



PUBLIC DISCLOSURE

March 16, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank South
Charter Number 16258

423 West 12th Street
Alma, GA 31510

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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

- *The bank's level of lending, as reflected in the bank's quarterly average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, capacity and performance context factors.*
- *A majority of consumer and business loans originated over the evaluation period was within its assessment area.*
- *Lending activities show excellent penetration among borrowers of different income levels and businesses of different sizes.*
- *The geographic distribution of consumer and business loans reflects a reasonable dispersion among the various income geographies given the performance context.*
- *The overall level of community development performance demonstrates excellent responsiveness to the community development needs in its assessment area, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area.*

Scope of Examination

This Performance Evaluation (PE) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated the bank's performance under the Intermediate Small Bank (ISB) Test using the Interagency Community Reinvestment Act (CRA) procedures, which include a lending test and a community development test. The bank's lending performance is evaluated using the small bank lending test. The community development test evaluates a bank's community development lending, investments and service activities.

The lending test covers the bank's performance from January 1, 2012 through December 31, 2014. The evaluation period for community development loans, investments and services begins June 14, 2011 and ends March 16, 2015.

Based on discussions with bank management and both the number and dollar amount of loan origination reports generated by the bank for the years 2012, 2013, and 2014 and lending strategy, the bank's primary loan products were consumer and business lending as noted in the table below. Consumer originations accounted for the majority of loans by number with 2,450 (52 percent of total) and \$18 million (8 percent) in dollar volume. Business originations accounted for 1,475 (31 percent of total) in number and \$124 million (59 percent) in dollar volume. As such, our evaluation of the bank's lending performance will reflect business and consumer loan products. Our conclusions for the

lending test were based on an analysis of a statistical random sample of 33 business and 32 consumer loans originated during the evaluation period.

Loan Originations for the time period of 1/1/12 through 12/31/14		
Loan Type	Number of originations	Percentage (%)
Consumer	2,450	52%
Commercial/CRE	1,475	31%
Residential R/E	615	13%
Agricultural	207	4%
Total originations	4,747	100%

Community development loans, investments, and services submitted by bank management were verified to ensure accuracy and that they met the regulatory definition of community development.

Description of Institution

First National Bank South (FNB South) is an intrastate bank headquartered in Alma, Georgia. The bank is wholly owned by First Bank Shares of the South East, Inc., a one-bank holding company headquartered in Alma, Georgia. The bank was established on May 1, 1951 under the name of Citizens State Bank and converted to a national charter on January 2, 1974. The name was changed to FNB South on January 1, 2001.

FNB South operates four banking offices in the assessment area. The main office is located in Alma (Bacon County), Georgia. The bank's three other offices in Georgia are located in Baxley (Appling County), Douglas (Coffee County) and Folkston (Charlton County). FNB South offers many services to its customers and low-to-no-cost checking and savings accounts that are considered responsive to the banking needs of low-and moderate-income individuals and to small businesses. FNB South also provides a variety of lending programs, but generally, its primary focus has been in commercial and consumer lending. Agriculture loans are not a primary loan product for the bank due to a very large lending cooperative in the AA, who is a member of the Farm Credit System and specializes in agricultural lending. This institution has two offices located in the bank's AA and offers very competitive interest rates and terms to meet the credit needs of farmers in the area.

The composition of the loan portfolio as of December 31, 2014 is charted below and is based on total loans of \$240 million.

Composition of the Loan Portfolio as of 12/31/2014		
Loan Secured By:	Dollar Amount (000)	Percentage (%)
Commercial/CRE	\$127,961	53.0%
Residential R/E	\$52,398	22.0%
Agriculture	\$43,111	18.0%
Consumer	\$16,519	7.0%

FNB South is a qualified U.S. Small Business Administration (SBA) lender, which allows the bank to address the lending needs of small businesses throughout the bank's assessment area. During the evaluation period, the bank originated 18 SBA loans totaling \$18.1 million, which is reflected in the lending and community development tests below.

Refer to the section below titled *Community Development Services* for more details regarding the bank's products and services geared towards low-and-moderate-income individuals and small businesses.

