



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Decatur County
Charter Number 24458

819 East Shotwell Street
Bainbridge, GA 39818-0000

Office of the Comptroller of the Currency

Georgia Field Office
Three Ravinia Drive, Suite 550
Atlanta, GA. 30346

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

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

- The average loan-to-deposit ratio of 76 percent is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The substantial majority of the bank's loans are inside its AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The bank has not received any CRA-related complaints during the evaluation period.

SCOPE OF EXAMINATION

An on-site examination was conducted to assess performance under the Community Reinvestment Act (CRA). Loan information used for this evaluation included home loans, auto loans, small farm loans, and small business loans. The bank was rated **Satisfactory** at the previous examination. This performance evaluation starts from the date of the bank's previous CRA examination covering the period from April 4, 2006 to March 14, 2011. Contacts were made with local community agencies with knowledge of the overall needs within the bank's AA, and used in the evaluation process.

DESCRIPTION OF INSTITUTION

First National Bank of Decatur County (FNB) is a U.S. Department of Treasury designated community development financial institution (CDFI) with total assets of \$115.1 million and loans of \$67.2 million as of December 31, 2010. The bank is located in southwest Georgia approximately 40 miles northwest of Tallahassee, Florida.

FNB operates in Georgia, with the headquarters and only office located in Bainbridge. The bank operates one automated teller machine (ATM) in its AA.

The loan portfolio represents 58 percent of total assets with the primary lending focus on one-to-four family residential real estate, commercial real estate, farmland, and commercial and industrial loans. The loan portfolio composition is as follows:

Loan Portfolio Composition as of December 31, 2010		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	5,195	7.73
Secured by Farmland	8,272	12.30
One-to-Four Family Residential	18,181	27.04
Commercial Real Estate	19,303	28.71
Total Real Estate Loans	50,951	75.78
Agricultural	2,401	3.57
Commercial and Industrial	7,642	11.37
Consumer	5,315	7.91
Other	922	1.37
Total Loans	67,231	100%

Source: Report of Condition

FNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the AA. There are no financial impediments that would limit the bank's ability to help meet the credit needs of its AA.

FNB is a wholly owned subsidiary of Bainbridge Bancshares a \$115.1 million, one bank holding company headquartered in Bainbridge, GA. FNB maintains a 22 percent deposit share within the AA while three other primary competitors have a combined 66 percent deposit share. The bank's last CRA examination was performed on April 3, 2006, and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's AA is Decatur County, which has a population of 28,240 according to the updated 2000 census. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are seven Census Tracts (CTs) in the AA, three are moderate-income and four are middle-income. The four middle-income CTs have been designated distressed due to poverty rates. The Median Family Income (MFI) for non-Metropolitan Statistical Areas (MSA) in Georgia was \$29,308. The 2010 Housing and Urban Development (HUD) MFI for non-MSA in Georgia was \$46,400. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follow: Low-income = \$18,659 and under; Moderate-income = \$18,660 - \$29,855; Middle-income = \$29,856 - \$44,783; and Upper-income = \$44,784 and above.

The AA has a history of higher unemployment when compared to state and national averages, and continues to be impacted by the economic downturn in the residential and commercial real estate market. Presently, the county is impacted by high unemployment and a high percentage of population below the poverty line. The unemployment rate at 13.8 percent is above the Georgia average of 10.4 percent and the US average of 9.4 percent as of December 2010.

The following table shows the demographic and economic characteristics of the AA.

Demographic and Economic Characteristics of the Decatur County						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	7	0	43	57	0	0
Population by Geography	28,240	0	51	49	0	0
Owner-Occupied Housing by Geography	11,968	0	45	55	0	0
Businesses by Geography	2,738	0	55	45	0	0
Farms by Geography	141	0	22	78	0	0
Family distribution by Income Level	7,631	0	48	52	0	0
Distribution of Low and Moderate Income Families throughout AA Geographies	3,442	0	58	42	0	0
Median Family Income, last Census 2000		\$33,558	Median Housing Value			\$63M
HUD Adjusted Median Family Income for 2008		\$46,400	Unemployment Rate			
Households Below Poverty Level		21%				14%

Source: 2000 U.S. Census data; 2008 HUD updated income data; Dun and Bradstreet; Bureau of Labor Standards. * The N/A category consists of geographies that have not been assigned an income classification.

A community contact with a representative of the Farm Service Agency (FSA) was conducted in conjunction with this CRA examination. FSA is an agency of the U.S. Department of Agriculture that provides financial services and programs to farmers, ranchers, and individuals in rural America. The contact revealed that local banks are meeting the farmers credit needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio (LTD) of 76 percent is reasonable given the bank's size, financial condition, and AA credit needs. The LTD ratio was calculated using quarterly averages since the prior CRA evaluation as of March, 2006. There is one similarly situated institution, which has a LTD ratio of 74 percent.

