



PUBLIC DISCLOSURE

January 13, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens National Bank of Quitman
Charter Number 14255

100 East Stevens Street
Quitman, GA 31643-0270

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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The performance rating is supported by the following factors:

- The loan-to-deposit ratio is more than reasonable and exceeds the standards for satisfactory performance given the bank's size, financial condition, and competition.
- A substantial majority of loans are granted inside the bank's assessment area and exceeds the standards for satisfactory performance.
- The penetration of loans to borrowers of different income levels and to farms and businesses of different sizes within the assessment area is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of residential, small business, and small farm loans reflects a reasonable dispersion throughout the assessment area and meets the standards for satisfactory performance.

SCOPE OF EXAMINATION

This CRA Performance Evaluation is an assessment of The Citizens National Bank of Quitman's (CNB or bank) ability to meet the credit needs of its community. Examiners conducted a full-scope review of the bank's combined assessment area (AA). The CRA performance was evaluated utilizing the Small Bank interagency CRA examination procedures. The evaluation covered the period from January 1, 2011 to December 31, 2013, and was based on the bank's residential mortgage, small farm, and small business lending activities. Lending data for 2011 was evaluated using the 2000 Census. Lending data for 2012 and 2013 was evaluated using the 2010 Census. The bank has no lending affiliates.

CNB is subject to the Home Mortgage Disclosure Act (HMDA) because the bank has an office or a deposit taking ATM located within a Metropolitan Statistical Area (MSA). Prior to the start of this evaluation, a random sample of 60 home mortgage loans was reviewed to ensure the accuracy of the bank's publicly filed HMDA information. The sample included 20 loans each from 2011, 2012, and 2013. We found the bank's data to be reliable.

Because of its asset size, the bank is not required to report its activity for small business and small farm lending as part of its HMDA submission. Therefore, at the start of this evaluation, we selected a sample of small business and small farm loans to review their location and income characteristics. For 2011, 2012, and 2013, 79 files were reviewed, 40 small business and 39 small farm, as follows: 2011 - 9 small business and 16 small farm; 2012 and 2013 - 31 small business and 23 small farm.

DESCRIPTION OF INSTITUTION

CNB has one full-service facility, the main office in Quitman, Georgia. No branches were opened or closed during the review period. The bank is not owned by a bank holding company. CNB operates one automated teller machine at its home office, but it does not accept deposits. CNB offers internet banking services through its website at www.cnbquitman.com. There are no financial conditions, legal constraints, or other factors hindering the bank's ability to help meet the credit needs of its combined AA. The prior CRA Performance Evaluation, dated June 9, 2008, resulted in a "Satisfactory" rating.

The bank's stated business strategy is to deliver high-quality, dependable financial products and services to the assessment area at fair and competitive prices, while earning the highest possible return on equity. CNB offers a variety of products including real estate, consumer, farm, and commercial loans; as well as various deposit accounts for consumers and businesses.

CNB offers traditional loan and deposit products. As of December 31, 2013, CNB's assets totaled \$106.6 million, of which loans comprised 63.92 percent. Loan products include commercial/industrial, consumer, farmland/agriculture, and residential real estate. Based upon the number and dollar of loans, our analysis of the bank's lending included three primary loan types: residential real estate, farm loans, and business loans. The loan portfolio composition at December 31, 2013, was reported as follows:

Loan Category	\$ (000s)	% of \$
Residential Mortgage Loans	\$ 21,049	30.9%
Farmland and Agriculture	19,483	28.7%
Commercial & Industrial including CRE	16,419	24.2%
Individuals/Consumer	9,849	14.5%
All Other	1,151	1.7%
Total	\$ 67,951	100%

Source: December 31, 2013 Call Report

DESCRIPTION OF ASSESSMENT AREA

For purposes of this review, CNB's AA includes all of Brooks and Lowndes Counties, Georgia. As of the 2010 Census, the combined AA is comprised of 30 census tracts (CTs), two low-income, nine moderate-income, nine middle-income, and 10 upper-income CTs. These counties are located within the Valdosta, Georgia Metropolitan Statistical Area (MSA). This AA does not arbitrarily exclude any low- or moderate-income geography. Because the review period spans 2011 through 2013, two sets of demographic data will be referenced: one based on the 2000 Census and one based

on the 2010 Census. The examiner notes for calendar years 2011, 2012, and 2013, none of the middle-income CTs were designated as “Distressed Due to Poverty” or “Underserved.”

CNB’s combined AA has both urban and rural areas. The majority of the urban area is located in Lowndes County, and the majority of the rural area is located in Brooks County. Leading industries include regional medical facilities, light manufacturing, agriculture, and education. Major employers include Moody Air Force Base, Valdosta State University, South Georgia Medical Center, Convergys, Langdale Industries, Lowe’s Distribution Center, Rayonier, Brooks County Hospital, as well as the school systems of the two counties. Competition to provide financial services within the combined AA is strong. CNB’s major competitors include ten larger commercial banks and thrift institutions.