As of December 31, 2014, the bank reported total assets of \$322 million and total deposits of \$273 million. Net loans (net of unearned income and allowance) of \$232 million represent 72% of total assets.

During the first two years of the evaluation period, the bank did have legal impediments that would prevent the bank from meeting the credit needs of the assessment area it serves. The bank's ability to lend was impacted by the terms of an agreement with our agency. In addition, the economy in the assessment area has been significantly impacted by the downturn in the economy and slow to recover. As such, FNB South's ability and opportunity to lend, especially to low- and moderate-income borrowers, as well as to small businesses, has been impacted by the weak economy, which only recently has seen some improvement. The bank received an "Outstanding" rating at the last CRA examination dated June 13, 2011.

Description of Assessment Area

FNB South has two assessment areas encompassing four counties located in Southeast Georgia. FNB South designates the geographic boundaries of Appling, Bacon, and Coffee Counties as one assessment area and Charlton County as another assessment area. All four counties are located in a nonmetropolitan area in the State of Georgia and, therefore, designated the same median income as a comparator. As such, we combined the two assessment areas for analysis purposes.

FNB South's AAs	
County	City/Town
Appling	Baxley, Graham and Surrency
Bacon	Alma, Rockingham and Sessoms
Charlton	Folkston, Homeland, Moniac, Race Pond, Saint George and Winokur
Coffee	Ambrose, Broxton, Bushnell, Douglas, Lax, Mora, Nicholls, Pridgen, Upton and West Green

The AA consists of 19 nonmetropolitan geographies and includes five moderate-, 12 middle-, and two upper-income geographies. In addition, all 12 nonmetropolitan middle-income geographies have been designated as distressed due to high poverty rates in all of the counties encompassing the assessment area. In addition to the high poverty rate, Coffee County also received this designation for a high unemployment rate as well.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific 2010 and 2014 demographic and economic data for the assessment area are detailed on the following page.

Demographic and Economic Characteristics of the Assessment Area			
2014 Median Family Income (MFI) for the nonmetropolitan areas of Georgia		Geographies	
	\$47,400	Number of Census Tracts	19
<i>Based on MFI:</i>		% Low-Income Census Tracts (0)	00.00%
Low-income individuals earn:	<\$23,700	% Moderate-Income Census Tracts (5)	26.32%
Moderate- income individuals earn:	\$23,700-\$37,920	% Middle-Income Census Tracts (12)	63.16%
		% Upper-Income Census Tracts (2)	10.52%
Income Distribution		Businesses	
Number of Households	29,277	Number of non-farm businesses located in the AA	5,280
Households residing in the AA by income category		% of Small Businesses located in the AA	70.77%
% Low-Income Households	25.84%	% of Large Businesses	3.43%
% Moderate-Income Households	15.92%	% of Business with no revenues reported	25.80%
% Middle-Income Households	17.71%		
% Upper-Income Households	40.53%		
<i>Source: 2010 Census, 2014 FFIEC Median Family Income Data & 2014 Dunn and Bradstreet Data</i>			

According to 2010 U.S. Census Bureau economic data, the assessment area has a total population of 83,859 with 20.08 percent of households living below the poverty level. In addition, as with most cities in Georgia, particularly rural cities, the economy in the assessment area has been significantly impacted by the downturn in the economy and slow to recover. Based on 2014 Dunn and Bradstreet demographic data there are 5,280 non-farm businesses located throughout the AA of which 3,737 or 70.77 percent are small business.

Description of Appling County: FNB South has one office located in the city of Baxley, the county seat of Appling County. The office is located in a moderate-income geography. Appling County is adjacent to, and north of, Bacon County, 42 miles east of Douglas, Georgia and 47 miles north of Waycross, Georgia. The U.S. Census Bureau estimated the 2013 population as 18,440, an increase of 1.12 percent from the 2010 population of 18,236. In addition, the U.S. Census Bureau estimated 21.7 percent of the population in 2013 lived below the poverty level. There are three nonmetropolitan middle-income tracts in the county are designated as distressed due to the high poverty levels in areas of the county. According to the U.S. Department of Labor, Bureau of Labor Statistics, as of December 31, 2014, the unemployment rate (not seasonally adjusted) for Appling County was 7.6 percent, which is above the state’s unemployment rate of 6.3 percent and the 5.4 percent national rate. The largest employer in the area is the Edwin I. Hatch nuclear plant, Rayonier Wood Products, LLC (sawmill / wood products operations) and Walmart. Large industries include local government, retail trade and manufacturing sectors.