Lending in Assessment Area

A substantial majority of FNB loans are in the bank’s AA. A sample of 26 home loans, 21 auto loans, 26 agriculture loans, and 22 commercial loans made between 2008 and 2010 were reviewed to determine lending within the AA. Lending within the AA is detailed in the following table:

Lending in Decatur County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	20	77	6	23	26	1,345	78	370	22	1,715
Auto Loans	20	95	1	5	21	243	99	2	1	245
Agriculture	20	77	6	23	26	1,503	65	799	35	2,302
Business	20	91	2	9	22	2,727	91	268	9	2,995
Totals	80	84	15	16	95	5,818	80	1,439	20	7,257

Source: Sample of loans used for CRA performance analysis.

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

Based on the demographics of the AA, the bank’s distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and small businesses and farms. The same samples for lending within the AA were used to determine lending to borrowers of different incomes.

The following tables demonstrate the distribution of home and auto loans within the various income levels.

Borrower Distribution of Home Loans in Decatur County								
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
FNB Home Loans	27	5	18	15	19	35	36	45

Source: Loan sample and U.S. Census data.

The above table shows that the percentage of home loans made to low-income borrowers is lower than the number of low-income borrowers in the AA. U.S. Census data indicates 21 percent of households located in the bank’s AA are below the national poverty level. As a result, the bank’s ability to qualify low-income sectors is somewhat limited due to the down payment and term requirements. The percentage of home loans made to moderate-income borrowers is in line with the percentage of moderate-income borrowers in the AA and is considered good.

Borrower Distribution of Auto Loans in Decatur County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
FNB Auto Loans	30	5	17	35	17	25	36	35

Source: Loan sample and U.S. Census data.

The above table shows that the percentage of auto loans made to low-income borrowers is lower than the number of low-income borrowers in the AA. As previously stated, the poverty level in Decatur County is a mitigating factor to the bank’s performance given the limitations on qualifying individuals who cannot meet down payment and term requirements. The percentage of auto loans made to moderate-income borrowers exceeds the percentage of moderate-income borrowers in the AA and is considered excellent.

The following table shows the distribution of business and farm loans of different sizes.

Borrower Distribution of Loans to Businesses in Decatur County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	81	2	17
% of Bank Loans in AA by #	60	20	20
% of Bank Loans in AA by \$	31	32	37

Source: Loan Sample and U.S. Census data.

The above table shows that small loans to businesses with revenues under \$1,000,000 are somewhat lower than the number of small businesses with revenues under \$1,000,000 in the AA. However, bank performance is considered reasonable.

Borrower Distribution of Loans to Farms in Decatur County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Farms	94	2	4
% of Bank Loans in AA by #	70	15	15
% of Bank Loans in AA by \$	57	30	13

Source: Loan Sample and U.S. Census data.

The above table shows that small loans to farms with revenues under \$1,000,000, by number of loans, are somewhat lower than the number of small farms with revenues under \$1,000,000 in the AA. However, bank performance is considered reasonable.

Geographic Distribution of Loans

The bank’s AA does not include any CTs designated as low-income. The geographic distribution of loans reflects reasonable dispersion throughout the AA. Loans used to evaluate lending within the AA were used to evaluate the bank’s geographic distribution of loans made in the AA. The following tables show the distribution of home, auto, farm, and business loans within the various tracts.

Geographic Distribution of Home Loans in Decatur County								
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
FNB Home Loans	0	0	45	25	55	75	0	0

Source: Loan sample and U.S. Census data.

The above table shows that the percentage of home loans made to borrowers in moderate-income tracts is somewhat lower than the percentage of owner-occupied houses in moderate-income tracts. This performance is reasonable given the economic impediments in the local area.

Geographic Distribution of Auto Loans in Decatur County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans

FNB Auto Loans	0	0	48	45	52	55	0	0
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Source: Loan sample and U.S. Census data.

The above table shows that the percentage of auto loans made to borrowers in moderate-income tracts is reasonable when compared to the percentage of households in moderate-income tracts.

Geographic Distribution of Loans to Businesses in Decatur County								
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
FNB Business Loans	0	0	53	50	47	50	0	0

Source: Loan sample and U.S. Census data.

The above table shows the percentage of business loans made to borrowers in moderate-income tracts is reasonable when compared to the percentage of businesses in moderate-income tracts.

Geographic Distribution of Loans to Farms in Decatur County								
Census Tract 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
FNB Agriculture Loans	0	0	22	25	78	75	0	0

Source: Loan sample and U.S. Census data.

The above table shows that the percentage of farm loans made to borrowers in moderate-income tracts is reasonable when compared to the percentage of farms in moderate-income tracts.

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

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