



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 2, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Barnesville
Charter Number 6243]

315 Thomaston Street
Barnesville, Georgia 30204-1616

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.

First National Bank of Barnesville's performance rating is supported by the following factors:

- A more than reasonable loan-to-deposit ratio;
- A majority of loans are in the assessment area;
- A reasonable distribution of loans to borrowers of different income levels within the assessment area;
- A reasonable distribution of loans to businesses of different sizes, particularly to small businesses; and,
- An excellent geographic distribution of loans in the assessment area.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) assesses First National Bank of Barnesville's (FNBB) record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations. Examiners conducted a full-scope review of the bank's primary Assessment Area (AA), which encompasses Lamar and Pike Counties, part of the Atlanta-Sandy Springs –Marietta, GA Metropolitan Statistical Area (MSA).

The lending test evaluates a bank's record of helping to meet the credit needs of its AA through its lending activities. We assessed the bank's performance by reviewing a sample of loans from its two primary loan products, commercial and residential mortgage loans originated between January 1, 2006 and September 30, 2008. The sample was representative of the bank's business strategy since the last examination. We used the 2000 United States (U.S.) Census demographic information that included the revised MSA boundaries and definitions established by the Office of Management Budget.

We were unable to use the bank's HMDA data for our lending analysis of residential real estate loans. HMDA data was deemed unreliable during an on-site data integrity examination and we used our own loan sample data to complete the lending analysis. Bank management agreed to take corrective measures to ensure accurate reporting of HMDA data going forward.

DESCRIPTION OF INSTITUTION

FNBB is a full service community bank headquartered in Barnesville, Lamar County, GA. The bank has two locations, a main office in Barnesville, GA and a branch office in Zebulon, Pike County, GA. Both offices are located in the Atlanta - Sandy Springs-Marietta, GA MSA #12060 (Atlanta MSA). FNBB has four deposit-taking automated teller machines (ATMs), one at each branch, one in Milner, Lamar County, GA, and one in Jackson, Monroe County, GA (Macon MSA - 31420). The bank's assessment area consists of the entire counties of Lamar and Pike. During our review we adjusted the bank's assessment area to include the census tract in Monroe County where the bank's deposit-taking ATM is located. The bank's assessment area does not arbitrarily exclude any low- or moderate-income geography. While the bank technically has 2 assessment areas, one in the Atlanta MSA and a second in the Macon MSA, only the Atlanta,

GA assessment area received a full-scope review due to very limited loan and deposit activity in the Macon-Monroe County MSA.

The bank offers a variety of traditional deposit and loan products with commercial and real estate lending being its primary credit products. There are automated teller machines located at each branch for customer convenience. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to meet the credit needs in its AA.

As of September 30, 2008, the bank had total assets of \$139 million with a loan portfolio approximating \$110 million. The percentage of net loans to total assets was 79 percent. Lending activity is centered in construction and land development loans (45%), non-farm residential loans (25 percent), residential real estate loans (17%), commercial and industrial loans (2%), and consumer loans and others (3%). Total deposits in the bank were \$121 million with capital accounts aggregating \$13 million.

The previous CRA evaluation dated July 29, 2003 rated the bank's performance as "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA(S)

FNBB's assessment area (AA) meets the technical requirements of the CRA and does not arbitrarily exclude low- and moderate-income census tracts. The defined AA consists of Lamar, Pike, and Monroe Counties. Lamar and Pike Counties are a part of the Atlanta-Sandy Springs – Marietta, GA Metropolitan Statistical Area (MSA #12060). Monroe County is part of the Macon Metropolitan Statistical Area (MSA #31420). The AA includes eight census tracts. The bank's Lamar-Pike County AA has four moderate- and three middle-income census tracts, while the Monroe County AA has two middle- and one upper-income census tracts.

