



## **PUBLIC DISCLOSURE**

February 09, 2015

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

Douglas National Bank  
Charter Number 24249

211 East Ward Street  
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**

The major factors supporting the institution's rating are:

- The loan-to-deposit ratio is more than reasonable.
- A majority of loans were originated in the assessment area.
- Lending activities represent reasonable penetration of borrowers of different income levels and businesses and farms of different sizes.
- Geographic distribution of lending activities reflects excellent dispersion.

**SCOPE OF EVALUATION**

This evaluation was completed using Small Bank examination procedures, which includes the Lending Test. The Lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities.

Douglas National Bank (DNB) is not subject to the Home Mortgage Disclosure Act (HMDA) filing requirements; as such, we will sample 20 loans from each of the primary products to evaluate the bank's performance. Our loan sample will be from the final three years of the evaluation period, or January 1, 2012 to December 31, 2014. The bank's primary loan products are 1-4 family real estate loans, commercial loans, and agricultural loans.

The bank's AA is the nine census tracts (CT) that comprise Coffee County, GA. In previous years, geographic distribution was not meaningful as the tracts were all middle income. Since the issuance of the 2010 census, however, the bank now has five middle- and four moderate-income CTs, and will be evaluated for geographic distribution.

**DESCRIPTION OF INSTITUTION**

DNB is a traditional community bank with total assets of \$173 million. It is wholly owned by DNB Financial Services, Inc. a single bank holding company. DNB has one location and ATM in Douglas, GA. DNB offers full service banking, including online services, safe deposit rentals, and drive-thru operations.

Deposit products include personal and business checking accounts, savings accounts, certificates of deposit, and individual retirement accounts.

DNB offers a selection of fixed and variable rate loans that include consumer real estate purchases, construction, and refinances, as well as commercial real estate financing,

and agricultural lending such as crop and equipment loans. These three areas of lending make up DNB’s primary loan products as demonstrated below:

<b>Loan Portfolio Summary by Loan Product December 31, 2014</b>	
<b>Loan Category</b>	<b>% of Outstanding Dollars</b>
Commercial and Commercial Real Estate	43%
Agriculture and Ag Real Estate	28%
Residential Real Estate	25%
Consumer & Other Loans	4%

*Source: Report of Condition dated December 31, 2014*

There are no financial or legal obstacles affecting DNB’s ability to meet its community credit needs.

DNB received an overall rating of “Satisfactory” during its previous CRA evaluation dated November 2, 2009.

**DESCRIPTION OF ASSESSMENT AREA(S)**

DNB’s defined AA is made up of Coffee County, Georgia, a political division located in the southeastern region of Georgia. The AA consists of all nine CTs of the political division. The breakdown of the CTs are as follows: four moderate-income CTs; and five middle-income CTs. All five middle income CTs are considered Distressed Middle-Income Nonmetropolitan Tracts according to the 2014 List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies published on an annual basis by the Federal Financial Institution Examination Council (FFIEC), due to poverty and unemployment. The AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

According to the 2010 U.S. Census, the population of Coffee County was 42,356. Coffee County is a political division that is not tied to any Metropolitan Statistical Area (MSA). Douglas, Georgia is the largest city and county seat of Coffee County.

The 2010 U.S. Census shows the U.S. Department of Housing and Urban Development (HUD)-adjusted median family income to be \$47,400 for non-metropolitan political divisions of Georgia. In Coffee County: 26 percent of families were low-income; 18 percent of families were moderate-income; 21 percent of families were middle-income; and 35 percent of families were upper-income.

Coffee County is a rural area with an agricultural business focus in poultry processing and timber. Logistically, Coffee County’s geographic location is used as a selling point to attract new residents and industries. Coffee County is centrally located in between four interstates, and in close proximity to Georgia’s deep-water ports.

Coffee County’s commerce is centered in the employment sectors of manufacturing, retail, and healthcare. Top employers in Coffee County include the Coffee County

Board of Education, Wal-Mart, Pilgrims, and Coffee Regional Medical Center. Coffee County’s economic conditions remained relatively stable throughout the national downturn. The 2010 U.S. Census showed Coffee County’s Unemployment Rate at 4.48 percent. The top employers in Coffee County provide economic stability, and the top industries are mostly non-cyclical in nature.

Competition in Coffee County is at an average level. Douglas National Bank is one of nine financial institutions in in Coffee County, and has the highest percentage of deposits inside the market according to the FDIC Deposit Market Share Report as of June 30, 2014.

Additional demographic and economic data from the U.S. Census Bureau is shown below:

<b>2010 Demographic and Economic Characteristics of Coffee County</b>	
<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%
% Moderate-Income Census Tracts	44.44%
% Middle-Income Census Tracts	55.56%
% Upper-Income Census Tracts	0%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$40,709
2010 HUD-Adjusted MFI	\$47,400
<i>Economic Indicators</i>	
Unemployment Rate	4.48%
2010 Median Housing Value	\$82,374
% of Households Below Poverty Level	21.0%

Source: 2010 Census data and HUD updated income data.

### **Opportunities for Community Development**

As a part of our review, we discussed the Community Development needs of the AA with a local community contact. Our contact works for a local government office with a mission to encourage inclusion, build consensus, promote equity and fairness, develop and sustain organizational excellence, and promote innovation. The contact did not identify a specific community credit need, but noted that there is need for Consumer Financial Education.

The contact indicated that there had been strong bank participation in the Community Development of Douglas, GA. The contact mentioned that the banks are collaborative and involved in the community through their consumer, business, and industrial lending.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

The bank’s performance under the Lending Test rating is “Satisfactory.”