According to FDIC deposit market share data as of June 30, 2014, there were four other

financial institutions operating four offices within the county. FNB South ranked third among banks with a 21.91 percent deposit market share. Other financial institutions operating in the county include SunTrust Bank and Peoples State Bank.

Description of Bacon County: FNB South's main office is located in the city of Alma, the county seat of Bacon County. The office is located in a nonmetropolitan middle-income geography designated as distressed. Bacon County is located in Southeast Georgia, 30 miles north of Waycross, Georgia. The U.S. Census Bureau estimated the 2013 population as 11,216, an increase of 1.08 percent from the 2010 population of 11,096. In addition, the U.S. Census Bureau estimated in 2013, 23.8 percent of the population lived below the poverty level. There are two nonmetropolitan middle-income tracts in the county designated as distressed due to the high poverty levels in areas of the county. According to the U.S. Department of Labor, Bureau of Labor Statistics, as of December 31, 2014, and the unemployment rate (not seasonally adjusted) for Bacon County was 6.2 percent, which is in line with the state's unemployment rate of 6.3 percent and slightly higher than the 5.4 percent national rate. The largest employers in the area are Bacon County Hospital and Health System, D.L. Lee and Sons, Boatright Trucking, Inc., Milliken & Company and Titan Modular Systems, Inc. Large industries in the county include the manufacturing, agriculture, and transportation and warehousing sectors. The county also supports a large blueberry industry.

According to FDIC deposit market share data as of June 30, 2014, there was one other financial institution operating in the county with two offices, Alma Exchange Bank & Trust. The FDIC report shows FNB South as having the largest deposit market share (62.28 percent) in the county.

Description of Charlton County: FNB South has one office located in the city of Folkston, the county seat of Charlton County. The office is located in a nonmetropolitan middle-income geography designated as distressed. Charlton County is the most southern county in Georgia and borders the Florida State line. It is located south of the other counties in the AA. The U.S. Census Bureau estimated the 2013 population as 13,255, an increase of 8.91 percent from the 2010 population reported of 12,171. In addition, the U.S. Census Bureau estimated 31.3 percent of the population in 2013 lived below the poverty level. Both geographies in the county are nonmetropolitan middle-income tracts designated as distressed to the high poverty levels in areas of the county. According to the U.S. Department of Labor, Bureau of Labor Statistics, as of December 31, 2014, the unemployment rate (not seasonally adjusted) for Charlton County was 8.6 percent, which is well above than the state's unemployment rate of 6.3% and the 5.4% national rate. The largest employers in the area are Cornell Corrections, AJM Packaging Corporation and Charlton County School System. Large industries manufacturing, retail trade and local government sectors.

According to FDIC deposit market share data as of June 30, 2014, there was one other financial institution operating in the county operating one office with the largest deposit market share. As of June 30, 2014, FNB South was reporting a 43.36 percent deposit market share in the county.

Description of Coffee County: FNB South has an office located in the city of Douglas,

the county seat of Coffee County. The office is located in a moderate-income geography. Coffee County is located in south-central Georgia, and is adjacent to and west of Bacon County. The U.S. Census Bureau estimated the 2013 population as 43,220, an increase of 1.99 percent from the 2010 population of 42,356. In addition, the U.S. Census Bureau estimated 27.5% of the population in 2013 lived below the poverty level. There are nine nonmetropolitan geographies in the county in which four are moderate-income and five designated distressed middle-income geographies due to the high poverty and unemployment levels in areas of the county. According to the U.S. Department of Labor, Bureau of Labor Statistics, as of December 31, 2014, the unemployment rate (not seasonally adjusted) for Coffee County was 8.5 percent, which is well above the State of Georgia's unemployment rate of 6.3 percent and the national rate of 5.4 percent. The largest employers in the area are Wal-Mart (distribution center, logistics and the local retail store), Coffee Regional Medical Center, Pilgrim's, and Pilgrim's Pride Corporation. Large industries include the manufacturing, retail trade and health care sectors.

