



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

June 20, 2016

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southcrest Bank, National Association  
Charter Number 11833

105 Saint Stephens Court, Suite A, Tyrone, GA 30290

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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors supporting this rating include:

- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank originated a majority of its home mortgage and small business loans within its assessment areas.
- The penetration of home mortgage and small business loans in moderate-income geographies is reasonable.
- The distribution of home mortgage and small business loans among borrowers of different income levels is reasonable.
- The bank's performance under the community development test reflects adequate responsiveness to community development needs in the state of Georgia. However, responsiveness to community development needs in Alabama needs to improve. Georgia was given the greatest weight during this performance evaluation; therefore, the overall the community development test is rated satisfactory.
- Southcrest has not received any written complaints during the evaluation period concerning its performance in meeting assessment area credit needs.

## **Scope of Examination**

This Performance Evaluation is an assessment of Southcrest's ability to meet the credit needs of its community. Southcrest was evaluated using the Intermediate Small Bank evaluation procedures, which includes a lending and community development test. We tested the integrity of internal loan data to ensure reliability and reviewed loans and investments that meet the definition of community development. The data was determined to be reliable for purposes of evaluating the bank's CRA performance.

Southcrest's primary loan products over the evaluation period are home mortgage loans and small business loans. For purposes of this evaluation, we gave equal weight to the bank's home mortgage lending and its record of lending to small businesses. To evaluate performance under the lending test, we reviewed home mortgage loans originated between January 1, 2015 and December 31, 2015. This information was derived from the bank's reported Home Mortgage Disclosure Act (HMDA) data. The bank was not a HMDA reporter during 2014. We also reviewed a sample of 20 small business loans originated during 2014 and 2015 for each of the

assessment areas selected for full scope reviews. In assessing performance with respect to the community development test, we evaluated the bank's loans, services, grants, donations, and investments that satisfied the definition of community development. The evaluation period for the community development test was December 8, 2008 through January 25, 2016.

## Description of Institution

Southcrest Bank, National Association is an interstate bank headquartered in Tyrone, Georgia. The bank is wholly-owned by Southcrest Financial Group, a bank holding company. Formerly, Southcrest Financial Group owned four subsidiary banks: the Bank of Upson, First National Bank of Polk County, Peachtree Bank, and the Bank of Chickamauga. On February 28, 2014, the holding company merged all four of its subsidiary banks into the First National Bank of Polk County, retaining the charter for that bank, and subsequently changing its name to Southcrest Bank, National Association (Southcrest). Through its branch network of 12 banking offices and three loan offices, Southcrest serves seven counties. One of the branch offices is located in Chilton County, Alabama. The others are located in the Georgia Counties of Upson, Walker, Meriwether, Forsyth, Fayette, and Polk. The three loan production offices are located in the cities of Fayetteville, Woodstock, and Newnan.

SouthCrest has designated five assessment areas in the state of Georgia and one assessment area in the state of Alabama. The assessment area in Alabama consists of Chilton County, which is located within the Birmingham-Hoover, Alabama Metropolitan Statistical Area (MSA). The assessment area in Georgia includes the Fayette and Meriwether Counties assessment area, Forsyth County assessment area, the Walker County assessment area, Polk County assessment area, and the Upson County assessment area. Of the bank's 12 branch offices, six are located in moderate-income areas, four are in middle-income, and two are in upper-income. The main branch is located in upper-income geography in Tyrone, Georgia (Fayette County).

During the evaluation period, Southcrest's assessment area also included Fulton County within the Atlanta-Sandy Springs-Roswell, Georgia MSA. With the closing of the Johns Creek branch in Fulton County on July 24, 2015, Fulton County is no longer part of Southcrest's assessment area, but is included in evaluating the bank's community development performance for this evaluation period.

As of March 31, 2016, Southcrest reported total assets of \$552 million. As of the same date, the bank's total loans were \$282 million and total deposits were \$499 million. Southcrest is a commercial bank, and provides a full range of banking services. Products offered to business customers include checking, money market and time deposits, along with various types of commercial and Small Business Administration loans. Commercial loan offerings include commercial real estate loans and equipment financing. Other offerings for commercial customers include remote deposit capture, ACH, online wires, merchant services, and business payroll. For consumers, the bank provides checking, money time deposits, Individual Retirement accounts, consumer loans and credit cards. In January 2016, the bank exited the residential line of business, with the exception of home equity credit lines. However, during most of the review period for this

evaluation, the bank originated residential loans and these are considered in assessing its CRA performance.

The following table provides a summary of the bank’s loan mix.

<b>Loan Portfolio Summary by Loan Product March 31, 2016</b>	
<b>Loan Category</b>	<b>% of Total Assets</b>
1-4 Family Residential Real Estate	39.28%
Non-Farm/Non-Residential Real Estate	41.68%
Commercial Loans	7.34%

*Source: Consolidated Report of Condition and Income for Southcrest*

There are no legal or financial impediments that would hinder the bank’s ability to meet the credit needs of the community. The First National Bank of Polk County (the name of the bank whose charter was assumed by Southcrest) was last examined for CRA as of December 2008. At that Performance Evaluation, the bank was rated “Outstanding”.

