



PUBLIC DISCLOSURE

October 02, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Newton Federal Bank
Charter Number **703575**

3175 Highway 278
Covington, GA 30014

Office of the Comptroller of the Currency

Three Ravinia Drive
Suite 1950
Atlanta, GA 30346

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not 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 CRA Rating

The Lending Test is rated: Satisfactory.

- The average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area (AA) credit needs and exceeds the standards for satisfactory performance.
- The penetration of loans to businesses of different sizes is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion within the AA and meets the standards for satisfactory performance.

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: 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

Newton Federal Bank (NFB) is a federally-chartered savings association wholly owned by Community First Bancshares, a one-bank holding company. Both the bank and holding company are headquartered in Covington, Newton County, GA. As of June 30, 2017, NFB reported assets of \$279 million and Tier One Capital of \$59.6 million. In addition to the main office, NFB operates two full service branches in Covington. No branches have been opened or closed since the last CRA examination in 2011. The bank opened a loan production office (LPO) in Bogart, GA, during February 2016 and, during May 2017, opened another LPO in Braselton, GA. In April 2017, the bank was converted to a federal stock savings association from a federal mutual savings association. This transaction did not affect the scope of the bank's operations during the evaluation period. There are no legal or financial impediments to NFB's ability to meet the credit needs of its AA. The previous CRA evaluation dated October 17, 2011 rated the bank's performance as "Satisfactory".

NFB's one Assessment Area (AA) consists of all census tracts located in Newton County, GA, which is part of the Atlanta-Sandy Springs-Roswell, Metropolitan Statistical Area (MSA). The AA is comprised of 13 census tracts with 4 moderate- and 9 middle-income tract characteristics. NFB's three full service locations are in moderate-income geographies, and each provide a deposit-taking ATM. NFB faces a high degree of competition from seven other banks operating twelve offices in the AA, including two large regional state chartered banks with headquarters outside of Georgia. As of June 30, 2017, NFB had \$211 million in deposits with the third highest deposit market share at 23 percent. The large state chartered banks had the highest deposit market share in the AA at 24 percent each. The AA meets the technical requirements of the Act and does not arbitrarily exclude low-or moderate-income census tracts.

The bank's primary loan products are home and business loans. As of June 30, 2017, 89.5 percent of average gross loans were real estate loans. The largest majority of real estate loans, which represented 65.9 percent of average gross loans, were 1-4 family loans. Commercial and Industrial loans were 9.2 percent of average gross loans as of June 30, 2017. Of the loans originated and purchased during the evaluation period, home loans and business loans accounted for approximately 45 percent and 52 percent, respectively.

Scope of the Evaluation

Evaluation Period/Products Evaluated

CRA performance was determined by analyzing the bank's primary lending activities. The evaluation period for this assessment was November 2011 to June 2017. Lending data was evaluated using the 2010 census. The lending test covered the period from January 1, 2015 to June 30, 2017. To evaluate the bank's business lending performance, we selected a random sample of 20 business loan originations. The bank has no lending affiliates.

Data Integrity

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data was tested and found to be reliable. Therefore, the bank's home loan performance was evaluated using HMDA data.

Selection of Areas for Full-Scope Review

Examiners conducted a full-scope review of the bank's AA, Newton County. See Appendix A for more information regarding the scope of this examination.

Ratings

The bank's overall rating is based on the full-scope review of the AA.

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 has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC does not have public information regarding non-compliance with statutes and regulations prohibiting discriminatory or other illegal credit practices with respect to this institution. In determining this institution's overall CRA rating, the OCC has considered information that was made available to the OCC on a confidential basis during its consultations.

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

NFB's performance under the small bank test is satisfactory.

This conclusion is based on the following: a more than reasonable loan-to-deposit ratio; lending to businesses of different sizes reflects a reasonable penetration, and a reasonable dispersion of loans within the AA. Details regarding these findings are addressed below.

LENDING TEST

Loan-to-Deposit Ratio (LTD)

NFB's average LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The LTD ratio averaged 96.03 percent over the 23 quarters since the last CRA evaluation. This compares favorably with two other similarly situated institutions (SSI): Pinnacle Bank, with an average LTD ratio of 69.78 percent, and United Bank, with an average LTD ratio of 54.34 percent.