There is significant banking competition for financial services in the county. According to FDIC deposit market share data as of June 30, 2014, there were eight other financial institutions operating 12 offices in Coffee County. FNB South is ranked sixth among the eight banks with a 7.88 percent deposit market share. Major competitors include Douglas National Bank, First National Bank of Coffee County and SunTrust Bank.

For all the counties within the bank's assessment area, there were a combined 13 financial institutions operating in 22 offices according to the FDIC deposit market share data as of June 30, 2014. As of June 30, 2014, FNB South was ranked first among the 13 banks with a 23.19 percent deposit market share. Major bank competitors include SunTrust Bank and Douglas National Bank.

During a CRA evaluation, it is customary for examiners to contact various persons and organizations within the institution's assessment area to gain insight regarding local economic conditions and credit needs. We performed a follow-up interview to an existing community contact completed in 2011. The organization we contacted serves all the counties in the bank's assessment area. According to this contact, the most pressing credit need in communities located within the assessment area centers on providing loans to businesses with the purpose of improving the economic climate in rural communities.

Conclusions with Respect to Performance Tests

The Lending Test analysis that follows evaluates the bank's lending activity as described earlier in the scope section. The factors considered are as follows: (1) Loan-to-Deposit Ratio; (2) Lending in the Assessment Area (AA); (3) Lending to Borrowers of Different Income Levels and Businesses of Different Sizes; (4) Geographic Distribution of Loans; and, (5) Response to CRA Complaints.

LENDING TEST

Lending Performance

The bank’s performance under the Lending Test is rated “Outstanding”.

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

The bank’s level of lending, as reflected in the bank’s quarterly average loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, capacity and performance context factors. FNB South’s quarterly average LTD since the preceding CRA evaluation (15 quarters beginning with the second quarter of 2011 and ending the fourth quarter of 2014) is 88.33 percent, ranging from a high of 97.43 percent in the third quarter of 2011 to a low of 83.90 percent in second quarter of 2014. For the same period, FNB South’s quarterly average ratio of 88.33 percent is higher than the average of three similarly situated banks (total assets between \$170 million and less than \$400 million operating in the bank’s AA and contiguous county and offering similar deposit and loan products) of 70.40 percent.

Lending in Assessment Area - Meets the Standard for Satisfactory Performance

A majority business loans and a substantial majority of consumer loans originated by FNB South over the evaluation period was within its Assessment Area. This conclusion is based on an analysis of a sample of 32 consumer loans and 33 business loans originated during the period of January 1, 2012 through December 31, 2014. As detailed in the table below, approximately 84.62% by number, and 50.14% by dollar amount, of sampled loans were within FNB South’s assessment area.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	30	93.75	2	6.25	32	152	91.02	15	8.98	167
Commercial Loans	25	75.76	8	24.24	33	1,446	47.89	1,574	52.11	3,020
Totals	55	84.62	10	15.38	65	1,598	50.14	1,589	49.86	3,187

Source: Loan sample of consumer and business loans for the period of January 1, 2012 through December 31, 2014.

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

FNB South’s lending activities show excellent penetration among borrowers of different income levels and businesses of different sizes. Our conclusion is based on the same sample of 55 consumer and business loans originated in the assessment area during the evaluation period. For business loans, we compared the distribution of lending among different sized businesses in relation to small businesses within the AA. For consumer loans, we compared the distribution of lending among borrowers of different

income levels as compared to the percent of households in each income category within the AA.