## **Selection of Areas for Full-Scope Review**

For the state of Georgia, we selected three assessment areas for full scope review. One assessment area, which consists of Fayette and Meriwether Counties, is in the Atlanta-Sandy Springs-Roswell, Georgia MSA. The other full scope assessment areas in Georgia include the Polk County assessment area and the Upson County assessment area, which are not part of an MSA. For purposes of this evaluation, we will combine the two non-MSA assessment areas. The bank has two other assessment areas in Georgia that were given limited scope reviews. These are the Walker County assessment area and the Forsyth County assessment area.

In the State of Alabama, the bank has only one assessment area, which consists of Chilton County. Chilton County is part of the Birmingham-Hoover Alabama MSA. The examiner conducted a full scope review in this assessment area.

## **Ratings**

The bank’s overall rating is a blend of the state ratings. In drawing conclusions for the overall rating, performance in the state of Georgia received the greatest weight. Georgia is the state that represents the substantial majority of the bank’s deposits, loan activity, and office locations.

The state ratings are based primarily on those areas that received full-scope reviews. Refer to the “Scope” section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## Conclusions with Respect to Performance Criteria

### Loan-to-Deposit Ratio

Southcrest's average loan-to-deposit (LTD) ratio is reasonable, and demonstrates the bank's commitment to lend within its assessment area. The LTD ratio was calculated by averaging the bank's LTD ratios over the past 27 business quarters beginning January 31, 2009 and ending September 30, 2015. During this period, the bank's LTD ratio averaged 63.28 percent, with a quarterly low of 51.7 percent and a quarterly high of 80.46 percent. There are 37 competitor banks in the bank's assessment areas, with a combined 119 branch offices. Half of the 37 competitor banks are much larger than Southcrest with respect to branch networks, total deposits, and asset size. There are three similarly situated banks within the assessment areas. Over the same review period, the similarly situated banks have a combined average LTD ratio of 70.66 percent, which is comparable to Southcrest's average LTD ratio.

The bank's LTD ratio meets the standard for satisfactory performance.

### Lending in Assessment Area

Southcrest originated a majority of its residential and business loans by number to borrowers within its assessment areas. For the period reviewed, 54 percent of the loans by number were originated within the bank's assessment areas. The bank originated almost half of its loans by dollar amount within the assessment areas. The following table reflects the home mortgage and small business loans originated inside and outside of the assessment area.

Lending in the Georgia and Alabama Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Purchase	44	32.6	91	67.4	135	6,496	27.9	16,768	72.1	23,264
Home Improvement	4	100.0	0	0	4	199	100.0	0	0	199
Refinance	114	63.3	66	36.7	180	10,990	45.6	13,112	54.4	24,102
Small Business	43	71.7	17	28.3	60	5,376	67.9	2,540	32.1	7,916
Totals	205	<b>54.1</b>	174	<b>45.9</b>	379	23,061	<b>41.6</b>	32,420	<b>58.4</b>	55,481

Source: 2015 HMDA data; Sample of 60 Small Business loans.

The bank's record of lending in its assessment areas meets the standards for satisfactory performance.

## **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 or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

## State Rating

### State of Georgia

#### CRA Rating for Georgia: Satisfactory

The Lending test is rated Satisfactory.

The Community development test is rated Satisfactory.

Major factors supporting the state of Georgia rating include:

- The distribution of home mortgage loans in moderate-income geographies is reasonable. The dispersion of small business loans reflects an excellent penetration of moderate-income census tracts when compared to the percentage of businesses located in those census tracts.
- The penetration of home mortgage and small business loans among borrowers of different income levels is reasonable and meets the standards for satisfactory performance.
- The bank's performance under the community development test reflects satisfactory responsiveness to the community development needs of the assessment areas.
- Southcrest has not received any written complaints during the evaluation period regarding its performance in meeting credit needs in the state of Georgia.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN GEORGIA

### Fayette and Meriwether Counties Assessment Area

Southcrest's Fayette and Meriwether Counties assessment area (MSA assessment area) is located within the Atlanta-Sandy Springs-Roswell, Georgia MSA. The combined counties consist of 25 census tracts. Of the 25 geographies, five are designated as moderate-income, five are middle-income, and 15 are upper-income. Within the MSA assessment area, there is one upper-income branch in Fayette County and two moderate-income branches in Meriwether County.

The 2015 projected census data reports a total population of 44,593, total families of 35,527 and total households of 46,065. Of the total assessment area population, 14.2 percent of persons are over 65. Demographic information, based on the 2015 Projected Geodemographic data, indicates that 16.28 percent of the total assessment area families are classified as low-income, 13.5 percent are moderate-income, 18.31 percent as middle-income, and 51.91 percent as upper-income, respectively. According to 2010 census data, 75.62 percent of the housing units were owner-occupied, and the median housing value was \$233,208. Housing stock primarily consists of slightly older homes with the median year built of 1987.