NFB is the only community bank with a main office in Newton County. NFB is headquartered in Covington, GA. Pinnacle Bank's main office is in Elberton, GA. United Bank's main office is in Zebulon, GA. According to the FDIC deposit market share report as of June 30 2017, both banks are larger in asset size than NFB. However, they are the two banks operating in Newton County that are closest in size to NFB. Pinnacle Bank has total assets of \$847 million, and United Bank has total assets of \$1.3 billion. Pinnacle Bank offers similar products to NFB including home, business, and consumer lending products. United Bank also offers similar products to NFB including home, business, and consumer lending products, as well as wealth and merchant/cash management services. NFB operates in a highly competitive market due to the presence of several other community, regional, and large national banks in the AA.

Lending in Assessment Area

NFB's lending within the AA meets the standard for reasonable performance. A majority of the bank's lending by the number of loans is satisfactory, while the dollar amount is less than satisfactory. As a Federal Savings Bank, residential real estate loans, primarily home mortgage loans, are the number one product at NFB. Therefore, home loans carry the most weight in this analysis.

Lending in Newton County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	204	56.35	158	43.65	362	27,053	54.57	22,521	45.43	49,574
Business	20	33.33	40	66.67	60	1,833	17.61	8,573	82.39	10,406
Totals	224	53.08	198	46.92	422	28,886	48.16	31,094	51.84	59,980

Source: Loan sample; HMDA data.

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

Lending to borrowers of different incomes and to businesses of different sizes reflects a reasonable penetration. The percentage of residential real estate loans made to low- and moderate-income borrowers is reasonable.

As reflected in the table below, for home purchase loans, 15 percent of the AA aggregate are categorized as low-income while the bank originated seven percent of these loans to low-income individuals. The bank's performance is significantly lower than comparators. Twenty-five percent of the AA aggregate are categorized as moderate-income while 22 percent of the bank's home purchase loans were originated to moderate-income individuals. The bank's performance falls within a reasonable range below the industry comparators.

For home improvement loans, 18 percent of the AA aggregate are categorized as low-income while the bank originated 19 percent of these loans to low-income individuals. Thirty percent of the AA aggregate are categorized as moderate-income while 25 percent of the bank's home improvement loans were originated to moderate-income individuals. The bank's performance is within a reasonable range above and below the industry comparators.

For home refinance loans, 11 percent of the AA aggregate are categorized as low-income while the bank originated 16 percent of these loans to low-income individuals. Fifteen percent of the AA aggregate are categorized as moderate-income while 19 percent of the bank's home purchase loans were originated to moderate-income individuals. The bank's performance falls within a reasonable range above the industry comparators.

Borrower Distribution of Residential Real Estate Loans in Newton County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	15.13	6.72	24.61	21.85	17.26	31.09	12.41	36.97
Home Improvement	18.03	18.75	29.51	25.00	23.77	22.92	20.49	27.08
Home Refinance	11.09	16.22	14.51	18.92	16.30	37.84	17.49	21.62

Source: HMDA Data.

Lending to businesses of different sizes reflects a reasonable penetration and meets the standards for satisfactory performance. The following tables reflect the bank’s lending to businesses of different sizes within the AA, as well as the sizes of business loan originations. The percentage of business loans by number is lower than the percentage of businesses in the AA with annual revenues less than \$1 million. According to U.S. census data, 89 percent of businesses within the AA report annual revenues of less than \$1 million. Of the business loans sampled, 70 percent by number, and 63 percent by dollar amount were made to businesses with annual revenues less than \$1 million. The majority of business loans made by NFB were to small businesses, even though the percentage of business loans made by NFB to small businesses by number and dollars within the AA is lower than the percentage of businesses within the AA.

Borrower Distribution of Loans to Businesses in Newton County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	89.35	3.26	7.38	100%
% of Bank Loans in AA by #	70.00	30.00	0.00	100%
% of Bank Loans in AA by \$	63.00	37.00	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

The data also shows that 100 percent by number and dollar amount of the sampled business loans in the AA were for amounts less than \$500,000. These percentages reflect the bank’s commitment to serve the small business lending needs of the Newton County AA.

Borrower Distribution of Loans to Businesses by Loan Size in Newton County AA				
Loan Size (000’s)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	14	70.00	700	38.17
\$100,001 - \$250,000	5	25.00	749	40.88
\$250,001 - \$500,000	1	5.00	384	20.95
\$500,001 - \$1,000,000	0	0.00	0	0.00
Over \$1,000,000	0	0.00	0	0.00

Source: Loan sample.