Business Loans

FNB South’s record of lending to businesses of different sizes reflects excellent penetration and exceeds the standard for satisfactory performance. As noted in the table below, the percentage of the bank’s business loans to small businesses (those with total revenues of \$1 million or less) exceeds the percent of small businesses operating in the assessment area. Based on our sample, the bank originated 84 percent of the total number of loans and 73 percent of the total dollar volume of loans to small businesses. In comparison, businesses operating in the assessment area and reported revenues, 71 percent or 3,737 are considered small businesses. In addition, of the 25 loans originated in the assessment area during the evaluation period, 15 loans or 60 percent were in amounts of \$30 thousand or less, a further indication that the bank is meeting the credit needs of small businesses.

As discussed in the *Description of Institution*, FNB South is also a qualified SBA lender, thus allowing the bank to address the lending needs of small businesses in its AA. This performance also reflects the bank’s emphasis on SBA lending throughout its assessment area. During the evaluation period, the bank originated 18 SBA loans totaling \$18.1 million, which have been included in the lending and community development analysis, as appropriate.

Borrower Distribution of Loans to Businesses in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	70.77	3.42	25.80	100%
% of Bank Loans in AA by #	84.00	12.00	4.00	100%
% of Bank Loans in AA by \$	72.82	25.54	1.64	100%

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data

Consumer Loans

FNB South’s consumer lending shows excellent penetration among low- and moderate-income borrowers. As depicted in the table below, for both low- and moderate-income households, the percentage of the bank’s loans exceeds the percentage of such households residing in the assessment area. FNB South’s consumer lending to low-income borrowers significantly exceeds the percentage of low-income households in the AA. FNB South’s consumer lending to moderate-income borrowers exceeds the percentage of moderate-income households in the AA.

Borrower Distribution of Consumer Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of #of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	25.84	60.00	15.92	23.33	17.71	10.00	40.53	6.67

Source: Loan sample of consumer and business loans for the period of January 1, 2012 through December 31, 2014, 2010 U.S. Census and 2014 FFIEC Median Family Income Data.

Geographic Distribution of Loans - Meets the Standard for Satisfactory Performance

The geographic distribution of loans reflects a reasonable dispersion among the various income geographies given the performance context. This conclusion is based on the same sample of 55 consumer and business loans originated in the assessment area. Although the bank did not lend in all geographies in the assessment area, we did not identify any conspicuous gaps that could not be explained by the performance context, including the limited number of the bank’s branches and the level of competition in the assessment area. All of the loans made in the middle-income tracts reflect that the bank is highly responsive, as all 12 middle income census tracts are distressed.

Business Loans

FNB South’s business lending in moderate-income geographies is reasonable given the performance context. As depicted in the table below, there are no low-income geographies in the assessment area. The percentage of business lending in moderate-income geographies is lower than the percentage of businesses located in moderate-income geographies in the assessment area. The bank extended 8.00 percent of its business loans to businesses that are located in moderate-income geographies. By comparison, there are 27.44 percent of businesses operating in moderate-income geographies in the assessment area. The level of business lending in moderate-income geographies is reasonable as substantial majority of moderate-income geographies (80 percent) within the bank’s assessment area are concentrated in Coffee County where there is significant competition among eight other financial institutions operating 12 offices, and where FNB South holds only 7.88 percent of the deposit market share and one office location. Further, the bank extended 84 percent of its lending to businesses operating in middle-income geographies designated as distressed during the evaluation period due to high poverty and unemployment rates. Based on information provided by the community contact, small business lending is responsive to the primary credit need in the market.

Geographic Distribution of Loans to Businesses in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Business Loans	0.00	0.00	27.44	8.00	65.74	84.00	6.82	8.00

Source: Loan sample of business loans for the period of January 1, 2012 through December 31, 2014, and 2014 Dunn and Bradstreet data

Consumer Loans

FNB South’s consumer lending in moderate-income geographies is reasonable given the performance context. As depicted in the table below, there are no low-income geographies in the assessment area. The percentage of the bank’s consumer lending in moderate-income geographies is lower than the percentage of households residing in such geographies. The bank extended 10.00 percent of its consumer loans to households that are located in moderate-income tracts. By comparison, households residing in moderate-income geographies account for 26.42 percent of all households in the assessment area. As previously mentioned, the level of consumer lending in moderate-income geographies is reasonable as substantial majority of moderate-income geographies (80 percent) within the bank’s assessment area are concentrated in Coffee County where there is significant competition among eight other financial institutions operating 12 offices and where FNB South holds only 7.88 percent deposit market share and one office location. Further, the bank extended 80 percent of its lending to consumers operating in middle-income geographies designated as distressed during the evaluation period due to high poverty and unemployment rates. Lending in moderate and distressed middle-income census tracts is responsive and reflects positive geographic distribution of consumer loans.

