



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**August 15, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Brundidge  
Charter Number 7429

137 South Main Street  
Brundidge, AL 36010-0000

Office of the Comptroller of the Currency

Atlanta Field Office – Ravinia  
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 performance rating is supported by the following factors:

- The loan-to-deposit ratio meets the standard for reasonable performance given the bank's size, financial condition, and competition.
- A substantial majority of loans are granted within the bank's assessment area.
- The distribution of loans to borrowers of different income levels within the assessment area is reasonable.
- The distribution of loans to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

## **SCOPE OF EXAMINATION**

This CRA Performance Evaluation is an assessment of The First National Bank of Brundidge's ability to meet the credit needs of its community. Examiners conducted a full-scope review of the bank's assessment area (AA). The bank was evaluated utilizing the Small Bank examination procedures. The evaluation covered the period of January 1, 2009 to June 30, 2011.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Brundidge (FNB) is a wholly-owned subsidiary of First Brundidge Bancshares, Inc. FNB is the smallest, independently owned bank in Pike County. The bank has two full-service facilities, the main office in Brundidge, Alabama and a branch office in Troy, Alabama. No branches were opened or closed during the review period. In February 2005, the bank also established a Financial Literacy Center located at the Pike County High School. The Center, which operates in conjunction with The National Business and Finance Academy, provides limited deposit and checking services. No accounts are opened at the Center. The bank has automated teller machines (ATM) at both branch locations, although neither ATM accepts deposits. FNB offers internet banking services through its website at <http://www.f-n-b.com/>. There are no financial conditions, legal constraints, or other factors hindering the bank's ability to help meet the credit needs of its assessment area. The prior CRA Performance Evaluation dated October 13, 2005 resulted in a "Satisfactory" rating.

FNB offers traditional loan and deposit products in addition to being a Small Business Administration (SBA) certified lender. As of June 30, 2011, FNB's assets totaled \$101.6 million, of which net loans comprised 47 percent. Loan products include commercial/industrial, consumer, and residential real estate. Based upon number and dollar of loans, our analysis of the bank's lending included three primary loan types: residential real estate, business loans, and consumer credits. The loan portfolio composition at June 30, 2011 was reported as follows:

<b>Loan Category</b>	<b>Gross Loans as of June 30, 2011</b>			
	<b>\$ (000s)</b>	<b>% of \$</b>	<b>#</b>	<b>% of #</b>
Commercial & Industrial including CRE	\$ 8,065	17%	162	12%
Residential Mortgage Loans	32,693	68%	348	26%
Individuals/Consumer	4,371	9%	602	46%
Farmland and Agriculture	2,710	6%	192	15%
All Other	150	0%	17	1%
<b>Total</b>	<b>\$ 47,989</b>	<b>100%</b>	<b>1,321</b>	<b>100%</b>

Source: June 30, 2011 Call Report and Internal Reports

## DESCRIPTION OF ASSESSMENT AREA(S)

FNB's AA is all of Pike County, Alabama, located approximately 40 miles southeast of Montgomery, Alabama. Pike County is comprised of eight census tracts (CTs) and is not located within a Metropolitan Statistical Area (MSA). The AA contains three moderate-income and five middle-income CTs, meets the technical requirements of the Act, and does not arbitrarily exclude any low- or moderate-income geography. All five middle-income CTs are designated as distressed geographies due the AA's poverty level. Revitalization or stabilization efforts in these CTs receive CRA community development consideration. There are no low- or upper-income CTs within the AA. The table below highlights the demographic composition of the bank's AA:

<b>Demographic and Economic Characteristics of Assessment Area</b>	
<b>Population</b>	<i>FNB Brundidge AA</i>
Number of Families	7,658
Number of Households	11,929
<b>Geographies</b>	
Number of Census Tracts	8
% Low Income Census Tracts	0%
% Moderate Income Census Tracts (3)	37.50%
% Middle Income Census Tracts (5)	62.50%
% Upper Income Census Tracts	0%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$36,638
2010 HUD Adjusted MFI for non-MSA Alabama	\$47,600
<b>Economic Indicators</b>	
June 2011 Unemployment Rate	8.9%
2000 Median Housing Value	\$59,832
% of Households Below Poverty Level	25%

Source: U.S. Census and HUD.

FNB's AA is predominately rural. Leading industries include light manufacturing, agriculture, timber, and education. Major employers include Wal-Mart Corporation, Wiley Sanders, Inc., Troy University, Lockheed Martin, Sikorsky Aircraft, CGI Group, and K&W Plastics. The unemployment rate at 8.9 percent for June 2011 is lower than 10.5 percent for Alabama. Competition to provide financial services within Pike County remains strong. FNB's major competitors include four larger, commercial banks.