According to the 2000 U.S. Census, the total population of this defined AA is 37,613. The Lamar-Pike AA has a population of 29,600, an increase of 27 percent from 1990 to 2000. The Monroe AA has a total population of 8,013, an increase of 32 percent from 1990 to 2000. The Department of Housing and Urban Development's (HUD) 2005 updated median family income estimate for the Lamar-Pike MSA AA is \$55,900 and \$52,000 for the Atlanta MSA as a whole.

Competition in the AA is strong and includes many financial options. As of June 30, 2008, the Federal Deposit Insurance Corporation (FDIC) deposit market share report reflects 8 banks, with 16 offices, operating in Lamar, Pike, and Monroe Counties with combined deposits of over \$570 million. FNBB is second in deposit market in the three-county AA with 20 percent of the deposit base as of June 30, 2008. Five state banks held over 76 percent of the market share in the AA. Competitors also include branches of large regional and local community banks.

As part of this evaluation, we obtained information from community leaders for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. Our contact indicated that economic uncertainty has increased the need for affordable housing in the market. The contact indicated that larger banks have assisted with financing for affordable housing in the market and banks could assist in meeting this need by volunteering time for training

programs, credit counseling, and by providing operating grants. To assist in meeting this community need, FNBB participates in the Georgia Dream Home program, a program benefiting low and moderate income individuals, by providing credit counseling and other home buying seminars for low and moderate income borrowers.

Lamar-Pike AA

Lamar and Pike Counties are located in the west-central region of GA, with the cities of Barnesville and Zebulon serving as their respective county seats. The counties were added to the Atlanta-Sandy Springs-Marietta, Georgia Metropolitan Statistical Area in 2004. The Lamar – Pike AA population has grown moderately over the past decade. According to the 2000 U.S. Census, the population of Lamar County grew by 22 percent to 15,912 while Pike County’s population grew by nearly 34 percent to 13,688. Retail Services, government, construction, and manufacturing primarily support the local economy. The five largest employers in Lamar County are Continental Tire North America, Heritage Inn of Barnesville, Jordan Forest Products, Ranews Paint & Body Shop, and The William Carter Co. The five largest employers in Pike County are Giant Mart of Zebulon, Molena Nursing Home, Pike County State Prison, Southern Mills, and United Bank.

The Office of Management and Budget's new 5-digit MSA/MD classifications released in June 2003 were updated in December 2003 for use beginning with calendar year 2004. Census reports show Lamar County as being comprised of no low-, two moderate-, one middle-, and no upper-income census tracts. It shows Pike County as having no low-, two moderate-, two middle-, and no upper-income census tracts. Of the two banking offices, one is located in Lamar County in a moderate-income census tract and one is located in middle-income tract. The bank’s non-branch deposit-taking ATM in Monroe County is located in a middle-income geography.

The following table highlights the demographic composition of the bank’s Lamar-Pike MSA AA:

Demographic and Economic Characteristics of Lamar - Pike Counties AA	
<i>Population</i>	29,600
Number of Families	8,044
Number of Households	10,424
% Owner-Occupied	71.46%
% Occupied Rentals	21.89%
% Vacant	6.65%
<i>Geographies</i>	
Number of Census Tracts	7
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	57.14%
% Middle-Income Census Tracts	42.86%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$58,537
2008 HUD-Adjusted MFI	\$67,100
<i>Economic Indicators</i>	

Unemployment Rate*: Atlanta- Sandy Springs-Marietta, GA MSA	6.4%
Unemployment Rate*: Lamar County	7.4%
Unemployment Rate*: Pike County	7.1%
Georgia Unemployment Rate*	6.5%
2008 Median Housing Value	\$90,265
% of Households Below Poverty Level	11.69%

Table - Source: 2000 U.S. Census Data; U.S. Department of Labor - <http://data.bls.gov/cgi-bin/dsrv> (September 2008)

Monroe AA

As noted previously, the Monroe County AA is comprised of a single census tract with a population of 8,013. Monroe County is east of Lamar County and is part of the Macon, GA MSA. The county seat of Monroe County is Forsyth, Georgia. Monroe County's population has grown moderately over the past decade, increasing by 21 percent from 1990 to 21,757 as of the 2000 Census.

