of the expanded loan-level data proposed rule, we will be asking our members to help identify issues encountered with the new HMDA regime, the expense to hire additional staff or add complex new software, what concerns they have with the granularity of the data and how it could be interpreted to disclose the identity of customers.

CECL Accounting Standard for Credit Losses. As bankers are preparing for the implementation of a new accounting standard that will require banks to record allowances for credit losses on loans and certain debt securities at origination, it's become obvious a great deal more information will be needed to understand the rule's effect on the industry, the availability of credit and potential volatility during times of economic downturn. In order to help inform FASB, we call on the federal banking regulators to perform a quantitative impact study that would assess the impact of CECL on the industry and especially on lending through an economic cycle, and further to assess the costs of CECL, principally to community banks.

Interchange. We understand the retailers will be asking Congress to extend debit card restrictions on interchange fees to also apply to credit cards. There is no evidence the millions of dollars retailers have gained with the debit card restrictions have been passed along to consumers and our view is that expanding the restrictions to credit cards will simply add to the retailers' bottom lines. Not only do we oppose further restrictions on interchange fees, we support restoring market pricing on debit interchange fees so that consumers can once again enjoy more flexibility in the products and services that banks offer.

Community Reinvestment Act Modernization. The Community Reinvestment Act is in serious need of revision to reflect modern banking practices and consumer choices. The Comptroller of the Currency requested public comment in 2018 about ways to address both the uncertainty and complexity of the regulation. We encourage the other prudential bank regulators to work together and propose a joint rule that provides certainty about qualified activities, gives institutions

credit for all loans and investments in communities, that recognizes how customers and their banks are using technology that challenges geographic barriers, and is flexible so as to not hamper the fast-developing business models of the bank of tomorrow.

Credit Unions/Farm Credit. We will continue to press for legislative and regulatory proposals that will level the playing field between tax-advantaged entities that offer similar products and services to banks.

GEORGIA BANKING IN OUR COMMUNITIES

Georgia banks and bankers are cornerstones of their communities. They provide financial support, guidance and expertise to local government, economic development, educational and other civic entities. They teach financial literacy to kids and adults and support the arts, charities, community festivals, sports and other activities. Bankers volunteer hundreds of thousands of hours for community service projects each year. Here are just some of the major initiatives Georgia bankers support in our communities.



Georgia Peanut Bank Week is in the fall of each year. During the week, banks promote the state's official crop and emphasize the economic, dietary and cultural importance of the state's peanut industry.



An ongoing public awareness and education campaign to protect older Americans from Financial Fraud. The campaign features four comprehensive modules: Identifying and Avoiding Scams, Protecting Your Assets by Preventing Identity Theft, Choosing a Financial Caregiver, and Acting as a Responsible Financial Caregiver.



Every April bankers from around the state join a nationwide campaign to teach children good money habits. Bankers visit schools and community groups with specialized, grade-appropriate lesson plans, worksheets, games and other learning materials.



National *Get Smart about Credit Day* is always in October, but a number of Georgia banks participate in this campaign throughout the year. Through school and community presentations, volunteer bankers work with young people to raise awareness about the importance of using credit wisely.



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2019 CALENDAR OF EVENTS

JANUARY

- 16 Legislative Reception - Atlanta
- 30 Analyzing Financial Statements Seminar – Macon

FEBRUARY

- 7 Georgia BankPAC Clay Shooting Tournament – Sparta
- 12 IRA Basics Seminar – Macon
- 13 Call Reporting Seminar – Macon
- 20 Fair Lending Seminar – Macon
- 25-28 Senior Lending Officer Roundtables – Macon & Atlanta

MARCH

- 6 South Georgia Community Bank Symposium – Valdosta
- 11 Basic Deposit and Operations Workshop – Macon
- 12-13 Basic Lending Workshops – Macon
- 20-22 Human Resources Conference – Jekyll Island
- 25-27 Ops/Tech Conference – St. Simons Island

APRIL

- 3 Loan Documentation Seminar – Macon
- 11-12 Bank Security Conference – St. Simons Island
- 17 New Account Documentation & Compliance Seminar – Macon

MAY

- 5-10 Georgia Banking School – Athens
- 5-10 Advanced Compliance School – Athens
- 16-17 Rural Development & Lending Conference – St. Simons Island
- 20-23 Senior Lending Officer Roundtables – Macon & Atlanta

JUNE

- 23-26 Annual Meeting – Banff, AB, Canada

JULY

- 22-25 Leadership Conference – Ponte Vedra, FL

AUGUST

- 14-16 Women in Banking Conference – Braselton
- 19-23 BSA Experience – Macon

SEPTEMBER

- 12 IRA Update & Review Workshop – Macon
- 18-20 Compliance Conference – Peachtree City

OCTOBER

- 6-8 President / CEO Conference – Greensboro
- 6-8 Bank Counsel Conference – Greensboro
- 6-8 Bank Accountant Conference – Greensboro
- 23 BankPAC Golf Tournament – Forsyth
- 28-31 Senior Lending Officer Roundtables – Macon & Atlanta

NOVEMBER

- 7-8 Financial Risk Management Conference – Atlanta

DECEMBER

- 5-6 Credit Conference – Atlanta
- 10 Bank Secrecy Act (BSA) Seminar – Macon

CEO, Financial/Operations and Leadership Roundtable schedules are available on the gabankers.com calendar.

Webinars are scheduled daily.