Geographic Distribution of Consumer Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	26.42	10.00	66.39	80.00	7.19	10.00

Source: Loan sample for business loans for the period of January 1, 2012 through December 31, 2014, and 2010 U.S. Census

Responses to Complaints

- There have been no CRA related complaints received by the bank or our office since the last CRA examination.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated “Outstanding”.

The overall level of community development performance demonstrates excellent responsiveness to the community development needs in its assessment area, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area.

We reviewed information provided by FNB South for community development activities

within the Assessment Area during the evaluation period. The information was reviewed to validate that the activities supported community development and were responsive to community needs.

Community Development Loans

Assessment Area	#	\$ MM
Inside Assessment Area	14	\$ 15.4
Outside Assessment Area/Inside a contiguous county	5	\$ 3.6
Totals	19	\$ 19.0

FNB South’s community development loan performance demonstrates excellent responsiveness to community needs, given the limited opportunities in the assessment area during the evaluation period. The bank’s community development loans originated consisted of loans to: 1) small businesses to promote economic development and, 2) new and existing businesses located in agency designated distressed nonmetropolitan middle-income geographies promoting stabilization or revitalization efforts in the assessment area. Based on our local community contact a crucial credit need in the area was lending to businesses with the purpose of improving the economic conditions in the rural communities comprising the assessment area. Five community development loans totaling \$3.6 million that originated in contiguous counties, was given positive consideration due to the bank adequately meeting the community development needs within its assessment area.

Out of the 19 community development loans made to 15 different businesses:

- Nine community development loans totaling \$9.5 million helped meet stabilization or revitalization efforts in the assessment area, by providing loans to eight businesses operating in a designated distressed nonmetropolitan middle-income geography. A distressed nonmetropolitan middle-income geography is an agency- designated area that encourages economic growth and development by attracting and retaining businesses and residents in order to stabilize or revitalize the county. The bank made loans to businesses located in designated distressed nonmetropolitan middle-income geographies exhibiting areas of high poverty and unemployment rates. Specifically, the bank made a loan to a local service industry business to finance expansion efforts. The business employs and serves local area residents in an area where the poverty rate is considered high. Financing expansion efforts helped retain a much-needed business and therefore jobs in the area.
- Eight community development loans totaling \$8 million helped meet the stabilization or revitalization efforts and promote economic development by financing new start up and small businesses (businesses with gross annual revenues of \$1 million or less) located in distressed nonmetropolitan middle-income geographies. All of the eight community development loans were SBA 504 and 7-A loans. The SBA 504 program is a financing tool for small businesses that promotes economic development and job creation. Specifically,

two loans totaling \$1.7 million were made to a new business for providing financing for a production facility and working capital. The new business provided over 300 new jobs for an area designated as a distressed nonmetropolitan middle-income area due to the high poverty rate in the area.

- Two community development loans totaling \$1.5 million helped promote economic development in the assessment area by financing the start-up of two new poultry farms, which created new permanent jobs.

Qualified Investments

FNB South has an excellent level of qualified investments given its size, capacity to provide such investments and investment opportunities in the AA.

During the evaluation period, FNB South made 17 grants totaling \$23,285 to non-profit organizations throughout the assessment area and whose primary focus meets one of definitions of community development. Grants were made to 14 different non-profit organizations that provide services directed to assist low- and moderate-income residents of the bank's assessment area and include such services as providing food and shelter and child welfare services for low-and moderate-income individuals and families.