The table below highlights the demographic composition of the combined AA based on the 2000 Census:

Demographic and Economic Characteristics of the Combined Assessment Area	
Population	<i>Brooks/Lowndes Counties, GA AA</i>
Number of Families	26,819
Number of Households	38,827
Geographies	
Number of Census Tracts	31
% Low Income Census Tracts	09.68%
% Moderate Income Census Tracts	22.58%
% Middle Income Census Tracts	45.16%
% Upper Income Census Tracts	22.58%
Median Family Income (MFI)	
2011 HUD Adjusted MFI for Valdosta, GA MSA	\$50,300
Economic Indicators	
2011 Unemployment Rate Combined AA	7.3%
2000 Median Housing Value combined AA	\$75,081
% of Households Below Poverty Level Combined AA	19.17%
% of Families Below Poverty Level Combined AA	14.72%

Source: U.S. 2000 Census, HUD, Georgia Department of Labor.

The table below highlights the demographic composition of the combined AA based on the 2010 Census:

Demographic and Economic Characteristics of the Combined Assessment Area	
Population	<i>Brooks/Lowndes Counties, GA AA</i>
Number of Families	30,138
Number of Households	44,661
Geographies	
Number of Census Tracts	30
% Low Income Census Tracts	06.67%
% Moderate Income Census Tracts	30.00%
% Middle Income Census Tracts	30.00%
% Upper Income Census Tracts	33.33%
Median Family Income (MFI)	
2012 HUD Adjusted MFI for Valdosta, GA MSA	\$50,900
2013 HUD Adjusted MFI for Valdosta, GA MSA	\$45,400
Economic Indicators	
2012-2013 Unemployment Rate Combined AA	7.1%
2010 Median Housing Value Combined AA	\$119,672
% of Households Below Poverty Level Combined AA	19.76%
% of Families Below Poverty Level Combined AA	15.22%

Source: U.S. 2010 Census, HUD, Georgia Department of Labor.

COMMUNITY CONTACT

During the CRA evaluation, it is customary for examiners to contact organizations within the assessment area(s) for information regarding local economic conditions and credit needs. The community contact stated that community credit needs are generally being met by local institutions. However, financial institutions in the local area are making fewer loans and applying stricter underwriting principles.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's loan-to-deposit (LTD) ratio is more than reasonable and exceeds the standards for satisfactory performance. The bank's quarterly LTD ratio averaged 86.72 percent since June 2008, which is higher than the average quarterly ratio of 80.95 percent for six similarly-situated banks for the 22 quarters ending September 30, 2013. The bank's ratio ranged from a low of 75.61 percent (March 2012) to a high of 101.37 percent (September 2008).

The examiner notes that of CNB's 19 bank competitors with offices in the combined AA, 13 are much larger with respect to total assets, branch networks, and operate in multiple states. Therefore, the examiner reviewed the LTD ratios of competitor banks from adjacent Berrien, Brooks, and Lowndes Counties, Georgia. These six banks referenced above are more similarly situated to CNB with respect to total assets and branch networks. However, at 86.72 percent, CNB's LTD ratio is higher than the ratio for four of the other banks, but lower than two of the other banks. The other LTD ratios were 82.08 percent, 116.46 percent, 90.54 percent, 75.84 percent, 82.85 percent, and 37.92 percent for the 22 quarters of 2008, 2009, 2010, 2011, 2012, and 2013.

Lending in Assessment Area

A substantial majority of CNB's lending is within the AA which is more than reasonable and exceeds the standard for satisfactory performance.

Table 1 - Lending within the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate	172	89.58	20	10.42	192	12,190	90.37	1,299	9.63	13,489
Small Farm	29	74.36	10	25.64	39	912	52.99	800	47.01	1,712
Small Business	30	75.00	10	25.00	40	1,974	83.26	398	16.74	2,372
Totals	231	85.24%	40	14.76%	271	15,076	85.79	2,497	14.21	17,573

Source: HMDA data and sample for small farm and small business loans.

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

CNB’s lending activity for this criterion for 2011 will be evaluated against 2000 Census data and the bank’s lending activity for 2012 and 2013 will be evaluated against 2010 Census data.

Overall, CNB’s level of lending to borrowers of different incomes and to businesses/ farms of different sizes is reasonable and meets the standards for satisfactory performance. The bank’s lending reflects a reasonable penetration among individuals of different income levels. The percentage of lending to low-income families is below the demographic benchmark for both census periods. However, the AA’s 2000 Census family poverty rate at 14.7 percent and the 2010 Census family poverty rate at 15.2 percent represent mitigating factors. Lending to moderate-income families is also lower than the demographic benchmark for 2011, but higher than the demographic benchmarks for 2012/2013.

Table 2 - Borrower Income Distribution of Residential Real Estate Loans within the AA – based on 2000 Census								
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
Residential	22.3%	19.1%	17.4%	7.1%	20.2%	26.2%	40.1%	47.6%

Source: 2000 U.S. Census Data and HMDA data.

Table 2 - Borrower Income Distribution of Residential Real Estate Loans within the AA – based on 2010 Census								
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
Residential	21.8%	12.7%	18.3%	25.4%	18.1%	17.0%	41.8%	44.9%

Source: 2010 U.S. Census Data and HMDA data.