According to 2015 Projected Geodemographic data, 12,644 businesses operate within the MSA assessment area, of which 313 are farms. Small businesses, reporting revenues of less than or equal to \$1 million, represent 81.29 percent of total assessment area businesses.

For the Atlanta-Sandy Springs-Roswell, Georgia MSA, as of May 2016, the seasonally unadjusted, unemployment rate was 4.8 percent, which approximated the seasonally unadjusted, national unemployment rate of 4.7 percent, but was slightly below the state unemployment rate of 5.0 percent.

According to the Fayette County Development Authority, top employers headquartered in the county include: Piedmont Fayette Hospital; NCR; Cooper Lighting; Hoshizaki America; and Panasonic Automotive Systems. The Meriwether County Development Authority indicates that the top employers in the county are Dongwon Autopart Technology, Mando America Corporation, and Mando Casting.

Southcrest does not have a major presence in the MSA assessment area where banking competition is very high. The largest banking competitors in the MSA assessment area include Bank of America, Wells Fargo, and a number of smaller, local banks.

We made contact with a local government authority responsible for economic development in the MSA assessment area. The contact's organization is focused on Meriwether County, which consists of seven small rural towns and a population of less than 23,000 people. The county produces timber and peaches as exports, but the county supported the creation of industrial development parks to attract business. There are currently three industrial parks: Meriwether, Woodbury, and Manchester. The contact indicated that the Manchester Industrial Park's lack of direct access to the freeway has hampered its development and remains mostly empty. The other industrial parks are active and better positioned for growth. Meriwether Industrial Park houses the Mando Corporation, a Korean company that supplies "just-in-time" parts for Kia Motors, the largest manufacturer in the region. The company recently expanded in January 2015 and has become the county's largest employer, with over 1000 employees. Other major industries in Meriwether include tourism and health care. The county supports a therapeutic rehabilitation facility that currently aids veterans and is applying to be a site for the Wounded Warrior Program.

Key needs in the county include higher paying jobs, as most of the population works in retail and other minimum wage jobs. There is also a need for more retail business development as well as more affordable housing. The contact noted that the county government is working to attract housing developers to address the need.

According to the community contact, the banks in the area have been supportive of and responsive to the development needs of Meriwether County. Bank employees have also been engaged with non-profits as volunteers. No specific mention was made of any bank in particular.

### **Polk and Upson County Assessment Areas**

The bank's Georgia assessment areas include two that are not located within any MSA. One is the Polk County assessment area and the other is the Upson County assessment area. For purposes of this evaluation, we have combined these two assessment areas into one, referred to as the Non-

MSA assessment area. Both counties are 2015 Distressed Non-Metropolitan Middle-Income areas. Polk County, which borders Alabama, is adjacent to and west of the Atlanta-Sandy Springs-Roswell, Georgia MSA. Upson County, located in the central portion of the state, is adjacent to Meriwether County, directly south of the Atlanta-Sandy Springs-Roswell, Georgia MSA. There are fifteen census tracts in the Non-MSA assessment area, including three designated as moderate-income geographies, eleven middle-income, and one upper-income. Polk County has seven census tracts, including one designated as moderate-income and six middle-income geographies. Upson County has eight census tracts, including two moderate-income geographies, five middle-income, and one upper-income.

Southcrest maintains its largest presence in the Non-MSA assessment area, with one moderate-income branch and two middle-income branches in Polk County, and one moderate-income branch and one middle-income branch in Upson County.

For the Non-MSA assessment area, the 2015 projected census data reports a combined total population of 68,226, total families of 17,885 and total households of 24,986. Of the total assessment area population, 13.9 percent of persons are over sixty-five. Demographic information, based on 2015 Projected Geodemographic data, indicates that of the total assessment area families, 23.16 percent, 16.91 percent, 19.09 percent and 40.84 percent are classified as low-, moderate-, middle-, and upper-income, respectively. According to 2010 census data, 60.82 percent of the housing units were owner-occupied, and the median housing value was \$102,034. Housing stock primarily consists of slightly older homes with the median year built of 1974.

According to 2015 Projected Geodemographic data, 4,001 businesses operate within the Non-MSA assessment area, of which 151 are farms. Small businesses, reporting revenues of less than or equal to \$1 million, represent 79.93 percent of total businesses in the Non-MSA assessment area.

As of May 2016, the seasonally unadjusted, unemployment rate was 5.8 percent in Polk County and 6.0 percent in Upson County. The unemployment rates are higher than the seasonally unadjusted, national unemployment rate of 4.7 percent and the state unemployment rate of 5.0 percent.