FNB South had five qualified statewide investments totaling \$6.8 million. All five investments consist of Low Income Housing Tax Credits (LIHTCs) for affordable housing projects throughout the State of Georgia. Of the five LIHTCs, there were three new equity investments made in LIHTCs during the evaluation period totaling \$2.4 million. The remaining two LIHTCs totaling \$4.4 million represent investments from the prior period and remain on the books of the bank. Due to the lack of opportunities for the rural communities in the bank's AA for these types of real estate investments, the bank's current and prior period investments in Low Income Housing Tax Credits (LIHTCs) throughout the State of Georgia will be afforded positive consideration as investments in the AA. The housing provided through the LIHTC continues to provide affordable rental housing to low- and moderate-income residents mainly in counties north of the bank's AA.

Community Development Services

The extent to which the bank provides banking services and community development services is adequate given its size and capacity to provide such services.

FNB South has two offices located in a moderate-income geography and two offices located in nonmetropolitan middle-income geographies designated as distressed. All offices have drive-thru facilities, automated teller machines (ATMs) and safe deposit boxes. FNB South provides many services to its customers including check card services, free internet and mobile banking, free on-line bill pay, and free unlimited usage at the bank's ATMs. In addition, any person who has a Direct Express Card can use

the bank's ATMs free of charge.

FNB South also provides products that are considered responsive to low- and moderate-income individuals and small businesses. FNB South offers low-to-no-cost checking and savings accounts. For example, the bank offers a no monthly service charge, \$100 minimum balance to open, personal checking account to those customers age 50 or older and to full-time students under the age of 26. The bank also offers to full time students under the age of 26, a no cost savings account with a \$50 minimum balance to open the account. Additionally, the bank offers a business checking account with a minimum opening deposit of \$100 and no monthly service charge if a \$2,500 balance is maintained. Otherwise, a \$6 monthly maintenance fee + \$.25 /check are assessed if the balance falls below the minimum requirement.

FNB South is a qualified SBA lender, which allows the bank to address the lending needs of small businesses throughout the assessment area. Responsive SBA products offered to assist small businesses include SBA 504 and 7-A loans. For the period of October 1, 2014 through December 31, 2014, the SBA Georgia District Office ranked FNB South as one of the top ten SBA lenders in the State of Georgia based on the total dollar volume of 7A loans originated. The bank offers affordable residential lending products geared towards low-and moderate-income individuals and includes mobile home loans. In addition, the bank participates in the Federal Housing Finance Agency Community Support Program.

Bank personnel engage in community development services that are responsive to community needs. During the evaluation period, three officers totaling 2,083 hours served organizations whose mission or specific activity meets the definition of community development. Specifically, two officers provided financial expertise by serving as Board members for three organizations. One officer provided financial education to a school that primarily provides education to low- and moderate- income students. In addition, during the evaluation period, FNB South provided continued, affordable housing to low-and-moderate-income occupants residing in bank-owned foreclosed homes. Tenants also had the option to purchase or lease the house with 50% of rental payments made during a 12-month period applied to a down payment equaling 5% at time of purchase. Seven of the 11 foreclosed homes were sold during the evaluation period.

Responsiveness to Community Development Needs

Considering the bank's size, capacity, and performance context, FNB South's community development performance demonstrates excellent responsiveness to community development needs mainly through its loans. Community development lending is principally helping to meet the helped meet the stabilization or revitalization efforts and promote economic development by financing new start up and small businesses (businesses with gross annual revenues of \$1 million or less) located in nonmetropolitan middle-income geographies designated as distressed due to high poverty and unemployment rates. Loans to businesses were identified by our contact interview, as a crucial credit need in the assessment area. Community development

investments are centered in LIHTCs that provide much needed affordable housing in the counties mainly north of the bank's assessment areas and community development services include bank personnel focused on helping the needs of those service organizations that serve low-and moderate-income individuals. Community development services during the evaluation period include FNB South providing continued, affordable housing to low-and-moderate-income occupants residing in bank-owned foreclosed homes. Tenants also had the option to purchase or lease with 50% of rental payments made during a 12-month period applied to a down payment equaling 5% at time of purchase.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.