



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 2, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens National Bank of Quitman
Charter Number 14255**

**100 Stevens Street
Quitman, GA 31643**

**Comptroller of the Currency
North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256**

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.

Citizens National Bank of Quitman's performance rating is supported by the following:

- The loan-to-deposit ratio meets satisfactory performance given the bank's size, financial condition, and the credit needs within the community;
- The majority of loans and other lending activities is in the bank's assessment area; and,
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms of different sizes.

DESCRIPTION OF INSTITUTION

As of February 2, 2004, Citizens National Bank of Quitman (CNB) was a \$71 million retail banking institution located in Quitman, Brooks County, Georgia. The bank services the credit and deposit needs of its customers from its one office located at 100 Stevens Street in Quitman, Georgia. The facility offers full service banking, including drive-up and ATM services. CNB's primary lending focus is business/farm and residential lending. There are no known financial or legal impediments that would hinder the bank from meeting the credit needs of its assessment area.

CNB offers a wide variety of financial products including commercial loans, residential mortgage loans, agricultural loans, consumer loans and deposit accounts. As of December 31, 2003, net loans of \$48 million comprised 66% of assets. The composition of the loan portfolio was farm lending, \$13 million or 27%; commercial/commercial real estate, \$11 million or 23%; residential real estate, \$10 million or 21%; consumer lending, \$5 million or 10%; and, indirect retail loans, \$9 million or 19%.

The bank's last Public Evaluation was as of March 16, 1999, and the rating was "Satisfactory." This Public Evaluation covers the period from March 1999 to January 2004.

DESCRIPTION OF BROOKS COUNTY

CNB designates the geographic boundaries of Brooks County, Georgia as its assessment area (AA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income census tracts. The city of Quitman is the Brooks County seat and the county's largest municipality. Other incorporated areas include Dixie, Barwick, Pavo, Barney, and Morven. As of the 1990 Census, Brooks County was located in a Non-Metropolitan Statistical Area (NMSA). The 2002 Housing and Urban Development estimate of the NMSA median

family income for Georgia was \$42,200. Based on this figure, low-income, defined as less than 50% of median family income, would be less than \$21,100. Moderate-income, more than 50% but less than 80% of median family income, would range between \$21,100 and \$33,759. Middle-income, 80% and greater, but less than 120% of median family income, would range between \$33,760 and \$50,640 and upper-income, 120% and more, would be greater than \$50,640.

Brooks County is located in southwest Georgia, bordering the state of Florida. U.S. Interstate 75 runs approximately 15 miles to the east of the city of Quitman. The estimated 2002 population for the county was 16,428. As of November 2003, the average unemployment rate was 2.4% compared to the state of Georgia average of 4.9%. According to the 1990 Census, 30% of households in Brooks County receive social security and 12% are retired. Additionally, 90% of housing units in the area were occupied with 65% being owner-occupied. The economy continues to be negatively impacted by the effects of the North American Free Trade Agreement (NAFTA). While overall unemployment rates have remained stable, there has been a shift toward lower wage jobs. Major industries in Brooks County include manufacturing and agriculture. The largest employers are Langbord Industries, Microcraft, Presbyterian Homes of Georgia, and the public school system. Agriculture plays a major role in the economy from the production of cotton, peanuts and produce.

According to the 1990 census, there are seven block numbering areas (BNAs) in Brooks County. Two are designated moderate-income and five are designated middle-income. There are no low-income BNAs and there are no upper-income BNAs. Also in Brooks County, 27% of families are considered low-income, 18% moderate-income, 23% middle-income and 32% are considered upper-income.

The following table highlights the demographic composition of Brooks County.

Type of income BNA	Number of BNA	Percentage of Total Number of BNAs	Number of Households in BNAs	Percentage of Households in BNAs
Low (less than \$21,100)	0	0%	0	0%
Moderate (\$21,100 to \$33,759)	2	29%	2,451	45%
Middle (\$33,760 to \$50,640)	5	71%	2,937	55%
Upper (greater than \$50,640)	0	0%	0	0%

All of these county figures are based on published demographic information.