Lending to businesses and farms of different sizes reflects a reasonable penetration. The number of loans made to businesses with revenues less than \$1 million is higher

than the percentage of small businesses with revenues of less than \$1 million, but lower than the percentage of small farms within the AA for the period of 2011. Similar trends exist for 2012 and 2013, although the level of small farm lending did improve compared to the demographics of the AA. Therefore, the overall level of performance is reasonable.

Table 2A - Income Distribution of Loans to Businesses within the AA based on 2000 Census

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.19%	2.27%	29.54%	100%
% of Bank Loans in AA by #	71.42%	14.29%	14.29%	100%
% of Bank Loans in AA by \$	7.78%	82.91%*	9.31%	100%

Source: Loan sample and 2000 Census data. * Consists of one loan for \$1.4 million.

Table 2A - Income Distribution of Loans to Farms within the AA based on 2000 Census

Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	96.52%	1.74%	1.74%	100%
% of Bank Loans in AA by #	81.82%	0.00%	18.18%	100%
% of Bank Loans in AA by \$	75.79%	00.00%	24.21%	100%

Source: Loan sample and 2000 Census data.

Table 2A - Income Distribution of Loans to Businesses within the AA based on 2010 Census

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72.63%	3.05%	24.32%	100%
% of Bank Loans in AA by #	95.65%	00.00%	4.35%	100%
% of Bank Loans in AA by \$	98.02%	00.00%	1.98%	100%

Source: Loan sample and 2010 Census data.

Table 2A - Income Distribution of Loans to Farms within the AA based on 2010 Census				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	96.92%	1.92%	1.16%	100%
% of Bank Loans in AA by #	88.89%	11.11%	00.00%	100%
% of Bank Loans in AA by \$	66.49%	33.51%*	00.00%	100%

Source: Loan sample and 2010 Census data. *Consists of two loans for \$225,385.

Geographic Distribution of Loans

CNB’s lending activity for this criterion for 2011 will be evaluated against 2000 Census data, and the bank’s lending activity for 2012 and 2013 will be evaluated against 2010 Census data. As previously mentioned, according to the 2010 Census, the combined AA contains two low-income, nine moderate-income, nine middle-income, and ten upper-income CTs. None of the middle-income CTs are classified as “Distressed Due to Poverty.”

CNB’s geographic distribution of loans reflects a reasonable dispersion and meets the standards for satisfactory performance. The volume of residential loans originated within the moderate-income CT is greater than the percentage of Owner Occupied Housing Units within this CT.

Table 3 - Geographic Distribution of Residential Real Estate Loans within the AA based on 2000 Census								
CT 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
Residential	6.87%	2.27%	14.31%	63.64%	50.53%	27.27%	28.29%	6.82%

Source: 2000 U.S. Census and HMDA data.

Table 3 - Geographic Distribution of Residential Real Estate Loans within the AA based on 2010 Census

CT Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential	3.14%	0.00%	18.29%	27.05%	37.26%	68.85%	41.31%	4.10%

Source: 2010 U.S. Census and HMDA data.

The percentage of loans granted to businesses and farms within the low-income CTs is below the percentage of businesses and farms within these CTs for 2011, 2012, and 2013. However, the percentages of small businesses and farms within the low-income CTs is low especially for the 2010 Census, also all of the low-income CTs are located in Lowndes County. The percentage of loans granted within the moderate-income CTs is slightly below the percentage of businesses within these CTs for 2011, but higher than the percentage of farms within these CTs. A similar trend is represented by the percentage of businesses and farms within the CTs for 2012 and 2013. However, only one of the nine CTs classified as moderate-income in the 2010 Census is within Brooks County where the bank does the majority of its business and farm lending. For 2011, 16 of the 18 sampled small business and farm loans (88.0 percent) were in Brooks County. For 2012/2013, 32 of the 41 sampled small business and farm loans (78.05 percent) were in Brooks County. Because of this demographic imbalance, we determined that the bank has an overall reasonable dispersion throughout the CTs within the AA.

Table 3A - Geographic Distribution of Loans to Businesses within the AA based on 2000 Census

CT 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	8.69%	0.00%	22.83%	14.29%	38.90%	71.42%	29.58%	14.29%

Source: Loan sample and 2000 Census data.

Table 3A - Geographic Distribution of Loans to Farms within the AA based on 2000 Census								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	3.87%	0.00%	22.05%	27.27%	46.81%	72.73%	27.27%	0.00%

Source: Loan sample and 2000 Census data.

Table 3A - Geographic Distribution of Loans to Businesses within the AA based on 2010 Census								
CT 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	4.37%	0.00%	33.05%	13.04%	23.83%	73.92%	38.75%	13.04%

Source: Loan sample and 2010 Census data.

Table 3A - Geographic Distribution of Loans to Farms within the AA based on 2010 Census								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	1.15%	0.00%	20.58%	27.77%	41.54%	66.67%	36.73%	5.56%

Source: Loan sample and 2010 Census data.

Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c) in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the national bank, or in any assessment area by an affiliate whose loans have been considered as part of the national bank's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.