Monroe's economy revolves around retail, food service, and goods producing industries (e.g. construction). The five largest employers in the county by facility are Georgia Power, Monroe County Hospital Authority, Monroe County State Prison, and Sportsmans Distribution and Truck Drivers Inc.

According to the 2000 U.S. Census, Monroe County is comprised of two middle- and one upper-income census tracts. FNBB's AA includes one middle-income tract where the bank has a deposit-taking ATM. Due to the distance of the bank's offices from Monroe County, FNBB's lending opportunities in this AA are limited.

The following table highlights the demographic composition of the bank's Monroe County AA:

Demographic and Economic Characteristics Monroe County/Part of Macon MSA	
<i>Population</i>	8,013
Number of Families	2,153
Number of Households	2,834
% Owner-Occupied	69.83%
% Occupied Rentals	19.01%
% Vacant	11.16%
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	67%
% Upper-Income Census Tracts	33%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$44,640

2005 HUD-Adjusted MFI	\$50,700
<i>Economic Indicators</i>	
Unemployment Rate*: Macon MSA	6.4%
Georgia Unemployment Rate*	6.5%
2005 Median Housing Value	\$73,100
% of Households Below Poverty Level	13.48%

Table - Source: 2000 U.S. Census Data; U.S. Department of Labor - <http://data.bls.gov/cgi-bin/dsrv>
(September 2008)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is rated "Satisfactory." Based on a full-scope review, the bank's performance in the Lamar –Pike County AA and Monroe AA is satisfactory.

Loan-to-Deposit Ratio

FNBB's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and its assessment area's credit needs. Since the prior CRA evaluation, FNBB's loan-to-deposit ratio has averaged 94 percent, ranging from a low of 85.4 percent in December 2003 to a high of 99.8 percent in March 2005. This is indicative of a strong level of lending when compared with ten similar banks in the AA. The similar banks had an average ratio of 80 percent for the same time period, with ratios ranging from 53 percent to 107.4 percent.

Lending in Assessment Area

FNBB's lending levels reflect a satisfactory responsiveness to community credit needs. Our analysis revealed a majority of the number and dollar amount of residential loans and business loans evaluated originated within the bank's AA. Our review included a sample of 74 loans (commercial, commercial RE and residential RE). The sample showed that 76 percent of loans in number and 74 percent of loans in dollar were made in the bank's AA. Overall performance for each category reviewed is detailed in the table below:

Assessment Area Lending (Evaluation Period January 2006 to September 2008)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	27	71.05%	11	28.95%	38	\$2,771	62.54%	\$1,660	37.46%	\$4,431
Commercial Loans	29	80.56%	7	19.44%	36	\$3,190	87.33%	\$463	12.67%	\$3,653
Totals	56	75.68	18	24.32%	74	\$5,961	73.74%	\$2123	26.26%	\$8,084

Source: Sample of loans

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

Performance for lending to borrowers of different incomes and businesses of different sizes is

reasonable and meets the standards for satisfactory performance. FNBB's lending to businesses of different sizes, particularly to small businesses, exceeds the standards for satisfactory performance. Its distribution of residential mortgage loans to borrowers of different income levels reflects an adequate penetration among individuals of different income levels.

Construction Land and Development and Commercial lending, particularly small business lending, is the bank's primary business line. The distribution of small business loans carried the most weight in determining lending performance. Residential mortgage loans were given less weight as a number of the loans originated were non-owner occupied and the product does not represent a significant activity of the bank.

Our review included a sample of 27 residential real estate and 29 business loans from the Lamar-Pike AA. Out of the twenty-seven residential real estate loans only three were from the Monroe County AA. This was due to the limited number of loans at the bank in the Macon MSA. The following details the bank's lending in its AA.

