



## **PUBLIC DISCLOSURE**

June 15, 2016

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

First National Bank of Decatur County  
Charter Number 24458

819 East Shotwell Street  
Bainbridge, GA 39818

Office of the Comptroller of the Currency

Three Ravinia Drive  
Suite 1950  
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 is reasonable and meets the standards for satisfactory performance given the bank's size, financial condition, and competition.
- A majority of loans are granted inside the bank's assessment area and meets the standards for satisfactory performance.
- The penetration of loans to borrowers of different income levels and to businesses of different sizes within the assessment area is reasonable and meets the standards for satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and meets the standards for satisfactory performance.

**SCOPE OF EXAMINATION**

This CRA Performance Evaluation is an assessment of First National Bank of Decatur County's (FNB) 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 from January 1, 2013 to December 31, 2015, and was based on the bank's residential mortgage and small business lending activities. Lending data was evaluated using the 2010 Census. The bank has no lending affiliates.

**DESCRIPTION OF INSTITUTION**

FNB is a U.S. Department of the Treasury designated community development financial institution (CDFI). The bank is located in southwest Georgia, approximately 40 miles northwest of Tallahassee, Florida, and has one full-service facility in Bainbridge, Georgia. No branches were opened or closed during the review period. FNB is a wholly-owned subsidiary of Bainbridge Bancshares, a one bank holding company. FNB operates one automated teller machine (ATM) at its home office that accepts deposits. FNB offers internet banking services through its website at [www.fnbdc.com](http://www.fnbdc.com). There are no financial conditions, legal constraints, or other factors hindering the bank's ability to help meet the credit needs of its AA. The prior CRA Performance Evaluation, dated March 14, 2011, resulted in a "Satisfactory" rating.

FNB's primary business strategy is mortgage and small business lending. The bank offers traditional loan and deposit products. As of December 31, 2015, FNB's assets totaled \$133.4 million, of which loans comprised 56.50 percent. Loan products include commercial/industrial, consumer, farmland/agriculture, and residential real estate.

Based upon the number and dollar of loans, our analysis of the bank's lending included two primary loan types: residential real estate and small business loans. The loan portfolio composition at December 31, 2015, was reported as follows:

<b>Loan Category</b>	<b>\$ (000s)</b>	<b>% of \$</b>
Commercial & Industrial (including commercial real estate)	\$ 34,142	<b>45.3%</b>
Residential Mortgage Loans	23,641	<b>31.4%</b>
Farmland and Agriculture Loans	12,715	16.9%
Individuals/Consumer	4,826	6.4%
All Other	27	0.1%
<b>Total</b>	<b>\$ 75,351</b>	<b>100%</b>

Source: December 31, 2015 Call Report

## DESCRIPTION OF ASSESSMENT AREA

FNB's AA is predominately rural. Leading industries include regional medical facilities, light manufacturing, agriculture, and education. Major employers include BASF Corporation, Elberta Crate & Box Company, Shaw Industries, Southwest Georgia Oil Company, and Wal-Mart Corporation, as well as the county school system. Competition to provide financial services within the combined AA remains strong. FNB's major competitors include four larger commercial banks.

For purposes of this review, FNB's AA includes all of Decatur County, Georgia. This AA is comprised of seven census tracts (CTs), which include one moderate-, five middle-, and one upper-income. The AA is not located within a Metropolitan Statistical Area (MSA). The AA does not arbitrarily exclude any low- or moderate-income geography. The revised 2010 Census data issued in 2014 did not alter the CT composition of the AA. Therefore, separate reviews of the 2013, 2014, and 2015 lending data for this AA are not necessary. For calendar years 2013, 2014, and 2015, all five of the middle-income CTs have been designated as "Distressed Due to Poverty."

The table below highlights the demographic composition of this AA based on the 2010 Census:

<b>Demographic and Economic Characteristics of the Decatur County Assessment Area</b>	
<b>Population</b>	<i>Decatur County, GA AA</i>
Number of Families	7,049
Number of Households	10,532
<b>Geographies</b>	
Number of Census Tracts	7
% Low Income Census Tracts	00.00%
% Moderate Income Census Tracts	14.29%
% Middle Income Census Tracts	71.42%
% Upper Income Census Tracts	14.29%
<b>Median Family Income (MFI)</b>	
2013 HUD Adjusted MFI for non-MSA Georgia	\$45,600
2014 HUD Adjusted MFI for non-MSA Georgia	\$45,400
2015 HUD Adjusted MFI for non-MSA Georgia	\$46,100
<b>Economic Indicators</b>	
December 2013 Unemployment Rate Decatur County	8.6%
December 2014 Unemployment Rate Decatur County	7.1%
December 2015 Unemployment Rate Decatur County	6.4%
2010 Median Housing Value Decatur County	\$103,528
% of Households Below Poverty Level Decatur County	23.34%
% of Families Below Poverty Level Decatur County	19.38%

Source: U.S. 2010 Census, HUD, Federal Reserve Bank of St. Louis – Economic Research Dept.

