



PUBLIC DISCLOSURE

May 21, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Coffee County
Charter Number 22327

420 South Madison Avenue
Douglas, GA 31533

Office of the Comptroller of the Currency

4042 Park Oaks Blvd
Suite 240
Tampa, FL 33610

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.

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Overall Community Reinvestment Act (CRA) Rating

The Lending Test is rated: Satisfactory

- *The bank's level of lending, as reflected in the quarterly average net loan-to-deposit (LTD) ratio, is more than reasonable given the bank's size and performance context factors.*
- *Based on the performance context, a substantial majority of loans originated during the evaluation period, were inside the bank's assessment area (AA).*
- *Lending activities show reasonable penetration among borrowers of different income levels and businesses of different sizes given its performance context.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

The First National Bank of Coffee County (FNBCC) is a traditional community bank with total assets of \$168 million. It is wholly owned by FNC Bancorp, Inc., a single bank holding company. FNBCC has a main office and two ATMs located in Douglas, GA, and one branch and ATM each in Fort Lauderdale, FL, and Boca Raton, FL. However, FNBCC was evaluated as a single-state institution considering the South Florida branches had not been open for more than 6 months during the assessment period. Please see Appendix B for further details of the bank's rating area.

FNBCC offers full service banking, including online services and drive-thru operations. The bank's products includes a selection of fixed and adjustable rate loans that include commercial and commercial real estate loans, residential real estate, agriculture, and other consumer loans. The bank's products include government assisted lending including VA, USDA, and SBA loans. Deposit products include personal and business checking accounts, savings accounts, certificates of deposit, and individual retirement accounts.

FNBCC's primary strategy is to meet its local community credit needs. There is, however, a moderate amount of competition in their rural market area including another locally-owned national bank, state banks, credit unions, and nationwide institution branches. Lower loan demand and concerns about competition helped influence the bank's decision to branch into another state. The bank's loan portfolio includes a diverse mix of credit types with 12.3 percent representing Commercial and Industrial loans, 16.8 percent representing loans for Farmland, 22.4 percent representing Single Family Home Loans, 39 percent representing Commercial Real Estate loans, and the remaining 9.5 percent representing Consumer and Construction Lending.

There are no financial or legal obstacles affecting FNBCC's ability to meet its community credit needs.

FNBCC received an overall rating of "Satisfactory" during its previous CRA evaluation dated February 4, 2013.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses the bank's record of meeting the credit needs of the community in which it operates. We used the Small Bank CRA examination procedures, which evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The evaluation considered consumer lending activity, business lending activity, and home mortgage lending activity for the period January 1, 2016, to December 31, 2017.

Based on discussions with bank management, and loan origination reports generated by the bank for the evaluation period, the bank's primary loan products based on both the number of originations and dollar amount were consumer, business and home mortgage lending as noted in the table below. Consumer loan originations accounted for the majority of loans by number with 40.6 percent of originations and \$4.05 million (5.74 percent) of total dollar volume. Business loan originations accounted for 32.5 percent of total number and \$43.1 million (61.05 percent) of total dollar volume. Lastly, home mortgage loan originations accounted for 19.2 percent of total number and \$15.5 million (21.96 percent) of total dollar volume. As such, our evaluation of the bank's lending performance will reflect these three loan products, as this was more representative of the bank's lending strategy during the evaluation. However, lending performance for consumer loans was given more consideration when arriving at the overall conclusion due to the larger volume of loan originations during the evaluation period in relation to business and home mortgage lending.

Our conclusions were based on an analysis of a statistical random sample of 25 each of consumer, business and home mortgage loans, or 75 loans, originated during the evaluation period.

Loan Originations for the time period of 1/1/16 through 12/31/17		
Loan Type	Number of originations	Percentage (%)
Consumer	359	40.6%
Commercial/CRE	287	32.5%
Residential RE	170	19.2%
Agriculture	68	7.7%
Total originations	884	100%

Data Integrity

During our review, we found the data represented on the loan origination reports were accurate and reliable for use when selecting our loan samples.

Selection of Areas for Full-Scope Review

The Coffee County AA received a Full-Scope review as it was the primary AA for the bank during the majority of our Evaluation Period. Please see Appendix B for more information on the AA.

Ratings

The bank's overall rating is based solely on a review of performance in the Coffee County AA. In completing the analysis, we found that FNBCC demonstrates satisfactory performance for its AA consistent with the Bank's capacity.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The lending test is Satisfactory. FNBBCC's loan-to-deposit ratio (LTD) is more than reasonable. The bank has a substantial percentage of loans that are made in its AA. The bank's lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration within the AA. The bank's consumer lending reflects reasonable penetration within the AA.

