



## **PUBLIC DISCLOSURE**

**April 18, 2016**

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

First Century Bank, National Association  
Charter Number 24169

807 Dorsey Street  
Gainesville, GA 30501-0000

Office of the Comptroller of the Currency

Georgia Field Office  
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: SATISFACTORY**

The bank's performance rating is supported by the following:

- a reasonable loan-to-deposit ratio;
- a poor record of lending within the assessment area;
- a reasonable penetration among individuals of different income levels; and,
- a reasonable penetration of loans to businesses in different geographies.

## **SCOPE OF EXAMINATION**

This Performance Evaluation (PE) is an assessment of First Century Bank, NA's (FCB) ability to meet the credit needs of the community in which it operates. FCB was evaluated using the Small Bank examination procedures, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area (AA) through its lending activities. The evaluation period for this review is from March 14, 2011 to March 31, 2016.

FCB's primary loan products are residential real estate and small business loans. Loan performance was determined by selecting a sample of 61 small business loans originated from January 1, 2014 to December 31, 2015 and the bank's Home Mortgage Disclosure Act (HMDA) reportable loans originated from January 1, 2014 to December 31, 2015. Residential real estate loans are defined as home purchases, home improvements, and mortgage refinances. Small business loans are defined as commercial and industrial, construction and development, and non-farm/non-residential loans.

## **DESCRIPTION OF INSTITUTION**

At December 31, 2015, FCB was a \$104 million banking institution located in Gainesville, Georgia. The bank is wholly owned by First Century Bancorp., a one-bank holding company. FCB serves the credit and deposit needs of its customers from its main office located at 807 Dorsey St, Gainesville, Hall County, Georgia. Presently, this is the only location that FCB has in operation. The facility offers full service banking, but no longer offers any automated teller machine services. The bank's mortgage banking operations was a nationwide program managed out of offices located in California and Georgia

FCB has experienced some office openings and closures during this evaluation period. In April 2011, the bank opened a branch in Warner Robbins, Georgia that closed in December 2012. The retail mortgage banking office in Roswell, Georgia that was opened during this evaluation period, ceased operations in October 2014. In addition, the California Mortgage Banking division that opened in September 2012 officially closed in April 2016. The closing of the mortgage banking offices was due to management's anticipation of rising interest rates and the challenges of complying with regulatory changes.

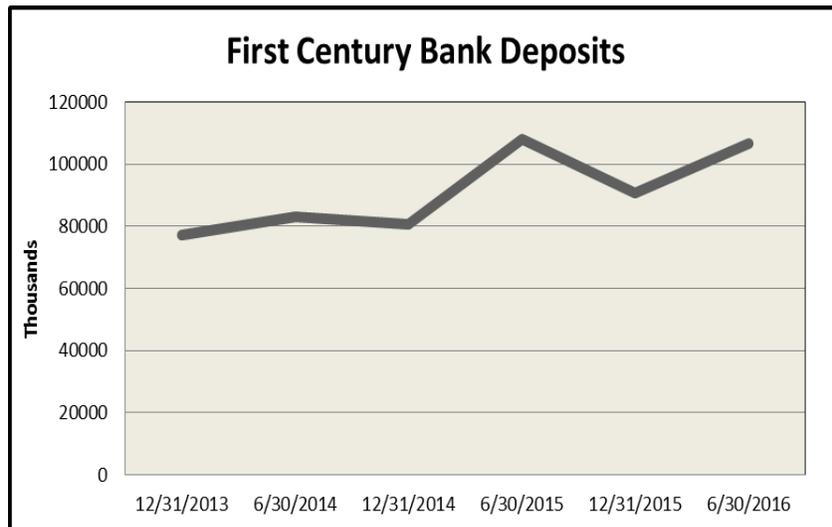
FCB offers a full range of traditional lending products such as residential real estate, consumer installment, and commercial real estate loans. Mortgage banking comprised the majority of the bank’s lending activities and volume during the evaluation period. Over the last five years, loans held-for-sale averaged 24 percent of total earning assets. Portfolio loans have averaged 34 percent of total earning assets over the past five years, ranging from a high of 42 percent in 2011 to a low of 28 percent in 2015. The table below provides details relative to the composition of the bank’s loan portfolio.