The banking industry in the assessment area is competitive. In addition to CNB, the county contains two community banks, Citizens Community Bank and Heritage Community Bank, and

a savings bank, Quitman Federal Savings Bank. The bank also competes with financial institutions in neighboring counties. As part of our examination, we met with a representative from the community regarding local economic conditions and community credit needs. Based on information provided by a representative of a housing developer, a primary lending need in the area is affordable housing. While the area financial institutions are positively perceived for their involvement in the local community, demand for affordable housing has increased since NAFTA has eliminated so many local jobs. Our contact feels that performance in meeting this credit need could be enhanced by partnering with affordable housing developers who assist low- and moderate-income individuals in obtaining housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

To evaluate the following performance criteria, we focused on 2000 through 2002 loan activity per regulatory requirements to maintain consistency with Census information. Updated income and census tract data for loans originated in 2003 would not be consistent with data used to categorize prior years' loan activity. As such, they were not used in this analysis. We used data collected from 2000 through 2002 for residential mortgages and business/farm lending. Specific information regarding data analyzed is discussed under each criterion.

Loan-to-Deposit Ratio - Meets the Standard for Satisfactory Performance

The bank's loan-to-deposit (LTD) ratio is satisfactory based on its size and assessment of area credit needs. The average net LTD ratio using quarter-end information from June 30, 1999 to September 30, 2003 was 74%. The bank's ratio was compared to two other institutions of similar size and structure in the AA whose ratios also averaged 74% during the same time period. The average LTD ratio for the nationwide peer group was 70%. As of January 23, 2004, CNB's loan-to-deposit ratio was 72%.

Lending in Assessment Area - Meets the Standard for Satisfactory Performance

A majority of the bank's lending is within its defined AA. Brooks County is an agricultural community and many of the businesses are farm related. Since the bank focuses on business and farm lending, we combined the farm and commercial portfolio and selected a sample of 26 of those types of loans originated by the bank between January 2000 and December 2002. We found that 23 loans in that sample were originated within the bank's AA as detailed below.

Business and Farm Lending in the Assessment Area					
	# of Loans in Sample	%	\$ of Loans (000)	%	
Inside AA	23	87	5,124	93	
Outside AA	3	13	380	7	
Totals	26	100	5,504	100	

In addition, because the bank also focuses on residential real estate lending, we performed an

analysis of the distribution of those types of loans originated in the same time frame of January 2000 to December 2002. The results of the analysis are as follows.

Residential Real Estate Lending In the Assessment Area					
	# of Loans in Sample	%	\$ of Loans (000)	%	
Inside AA	20	83	1,126	98	
Outside AA	4	17	26	2	
Totals	24	100	1,152	100	

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 businesses and farms of different sizes is satisfactory. Affordable housing was determined to be a credit need of the community as per our community contact. For this criterion, we used the same samples of residential and business/farm loans originated within the AA discussed in the previous performance criterion. As the following tables indicate, CNB's lending to borrowers of low- and moderate-income levels is satisfactory in view of the demographics of the AA. Approximately 25% of the number of loans and 15% of the dollar volume of loans were granted to low- and moderate-income borrowers. Distribution at other income levels is considered reasonable.

Distribution of Residential Loans by Borrower Income Level in Assessment Area				
Income Level	% Families in Assessment Area	% of Loans by Number	% of Loans by Dollar	Average Loan (\$000)
Low	27%	15%	9%	34
Moderate	18%	10%	6%	37
Middle	23%	40%	34%	49
Upper	32%	35%	51%	84
Total	100%	100%	100%	

The bank's lending volume regarding loans to small farms is good. We obtained annual revenue information for business and farm loans used in our analysis. Our analysis determined that the bank makes loans to farms of varying sizes within the AA, but particularly to small businesses and farms (those with annual revenues less than \$1million.) A breakdown of loans by size is given below.

Total Annual Revenue	Percentage of Total Business and Farm Loans Sampled
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	Number of loans	Dollar Volume	% Business in Assessment Area
<\$500 thousand	92%	80%	56%
\$500 to \$999 thousand	<u>4%</u>	<u>3%</u>	<u>4%</u>
<\$1 million (small Business and Farm)	96%	83%	60%
>\$1 million (large Business and Farm) ¹	4%	17%	5%

Geographic Distribution of Loans

Based on our sample, there appears to be a reasonable distribution of lending within the AA. Due to the fact that there are very few demographically distinct geographies in the AA, a geographic analysis was not performed.

Responses to Complaints

CNB has not received any complaints concerning its performance in helping to meet the credit needs within its AA during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

¹ According to the 1990 Census, 30% of businesses and farms did not report revenue.