Loan-to-Deposit Ratio-Exceeds the Standard for Satisfactory Performance

The bank's level of lending, as reflected in the quarterly average net LTD ratio is more than reasonable given the bank's size and performance context factors. The bank's quarterly average net LTD ratio since the preceding CRA evaluation (20 quarters starting March 2013 and ending December 2017) is 75.31 percent, ranging from a high 82.55 percent in the second quarter of 2017 to a low of 66.26 percent in the second quarter of 2013. FNBBCC's quarterly average LTD ratio is slightly above the 70.71 percent quarterly average LTD ratio of four similarly situated banks operating within the four counties that border the bank's AA. The community banks selected had less than \$270 million in total assets and offer similar lending and deposit products.

Lending in Assessment Area-Exceeds the Standard for Satisfactory Performance

Based on the performance context, a substantial majority of loans originated during the evaluation period were inside FNBBCC's AA. Our conclusion is based on an analysis of a sample of 25 of each consumer, business and home mortgage loans originated during the evaluation period. As detailed in the table below, 87 percent by number and 65 percent by dollar amount of originated loans were within the bank's AA. In addition, the bank originated 92 percent of consumer loans inside the AA based on the number of originations. This was the largest volume in loan originations during the evaluation period. Loans originated outside the county were generally in adjacent counties.

Lending in the Coffee County AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	22	88.00%	3	12.00%	25	\$2,025	87.00%	\$293	13.00%	\$2,318
Consumer	23	92.00%	2	8.00%	25	\$237	89.00%	\$29	11.00%	\$266
Business	20	80.00%	5	20.00%	25	\$2,461	53.00%	\$2,221	47.00%	\$4,682
Totals	65	87.00%	10	13.00%	75	\$4,723	65.00%	\$2,543	35.00%	\$7,266

Source: Sample of home mortgage, consumer and business loans for the period of January 1, 2016 through December 31, 2017.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes-Meets the Standard for Satisfactory Performance

FNBCC's lending activities show reasonable penetration among borrowers of different income levels and businesses of different sizes given its performance context. Our conclusion is based on the same sample of 22 home mortgage loans, 20 business loans and 23 consumer loans originated within the AA. As noted in the tables below, for home mortgage and consumer loans, we compared the distribution of lending among borrowers of different income levels as compared to the percent of families and households in each income category within the AA, respectively. For business loans, we compared the distribution of lending among different sized businesses in relation to small businesses located within the AA.

Home Mortgage Loans:

Given the performance context, the distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. We compared the income distribution of the bank's borrowers to the income distribution of the families within the AA, using the Federal Financial Institutions Examination Council's (FFIEC) 2017 median family income for nonmetropolitan tracts located in the State of Georgia. As depicted in the table below, the percentage of lending to low-income families in the AA is lower than the percentage of low-income families residing in the assessment area. FNBCC's lending to moderate-income borrowers is lower than the percentage of moderate-income families residing in the AA. As mentioned in Appendix B, the eight middle-income tracts in the AA were designated by the banking regulators during the evaluation period as distressed due to high poverty levels in the county. In addition, based on FFIEC's 2017 median family income of \$46,500, the maximum income that is considered low-income is \$23,249. As a result, low-income families would encounter difficulty qualifying for any home mortgage loan.

Borrower Distribution of Residential Real Estate Loans in the Coffee County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Mortgage	26.26%	18.00%	18.08%	9.00%	20.80%	9.00%	34.86%	59.00%

Source: Sample of home mortgage loans for the period of January 1, 2016 through December 31, 2017, 2010 U.S. Census and 2017 FFIEC Median Family Income Data. Note: N/a for income for one or 5% of loans.

Business Loans

FNBCC's record of lending to businesses of different sizes reflects reasonable penetration given its performance context and meets the standard for satisfactory performance. As noted in the table below, the percentage of the bank's business loans to small businesses (those with total revenues of \$1 million or less) is below the percent of small businesses operating in the AA. Based on our sample of 20 business loans in

the AA, the bank originated 55 percent of the total number of loans and 41 percent of the total dollar volume of loans to small businesses. This level of performance was found to be reasonable given the lower level of loan demand the bank experienced during the Evaluation Period.