**Table 1: Loan Mix as of December 31, 2015**

Loan Type	\$ (000s)	%
<b>Construction &amp; Land Development</b>	<b>10,939</b>	<b>25</b>
Secured by Farmland	168	nil
<b>1-4 Family Residential</b>	<b>27,290</b>	<b>62</b>
Secured by Multifamily Dwellings	193	nil
<b>Secured by Non-farm / Non-res</b>	<b>3,949</b>	<b>9</b>
Commercial and Industrial Loans	578	1
Other Loans	707	2
<b>Total Loans</b>	<b>43,826</b>	<b>100.00</b>

Source: Consolidated Report of Condition and Income and bank records

Our analysis disclosed that there is no real organic loan growth being experienced by the bank. Net loans and leases declined eight percent over the one-year period ending December 31, 2015. During the first quarter of 2015, FCB changed its business strategy for deposits by emphasizing treasury management services and prepaid cards. The new deposit strategy caused deposits to surge, resulting in a 17 percent increase over the 2015 fiscal year. The seasonality of some deposits such as HOA Management companies result in large increases in the volume of deposits during the first half of the year, but these deposits tend to run-off by year-end. The graph below depicts the bank’s trend in deposits since the change in strategy.



Source: Uniform Bank Performance Reports (UBPR)

The bank supports the development, economic revitalization, and growth within its assessment area, consistent with its size, financial capacity, and local economic conditions. The bank's overall performance has been impacted due to the economic environment in Hall County, the bank's historical financial performance, and regulatory constraints initiated during this evaluation period.

Another factor that impacts the bank's ability to meet the credit needs of its assessment area is the highly competitive market within which it operates. In addition to competing with large national and regional financial institutions, the bank competes with a variety of local institutions. The bank also faces competition for deposit and loan products from other non-bank entities, including mortgage loan brokers, finance companies, insurance companies, and money management firms. There are 18 FDIC-insured financial institutions operating 48 branches in Hall County. FCB is one of only three institutions headquartered in Hall County, the smallest of these 3 institutions and last in terms of deposit market share.

FCB received a "Satisfactory" rating at its prior CRA examination dated March 14, 2011.

## **DESCRIPTION OF ASSESSMENT AREA**

FCB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income census tracts. The bank's AA consists of all of Hall, Forsyth, and Gwinnett counties. Forsyth and Gwinnett Counties are part of the Atlanta-Athens-Sandy Springs MSA, and Hall County is part of the Gainesville MSA. All are a part of the greater **Atlanta- Athens-Sandy Springs Combined Statistical Area**.

### ***Atlanta-Athens-Sandy Springs MSA***

The Atlanta-Athens-Sandy Springs MSA is the most populated metro area in Georgia and the ninth-largest MSA in the United States. As of July 2014, the MSA consists of 29 counties with an estimated population of 5.6 million, an increase from 5.3 million in 2010. Atlanta is the capital city of Georgia and located in Fulton County. The city of Atlanta ranks as the 39<sup>th</sup> largest city in the United States with a total population of 456,002 as of July 2014.

Employment in the Atlanta MSA declined significantly because of the severe economic downturn. The unemployment rate reached a high average of 10.6 percent in 2010. However, the rate has significantly improved to 5.5 percent as of August 2015. The current unemployment rate for the Atlanta MSA is slightly above the national average of 5.1 percent and slightly below the Georgia state average of 5.9 percent. Data for August 2015 shows that the Atlanta MSA experienced net job growth of 2.6 percent year-over-year, which ranks fifth out of the 12 largest MSAs.

The leading employment sectors in the Atlanta MSA are professional and business services, education and health services, and leisure and hospitality. Top employers in the area include Delta Air Lines, Inc., Emory Healthcare, Inc., AT&T Services, Inc., WellStar Health Systems, Inc., United Parcel Service, Inc., and Northside Hospital.

***Gwinnett County***

Gwinnett County borders Fulton County and DeKalb County to the east and was one of the top 100 fastest growing counties from 2013 to 2014. According to the updated 2014 US Census data, Gwinnett County’s population is 877,922, an increase from 805,321 in 2010. As of August 2015, the unemployment rate for Gwinnett County is 5.2 percent, which is a decline from the 2010 average of 9.2 percent.

The primary industry in Gwinnett County is the service industry. Top employers for the county include Gwinnett Hospital System, Inc., Publix Super Markets, Inc., NCR Corp., The Kroger Company, and Wal-Mart Associates, Inc.