According to the Polk County Development Authority, Polk County has a strong industry and manufacturing base with top employers that include Meggitt Polymers and Composites, Polk County School District, HON Company, TipTop Poultry, AT&T, Polk County Government, Angelica Textile Services, Jefferson Southern, and Walmart. Polk County is anchored by three distinct municipalities: Cedartown, Rockmart and Aragon. Railroad transportation, rich natural resources (slate, limestone, clay, iron shale, and timber), and plentiful water continues to influence Polk County's economy. The Thomaston-Upson County Development Authority indicates increasing opportunities and growth in the Thomaston and Upson counties area. In addition to an abundance of available buildings and industrial acreage, there are a number of attractive incentives. Upson County provides a \$4,000 job tax credit for each new job created and the local community offers a number of aggressive local incentives for businesses that create new jobs and investments. Local industries include Animal Health & Sciences, Criterion Technology, Inc., Interfor, Dart Container, Quad/Graphics, Thomaston Mills, Turkey Creek Snacks, Chief Manufacturing, Standard Tile Company, Inc., TenCate Protective Fabrics, and Lancaster Energy Partners.

A contact with a local small business technical assistance provider was conducted. The contact organization covers Polk, Haralson, Douglas, Carroll, Head, and Coweta counties. According to the contact, there is a need for more support and incentives for small businesses, as well as job creation and workforce development initiatives in Polk County. Small business development and lending was minimal and could be enhanced by collaborative efforts between local government and the business community. The contact felt the banks conduct outreach, but could be more effective through partnerships with local stakeholders. Specifically, the contact mentioned a need for customized training for small businesses, in which banks could partner with the technical assistance provider.

The contact also felt there were also potential development opportunities in which banks could participate with the local government. As an example, a small business incubator in an adjacent county was mentioned as a model for entrepreneurship, innovation, and business growth. The incubator fosters expansion by offering business planning, expansion coaching, counseling, technical support, affordable office space, and an entrepreneurial environment for clients.

## **SCOPE OF EVALUATION IN GEORGIA**

In the state of Georgia, we selected three assessment areas for full-scope review. Full-scope reviews consider performance context, and quantitative and qualitative factors. One assessment area selected for full-scope review consists of Fayette and Meriwether Counties, and is in the Atlanta-Sandy Springs-Roswell, Georgia MSA. The other full-scope assessment areas in Georgia include the Polk County assessment area and the Upson County assessment area, neither of which is part of an MSA. For purposes of this evaluation, we combined these two non-MSA assessment areas. The majority of the bank's lending activity, branches, and deposit base is in the assessment areas selected for full-scope reviews.

Two assessment areas, Walker County and Forsyth County, Georgia, were selected for limited review. We placed little weight on the banks performance in these assessment areas. This is because the bank has only one branch location in each of these assessment areas, a minimal volume of loans, and a nominal share of deposits.

Based on the bank's lending activities and market focus, we placed equal weight on its performance in its MSA and Non-MSA assessment areas selected for full-scope review. Our evaluation was based on the bank's primary loan products of residential home mortgages and small business lending.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GEORGIA**

### **LENDING TEST**

The bank’s performance under the Lending Test in Georgia is rated Satisfactory. To derive our conclusions for the Lending Test, we considered factors affecting Southcrest’s ability to lend, such as significant competition in both assessment areas and a high poverty rate in its Non-MSA assessment area. The bank’s performance with respect to the Lending Test in its Walker and Forsyth County assessment areas is not inconsistent with findings for those assessment areas that received full scope reviews.

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

Overall, the distribution of loans among borrowers of different income levels and businesses of different sizes is reasonable in light of demographic comparators and given the bank’s performance context. Thus, the bank’s performance with respect to this criterion in the state of Georgia is Satisfactory.

**Residential Real Estate**

MSA Assessment Area

We analyzed 2015 residential real estate lending using borrower income compared to the median family income (MFI) levels based on the U.S Census Bureau. The updated MFI figure for the Atlanta-Sandy Springs-Roswell, Georgia MSA was \$70,700. Approximately 7.09 percent of households in the MSA assessment area live below the poverty level.

The distribution of home loans in the MSA assessment area reflects a reasonable penetration among borrowers of different income levels when the household poverty level is considered. Also, we note that the bank did not make any home improvement loans in the MSA assessment area. The bank’s performance is shown in the following table:

<b>Borrower Distribution of Residential Real Estate Loans in the MSA Assessment Area</b>								
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 Purchase	14.37	11.11	14.86	11.11	18.23	0.00	52.54	66.67
Home Improvement	14.37	0.00	14.86	0.00	18.23	0.00	52.54	0.00
Refinance	14.37	0.00	14.86	15.38	18.23	23.08	52.54	46.15

Source: HMDA data reported for 2015; U.S. Census data; Income not Available for about 11.1 % of Home Purchase Loans, and 15.39% of Home Refinances.

Non-MSA Assessment Area

We analyzed residential real estate lending using borrower income compared to the MFI level based on the U.S Census Bureau. The updated MFI figure for non-metropolitan areas in the state of Georgia for 2015 was \$47,800. Approximately 19.14 percent of households in the Non-MSA assessment area live below the poverty level.

