



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 2, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Douglas National Bank
Charter Number 24249

211 East Ward Street
Douglas, GA 31533-0000

Office of the Comptroller of the Currency

North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256-8273

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.

Douglas National Bank's rating is supported by the following factors:

- The loan-to-deposit ratio exceeds satisfactory standards.
- The majority of the loans are located within the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income and businesses/farms of different sizes.

SCOPE OF EXAMINATION

The scope of the examination was to verify that the bank's assessment area (AA) meets applicable criteria and the average loan-to-deposit ratio is reasonable in consideration of the lending opportunities within its assessment area.

To perform the examination, we used the full-scope *Small Institution CRA Examination Procedures* noted in *OCC Bulletin 2006-17*. We considered written complaints in regard to the bank's CRA performance. The bank did not choose to have its performance evaluated regarding making qualified investments.

The previous Community Reinvestment Act (CRA) examination was performed in September 2003 utilizing financial information through June 2003. The bank received a "satisfactory" rating at that time. The evaluation period for this examination will cover the period from August 2003 through September 2009.

During this period, Douglas National Bank's (DNB's) primary loan products were business, agricultural, and residential real estate loans. The bank was unable to provide loan reports or data to analyze the extent of lending inside, and outside of, its assessment area. As such, we selected a sample of 65 loans to determine the bank's in/out ratio and to evaluate the penetration of loans to different income and revenue sizes. This sample included loans originated from January 2007 through September 2009. Since the AA does not contain any low- or moderate-income tracts, an analysis of the bank's geographic distribution was not performed.

DESCRIPTION OF INSTITUTION

Douglas National Bank has a single branch located at 211 East Ward Street in Douglas, Georgia. The bank is 100% owned by DNB Financial Service, a one-bank holding company located at the same address. The facility offers full service banking, including drive-up services and an automated teller machine. The bank's primary lending focus is commercial, agricultural, consumer, and real estate lending. There are no financial or legal impediments that hinder the bank from meeting the needs of its assessment area.

As of September 30, 2009, the bank's total assets were \$146 million; net loans

comprised 87% of assets. The loan portfolio included real estate loans of \$107 million, commercial loans of \$11 million, individual loans of \$6 million, and agricultural loans of \$4 million.

DESCRIPTION OF ASSESSMENT AREA(S)

Douglas National Bank's assessment area is comprised of the eight census tracts making up Coffee County, Georgia. All eight census tracts fall into the middle-income category. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Coffee County is part of the wiregrass region that encompasses south central Georgia and consists of approximately 599 square miles. The *U.S. Census Bureau 2006 – 2008 American Community Survey ("2008 Census")* estimates a total population size of 40,527. The county seat is located in the city of Douglas, Georgia.

The *2008 Census* also shows the leading industries in Coffee County are "educational services, and health care and social assistance" (19%) and "manufacturing" (18%). Seventy-four percent of the households received earnings, 11% received retirement income other than Social Security, and 31% received Social Security. According to the *Georgia Department of Labor*, the unemployment rate in South Georgia was 10.8% in September 2009.

The *2000 U.S. Census* reflects that 25% of the households in Coffee County were low-income households. Moderate-income households were 17%, middle-income households were 19% and upper-income households were 38%. The 2009 U.S. Census estimate of the median family income for non-metropolitan portions of Georgia was \$46,300.

Banking competition includes 10 institutions with a total of 17 offices inside the market. The FDIC website shows that Douglas National Bank had the largest deposit market share (19.85%) as of June 30, 2009. First National Bank of Coffee County (17.89%) and SunTrust Bank (17.58%) ranked second and third, respectively.

We interviewed a local community organization representative to identify any unmet community credit needs. The representative stated that Douglas National Bank has provided funding to support local businesses. Douglas National Bank has also been involved in programs designed to stimulate local job growth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio – Exceeds the Standard for Satisfactory Performance

Douglas National Bank’s loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance based on the size and credits needs of the assessment area. The bank’s average loan-to-deposit ratio, computed using quarter-end information from June 30, 2003 to September 30, 2009, was 97.30%. In comparison, the average LTD ratio of a peer group of similarly-sized institutions located within or adjacent to Coffee County, was 77.89%. First National Bank South, located in Alma, Georgia, was the only peer bank with a comparable average LTD ratio (92.87%).

Lending in Assessment Area - Meets the Standard for Satisfactory Performance

A majority of the bank’s lending is within its defined assessment area. To evaluate the bank’s performance, we selected a sample of 20 residential real estate loans, 24 agricultural real estate loans, and 21 commercial real estate loans originated by the bank between January 2007 and September 2009. Our testing revealed that 94.12% of the loans reviewed were located within the bank’s AA of Coffee County.

Table 1 - Lending in Coffee County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer RE	20	100	0	0	20	1424	100	0	0	1424
Agriculture RE	20	83.33	4	16.67	24	6209	95.74	276	4.26	6485
Commercial RE	20	95.24	1	4.76	21	1704	99.40	10	0.60	1714
Totals	60	92.31	5	7.69	65	9,337	97.02	286	2.98	9,623

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

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes - Meets the Standard for Satisfactory Performance

The dispersion of loans to borrowers of different income levels, and to small businesses and farms is reasonable. To determine borrower distribution of income levels, we selected a sample of 20 residential real estate loans originated between January 2007 and September 2009. Ten percent of the loan sample was made to low-income borrowers and 10 percent was made to moderate-income borrowers.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Coffee 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
Residential RE	21.81	10.00	18.95	10.00	21.95	30.00	37.29	50.00

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

To determine the bank's lending volume to small businesses and farms, we selected a sample of 21 commercial real estate loans and 24 agricultural real estate loans originated between January 2007 and September 2009. Eighty percent of the loan sample was made to small businesses and farms with revenues equal to or below \$1 million.

Table 2A - Borrower Distribution of Loans to Businesses in Coffee County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	% Unavailable/ Unknown	Total
% of AA Businesses	42.51	2.34	55.15	100%
% of Bank Loans in AA by #	80.00	20.00		100%
% of Bank Loans in AA by \$	71.66	28.34		100%

Source: Loan sample; Dunn and Bradstreet data.

Table 2B - Borrower Distribution of Loans to Farms in Coffee County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	% Unavailable/ Unknown	Total
% of AA Businesses	93.33	3.33	3.33	100%
% of Bank Loans in AA by #	80.00	20.00		100%
% of Bank Loans in AA by \$	81.75	18.25		100%

Source: Loan sample; Dunn and Bradstreet data.

Since revenue data was unavailable or unknown for 55.15% of the AA businesses, we also reviewed the bank's distribution of lending by loan size. Seventy five percent of the number of loans sampled had a loan amount equal to, or below, \$100 thousand. Ninety percent of the number of loans sampled had a loan amount equal to or below \$250 thousand.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Coffee County				
Loan Size	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	15	75.00%	719,768	42.25%
\$100,001 - \$250,000	3	15.00%	329,392	19.33%
\$250,001 - \$500,000	2	10.00%	654,470	38.42%
\$500,001 - \$1,000,000	0	0	0	0
Over \$1,000,000	0	0	0	0

Source: Loan sample.

Geographic Distribution of Loans

A geographical analysis of Douglas National Bank’s loans is not meaningful as all of the geographies within the bank’s assessment area are middle-income.

Responses to Complaints

Douglas National Bank did not receive any written complaints pertaining to its ability to meet the credit needs of its assessment area.

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.