***Forsyth County***

Forsyth County borders Fulton County on the northeast side and is the wealthiest county in Georgia. It is also in the top 10 list of fastest growing counties in the nation from 2013 to 2014. According to the updated 2014 US Census data, the county’s population is 204,302, an increase from 175,511 in 2010. As of August 2015, the unemployment rate for Forsyth County was 4.5 percent, a decrease from 2010 averages of 8.0 percent.

The primary industry in Forsyth County is services. Top employers within the county include Northside Hospital, Tyson Poultry, Inc., Koch Foods of Cumming, LLC, Scientific Games Products, Inc., and Healthport Technologies, LLC.

***Hall County***

Hall County is the only county in the Gainesville MSA. The city of Gainesville is Hall County’s largest municipality. Gainesville is located approximately 55 miles north from the center of Atlanta. According to the estimated 2015 US Census data, the county’s population is 193,535, an increase from 179,684 in 2010. As of May 2016, the MSA’s unemployment rate was 3.8 percent, which is lower than the state of Georgia’s unemployment rate of 5.3 percent.

The MSA consists of 36 census tracts comprised of 9 moderate-income, 18 middle-income, and 9 upper-income tracts. There are no low-income census tracts. The MSA has 60,691 households and 45,275 families. The median family income is \$57,774.

Top employers in Hall County include the food processing plants Fields Farms and Pilgrim’s Pride. Other top employers include the Northeast Georgia Medical Center, the Hall County Government, and the Hall County school system.

The following chart reflects key demographic and economic characteristics of the bank’s AA based on 2010 Census Bureau data.

<b>Demographic Information for FCB's AA (Hall, Forsyth, and Gwinnett Counties)</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>	<b>% N/A</b>
Geographies (Census Tracts)	194	3.61%	19.07%	39.18%	38.14%	0.00%
Population by Geography	1,160,516	3.23%	17.72%	42.11%	36.94%	0.00%

Owner-Occupied Housing by Geography	414,563	1.19%	11.21%	43.84%	43.76%	0.00%
Businesses by Geography	125,924	3.28%	16.30%	38.98%	41.44%	0.00%
Farms by Geography	2,419	2.85%	12.48%	44.03%	40.64%	0.00%
Family Distribution by Income Level	286,257	2.76%	15.68%	42.07%	39.50%	0.00%
Household Distribution by Income Level	375,928	7.84%	28.38%	41.53%	22.25%	0.00%
Distribution of Low and Moderate Income Families throughout AA Geographies	286,257	2.76%	15.68%	42.07%	39.50%	0.00%
Census Median Family Income (MFI)	\$65,593					
HUD Adjusted MFI: 2015	\$70,700	Median Housing Value				\$208,502
HUD Adjusted MFI: 2014	\$70,100	Families Below the Poverty Level				9.27%
HUD Adjusted MFI: 2013	\$66,300	Unemployment Rate				5.27%

Source: 2010 U.S. Census Data

**COMMUNITY CONTACTS**

We spoke with a representative from a non-profit organization involved in housing development about local economic conditions and community credit needs. Through this contact, we were informed that the primary credit need of the community is affordable housing. According to the contact, the business and financial community in Hall County are unresponsive. The contact believes there is an opportunity for the local financial community to get involved and to assist with construction and development of low-income housing. The contact also stated that the financial community is not actively pursuing mixed or low-income development because of the losses sustained from the financial crisis.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

FCB’s overall performance under the lending test is satisfactory. This conclusion is based on the following: a reasonable loan to deposit ratio; a satisfactory penetration of lending to low- and moderate-income individuals; and, a satisfactory penetration of lending among census tracts of different income levels.

All criteria of the lending test are documented below:

**Loan-To-Deposit Ratio**

FCB’s loan-to-deposit ratio (LTD) is reasonable given the bank’s performance context. The average LTD ratio was calculated by averaging the quarterly LTD ratios over the evaluation period. During this period, the bank’s quarterly LTD ratio averaged 60 percent, with a quarterly high of 82 percent and a quarterly low of 37 percent. The bank’s LTD ratio is lower than the average of other similarly situated banks within the AA. We identified three similarly situated banks, which have a combined average LTD ratio of 79 percent, with a low of 63 percent and a

high of 108 percent. All three similarly situated banks, however, have larger deposit market shares and are located in city centers. FCB is located on the industrial side of Gainesville, Georgia and surrounded primarily by poultry plants.