The distribution of home loans in the Non-MSA assessment area reflects an overall reasonable penetration among borrowers of different income levels. Although lending to low-income borrowers is low, the 19.14 poverty level percentage is very high and limits lending opportunities to low-income borrowers. Also, while home refinances to moderate-income borrowers was low, home purchase and home improvement lending levels well exceeded the percentage of families in the Non-MSA assessment area that are moderate-income. The bank’s performance is shown in the following table:

<b>Borrower Distribution of Residential Real Estate Loans in the Non-MSA Assessment Area</b>								
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 Purchase	22.88	3.85	18.24	19.23	20.49	30.77	38.39	42.31
Home Improvement	22.88	0.00	18.24	50.00	20.49	0.00	38.39	50.00
Refinance	22.88	5.95	18.24	7.14	20.49	11.90	38.39	66.67

Source: HMDA data reported for 2015; U.S. Census data; Income not Available for about 3.84% of Home Purchase Loans, and 8.34% of Home Refinances.

**Small Business Loans**

MSA Assessment Area

Sampled loans in the MSA assessment area reflect a reasonable distribution of lending to businesses with gross annual revenues less than \$1 million. The bank’s volume of small business lending is lower, but not significantly lower, than the assessment area’s percentage of businesses that reported gross annual revenues of \$1 million or less. Specifically, 65 percent of the bank’s loans by number were made to businesses with gross annual revenues of less than \$1 million. In addition, 65 percent of the loans by dollar amount were made to businesses with gross annual revenues less than \$1 million.

The bank’s performance is shown in the following table:

<b>Borrower Distribution of Loans to Businesses in the MSA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.29	3.39	15.32	100.0
% of Bank Loans in AA by Number	65.00	35.00	0.00	100.0
% of Bank Loans in AA by Dollar	65.16	34.84	0.00	100.0

Source: Sample of 20 Small Business loans; Dunn and Bradstreet data.

Non-MSA Assessment Area

Sampled loans in the Non-MSA assessment area reflect a reasonable distribution of lending to businesses with gross annual revenues less than \$1 million. The bank’s volume of small business lending is lower, but not significantly lower, than the assessment area’s percentage of businesses that reported gross annual revenues of \$1 million or less. Specifically, 75 percent of the bank’s loans by number were made to businesses with gross annual revenues of less than \$1 million. In addition, 53.58 percent of the loans by dollar amount were made to businesses with gross annual revenues less than \$1 million. The bank’s performance is shown in the following table:

<b>Borrower Distribution of Loans to Businesses in the Non-MSA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79.93	2.25	17.82	100.0
% of Bank Loans in AA by Number	75.00	25.00	0.00	100.0
% of Bank Loans in AA by Dollar	53.58	46.42	0.00	100.0

Source: Sample of 20 Small Business loans; Dunn and Bradstreet data.

**Geographic Distribution of Loans**

Overall, geographic distribution of lending meets the standards for satisfactory performance. The geographic distribution analysis that follows depicts a reasonable penetration of residential real estate lending throughout the bank’s MSA and Non-MSA assessment areas. The dispersion of small business lending in both assessment areas is excellent.

**Residential Real Estate**

MSA Assessment Area

Southcrest’s record of residential real estate lending in the MSA assessment area reflects a reasonable dispersion of loans in moderate-income census tracts. There are no low-income census tracts in the MSA assessment area. The bank did not make any home improvement loans in the MSA assessment area. Therefore no dispersion of this loan type among moderate-income census tracts is expected. Further, while there were no home purchase originations in moderate-income census tracts, approximately 60 percent of loan originations in the MSA assessment area were home refinances. Thus, greater weight is given to the dispersion of home refinances, which greatly exceeds the demographic comparator.

The bank’s performance is shown in the following table:

<b>Geographic Distribution of Residential Real Estate Loans in the MSA Assessment Area</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
Home Purchase	0.00	0.00	16.14	0.00	21.77	22.22	62.09	77.78
Home Improvement	0.00	0.00	16.14	0.00	21.77	0.00	62.09	0.00
Refinance	0.00	0.00	16.14	69.24	21.77	15.38	62.09	15.38

Source: HMDA data for 2015; U.S. Census data.

Non-MSA Assessment Area

Southcrest’s record of residential real estate lending in the Non-MSA assessment area reflects a reasonable dispersion of loans in moderate-income census tracts. There are no low-income census tracts in the Non-MSA assessment area. Further, while there were no home improvement originations in moderate-income census tracts, the bank’s home purchase and home refinances greatly exceed the percentage of owner-occupied housing units in moderate-income census tracts. Also, 75.0 percent of loan originations in the Non-MSA assessment area were home refinances. Thus, greater weight is given to the dispersion of home refinance lending. The bank’s performance is shown in the following table:

**Geographic Distribution of Residential Real Estate Loans in the Non-MSA Assessment Area**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Purchase	0.00	0.00	20.91	26.92	73.33	65.39	5.76	7.69
Home Improvement	0.00	0.00	20.91	0.00	73.33	100.0	5.76	0.00
Refinance	0.00	0.00	20.91	29.76	73.33	66.67	5.76	3.57

Source: HMDA data for 2015; U.S. Census data.

### Small Business Loans

#### MSA Assessment Area

The following table presents an analysis of Southcrest’s small business lending in census tracts of different income levels in the MSA assessment area. Information in the table reflects an excellent penetration of small business lending in moderate-income census tracts when compared to the percentage of businesses located in those census tracts.

