



PUBLIC DISCLOSURE

April 1, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Griffin
Charter Number 15572

318 South Hill Street
Griffin, GA 30224

Office of the Comptroller of the Currency

Three Ravinia Drive
Suite 550
Atlanta, GA 30346

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The performance rating is supported by the following factors:

- The loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial condition, and competition.
- A substantial majority of the loans granted were inside the bank's assessment area (AA) and exceeds the standards for satisfactory performance.
- The penetration of loans to borrowers of different income levels and businesses of different sizes within the AA is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of residential and small business loans reflects an excellent dispersion throughout the AA and exceeds the standards for satisfactory performance.

SCOPE OF EXAMINATION

This CRA Performance Evaluation is an assessment of First National Bank of Griffin's (FNB) ability to meet the credit needs of its community. Examiners conducted a full-scope review of the bank's AA. The bank was evaluated utilizing the OCC's Small Bank CRA examination procedures. The evaluation covered the period from January 1, 2015 to December 31, 2018, and was based on the bank's primary loan products: residential mortgage and small business lending activities. Lending data was evaluated using the 2010 Census, as updated in 2015 using the Census Bureau's American Community Service (ACS). The bank has a lending affiliate, but its activity was not material and was not considered in this evaluation.

FNB is subject to the Home Mortgage Disclosure Act (HMDA) because the bank has an office or a deposit-taking ATM located within a Metropolitan Statistical Area (MSA). Prior to the start of this evaluation, a random sample of 240 home mortgage loans (60 loans from each year of the review period) was reviewed to ensure the accuracy of the bank's publicly-filed HMDA information. We found the bank's HMDA data to be reliable.

Because of its asset size, the bank is not required to report its activity for small business and small farm lending as part of its HMDA submission. The bank is not an active small farm lender, but it is an active small business lender in the AA, and it manually retains the location and business revenues of its small business loan customers. Therefore, at the start of this evaluation, we reviewed the bank's small business loans originated in 2015, 2016, 2017, and 2018 to determine their location and business revenue characteristics. For this time period, we selected a random sample of 57 small business loans (from each year of the review period) to ensure the accuracy of the information retained by the bank. We found the bank's data to be reliable.

DESCRIPTION OF INSTITUTION

FNB has six full-service facilities and one limited service, drive-up only facility. The main office, two branches, and one limited service drive-up only facility are located in Griffin, Georgia (Spalding County). FNB also has one branch each in Hampton (Henry County), Locust Grove (Henry County), and Zebulon (Pike County), Georgia. The branches are located in the following census tract income levels: low (one), moderate (two), middle (three), and upper (0). Also, the one limited service drive-up facility is located in a middle income census tract. During the review period, no branches opened or closed. The bank is not owned by a bank holding company. FNB operates automated teller machines (ATMs) at each office, except its Zebulon office. All of the ATMs accept deposits. FNB offers banking services through its website at www.fnb-griffinonline.com.

The bank's business strategy is to deliver high-quality, dependable financial products and services to the AA at fair and competitive prices, while earning the highest possible return on equity for shareholders. FNB offers a variety of products including commercial, real estate, consumer, and farm loans, and various deposit accounts for consumers and businesses. FNB offers traditional loan and deposit products. As of December 31, 2018, FNB's assets totaled \$267.1 million, of which loans comprised \$109.7 million. Loan products include: commercial/industrial (including CRE), residential mortgage, individual/consumer, farmland/agriculture, and other. Based upon the number and dollar of loans and loan originations, our analysis of the bank's lending included two primary loan types: residential mortgage and small business loans. The loan portfolio composition at December 31, 2018, was reported as follows:

Loan Category	\$ (000s)	% of \$
Commercial & Industrial including CRE	\$61,500	56.06%
Residential Mortgage	\$42,206	38.47%
Individuals/Consumer	\$5,296	4.83%
Farmland and Agriculture	\$216	0.20%
All Other	\$487	0.44%
Total	\$109,705	100%

Source: December 31, 2018 FFIEC Call Report

Currently, there are no financial conditions, legal constraints, or other factors hindering the bank's ability to help meet the credit needs of its AA.

The prior CRA Performance Evaluation, dated January 5, 2015, resulted in a "Satisfactory" rating. The prior CRA Performance Evaluation was conducted using the OCC's Small Bank CRA examination procedures.

DESCRIPTION OF ASSESSMENT AREA (AA)

For purposes of this review, FNB’s AA includes all of Spalding, Henry, and Pike Counties, Georgia. As of the 2010 Census, as updated in 2015 using the ACS, the AA is comprised of 41 census tracts (CTs): three low-income, 12 moderate-income, 20 middle-income, and six upper-income CTs. These counties are located within the Atlanta-Sandy Springs-Roswell, GA MSA (12060). The AA consists of entire political subdivisions and does not arbitrarily exclude any low- or moderate-income geographies. The examiner notes that for calendar years 2015, 2016, 2017, and 2018, none of the AA CTs were designated as “Distressed Due to Poverty” or “Underserved.” However, five census tracts in the AA (all in Spalding County) were designated as Opportunity Zones in 2017 as a result of the Tax Cuts and Jobs Act of 2017, a law designed to spur investment and development and boost economic growth and job creation in low-income urban and rural communities nationwide.

