



PUBLIC DISCLOSURE

February 04, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Coffee County
Charter Number 22327

420 South Madison Avenue
Douglas, GA 31533

Office of the Comptroller of the Currency

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.

First National Bank of Coffee County's (FNBCC) rating is supported by the following conclusions:

- FNBCC's average loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance given its resources, competition, and assessment area's (AA) credit needs;
- A majority of the loans originated during the evaluation period are inside the AA and exceed the standard for satisfactory performance;
- FNBCC's lending to borrowers of different income levels and businesses of different sizes is reasonable, when considering performance context issues;
- FNBCC's geographic distribution of all primary lending products reflects an overall reasonable dispersion; and
- There have been no complaints regarding FNBCC's CRA performance.

SCOPE OF EXAMINATION

FNBCC qualifies as a Small Bank under the CRA regulation and is thus subject to the Lending Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of the AA through its lending activities.

The evaluation period covers loans originated between January 1, 2010 and December 31, 2012. Performance regarding the Lending Test was assessed based on a review of FNBCC's commercial loans and residential real estate mortgage products. Our sample included 41 commercial and 40 residential loans originated during the evaluation period. Community Development activities were not evaluated during this examination. The evaluation period of this examination overlaps dual census years. Therefore, we will analyze data and provide tables for both the 2000 and 2010 census.

DESCRIPTION OF INSTITUTION

FNBCC is a community bank chartered in 1991 in Douglas, Coffee County, Georgia. The main banking facility is located in downtown Douglas, with an adjacent operation center. The main bank offers full-service lobby facilities. The main office has a stand-alone, deposit-taking Automated Teller Machines (ATMs) and a full-service, drive-through banking facility. The bank has one non-deposit taking ATM at Coffee Regional Medical Center. Hours of operation are commensurate with other area banks.

FNBCC is wholly owned by FNC Bancorp, Inc., a one-bank holding company headquartered in Douglas, Georgia. The holding company has no other assets.

FNBCC offers a full range of loan and deposit products to consumers. At December 31, 2012, the bank's total assets were \$127.6 million, total loans were \$80 million, and total deposits were \$107.3 million. FNBCC's strategy includes providing competitive loan products to commercial and residential borrowers in its AA. Commercial loans comprise the majority of the bank's loan portfolio, but residential mortgages are also a primary product. The bank also originates mortgages through a correspondent relationship with a mortgage lender, First Bank Mortgage of Augusta, GA. The bank transacts these loans through a table funding arrangement while taking no ownership of the loan. Deposit products include low-cost basic banking accounts and free internet banking. The bank's business model has not changed significantly, as it continues to try to increase market share of their primary products.

The following table reflects the loan portfolio mix as of January 31, 2013:

| Loan Portfolio Composition as of January 31, 2013 | | |
|--|------------------|---------------|
| Loan Category | \$(000) | % |
| Commercial | 86,177 | 74.94 |
| Residential Real Estate | 12,916 | 11.23 |
| Consumer & Other | 2,562 | 2.23 |
| Farm & Agricultural Real Estate | 13,342 | 11.60 |
| Total | \$113,493 | 100.00 |

Source: January 31, 2013 Report of Condition

Banking competition in FNBCC's AA is moderately aggressive and consists largely of competition from the other community banks in the area. There is modest competition from larger regional and national banks. There are no financial or legal obstacles affecting FNBCC's ability to meet its community's credit needs.

FNBCC received an overall rating of "Satisfactory" during its previous CRA examination, dated October 1, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

FNBCC has one defined AA, which consists of one political subdivision, Coffee County, Georgia. FNBCC's main office is located in Douglas, Georgia. The bank has no branches.

Coffee County AA

The AA includes geographies where the institution has its main office and deposit-taking ATMs in Douglas, Georgia as well as surrounding geographies in which the institution originated or purchased a substantial portion of its loans. The AA includes nine whole census tracts (CT's) in Coffee County: no low-, four moderate-, five middle-, and no upper-income geographies. FNBCC's AA meets the requirements of the regulation, does not reflect illegal discrimination, and does not arbitrarily exclude any low or moderate-income area(s), when considering the performance context.

The following table provides a description of the Coffee County AA based on 2010 census data and Department of Housing and Urban Development information:

| Demographic and Economic Characteristics of Coffee County AA | |
|---|----------|
| <i>Population</i> | |
| Total Population | 42,356 |
| Number of Families | 10,676 |
| Number of Households | 14,539 |
| <i>Geographies</i> | |
| Number of Census Tracts | 9 |
| % Low-Income Census Tracts | 0.00% |
| % Moderate-Income Census Tracts | 44.44% |
| % Middle-Income Census Tracts | 55.56% |
| % Upper-Income Census Tracts | 0.00% |
| <i>Median Family Income (MFI)</i> | |
| 2010 MFI for AA | \$40,709 |
| 2010 HUD-Adjusted MFI | \$45,133 |
| 2013 HUD-Adjusted MFI | \$45,200 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 12.6% |
| 2011 Median Housing Value | \$82,374 |
| % of Households Below Poverty Level | 21.00% |

Source: 2010 Census data and HUD updated income data.