Small Business Lending in the Lamar-Pike AA: Loans to businesses with revenues of one million or less represented 79 percent of reportable small business loans in the Lamar-Pike AA, which exceeds the 48.6 percent of area businesses that reported revenues of less than one million. In addition, 86 percent were for original amounts of less than \$250 thousand. The following tables indicate the bank's responsiveness to providing small business lending:

Borrower Distribution of Loans to Businesses in Lamar/Pike AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	48.63%	1.43%	49.94%	100%
% of Bank Loans in AA by #	79.31%	17.24%	3.45%	100%
% of Bank Loans in AA by \$	66.47%	30.89%	2.63%	100%

Source: Sample of loans & Dunn and Bradstreet data

Borrower Distribution of Loans to Businesses by Loan Size in Lamar/Pike AA				
Loan Size (000's)	# of Loans	% of Number	\$ Volume of Loans (000)	% of \$ Volume
\$0 - \$100,000	17	59%	\$ 525	16%
\$100,001 - \$250,000	8	28%	\$1,302	41%
\$250,001 - \$500,000	4	13%	\$1,363	43%
\$500,001 - \$1,000,000	0	0%	\$ 0	0%
Over \$1,000,000	0	0%	\$ 0	0%
Total	29	100%	3,190	100

Source: Sample of loans

Residential Mortgage Lending in the Lamar-Pike AA: The dispersion of residential mortgage loans in the AA is adequate. The percentage of residential mortgage loans to moderate-income borrowers, slightly above the percentage of moderate-income families residing in the AA, is

satisfactory. While the percentage of residential mortgage loans to low-income borrowers is significantly lower than the percentage of low-income families in the AA, the ratio is deemed reasonable based on the high level of below poverty level families in the AA and the low-level of long-term residential real estate products retained in the bank’s loan portfolio.

The following tables show the percentage of residential mortgage loans in the AA compared to the percentage of families by income level residing in the Lamar-Pike Counties AA.

Borrower Distribution of Residential Real Estate Loans in Lamar/Pike AA								
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 Mortgage	25.42%	11.11%	25.85%	29.63%	26.19%	11.11%	22.54%	48.15%

Source: Sample of loans & 2000 U.S. Census data

Geographic Distribution of Loans

Overall, the distribution of business loans and residential real estate loans by income of the geography is outstanding. Lending to small businesses of various sizes is more than reasonable as discussed below for the AA. The distribution of residential real estate loans by income level of geography is good and exceeds AA demographics. Our review included a sample of 27 residential real estate and 29 business loans from the AA. The following details the bank’s performance in its AA.

Small Business Lending in the Lamar-Pike AA: FNBB’s record of lending to small businesses of various sizes reflects an excellent geographic dispersion throughout the bank’s Lamar-Pike AA with approximately 76 percent of the number of loans in low- and moderate-income tracts compared to the percent of AA businesses in low- and moderate-income census tracts of approximately 56 percent. The bank’s performance is detailed in the following table:

Geographic Distribution of Loans to Businesses in Lamar/Pike AA										
Census Tract Income Level	Low		Moderate		Middle		Upper		Not Applicable	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0.00%	0.00%	55.59%	75.86%	44.41%	24.41%	0.00%	0.00%	0.00%	0.00%

Source: Sample of loans & Dunn and Bradstreet data

Residential Mortgage Lending in the Lamar-Pike AA: FNBB’s geographic distribution of residential mortgage loans by income level of the geography exceeds the standards for satisfactory performance. As shown below in the table, the bank’s distribution of residential mortgage loans in low- and moderate-income geographies exceeds the percentage of owner

occupied housing in low- and moderate-income geographies. The following tables reflect the bank’s lending performance:

Geographic Distribution of Residential Real Estate Loans Lamar/Pike AA								
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
Residential RE	0.00%	0.00%	54.69%	70.37%	45.31%	29.63%	0.00%	0.00%

Source: Loan sample & 2000 U.S. Census data

Responses to Complaints

No complaints related to CRA performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

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 credit needs.