



STATE OF ALABAMA STATE BANKING DEPARTMENT



General Information Alabama State-Chartered Bank Formation

General description of conditions for formation of an Alabama, state-chartered bank:

- 1) **Sufficient Capital** - This depends on the market in which the bank is to operate, the business plan of the proposed bank, and the growth estimates and projections of examiners conducting the field investigation of the application to form the new bank. A large, metropolitan market will require more capital than a small one. For example, the absolute minimum to start a bank in the smallest market in Alabama is \$4,000,000. In a larger market such as Birmingham, the minimum would generally be at least \$10,000,000. These figures may be higher since the initial capital of a proposed depository institution should be sufficient to provide a Tier 1 capital to assets leverage ratio (as defined in the appropriate capital regulation of the institution's primary federal regulator) of not less than 8.0% for a nonmember bank (9% for a member bank) throughout the first three years of operation.
- 2) **Competent Management** - A new bank needs to have competent management including, at least, the following experienced and highly qualified executive officers: President/CEO, Chief Lending Officer, and Chief Operations or Financial Officer. There also should be directors that are experienced bank directors – 75% must be from the United States and 51% must be from Alabama, §5-6A-1. An education program for all directors. Directors also need to show the financial ability and credit record to support the bank through additional capital contributions in case such contributions are needed. Directors also need to be able to bring in business to the bank. No one convicted of a felony may serve as a bank director or officer.
- 3) **Viable Business Plan** - The incorporators need to have a detailed business plan that clearly identifies realistic goals for growth, profitability, and appropriate strategies for obtaining those goals.
- 4) **Good Earnings Prospects** - Applicants need to demonstrate through realistic and supportable estimates that, within a reasonable period (normally three years); the earnings will be sufficient to provide an adequate profit. 2
- 5) **Deposit Insurance** - All banks chartered in Alabama must have FDIC deposit insurance.

- 6) **Many Other Requirements** - While the above are some of the major requirements or conditions that will be placed on a new bank, there are many others that are too numerous to list here and are covered in the application and application process.

- 7) **Applications** – The Alabama Superintendent of Banks will not accept an application for a new bank charter until the incorporators have met in person with the Superintendent. The department uses the Interagency Application for Deposit Insurance that can be found at the FDIC website:

<http://www.fdic.gov/regulations/laws/forms/index.html>

There are additional application forms that must be obtained from the department in addition to the Interagency Application for Deposit Insurance. Any additional forms or answers to questions may be obtained from E. Nelson Cook, Bank Division Manager, at (334) 242-3547 or nelson.cook@banking.alabama.gov .