According to 2010 Census data, the assessment area has a population of 42,356. There are 16,996 housing units in the AA, of which 60% are owner-occupied, 26% are renter-occupied, and 14% are vacant. Approximately 26% of the families in the AA are considered low-income. Moderate-income families approximate 18% of the population and middle- and upper-income families comprise 21% and 35% of the population, respectively.

Based on 2010 Business Geo-demographic data, there are 4,080 businesses in the AA, of which 77% reported gross annual revenue less than or equal to \$1 million, and 2.5% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 21%, or 843 businesses, did not report revenues.

Economic conditions are currently in a recovery phase. A significant amount of the area's population works in the industrial or agricultural field. Unemployment is high at 12.6% and wages are relatively low. This rate is higher than the State of Georgia unemployment rate (8.5%) but nearer the Southern Georgia unemployment rate of 10% per the Georgia Department of Labor statistics. Per the 2012 Federal Financial Institutions Examination Council (FFIEC) report, Coffee County is considered a distressed area in five of the nine CTs due to poverty and unemployment, down from eight distressed CTs reported in 2010.

The local economy suffered a major impact when Pilgrim's Pride, a poultry plant, closed three years ago. This created a job loss totaling approximately 2,000 with an approximate \$100 million impact to the community. The area is slowly recovering from this downturn. An international company has since purchased and reopened the poultry plant under a similar name. The economy of the AA is concentrated in the agriculture, manufacturing, and retail trade. Major employers include Airfoil (a jet engine manufacturer), Douglas Southwire (a wire manufacturer), Pilgrims (a poultry plant), and a Wal Mart Distribution Center.

As part of this CRA examination, we made one community contact in the AA to help ascertain the credit needs of the AA. The representative indicated that the current unemployment issues related to the poultry plant closure have had a major impact on the local economy. Opportunities for participation by local financial institutions include a need for more affordable housing in the community. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNBBCC's performance under the Lending Test is **Satisfactory**.

In assessing FNBBCC's performance under the Lending Test, we reviewed residential real estate loan products and commercial and farmland loans, as the primary lending products of the bank. Equal weight was given to each type of lending when evaluating performance based on the criteria tested below.

Loan-to-Deposit (LTD) Ratio

FNBBCC's LTD ratio is reasonable and meets the standards for satisfactory performance given the bank's size, performance context, and the AA's credit needs. The LTD ratio measures the extent

to which the bank has returned the deposits it has acquired to their community, in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine the performance in this area. In the 21 quarters since the previous CRA examination, the bank’s LTD ratio has averaged 84.62%. The LTD ratio has ranged from a high of 99.78% in the fourth quarter of 2007, to a low of 74.28% in the third quarter of 2012. The bank’s average LTD exceeds the average of surrounding banks in the AA, which was 74.10% during the evaluation period.

Lending in Assessment Area

The bank’s lending activities meet applicable standards and reflect the bank’s commitment to meeting the credit needs of its community. A majority of the loans originated during the evaluation period were made inside the AA. As depicted in the table below, 80% of the number and 68% of the dollar amount of all loans reviewed originated inside FNBBCC’s AA.

| Lending in Assessment Area | | | | | | | | | | |
|-----------------------------------|-----------------|-----|---------|-----|-------|--------------------------|-----|---------|-----|-------|
| Loan Type | Number of Loans | | | | | Dollars of Loans \$(000) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Commercial | 9 | 69% | 4 | 31% | 13 | 1,024 | 60% | 673 | 40% | 1,697 |
| Residential | 57 | 81% | 13 | 19% | 70 | 2,295 | 72% | 897 | 28% | 3,192 |
| Totals | 66 | 80% | 17 | 20% | 83 | 3,319 | 68% | 1,570 | 32% | 4,889 |

Source: Loan Sample - Institution Data

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

Overall, FNBBCC’s distribution of loans reflects a reasonable penetration amongst borrowers of different income levels and businesses of different sizes, and meets the standards for satisfactory performance. Census data for 2000 and 2010 was utilized in our review, as the evaluation period crossed over both census timeframes.

2000 Census Data

Residential Real Estate Loans

The bank's distribution of residential real estate loans amongst borrowers of different income levels reflects reasonable penetration to low- and moderate-income borrowers in the AA. For our analysis, we compared the distribution of the bank’s loans amongst the low-, moderate-, middle-, and upper-income families to the percentages of families in these respective income levels in the AA.