Geographic Distribution of Loans to Businesses in the MSA Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans
Small Business	0.00	0.00	9.01	50.00	22.38	25.00	68.61	25.00

Source: Sample of 20 Small Business loans; Dunn & Bradstreet data.

#### Non-MSA Assessment Area

The following table presents an analysis of Southcrest’s small business lending in census tracts of different income levels in the Non-MSA assessment area. Information in the table reflects an excellent penetration of small business lending in moderate-income census tracts when compared to the percentage of businesses located in those census tracts.



<b>Geographic Distribution of Loans to Businesses in the Non-MSA Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans
Small Business	0.00	0.00	27.01	30.00	68.60	60.00	4.39	10.00

Source: Sample of 20 Small Business loans; Dunn & Bradstreet data.

### Responses to Complaints

The bank has not received any written complaints during the evaluation period related to its performance in meeting the credit needs of its Georgia assessment areas.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in Georgia is rated Satisfactory.

Southcrest’s community development performance demonstrates adequate responsiveness to the needs of its assessment areas. Community development opportunities are limited and most of the geographies within the bank’s assessment areas are largely rural and low-density.

- During the performance evaluation period, the bank extended \$18.4 million in qualified community development loans, provided \$500,000 in qualified community development investments, and donated approximately \$4600 to qualified organizations.
- Bank employees provided 163 hours of financial or professional expertise to qualified organizations and individuals during this evaluation period.

The bank’s performance with respect to the Community Development Test in its Walker and Forsyth County assessment areas is not inconsistent with findings for those assessment areas that received full scope reviews.

### Number and Amount of Community Development Loans

Southcrest made an adequate level of community development loans within its assessment areas.

#### MSA Assessment Area

Southcrest originated two community development loans totaling \$6 million in its MSA assessment area during the evaluation period. Both loans were tax anticipation notes that provided operating funds for the 2014 and 2015 school years in Meriwether County. All of the census tracts in Meriwether County are moderate-income, and more than 75 percent of the children in the

schools are eligible for the federal free lunch program. The loans were not innovative, but were responsive to the needs of the assessment area.

Non-MSA Assessment Area

Southcrest originated two community development loans totaling \$6 million in Polk County and three community development loans totaling \$6.5 million in Upson County during the evaluation period, for a total of five loans totaling \$12.5 million in the combined counties. Both Polk County and Upson County are 2015 Distressed Non-Metropolitan middle-income areas. In Polk County, one loan for \$5 million financed an 18,000 square foot medical facility in Cedartown and the other loan for \$1 million was a tax anticipation note provided to support the operating expenses of Cedartown. In Upson County, one loan for \$318 thousand helped finance the purchase of land for expansion of the local airport, an important project in helping to attract new business and industry to this part of the state. Another loan was a \$6 million tax anticipation note to help fund the county's general operating expenses, including programs such as the Industrial Development Authority, Upson County Recreational Department, Upson Senior Center, Public Library, and Emergency Management Services.

**Number and Amount of Qualified Investments**

SouthCrest has provided an adequate level of qualified community development investments and donations throughout its assessment areas.

MSA Assessment Area

Southcrest donated \$2208 to qualified organizations in the Fayette and Meriwether Counties during this evaluation period.

Non-MSA Assessment Area

Southcrest donated \$2000 to qualified organizations in Polk and Upson Counties during this evaluation period.

**Extent to Which the Bank Provides Community Development Services**

Southcrest has provided an adequate level of community development services throughout its assessment areas.

MSA Assessment Area

Bank employees provided 27 hours of financial or professional expertise to qualified organizations and individuals in Fayette any Meriwether Counties during this evaluation period. Specifically, the bank provided marketing services to the Bloom Organization in Fayette County which offers shelter and educational assistance to children that have been victims of abuse or neglect. In addition, a bank employee serves as a committee member of the Jack and Jill Foundation in Fayette County, which strengthens children by teaching leadership and civic duties.

Non-MSA Assessment Area

Bank employees provided 132 hours of financial or professional expertise to qualified organizations and individuals in Polk and Upson Counties during this evaluation period. Employees served as fundraisers, speakers, and sponsors of various programs at schools with high percentages of students receiving free or reduced price lunch.

**Responsiveness to Community Development Needs**

The bank's community development performance in the state of Georgia is satisfactory. Responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services is reasonable.

## State Rating

### State of Alabama

#### CRA Rating for Alabama: Needs to Improve

The Lending test is rated Satisfactory.

The Community development test is rated Needs to Improve.

