



## **PUBLIC DISCLOSURE**

February 13, 2017

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Waynesboro  
Charter Number 7899

626 Liberty Street  
Waynesboro, GA 30830

Office of the Comptroller of the Currency

Atlanta Field Office  
Three Ravinia Drive  
Suite 1950  
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 First National Bank of Waynesboro (FNB) has a **satisfactory** record of meeting community credit needs. The following points summarize FNB's performance:

- The average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loan originations are inside the AA.
- The penetration of loans to borrowers of different incomes and businesses of different sizes is reasonable.
- The geographic distribution of loans to borrower and businesses reflects a reasonable dispersion within the AA.

## **SCOPE OF EXAMINATION**

This performance evaluation is an assessment of FNB's ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank's AA. The bank was evaluated using Small Bank examination procedures. CRA performance was determined by analyzing the bank's primary lending activities. The evaluation period for this assessment was September 2011 to December 2016. The bank's lending strategy and product offerings did not significantly change since the last CRA examination, therefore, the loan sampling encompassed the last two calendar years.

Bank management provided a list of loans originated and purchased since the last CRA review. Business and consumer loans accounted for 39 percent and 22 percent of loan originations, respectively. A random sample of 20 business and 20 consumer loans originated from January 2015 to December 2016 was selected to evaluate the bank's performance under the lending test.

Although FNB is subject to the Home Mortgage Disclosure Act (HMDA), home loans are not a primary product. The bank originated fifty-eight HMDA loans totaling \$7.4 million in 2016. In 2015, the bank originated sixty-eight loans totaling \$9.0 million. There were no purchased loans.

## **DESCRIPTION OF INSTITUTION**

FNB is a full service community bank located in Waynesboro, Georgia. The bank is wholly owned by First Burke Banking Company, a one-bank holding company. The main office location is at 626 Liberty Street. In addition, FNB operates a limited service branch, a supermarket branch, and a separate automatic teller machine (ATM) and secure night deposit, all located in Waynesboro. No branches have been opened or closed since the last CRA examination. There have not been any significant changes to FNB's corporate structure. The bank also offers telephone and transactional Internet banking.

At December 31, 2016, FNB had total assets of \$132 million, total loans of \$75 million, and total deposits of \$105 million. The bank offers a variety of traditional deposit and loan products, with

commercial and consumer loans being its primary credit products. The board’s business plan is to serve the local community, which includes offering various types of small and large consumer loans and loans to local businesses consistent with the needs of the area. There was no merger, acquisition, or expansion activity since the prior CRA evaluation. There are no legal or financial impediments to FNB’s ability to meet the credit needs of its AA. The previous CRA evaluation dated August 29, 2011, rated the bank's performance as “Satisfactory”.

**DESCRIPTION OF ASSESSMENT AREA (AA)**

The AA consists of all census tracts located in Burke County. Burke County is part of the Augusta-Richmond, GA-SC Metropolitan Statistical Area (MSA). The AA is comprised of 6 census tracts with 4 moderate- and 2 middle-income tract characteristics. There are no low- or upper-income geographies. The AA meets the technical requirements of the Act and does not arbitrarily exclude low-or moderate-income census tracts. The table below summarizes certain demographics for the AA:

| <b>Demographic and Economic Characteristics of AA</b> |          |
|---|----------|
| <b>Population</b>                                     |          |
| Total Population                                      | 23,316   |
| Number of Families                                    | 5,197    |
| Number of Households                                  | 7,686    |
| <b>Geographies</b>                                    |          |
| Number of Census Tracts                               | 6        |
| % Low-Income Census Tracts                            | 0.00%    |
| % Moderate-Income Census Tracts                       | 66.67%   |
| % Middle-Income Census Tracts                         | 33.33%   |
| % Upper-Income Census Tracts                          | 0.00%    |
| <b>Median Family Income (MFI)</b>                     |          |
| 2010 MFI for AA                                       | \$43,810 |
| 2014 HUD-Updated MFI                                  | \$58,500 |
| <b>Economic Indicators</b>                            |          |
| 2010 Unemployment Rate                                | 4.67%    |
| 2010 Median Housing Value                             | \$76,406 |
| % Households Below Poverty Level                      | 23.16%   |