As a result of the 2015 ACS Census, the census tract income designations for the bank’s AA changed from 2016 to 2017. This impacted the bank’s AA as follows: The number of low-income census tracts decreased from four to three. The number of moderate-income census tracts increased from six to 12. The number of middle-income census tracts decreased from 24 to 20. The number of upper-income census tracts decreased from seven to six.

Although a part of the Atlanta-Sandy Springs-Roswell, GA MSA, the majority of FNB’s AA is rural area in nature. Leading industries include regional medical facilities, light manufacturing, and education. Major employers include Georgia Power, the Federal Aviation Administration, Piedmont Henry Hospital, PVH Corporation, Freshway Market, General Machine, Southern Mills, Caterpillar, Inc., Care Master Medical Services, Homenurse, Inc., Southern Crescent Technical College, as well as the government and school systems of the three counties. Competition to provide financial services within the AA is strong. FNB’s major competitors include 17 financial institutions, of which 13 are larger commercial banks.

The table below highlights the demographic composition of FNB’s AA:

Demographic and Economic Characteristics of the AA	
Population	<i>Spalding/Henry/ Pike Counties, GA AA</i>
Number of Families	75,328
Number of Households	99,015
Geographies	
Number of Census Tracts	41

% Low Income Census Tracts	7.32%
% Moderate Income Census Tracts	29.27%
% Middle Income Census Tracts	48.78%
% Upper Income Census Tracts	14.63%
Median Family Income (MFI)	
2015 HUD Adjusted MFI for Atlanta, GA MSA	\$68,300
2016 HUD Adjusted MFI for Atlanta, GA MSA	\$67,500
2017 HUD Adjusted MFI for Atlanta, GA MSA	\$69,700
Economic Indicators	
2015-2017 Unemployment Rate AA	6.20%
2015 Median Housing Value AA	\$130,707
% of Households Below Poverty Level AA	13.66%
% of Families Below Poverty Level AA	12.02%

Source: 2015 ACS Census, HUD, and Georgia Department of Labor

COMMUNITY CONTACT

During the CRA evaluation, it is customary for examiners to contact organizations within the AA for information regarding local economic conditions and credit needs. The examiners conducted three community contacts during this examination. Two community contacts serve the city of Griffin and Spalding County. The other community contact serves Pike County. Both community contacts for Griffin and Spalding County specifically noted FNB's active participation in meeting the credit needs of the community. One community contact did state that although the financial institutions operating in the community do a good job, she would like to see more involvement for funding community development services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

FNB's LTD ratio is reasonable and meets the standards for satisfactory performance. The bank's quarterly LTD ratio averaged 43.43 percent for the 16 quarters ending December 31, 2018, which is lower than that of its local financial institution competitors in the three-county assessment area: United Bank, Zebulon, GA (average 54.39 percent) and First Bank of Pike, Molena, GA (average 64.94 percent). FNB's LTD ratio ranged from a low of 40.69 percent at the quarter ended 3/31/2015 to a high of 45.78 percent at the quarter ended March 31, 2018.

The examiner notes that of FNB's 17 bank competitors with offices in the three-county assessment area, 13 are much larger with respect to total assets, branch networks, and operations in several states. Therefore, the examiner reviewed the LTD ratios of

competitor banks operating primarily in Spalding, Henry, and Pike counties. The two banks, referenced above, are more similarly situated to FNB with respect to total assets and branch networks. However, at an average of 43.43 percent, FNB’s average LTD ratio is lower than that of the two local competitor banks.

While the bank's average LTD ratio (43.43%) is lower than its local competitors in the market (United Bank, Zebulon and First Bank of Pike County, Molena), the bank's LTD ratio is reasonable due to the following factors:

- As a result of losses incurred related to the economic recession, the bank experienced a dramatic decrease in its legal lending limit making it harder to compete for quality loans. At the lowest point of the recession, the bank’s legal lending limit was \$1.5 million, and the bank did not return to profitability until 2014. Also, the bank was operating under a Consent Order that became effective in November of 2009 and was terminated by the OCC in September of 2017.
- The bank considers United Bank, Zebulon, GA, as its closest peer competitor. United Bank's LTD ratio declined from 53% in 2013 to just over 50% at year-end 2018.
- Only recently has this market (Spalding, Henry, and Pike counties) experienced consistent recovery of its housing market. In the years following the recent recession, this area experienced higher real estate deflation and higher than average unemployment rates than much of the northern metro-Atlanta MSA.