Major factors supporting the state of Alabama rating include:

- The distribution of home mortgage loans in moderate-income geographies reflects a poor dispersion of lending in moderate-income census tracts. However, the dispersion of small business loans reflects an excellent penetration of moderate-income census tracts when compared to the percentage of businesses located in those census tracts. Overall, lending in moderate-income census tracts meets the standards for satisfactory performance.
- The penetration of home mortgage loans among borrowers of different income levels compared with demographics is reasonable, while the penetration of small business loans among borrowers of different income levels is excellent. Overall, lending to borrowers of different income levels meets the standards for satisfactory performance.
- The bank's performance under the community development test reflects inadequate responsiveness to the community development needs of the assessment area.
- Southcrest has not received any written complaints during the evaluation period regarding its performance in meeting credit needs in the state of Alabama.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALABAMA

Southcrest's Alabama assessment area consists of Chilton County in its entirety. The county is comprised of nine census tracts (geographies) in central Alabama. Of the nine geographies, four are designated as moderate-income and five as middle-income. Southcrest has two branches located in moderate-income tracts within the Alabama assessment area.

Located almost halfway between Birmingham and Montgomery, Chilton County has easy access to major metropolitan markets and is experiencing a growing population, but is still largely rural. Chilton County is served by two railroads, two power companies, and an expanding airport.

For the Alabama assessment area, the 2015 projected census data reports a total population of 43,744, total families of 12,109 and total households of 16,232. Of the total assessment area population, 14.16 percent of persons are over sixty-five. Demographic information, based on 2015 Projected Geodemographic data, indicates that of the total assessment area families, 28.4 percent, 19.2 percent, 19.54 percent and 32.8 percent are classified as low-, moderate-, middle-, and upper-income, respectively. According to 2010 census data, 18.08 percent of the assessment area

households are below the poverty line, 65.02 percent of the housing units were owner-occupied, and the median housing value was \$102,807. Housing stock primarily consists of slightly older homes with the median year built of 1983.

According to 2015 Projected Geodemographic data, 2,318 businesses operate within the Alabama assessment area, of which 105 are farms. Small businesses reporting revenues of less than or equal to \$1 million, represent 79.81 percent of total assessment area businesses.

For the Birmingham-Hoover, Alabama MSA, as of May 2016, the seasonally unadjusted, unemployment rate was 5.1 percent. This unemployment rate exceeds the seasonally unadjusted, national unemployment rate of 4.7 percent, but is below the state unemployment rate of 5.5 percent.

According to the Chilton County Economic Development Authority, top employers in the Alabama assessment area include Johnson Controls, the Board of Education, Walmart, Chilton County Government, and Georgia Pacific. Banking competitors include Peoples Southern Bank and Regions Bank, both of which have the largest deposit market share, followed by Branch Banking and Trust Company and Southcrest.

During this exam, two community contact interviews were conducted. One contact was with the executive director of a community action agency serving the needs of Chilton and Shelby Counties in Alabama. The organization currently uses public funding sources to develop and administer its various programs and encourages participation in coalitions with other organizations. The contact indicated that a key priority is to begin fundraising in order to secure funds for discretionary spending. The executive director of the organization is in the process of writing grants and establishing partnerships with private funders. She has not yet reached out to banks, and was not aware of the community development opportunities for engaging banks as potential partners. Another community contact was conducted with the executive director of a small business economic development organization that provides services and counseling to small businesses throughout all sixty-three counties of Alabama, including Chilton.

Chilton County, unlike nearby Shelby County, has a number of pressing community needs, including the need for quality jobs, affordable housing, housing rehab and repair, transportation, and quality education. The housing stock is old and in need of much repair. Despite having funds available through the state to purchase materials, it is often a challenge to pay for the cost or secure the labor to provide the repairs. Access to credit is also a huge unmet need in the community for both small businesses and consumers. The recession eight years ago significantly impacted the businesses in the state and recovery has been slow. Based on a study conducted three years ago, there is approximately a \$250 million shortfall of financing for small businesses relative to the 2006 to 2007 period. The financing gap has only been half filled to date. Many consumers often lack sufficient income to qualify for credit, or have poor credit records.

## **SCOPE OF EVALUATION IN ALABAMA**

The bank's rating in Alabama was based entirely on its performance in the Alabama assessment area (Chilton County). We conducted a full scope review in Chilton County.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ALABAMA

### LENDING TEST

Southcrest’s performance under the Lending Test in Alabama is rated Satisfactory. To derive our conclusions for the Lending Test, we considered factors affecting the bank’s ability to lend and the AAs high poverty rate.

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

Overall, the distribution of loans among borrowers of different income levels and businesses of different sizes is reasonable given the bank’s performance context. Real estate lending reflects a reasonable penetration among borrowers of different income levels. Small business lending reflects an excellent distribution of lending to businesses with annual revenues less than \$1 million. Thus, the bank’s performance with respect to this criterion in the state of Alabama is Satisfactory.

#### Residential Real Estate

We analyzed 2015 residential real estate lending using borrower income compared to the MFI levels based on the U.S Census Bureau. The updated MFI figure for the Birmingham-Hoover, Alabama MSA was \$65,200. Approximately 18.08 percent of households in the Alabama assessment area live below the poverty level.