Geographic Distribution of Loans

NFB’s geographic distribution of home loans reflects a reasonable dispersion. The bank’s record of lending in moderate-income census tracts within the AA is higher than the AA demographics for home improvement and home refinance loans, and lower than the AA demographics for home purchase loans.

As reflected in the table below, for home purchase loans, 18 percent of the AA aggregate are located in moderate-income census tracts, while the bank originated 12 percent of these loans in

these areas. The bank’s performance falls within a reasonable range below the industry comparators.

For home improvement loans, 13 percent of the AA aggregate are within moderate-income census tracts, while the bank originated 19 percent of these loans in these areas. The bank’s performance falls within a reasonable range above the industry comparator.

For home refinance loans, 18 percent of the AA aggregate are located in moderate-income census tracts, while the bank originated 32 percent of these loans in these areas. The bank’s performance is significantly higher than the industry comparator.

Geographic Distribution of Residential Real Estate Loans in Newton County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0.00	0.00	17.80	11.76	82.20	88.24	0.00	0.00
Home Improvement	0.00	0.00	13.11	18.75	86.89	81.25	0.00	0.00
Home Refinance	0.00	0.00	17.92	32.43	82.08	67.57	0.00	0.00

Source: HMDA; U.S. Census data.

NFB’s geographic distribution of business loans reflects a reasonable dispersion. The bank’s overall record of lending in moderate-income census tracts within the AA is higher than the AA demographics.

According to U.S. Census data, 25 percent of businesses in Newton County are located in moderate-income census tracts. According to our business loan sampling, 45 percent of business loans were originated in the AA’s moderate-income census tracts. NFB encounters high competition for business loans in Newton County from community, regional, and large national banks.

Geographic Distribution of Loans to Businesses in Newton County AA								
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
Businesses	0.00	0.00	25.15	45.00	74.85	55.00	0.00	0.00

Source: Loan sample; Dun and Bradstreet data.

Responses to Complaints

NFB has not received any CRA related consumer complaints since the prior 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: 01/01/2015 to 06/30/2017 Investment and Service Tests and CD Loans: N/A	
Financial Institution	Products Reviewed	
Newton Federal Bank (NFB) Covington, Georgia		
Affiliate(s) NA	Affiliate Relationship NA	Products Reviewed HMDA reportable and business loans.
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Newton County, Georgia	Full-Scope	None

Appendix B: Community Profiles for Full-Scope Areas

Newton County Assessment Area

Demographic Information for Full-Scope Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	13	0.00	34.77	69.23	0.00	0.00
Population by Geography		0.00	23.30	76.70	0.00	0.00
Owner-Occupied Housing by Geography		0.00	19.10	80.90	0.00	0.00
Businesses by Geography		0.00	25.15	74.85	0.00	0.00
Farms by Geography		0.00	16.41	83.59	0.00	0.00
Family Distribution by Income Level		0.00	22.43	77.57	0.00	0.00
Distribution of Low- and Moderate- Income Families throughout AA Geographies		25.54	20.73	24.85	28.88	0.00
Median Family Income = \$67,200		Median Housing Value = \$151,016			Unemployment Rate = 7.25%	
HUD Adjusted Median Family Income for 2017 = \$67,374						
Households Below the Poverty Level = 4,065						

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2017 HUD updated MFI.

The AA consists of all census tracts located in Newton County, GA. Newton County is in the north central part of Georgia. The county seat is Covington which is locally known as the “Hollywood of the South”. The film industry often chooses Covington and surrounding areas for movie and television locations. Covington has a downtown square with a blend of boutique/specialty shops, restaurants and historic buildings.

Newton County is part of the Atlanta-Sandy Springs-Roswell MSA. The MSA is one of the nation’s top-performing large metro areas. It is the most populous metro area in Georgia and the ninth-largest MSA in the US. The Atlanta-Sandy Springs-Roswell MSA is recognized as the transportation, distribution, and cultural center of the Southeastern United States. The MSA encompasses the city of Atlanta and includes 29 surrounding counties. It accounts for more than half of the state’s economy and is largely responsible for its robust growth. According to the US Census Bureau, the Atlanta-Sandy Springs-Roswell MSA’s population was estimated at 5.7 million for 2015. The banking industry is highly active in the MSA and comprises diverse financial institutions including community banks, large banks, and credit unions. Competition is high with this variety and volume of available services and products.