## Community Contact

During the CRA evaluation, it is customary for examiners to contact organizations within the assessment area for information regarding local economic conditions and credit needs. The community contact stated that community credit needs are being met by local institutions. Financial institutions in the local area were noted as actively meeting the loan needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Home Mortgage Disclosure Act (HMDA) report data was unavailable since the bank is located in a non-MSA. Therefore, a random sample of primary loan products was selected to evaluate CRA lending performance.

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance. The bank's quarterly LTD ratio averaged 69.3 percent since January 2009, which is in line with the average quarterly ratio of 69.6 percent for four similarly-situated banks. This ratio ranged from a low of 66.7 percent to a high of 75.9 percent.

### Lending in Assessment Area

FNB lending within the AA exceeds the standard for satisfactory performance with a substantial majority of loans originated in Pike County.

<b>Table 1 - Lending within Pike County, Alabama</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate	19	70	8	30	27	974	51	928	49	1,902
Business/Farm	19	76	6	24	25	972	90	102	10	1,074
Consumer	18	90	2	10	20	172	97	5	3	177
<b>Totals</b>	<b>56</b>	<b>78%</b>	<b>16</b>	<b>22%</b>	<b>72</b>	<b>\$ 2,118</b>	<b>67%</b>	<b>\$ 1,035</b>	<b>33%</b>	<b>\$3,153</b>

Source: Sample of loans used for CRA analysis.

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

The bank’s distribution of loans reflects reasonable penetration among individuals of different income levels. The percentage of lending to low-income families exceeds the standards for satisfactory performance. Lending to moderate-income families is modest in comparison with the demographics for home purchase loans. Some impact is felt from Troy University. Many of the bank’s residential real estate loans are made to individuals that rent to college professors and students. The AA’s high household poverty rate at 25 percent also represents a mitigating factor.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Pike County, Alabama</b>								
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	26%	26%	18%	11%	21%	11%	36%	53%

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

Lending to businesses of different sizes is excellent. The number of loans made to businesses with revenues less than \$1 million exceeds the percentage for the number of small businesses in the AA. One small company was granted loans by FNB to start a business in Brundidge that now employs approximately 130 people. Although the dollar volume of loans originated is equally distributed among small and large businesses, the level of performance based upon dollar amount is reasonable. Small businesses were in the market for lower loan amounts, with one of the two total business loans having revenues greater than \$1 million representing the vast majority of loans by dollar. As well, weakened economic conditions in the county during the review period impacted small business needs.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Pike County, Alabama</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.5%	3.5%	20%	100%
% of Bank Loans in AA by #	89%	11%	0%	100%
% of Bank Loans in AA by \$	51%	49%	0%	100%

Source: Loan sample; Dun and Bradstreet data.

The percentage of consumer loans made to low- and moderate-income borrowers is reasonable compared to the number of low- and moderate income borrowers in the AA.

<b>Table 2B - Borrower Distribution of Consumer Loans within Pike County, Alabama</b>								
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	31%	11%	15%	17%	16%	44%	38%	28%

Source: U.S. Census Data and Loan Sample

### Geographic Distribution of Loans

The geographic distribution of loans reflects an excellent level of penetration within the moderate-income CTs as Pike County contains no low-income tracts. Loans used to evaluate lending within the AA were used to evaluate the bank’s geographic distribution of loans made in the AA.

The bank’s geographic distribution of residential loans reflects excellent dispersion. The volume of loans originated within the moderate-income level CTs is greater than the percentage of owner-occupied units.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Pike County, Alabama</b>								
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	0	0	35%	36%	65%	64%	0	0

Source: U.S. Census Data and Loan Sample

The percentage of loans granted to businesses and farms in the moderate-income geographies significantly exceeds the percentage of businesses and farms within these moderate-income CTs. The bank’s geographic distribution of business and farm loans reflects excellent dispersion throughout the CTs in the AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms within Pike County,</b>
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<b>Alabama</b>								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Bus/Farms	% of Number of Loans	% of AA Bus/Farms	% of Number of Loans	% of AA Bus/Farms	% of Number of Loans	% of AA Bus/Farms	% of Number of Loans
Commercial	0	0	26%	42%	74%	58%	0	0

Source: U.S. Census Data and Loan Sample

The table below shows a comparison of the percentage of consumer loans extended in each CT to the percentage distribution of households located within the respective geography. As illustrated, the percentage of loans granted to consumers within the moderate-income geographies is excellent compared to the percentage of households within the moderate-income CTs.

<b>Table 3B - Geographic Distribution of Consumer Loans within Pike County, Alabama</b>								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	0	0	34%	53%	66%	47%	0	0

Source: U.S. Census data and Sampled Loans

### Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period. As such, this criterion is not applicable.

### 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.