The distribution of home loans in the Alabama assessment area reflects a reasonable penetration among borrowers of different income levels. Although lending to low-income borrowers is low, the 18.08 poverty level percentage is very high and limits lending opportunities to low-income borrowers. The bank’s volume of home purchase and home refinances loans in moderate-income census tracts is lower, but not significantly lower, than the percentage of families in the Alabama assessment area that are moderate-income. The bank’s performance is shown in the following table:

<b>Borrower Distribution of Residential Real Estate Loans in the Assessment Area</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>
Home Purchase	29.77	5.00	18.55	15.00	21.54	20.00	30.14	55.00
Home Improvement	29.77	0.00	18.55	50.00	21.54	0.00	30.14	50.00
Refinance	29.77	2.13	18.55	14.89	21.54	8.51	30.14	63.83

Source: HMDA data for 2015; U.S. Census data; Income not Available for about 5.0% of Home Purchase Loans, and for 10.64% of Home Refinances

**Small Business Loans**

Sampled loans in the Alabama assessment area reflect an excellent distribution of lending to businesses with gross annual revenues less than \$1 million. The bank’s volume of small business lending is commensurate with the percentage of businesses that reported gross annual revenues of \$1 million or less. Specifically, 80 percent of the bank’s loans by number were made to businesses with gross annual revenues of less than \$1 million. In addition, 75 percent of the loans by dollar amount were made to businesses with gross annual revenues less than \$1 million. The bank’s performance is shown in the following table:

<b>Borrower Distribution of Loans to Businesses in the Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	79.81	3.41	16.78	100.0
% of Bank Loans in AA by Number	80.00	20.00	0.00	100.0
% of Bank Loans in AA by Dollar	74.67	25.33	0.00	100.0

Source: Sample of 20 Small Business loans; Dunn & Bradstreet data.

**Geographic Distribution of Loans**

Overall, the geographic distribution of lending in the Alabama assessment area meets the standards for satisfactory performance. The geographic distribution analysis that follows depicts a poor penetration of residential real estate lending. However, the dispersion of small business loans is excellent.

**Residential Real Estate**

Southcrest’s record of residential real estate lending in the Alabama assessment area reflects a poor dispersion of loans in moderate-income census tracts. The bank’s performance is shown in the following table:

<b>Geographic Distribution of Residential Real Estate Loans in the Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Loan type								

Home Purchase	0.00	0.00	51.57	0.00	48.43	65.00	0.00	35.00
Home Improvement	0.00	0.00	51.57	50.00	48.43	50.00	0.00	0.00
Refinance	0.00	0.00	51.57	27.66	48.43	68.09	0.00	4.25

Source: HMDA data for 2015; U.S. Census data.

### Small Business Loans

The following table presents an analysis of Southcrest’s small business lending in census tracts of different income levels in the Alabama assessment area. Information in the table reflects an excellent penetration of small business lending in moderate-income census tracts when compared to the percentage of businesses located in those census tracts.

Geographic Distribution of Loans to Businesses in the Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans
Small Business	0.00	0.00	15.13	65.00	34.54	35.00	50.34	0.00

Source: Sample of 20 Small Business loans; Dunn & Bradstreet data

### Responses to Complaints

Southcrest has not received any complaints during this evaluation period directly related to CRA performance.

### COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in Alabama is rated Needs to Improve.

Southcrest’s community development performance demonstrates inadequate responsiveness to the community development needs of its Alabama assessment area (Chilton County), particularly in light of the strong unmet credit and other community development needs in the area.

- During the performance evaluation period, the bank made no qualified community development loans and donated \$1515 to qualified organizations.



- Bank employees provided 21 hours of financial or professional expertise to qualified organizations and individuals during this evaluation period.

### **Number and Amount of Community Development Loans**

Southcrest has provided an inadequate level of community development loans throughout its assessment area. The bank did not originate any community development loans in Chilton County throughout the period being evaluated.

### **Number and Amount of Qualified Investments**

Southcrest provided an inadequate level of qualified investments and donations throughout its assessment area. The bank made \$1515 in donations in Chilton County over the evaluation period.

### **Extent to Which the Bank Provides Community Development Services**

Southcrest has provided an adequate level of community development services throughout its assessment area. Bank employees provided 21 hours of financial or professional expertise to qualified organizations and individuals in the Chilton County assessment area during this evaluation period.

### **Responsiveness to Community Development Needs**

In conducting our review of community development, we identified a number of needs in Chilton County, such as the need for more affordable housing and a lack of adequate financing for small businesses. The bank's responsiveness to community needs through community development loans and qualified investments is inadequate.

## 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”).

<b>Time Period Reviewed</b>	Lending Test: January 1, 2015 - December 31, 2015 Community Development Test: December 8, 2008 - June 20, 2016	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Southcrest Bank, National Association Tyrone, Georgia	Home mortgage loans, small business loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Georgia</b> Forsyth County AA Walker County AA Non-MSA AA: Upson County AA Polk County AA (Polk and Upson are both Non-MSA were considered together for purposes of this evaluation) MSA AA: Fayette County Meriwether County  <b>State of Alabama</b> Chilton County AA	Limited Scope Limited Scope  Full Scope  Full Scope  Full Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Southcrest	Satisfactory	Satisfactory	Satisfactory
Georgia	Satisfactory	Satisfactory	Satisfactory
Alabama	Satisfactory	Needs to Improve	Needs to Improve