Based on 2000 Census data, 22% of families in the AA are low-income and 20% of families are below poverty level. Low-income families earn less than \$22,300, and the median housing cost is \$50,343. The bank’s distribution of loans to low income families is satisfactory, with 15% of home loans penetrating the 22% of low-income families in the AA.

The bank's performance of lending to moderate-income borrowers for home loans reflects excellent penetration. Of the home loans made in the evaluation period, 30% were made to moderate-income families, while 19% of families in the AA meet the moderate-income criteria. The following table shows the distribution of home loan products among borrowers of different income levels based on 2000 Census data.

| Borrower Distribution of Residential Real Estate Loans in Coffee County AA | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 |
| Residential RE | 21.81 | 15% | 18.95 | 30% | 21.95 | 25% | 37.29 | 30% |

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

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. Our sample of twenty business loans originated or purchased during the evaluation period demonstrated the bank's strong efforts to lend to small businesses. Small businesses are defined as having annual revenues of less than or equal to \$1 million. Our sample revealed that 90% of the number of loans and 67% of the dollar volume of loans were made to small businesses. The 2000 Census demographic data shows that 72% of businesses in the AA are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses in the AA.

| Borrower Distribution of Loans to Businesses in Coffee County AA | | | | |
|---|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 71.90 | 1.54 | 26.56 | 100% |
| % of Bank Loans in AA by # | 90.0 | 10.0 | 0 | 100% |
| % of Bank Loans in AA by \$ | 66.54 | 33.46 | 0 | 100% |

Source: Loan sample; Dunn and Bradstreet data.

2010 Census Data

Residential Real Estate Loans

Based on 2010 Census data, 26% of families in the AA are low-income and 21% of families are below poverty level. The bank's distribution of loans to low income families is excellent, with 25% of home loans penetrating the 26% of low-income families in the AA.

The bank's performance of lending to moderate-income borrowers for home loans also reflects excellent penetration. Of the home loans made in the evaluation period, 20% were made to

moderate-income families, while 18% of families in the AA meet the moderate-income criteria. The following table shows the distribution of home loan products among borrowers of different income levels based on 2010 Census data.

| Borrower Distribution of Residential Real Estate Loans in Coffee County 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 |
| Residential RE | 26.44 | 25% | 18.09 | 20% | 20.78 | 25% | 34.69 | 30% |

Source: 2010 U.S. Census data; Loan Sample

Business Loans

The distribution of loans to businesses reflects satisfactory penetration among businesses of different sizes. Our sample revealed that 75% of the number of loans and 79% of the dollar volume of loans were made to small businesses. The 2010 Census demographic data shows that 76% of businesses in the AA are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses in the AA.

| Borrower Distribution of Loans to Businesses in Coffee Cty AA | | | | |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 75.82 | 2.31 | 21.87 | 100% |
| % of Bank Loans in AA by # | 75 | 25 | 0 | 100% |
| % of Bank Loans in AA by \$ | 79.03 | 20.97 | 0 | 100% |

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

There are no low-income geographies in the bank's AA. FNBCC's geographic distribution of loans to moderate-income geographies reflects an overall reasonable dispersion.

2000 Census Data

The AA did not contain any low- or moderate-income geographies based on the 2000 Census data. Therefore, an analysis of the bank's geographic distribution of loans would not have been meaningful based on 2000 data. Census data for 2010 reflects moderate- income geographies, so our conclusions are based on 2010 data.

2010 Census Data**Residential Real Estate Loans**

FNBCC's geographic distribution of residential real estate loans to different income tracts is reasonable and meets the standards for satisfactory performance. The following table shows that the percentage of loans made in moderate-income census tracts, 35%, is near to the demographic comparator for owner-occupied housing in moderate-income census tracts, 41%. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the needs of the AA.

| Geographic Distribution of Residential Real Estate Loans in Coffee County 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 | 41.10 | 35 | 58.90 | 65 | 0.00 | 0 |

Source: Data reported under HMDA; 2010 U.S. Census data.

Business Loans

FNBCC's geographic distribution of business loans to different income tracts is reasonable and meets the standards for satisfactory performance. The following table shows that the percentage of loans made in moderate-income census tracts, 40%, is near to the demographic comparator for businesses in the moderate-income census tracts, 43%. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the needs of the AA.

| Geographic Distribution of Loans to Businesses in Coffee County AA | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 |
| Businesses | 0.00 | 0 | 42.52 | 40 | 57.48 | 60 | 0.00 | 0 |

Source: Loan sample; Dunn and Bradstreet data. Census Tract Income NA for 0.12% of Businesses.

Responses to Complaints

There have been no consumer complaints relating to FNBCC's CRA performance during this 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 credit needs.