



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 12, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Hartford
Charter Number 7592**

**101 Third Avenue South
Hartford, AL 36344**

**Comptroller of the Currency
Georgia (Atlanta)
1117 Perimeter Center West Suite W401
Atlanta, GA 30338**

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

First National Bank of Hartford is rated **Satisfactory**. This rating is based on the following:

- A substantial majority of the loans were made within the bank's assessment area.
- The distribution of loans to borrowers of different incomes and businesses of various sizes is good and exceeds the standards for satisfactory CRA performance.
- The loan to deposit (LTD) ratio meets the standards for satisfactory performance given the bank's size, financial condition, and lending opportunities within its assessment area.

DESCRIPTION OF INSTITUTION

First National Bank of Hartford (FNBH) is a community bank located in Hartford, AL and has grown to \$80 million in assets since it opened for business in 1905. FNBH is wholly owned by First Hartford Bancshares, a one-bank holding company. As a full-service oriented bank, FNBH offers such products as real estate, consumer, farm, and commercial loans, as well as various deposit accounts. The bank operates out of one office and has an ATM at this location. There are no legal or financial impediments to FNBH's ability to meet the credit needs of its assessment area.

FNBH faces competition from five other community banks and one credit union, all headquartered in Geneva County. The loan mix, based on the March 31, 2005 Call Report, is as follows:

Table 1 – Distribution of Loan Portfolio	
Loan Type	% by Dollars of Loans
Home Loans	33%
Consumer Loans	34%
Business Loans	22%
Farm Loans	11%

The bank received a satisfactory CRA rating at its last CRA performance evaluation in March 1999. The current CRA performance evaluation was based on lending activity in 2004 and 2005, 2000 Census Data, CRA Wiz reports, Peer Point Customized Performance Analysis (benchmarked against selected peers), and discussion with bank management.

DESCRIPTION OF GENEVA COUNTY

The bank's Assessment Area (AA) is all of Geneva County, Alabama. Geneva County is primarily rural and consists of six census tracts, three middle-income tracts and three moderate-income tracts. The AA meets all legal requirements set forth by the CRA regulation and does

not arbitrarily exclude any low or moderate-income areas.

According to the 2000 Census, Geneva County has a total population of 25,764, which includes 10,477 households and 7,459 families. The weighted average median family income in the AA is \$33,155, compared to the median household income of \$26,344. At year-end 2004, Geneva County's unemployment rate was 5 percent, which is slightly lower than the state average of 5.6 percent. However, 20 percent of households in the AA are below the poverty level.

Local industry is centered in agriculture and the services industry. Major employers in the AA include Reliable Metal Products, Wiregrass Medical, Alatech, Geneva County Schools, and Second Chance. Bank management feels the economy is slow but improving. The recent announcement that the Sysco Corporation, a foodservice marketer and distributor, will open a distribution facility in Geneva county that will initially create 225 new jobs and could ultimately employ up to 800 people. The facility is anticipated to become operational in the fourth quarter of 2005. Additionally, the recent closure of military bases is anticipated to lead to an expansion of nearby Fort Rucker and the Geneva County Industrial Complex is also projected to open in 2005, which has 90-acres of available industrial space.

In addition to FNBH, there are six financial institutions operating in the AA. Although there are no thrifts in the AA, there are several credit unions located in nearby Dothan, AL.

Discussions with a local community leader yielded no negative comments about the performance of FNBH meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

First National Bank of Hartford's lending performance is satisfactory given its size, financial condition, and the credit needs of the assessment area. Consider the following:

Loan-to-Deposit Ratio

First National Bank of Hartford's loan-to-deposit (LTD) ratio since the prior CRA examination reflects satisfactory performance given the bank's size, financial condition, and the credit needs of the assessment area. Since September 30, 1999, the bank's quarterly LTD ratio averaged 41 percent.

Lending in Assessment Area

FNBH originates a substantial amount of loans within its assessment area. In a sample of 40 consumer and consumer real estate loans originated since 2003, 72 percent of the number and 81 percent of the dollar amount were made within the assessment area. In addition, 75 percent of the number and 82 percent of the dollar amount of 20 commercial loans sampled were within the AA.

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

The bank’s lending performance reflects good penetration among low- and moderate-income individuals and small businesses.

Table 2A below depicts the bank’s distribution of residential real estate lending by borrower income levels. In a sample of 20 consumer real estate loans, 48 percent were to low- and moderate-income families, which matches the AA demographics as 48 percent of AA families are considered low- or moderate-income. Although the bank’s lending to low-income borrowers is less representative of low-income families within the AA, the bank’s lending to moderate-income borrowers is well above the level of moderate-income families within the AA. The lower penetration to low-income borrowers is also mitigated due to approximately 16 percent of families in the AA living below the poverty level.

Table 2A - Borrower Distribution of Residential Real Estate Loans in Geneva County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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 Loans	29.14%	5%	19.27%	45%	20.69%	5%	30.90%	45%

The bank’s consumer installment lending reflects good penetration among low- and moderate-income borrowers. In a sample of 20 consumer installment loans, 75 percent of the number of loans were to low- and moderate-income borrowers while only 44 percent of AA households are considered low- or moderate-income. This is illustrated in Table 2B below.

Table 2B - Borrower Distribution of Consumer Loans in Geneva 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
Consumer Loans	27.49	50%	16.80	25%	17.01%	20%	38.70%	5%

The distribution of loans to small business is satisfactory. To assess FNBH’s lending practices, we used loan size as a proxy for business revenue and size. As seen in Table 2C below, a substantial majority of FNBH’s business loans are less than \$100,000 which indicates that a majority of the bank’s business loans are to small businesses.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Geneva County

Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	215	95%	\$3,841M	65%
\$100,001 - \$250,000	9	4%	\$1,181M	20%
\$250,001 - \$500,000	3	1%	\$860M	15%
\$500,001 - \$1,000,000	0	0%	0	0%
Over \$1,000,000	0	0%	0	0%

Geographic Distribution of Loans

FNBH's geographic distribution of loans does not meet the standard for satisfactory performance. Although the bank's lending penetration among low- and moderate-income tracts is less than satisfactory, the overall weighting of this performance element is limited due to the following factors:

- First, FNBH has only one location, which is in a middle-income tract and a majority of its lending is within that tract. Additionally, the AA's largest city is located within a moderate-income tract with two community bank's.
- The bank's good lending penetration among low- and moderate-income borrowers and to small businesses.
- There is little geographic distinction between the moderate- and middle-income tracts within the AA. Based on 2000 census data, the average family income for the moderate-income is \$30,955 while the average for the middle-income tracts is \$35,538.

Table 3A below reflects the bank's less than satisfactory geographic distribution of residential real estate loans. Lending in moderate-income tracts is well below the percentage of owner occupied housing located in these tract. Approximately 49 percent of owner-occupied housing is located within moderate-income tracts, but only 5 percent of the loans in a sample of 20 residential real estate loans were within moderate-income tracts.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Geneva County								
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	NA	NA	49%	5%	51%	95%	NA	NA

FNBH's geographic distribution of consumer lending does not meet the demographics of the AA. Table 3B illustrates this performance.

Table 3B - Geographic Distribution of Consumer Loans in Geneva 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
Consumer Loans	NA	NA	50%	15%	50%	85%	NA	NA

Responses to Complaints

The First National Bank of Hartford did not receive any CRA related consumer complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.