**Augusta-Richmond GA-SC MSA**

The Augusta-Richmond GA-SC MSA is centered on the city of Augusta, GA. Located on the Augusta River, the city is best known for hosting The Masters annual professional golf tournament at Augusta National Golf Club since 1933. The city is home to Georgia Health Sciences University, the state’s only public health sciences graduate university and one of the area’s largest employers. Also, located in the city is a US Army base at Fort Gordon, the

Savannah River Site, a nuclear reservation, and Augusta State University. The base houses the Army's Signal Center and Signal Corps, which manage electronic communications, and the Army Cyber Center of Excellence, a cyber training, education and development program. The November 2016 Moody's Analytics notes Fort Gordon is a constant source of stability among the decline in manufacturing and recent factory closures. The Army is building a new headquarters to place cybersecurity operations, capability development, training, and education under the same roof. When completed in 2020, this operation will draw civilian employees from the local labor market. The US Department of Commerce Bureau of Economic Analysis estimated the MSA's population at 590 thousand for 2015.

## **Burke County**

Burke County is one of the eight original counties in GA. The county is located within the Central Savannah River Area (CSRA) and has a rich agricultural base. The largest city in the county is Waynesboro, the county seat. Waynesboro is known for hosting one of the largest field trials for bird dogs in the world each January. The trials include the largest open shooting dog competition in the world and one of only three derby championships that qualify a dog for the national championship. Plant Vogtle, one of the states two nuclear energy electricity-generating facilities, is located in Waynesboro. Plant Vogtle is jointly owned by: Georgia Power, Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia and Dalton Utilities. There are two existing reactors. Two new reactors are under construction with operations estimated to begin in 2019 and 2020. Southern Company claims the construction site is the largest job-producing project in Georgia.

According to the 2010 US Census, the county had 23,316 residents. The median household income in the county was \$33,641 and the median family income was \$43,810. Approximately 25 percent of the population live below the poverty line. Annual averages for 2016 from the St. Louis Federal Reserve Bank economic data show Burke County's unemployment rate at 7.6 percent.

The largest employers in Burke County include Southern Nuclear Operating Company, Samson's Manufacturing, GE Company, Drapery & Curtain Fabrics-Wholesale, Fiamm Energy, Onecare, and Burke Medical Center.

In conducting this assessment of the bank's performance, we contacted a government agency in the community which promotes economic development to rural areas. The contact noted a need for more banks to participate in programs to help meet the needs of affordable housing, programs to provide basic education, technical assistance, home buying counseling, and other lending opportunities.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB’s performance under the small bank test is satisfactory. This conclusion is based on the following: a reasonable loan-to-deposit ratio; a substantial majority of loans in the AA; lending to businesses of different sizes reflects a reasonable penetration, and a reasonable dispersion of loans within the AA. Details regarding these findings are addressed below.

### Loan-to-Deposit Ratio (LTD)

FNB's average LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The LTD ratio averaged 67.88 percent over the 24 quarters since the last CRA evaluation. This compares favorably with one other similarly situated bank, Southern Bank, with an average LTD ratio of 70.69 percent.

FNB and Southern Bank are the only community banks with main offices in Burke County. While FNB is headquartered in Waynesboro, Southern Bank’s main office is in nearby Sardis, Georgia. Southern Bank has a larger AA which includes Richmond County (also in the Augusta-Richmond MSA), and non-MSA Jenkins and Screven Counties in addition to Burke County.

### Lending in Assessment Area

FNB’s lending within the AA exceeds the standard for reasonable performance. A substantial majority of the bank’s lending by both the number of loans and dollar volume are inside the AA. More emphasis is placed on the dollar volume for this portion of the lending test.

| Lending in AA |                 |       |         |       |       |                  |       |         |       |          |
|---------------|-----------------|-------|---------|-------|-------|------------------|-------|---------|-------|----------|
| Loan Type     | Number of Loans |       |         |       |       | Dollars of Loans |       |         |       |          |
|               | Inside          |       | Outside |       | Total | Inside           |       | Outside |       | Total    |
|               | #               | %     | #       | %     |       | \$(000)          | %     | \$(000) | %     |          |
| All Loans     | 1,497           | 83.58 | 294     | 16.42 | 1,791 | 35,900           | 87.12 | 5,306   | 12.88 | \$41,206 |