Various factors influenced the bank’s LTD ratio during the evaluation period. Loan growth in the bank’s market is limited due to intense competition for a small number of qualified borrowers as emphasized by the community contact. In order to establish profitability, the bank entered the mortgage business in 2012. Due to this change in business strategy, loan balances fluctuated dramatically over the evaluation period because the mortgage loans are sold to the secondary market after origination. Additionally, the new treasury management service programs significantly increased deposits over the evaluation period.

**Lending in the Assessment Area**

FCB’s overall lending within its AA does not meet the standard for satisfactory performance. A majority of the loans are outside FCB’s AA. Approximately 3.3 percent of the number and 2.3 percent of the dollar volume of loans were to borrowers within the AA. These percentages are adversely affected because of the bank’s operation of a residential mortgage banking strategy. This resulted in only 2.4 percent of the residential loans being secured by properties located within the AA. The number and dollar amount of commercial loans that were originated in the bank’s AA is considered adequate. Approximately 59.1 percent of the small business loans in our sample were to borrowers within the combined AAs.

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

FCB’s overall level of lending to borrowers of different incomes and to businesses of different sizes within the AA is reasonable and meets the standards for satisfactory performance.

*Residential Real Estate*

The bank’s performance indicates a reasonable penetration of lending to borrowers of different incomes. The bank’s volume of mortgage lending exceeds the demographic comparator for low-income families. Lending to moderate income families is poor when compared to the demographics of the AA. The table below depicts the bank’s performance:

<b>Borrower Distribution of Residential Real Estate Loans</b>								
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 R/E	18.67	23.08	16.27	7.69	19.69	7.69	45.37	61.54

Source: HMDA data; 2010 US Census data

*Small Business*

The bank’s volume of loans to small businesses in the AA indicates a reasonable penetration as compared to AA characteristics. Approximately 59 percent of the bank’s loans by number were

originated to small businesses compared 83 percent in the AA. Reasons for comparatively lower lending to small businesses relate to the fact that majority of the bank’s borrowers are in residential construction. The Small Business Administration (SBA) defines residential construction companies with average annual receipts of \$36.5 million or less as small business. Based on the SBA’s definition, all of the bank’s residential construction borrowers would be defined as small business. Overall, the bank meets the standard for satisfactory performance for this criterion. The bank’s performance is displayed in the table below:

<b>Distribution of Loans to Small Businesses in the AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses by #	83	4	13	100%
% of Bank Loans in AA by #	59	41	0	100%
% of Bank Loans in AA by \$	18	82	0	100%

Source: Loan sample; 2010 Census Data

**Geographic Distribution of Loans**

FCB’s overall level of lending among census tracts of different income levels meets the standards for satisfactory performance. We placed more weight on the volume of residential real estate lending given that these types of loans comprise the majority of the bank’s loan portfolio.

*Residential Real Estate*

The distribution of residential real estate loans in different geographies is rated excellent, as the volume of loans originated in moderate-income census tracts significantly exceeds the AA characteristics. The bank did not originate any loans in low-income census tracts. However, the number of owner-occupied housing within low-income census tracts is very low. In addition, there are no low-income census tracts in Hall County, which is the bank’s primary market area.

The following table details the bank’s lending performance compared to the percentage of HMDA loans in each census tract.

<b>Geographic Distribution of Residential Real Estate Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential R/E	1.19	0.00	11.21	38.46	43.84	38.46	43.76	23.08

Source: HMDA data; 2010 US Census data.

*Small Business*

The bank’s volume of small business lending reflects a poor distribution throughout low- and moderate-income census tracts. Lending to businesses in low-income census tracts is poor, given that no small business loans were originated within low-income census tracts. Lending to

businesses in moderate-income census tracts is poor, given that small business loans were lower than the percentage of businesses located within moderate-income census tracts. The following table details the bank’s lending performance compared to the percentage of businesses in each census tract.

<b>Geographic Distribution of Loans to Small Businesses</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
Small Business	3.61	0.00	19.07	7.32	39.18	56.10	38.14	36.58

Source: Loan Sample; Dunn & Bradstreet data

**Responses to Complaints**

FCB has not received any CRA related complaints since our last examination.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank’s (bank) or federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank in any assessment area by an affiliate whose loans have been considered as part of the bank’s lending performance.

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