Lending in AA

A substantial majority of FNB’s lending is within the AA which is more than reasonable and exceeds the standard for satisfactory performance.

Table 1 - Lending within the AA – 2015 to 2018										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate (HMDA)	460	73.95	162	26.05	622	44,185	66.92	21,841	33.08	66,026
Small Business	344	83.90	66	16.10	410	47,575	71.84	18,652	28.16	66,227
Totals	804	77.91	228	22.09	1,032	91,760	69.38	40,493	30.62	132,253

Source: HMDA data and bank's small business loan information

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB’s lending activity for loans made in 2015 and 2016 was evaluated against the 2010 Census data. FNB’s lending activity for loans made in 2017 and 2018 was evaluated against the 2015 ACS Census data. Overall, FNB’s level of lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the

standards for satisfactory performance. The bank’s lending reflects a reasonable penetration among individuals of different income levels. The percentage of lending to low-income families is below the demographic benchmark. However, the AA’s 2015 ACS Census family poverty rate at 12.02 percent represents a mitigating factor. Also, lending to moderate-income families for 2017 and 2018 is equal to the demographic benchmark.

Table 2 - Borrower Income Distribution of HMDA-Reportable Residential Real Estate Loans within the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential 2015-2016	20.90%	14.70%	18.40%	13.90%	23.50%	19.80%	37.20%	39.30%
Residential 2017-2018	23.20%	10.60%	18.80%	18.80%	22.80%	15.40%	35.20%	41.30%

Source: 2010 Census and 2015 ACS Census Data and HMDA data

Please note the following information about Table 2 above: For 2015 and 2016, income was not reported for 12.30% of the bank’s loans. For the same time period, the aggregate HMDA reporters in the bank’s AA did not report income on 28.40% of their loans. For 2017 and 2018, income was not reported for 13.90% of the bank’s loans. For the same time period, the aggregate HMDA reporters in the bank’s AA did not report income on 24% of their loans.

Lending to businesses of different sizes reflects a reasonable penetration. The number of loans made to businesses with revenues less than \$1 million is somewhat commensurate with the percentage of small businesses with revenues of less than \$1 million. Therefore, the overall level of performance is considered reasonable.

Table 2A - Income Distribution of Loans to Businesses within the AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	88.60%	3.10%	8.30%	100%
% of Bank Loans in AA by #	67.54%	30.70%	1.76%	100%
% of Bank Loans in AA by \$	61.66%	36.94%	1.40%	100%

Source: 2010 Census and the 2015 ACS Census Data and Bank Loan Information

Geographic Distribution of Loans

FNB’s lending activity for loans made in 2015 and 2016 was evaluated against the 2010 Census data. FNB’s lending activity for loans made in 2017 and 2018 was evaluated against the 2015 ACS Census data. As previously mentioned, the AA contains three low-income, 12 moderate-income, 20 middle-income, and six upper-income CTs. None of the middle-income CTs are classified as “Distressed Due to Poverty” or “Underserved.” FNB’s geographic distribution of residential loans reflects an excellent dispersion and exceeds the standards for satisfactory performance. The volume of residential loans within the low-income CTs is higher than the percentage of Owner Occupied Housing Units (OOHUs) within the CTs. The volume of residential loans originated within the moderate-income CTs is also higher than the percentage of OOHUs within the CTs.

Table 3 - Geographic Distribution of Residential Real Estate Loans within the AA								
CT Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA OOHU	% of Number of Loans	% of AA OOHU	% of Number of Loans	% of AA OOHU	% of Number of Loans	% of AA OOHU	% of Number of Loans
Residential-2015-2016	3.10%	16.30%	12.00%	23.80%	58.50%	42.50%	26.40%	17.40%
Residential-2017-2018	2.00%	14.90%	22.30%	24.50%	56.30%	60.10%	19.40%	0.50%

Source: 2010 Census and the 2015 ACS Census Data and HMDA data

The percentage of loans granted to businesses within the low-income CTs is significantly higher than the percentage of businesses within the low-income CTs. Also, while the percentage of loans granted within the moderate-income CTs is lower than the percentage of businesses within these CTs, the penetration of loans to businesses within these CTs is considered reasonable, given the bank’s performance context. Because of this, we determined that the bank has an excellent dispersion of loans to businesses throughout the CTs within the AA and exceeds the standards for satisfactory performance. See Table 3A below.

Table 3A - Geographic Distribution of Loans to Businesses within the AA								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	3.30%	26.98%	31.60%	17.30%	50.10%	50.44%	15.00%	5.28%

Source: 2010 Census Data and 2015 ACS Census Data and Bank Loan Information

Response to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the national bank, or in any assessment area by an affiliate whose loans have been considered as part of the national bank’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.