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

Lending to borrowers of different incomes and to businesses of different sizes reflects a reasonable penetration. The percentage of consumer loans made to low- and moderate-income borrowers is reasonable. As reflected in the table below, 35 percent of households are categorized as low-income while the bank originated 50 percent of consumer loans to low-income individuals. Eighteen percent of households are categorized as moderate-income while 15 percent of the bank’s loans were originated to moderate-income individuals.

| <b>Borrower Distribution of Consumer Loans in Burke County, Georgia</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Borrower Income Level   | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
|   | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer Loans  | 35.00              | 50.00                | 18.00              | 15.00                | 16.00              | 15.00                | 31.00              | 20.00                |

Lending to businesses of different sizes reflects a reasonable penetration and meets the standards for satisfactory performance. Data in the following tables reflect the bank’s lending to businesses of different sizes within the AA, as well as the sizes of business loan originations. The percentage of business loans by number is higher than the percentage of businesses in the AA with annual revenues less than \$1 million. According to U.S. census data, 79 percent of businesses within the AA report annual revenues of less than \$1 million. Of the business loans sampled, 90 percent by number, and 51 percent by dollar amount were made to businesses with annual revenues less than \$1 million. The data also shows that 75 percent by number and 24 percent by dollar amount of the sampled business loans in the AA were for amounts less than \$100,000. These percentages reflect a commitment to serving the small business lending needs of the Burke County AA.

| <b>Table 2A - Borrower Distribution of Loans to Businesses in AA</b> |              |              |                     |       |
|--|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses   | 79.43        | 4.38         | 16.19               | 100%  |
| % of Bank Loans in AA by #   | 90.00        | 10.00        | 0.00                | 100%  |
| % of Bank Loans in AA by \$  | 50.78        | 49.22        | 0.00                | 100%  |

| <b>Borrower Distribution of Loans to Businesses by Loan Size in Burke County, Georgia</b> |                 |                   |                        |                          |
|---|-----------------|-------------------|------------------------|--------------------------|
| Loan Size (000’s)   | Number of Loans | Percent of Number | Dollar Volume of Loans | Percent of Dollar Volume |
| \$0 - \$100,000   | 15              | 75.00%            | \$519,799              | 24.00%                   |
| \$100,001 - \$250,000   | 2               | 10.00%            | \$256,237              | 12.00%                   |
| \$250,001 - \$500,000   | 2               | 10.00%            | \$635,427              | 30.00%                   |
| \$500,001 - \$1,000,000   | 1               | 5.0%              | \$726,065              | 34.00%                   |
| Over \$1,000,000  | 0               | 0%                | \$0                    | 0%                       |

**Geographic Distribution of Loans**

FNB’s geographic distribution of loans reflects a reasonable dispersion. The bank’s overall record of consumer lending in moderate-income census tracts within the AA is slightly lower than the AA demographics. According to U.S. Census data, 66 percent of households in Burke County are located in moderate-income census tracts. According to the consumer loan sampling,

63 percent of consumer loans were originated in the AA’s moderate-income census tracts. We note that US Census data indicates that 28 percent of households in moderate-income census tracts and 15 percent of households in middle-income geographies in Burke County are below the poverty level. These poverty percentages somewhat hinder the bank’s ability to penetrate the moderate-income census tracts in Burke County.

| <b>Geographic Distribution of Consumer Loans in AA</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract Income Level                              | Low                |                      | Moderate           |                      | Middle             |                      | Upper              |                      |
|  | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer Loans   | 0.00               | 0.00                 | 66.09              | 63.66                | 33.91              | 37.34                | 0.00               | 0.00                 |

The distribution of loans to businesses in Burke County reflects a reasonable dispersion. According to U.S. Census data, 64 percent of businesses in the AA are located in moderate-income census tracts. Fifty-nine percent of the bank’s business loans were originated in moderate-income census tracts, which is slightly below the demographic. However, lower demographic lending was evidenced in moderate-income tracts. FNB encounters high competition for business loans in Burke County from small financial institutions. Commercial lending competition is primarily from two other community banks that operate offices in Burke County.

| <b>Geographic Distribution of Loans to Businesses in AA</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Census Tract 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 |
| Commercial Loans  | 0.00               | 0.00                 | 64.26              | 59.11                | 35.74              | 40.89                | 0.00               | 0.00                 |

**Responses to Complaints**

FNB did not received any CRA related consumer complaints since the prior CRA examination.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.