## COMMUNITY CONTACT

During the CRA evaluation, it is customary for examiners to contact organizations within the AA 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

FNB is not subject to the Home Mortgage Disclosure Act because the bank does not have an office or a deposit taking ATM located within a MSA. Therefore, a random sample of the primary loan products, residential mortgage and small business loans, was selected to evaluate CRA lending performance with respect to borrower and

business income and borrow/security property location. For calendar years 2013, 2014, and 2015, 120 files were reviewed, 60 residential mortgage and 60 small business.

### 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 60.69 percent since January 2011. The bank's ratio ranged from a low of 39.74 percent (December 2012) to a high of 82.69 percent (September 2015).

Of FNB's six bank competitors with offices in Decatur County, Georgia, three are much larger with respect to total assets, branch networks, and operate in multiple states: Bank of the Ozarks, PeoplesSouth Bank, and Regions Bank. A fourth bank, First State Bank of Blakely, is larger than FNB, but operates only in Georgia. The fifth and sixth institutions are roughly the same size as FNB, although one, Family Bank, is based outside of Decatur County.

The quarterly average LTD ratios for these similarly situated banks are depicted below.

<b>Loan-to-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$ (000's) (As of 12/31/2015)</b>	<b>Average Loan-to- Deposit Ratio</b>
Bank of the Ozarks, Little Rock, AR	9,870,373	91.55%
Family Bank, Pelham, GA	91,458	84.07%
<b>First National Bank of Decatur County, Bainbridge, GA</b>	<b>133,359</b>	<b>60.69%</b>
First Port City Bank, Bainbridge, GA	154,321	74.40%
First State Bank of Blakely, Blakely, GA	434,042	88.40%
PeoplesSouth Bank, Colquitt, GA	716,045	75.83%
Regions Bank, Birmingham, AL	125,121,263	78.80%

*Source: Institution Reports of Condition from January 2011 to December 2015*

### Lending in Assessment Area

The majority of FNB’s lending is inside the AA, is reasonable, and meets the standard for satisfactory performance.

<b>Table 1 - Lending within the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate	47	78.33	13	21.67	60	3,525	82.40	753	17.60	4,278
Small Business	48	80.00	12	20.00	60	5,970	75.14	1,975	24.86	7,945
<b>Totals</b>	<b>95</b>	<b>79.17</b>	<b>25</b>	<b>20.83</b>	<b>120</b>	<b>9,495</b>	<b>77.68</b>	<b>2,728</b>	<b>22.32</b>	<b>12,223</b>

Source: Sample of residential and small business loans.

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

FNB’s lending activity for this criterion is evaluated against 2010 Census data.

Overall, FNB’s level of lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets the standards for satisfactory performance. The bank’s lending reflects a reasonable penetration among individuals of different income levels. The percentage of lending to low-income families is below the demographic benchmark for both census periods. However, the AA’s 2010 Census family poverty rate at 19.38 percent represent mitigating factors. Lending to moderate-income families is higher than the demographic benchmarks for 2013, 2014, and 2015.

<b>Table 2 - Borrower Income Distribution of Residential Real Estate Loans within the AA – based on 2010 Census</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	26.64%	14.90%	13.91%	17.02%	18.54%	17.02%	40.91%	51.06%

Source: 2010 U.S. Census Data and sampling.

Lending to businesses of different sizes reflects a reasonable penetration. The number of loans made to businesses with revenues less than \$1 million is much higher than the percentage for the number of businesses within the AA for the review period. The dollar

volume of loans made to businesses with revenues less than \$1 million is commensurate with the percentage for the number of businesses within the AA for the review period. Therefore, the overall level of performance is reasonable.

<b>Table 2A - Income Distribution of Loans to Businesses within the AA based on 2010 Census</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.64%	3.92%	19.44%	100%
% of Bank Loans in AA by #	95.83%	4.17%	00.00%	100%
% of Bank Loans in AA by \$	77.51%	22.49%	00.00%	100%

Source: Loan sample and 2010 Census data.

### Geographic Distribution of Loans

FNB’s lending activity for this criterion is evaluated against 2010 Census data. The AA contained no low-income CTs for the review period and included only one moderate-income, five middle-income, and one-upper income CT. In addition, all of the middle-income CTs were classified as “Distressed Due to Poverty” for all three years of the review period.

FNB’s geographic distribution of residential mortgage loans reflects a reasonable dispersion and meets the standards for satisfactory performance. The volume of residential loans originated within the moderate-income CT is higher than the percentage of owner-occupied housing units within this CT.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans within the AA based on 2010 Census</b>								
CT 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	0.0%	0.0%	11.63%	19.15%	71.26%	55.32%	17.11%	25.53%

Source: 2010 U.S. Census Data and sampling

The percentage of loans granted to businesses within the moderate-income CTs is commensurate with the percentage of businesses within these CTs for the review period reflecting a reasonable dispersion within the AA.

<b>Table 3A - Geographic Distribution of Loans to Small Businesses within the AA based on 2010 Census</b>								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Bus/	% of Number of Loans	% of AA Bus/	% of Number of Loans	% of AA Bus/	% of Number of Loans	% of AA Bus/	% of Number of Loans
Commercial	0.0%	0.0%	20.15%	22.92%	69.87%	54.16%	9.98%	22.92%

**Responses to Complaints**

There were no CRA-related complaints received by the bank or the OCC during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the national bank, or in any assessment area by an affiliate whose loans have been considered as part of the national bank’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.