Borrower Distribution of Loans to Businesses in the Coffee County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	84.31%	4.77%	10.92%	100%
% of Bank Loans in AA by #	55.00%	45.00%	0.00%	100%
% of Bank Loans in AA by \$	41.00%	59.00%	0.00%	100%

Source: Sample of business loans for the period of January 1, 2016 through December 31, 2017 and June 2017 Dunn and Bradstreet data.

Consumer Loans

FNBCC’s consumer lending shows reasonable penetration among low- and moderate-income borrowers. As shown in the table below, for low-income households, the percentage of the bank’s loans exceeds the percentage of such households residing in the AA. FNBCC’s consumer lending of 30 percent to low-income borrowers is slightly higher than the 24.38 percent of low-income households residing in the AA. FNBCC’s consumer lending of 9 percent to moderate-income borrowers is lower than the 17.09 percent of moderate-income households residing in the AA.

Borrower Distribution of Consumer Loans in the Coffee County AA								
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	24.38%	30.00%	17.09%	9.00%	17.92%	4.00%	40.61%	44.00%

Source: Sample of consumer loans for the period of January 1, 2016 through December 31, 2016, U.S. 2010 Census data, and U.S. 2016 Census Average Median Household Income Data. Note: N/a for income for three or 13% of loans.

Geographic Distribution of Loans

There are no conspicuous gaps, and the AA does not arbitrarily exclude any low- or moderate-income geographies. FNBCC has no low-, eight moderate-, and one upper-income (designated in 2017) CT in the AA. Therefore, an analysis of the geographic distribution of loans originated within the bank’s AA would not provide meaningful information. Further, all eight middle-income CTs in the AA have been designated as “distressed” nonmetropolitan middle-income geographies by the regulatory banking agencies due to high rate of poverty identified in the AA. The “distressed” designated for the middle-income tracts has been consistent for many years.

Responses to Complaints

There have been no CRA related complaints received by the bank or our office since the last CRA examination.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2016 to 12/31/2017)	
Financial Institution		Products Reviewed
First National Bank of Coffee County Douglas, GA)		Consumer, Business and Residential Real Estate
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Coffee County, GA	Full-Scope	

Appendix B: Community Profile for Full-Scope Area

Coffee County Assessment Area

Demographic Information for Full-Scope Area: Coffee County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0	0	88.89	11.11	0
Population by Geography	43,003	0	0	86.86	13.14	0
Owner-Occupied Housing by Geography	16,974	0	0	82.23	17.77	0
Businesses by Geography	2,592	0	0	90.12	9.88	0
Farms by Geography	180	0	0	73.89	26.11	0
Family Distribution by Income Level	9,422	22.13	18.55	21.17	36.64	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,422	0	0	84.41	15.59	0
Median Family Income		Median Housing Value				\$85,950
HUD Adjusted Median Family Income for 2017	\$44,118	Unemployment Rate				4.17%
Households Below the Poverty Level	\$45,816					
	3,597					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS US Census

The AA consists of all nine CTs within Coffee County, GA; there are no low- or moderate-income CTs, eight of the tracts are middle-income and considered distressed due to the relatively high level of poverty in the area, and one tract is considered upper-income. The AA meets the technical requirements of the Act and does not arbitrarily exclude low- or moderate-income CTs. The table above summarizes key demographics of the area.

Coffee County is a rural area with a focus on agricultural business specifically in poultry processing and timber. Logistically, Coffee County's geographic location is used as a selling point to attract new residents and industries. Coffee County is centrally located in between four interstates, and in close proximity to Georgia's deep-water ports.

Coffee County's commerce is centered in the employment sectors of manufacturing, retail, and healthcare. Top employers in Coffee County include the Coffee County Board of Education, Wal-Mart, Pilgrim's Pride, and Coffee Regional Medical Center. Coffee County's economic conditions remained relatively stable throughout the national downturn.

As a part of our review, we discussed the Community Development needs of the AA with a local community contact. Our contact works for a local government office with a mission to encourage inclusion, build consensus, promote equity and fairness, develop and sustain organizational excellence, and promote innovation. The contact did not identify a specific community credit need, but noted there was a lack of affordable single family residences available for lower income consumers and that there is need for Consumer Financial Education.

In the last six months of our evaluation period, the bank opened its first branch in South Florida. A second branch in South Florida opened in 2018. Both of these branches fall in the Miami-Fort Lauderdale-West Palm Beach MSA. At the time of our review, the bank's activity in these marketplaces were not significant enough to warrant testing. At the next review of CRA performance, this AA will be included in the scope of the evaluation. The bank has included all CTs in Palm Beach and Broward County, respectively.