DNB’s loan-to-deposit (LTD) ratio is more than reasonable. During the review period, a majority of the bank’s lending took place inside the AA. Lending to borrowers of different incomes and businesses and farms of different sizes reflects reasonable penetration. The geographic distribution of loans represents excellent dispersion.

#### Loan-to-Deposit Ratio

DNB’s net LTD ratio is more than reasonable given the bank’s size, financial condition, and AA credit needs. DNB’s net LTD averaged 91% since the previous evaluation. It peaked at 97% and had a quarterly low of 83%.

The bank’s net LTD compares favorably with other similarly situated institutions. Of the six similar institutions in its peer group, DNB had the highest average net LTD. The next similar institution had an average net LTD of 90% and the lowest had an average net LTD of 49%.

#### Lending in Assessment Area

A majority of the bank’s lending during the review period took place inside the AA. Overall, 82% of loans sampled were made in the AA; additionally, 81% of the sample by dollar volume was made in the AA. The primary product with the best overall lending levels in the AA was Agriculture Real Estate. Of those loans sampled, 85% were made in the AA, and 84% of all dollars lent were to farms in the AA.

<b>Table 1 - Lending in DNB AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial RE	17	85.00	3	15.00	20	1,505	81.22	348	18.78	1,853
Agriculture RE	17	85.00	3	15.00	20	2,607	83.94	499	16.06	3,106
Residential RE	15	75.00	5	25.00	20	1,337	77.00	399	23.00	1,736
Totals	49	81.67	11	18.33	60	5,449	81.39	1,246	18.61	6,695

Source: Loan Sample

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

The overall borrower distribution is satisfactory, and represents reasonable penetration of borrowers of different income levels and businesses of different sizes. No one credit need could be identified as most significant, therefore, each primary product was weighted the same.

### Residential Real Estate Loans

DNB's level of lending to borrowers of different incomes is reasonable. The percentage of Low-Income families and Moderate-Income families in the AA are 26% and 18%, respectively. Our residential loan sample indicated that the bank lends at a rate of 25% to both Low-and Moderate-Income borrowers. Which exceeds the performance standard for Moderate-Income, but falls short for Low-Income. Given the higher number of Low-Income borrowers in this AA, performance relative to Low-Income borrowers is of greater significance. As such, the bank's lending levels reflect reasonable penetration.

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 Loans	26.26	25.00	18.08	25.00	20.80	15.00	34.86	35.00

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

### Commercial Loans

The bank's level of lending to businesses of different sizes is excellent. The number of businesses in the area that make less than \$1 million in gross revenues is high at 70%. Whereas, our loan sample indicated that 85% of the bank's commercial loans are to businesses that make less than \$1 million in gross revenues. This exceeds the performance standard of 70%.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.36	3.48	26.17	100%
% of Bank Loans in AA by #	85.00	10.00	5.00	100%
% of Bank Loans in AA by \$	71.24	20.92	7.84	100%

Source: Loan sample; Dunn and Bradstreet data.

Agricultural Loans

The bank's level of lending to farms that make less than \$1 million dollars in gross revenues is reasonable. The number of farms in the area that report less than \$1 million in gross revenue is 99%. The bank's level of lending to these farms as evidenced by our twenty-loan sample is 90% by number and 82% by dollar volume. These levels fall a reasonable amount below the standard.

<b>Table 2A - Borrower Distribution of Loans to Farms in DNB AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	98.76	3.19	1.24	100%
% of Bank Loans in AA by #	90.00	10.00	0.00	100%
% of Bank Loans in AA by \$	82.08	17.92	0.00	100%

*Source: Loan sample; Dunn and Bradstreet data.*

**Geographic Distribution of Loans**

The Geographic Distribution of Loans in the AA reflects excellent dispersion. DNB's lending activity for this evaluation was compared to 2010 Census data. As previously stated, according to the 2010 Census, four moderate-income (44 percent of the AA) and five middle-income (56 percent of the AA) CTs make up the DNB AA. All of the middle-income CTs are in the 2014 Distressed or Underserved Tract List. The five middle-income CTs in Coffee County were considered distressed due to high percentage of impoverished households, which the 2010 Census data disclosed as 21 percent in Coffee County.

Given the fact there are no low-income CTs in the AA, our focus for the geographic distribution was placed on moderate-income CTs, as well as distressed or underserved CTs.

Residential Real Estate Loans

The percentage of residential real estate (RE) loans within the moderate-income CTs is slightly below the percentage of Owner Occupied Housing Units (OOHUs) in these CTs. The percentage of residential RE loans granted within distressed middle-income CTs is slightly higher than the percentage of OOHUs in these CTs. Because of this, we determined the bank has an excellent dispersion of residential RE loans throughout the CTs within the AA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in DNB AA</b>								
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 Real Estate	0.00	0.00	41.10	40.00	58.90	60.00	0.00	0.00

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

**Business Loans**

The percentage of loans granted to businesses within moderate-income CTs slightly exceeds the percentage of businesses in these CTs. The percentage of loans granted to businesses within the middle-income distressed CTs is slightly below the percentage of businesses in these CTs. Because of this, we concluded the bank has excellent dispersion of business loans throughout the CTs within the AA.

<b>Table 3A - Geographic Distribution of Loans to Businesses in DNB AA</b>								
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	0.00	42.74	45.00	57.26	55.00	0.00	0.00

Source: Loan sample; D & B data.

**Agriculture Loans**

The percentage of loans granted to farms within moderate-income CTs exceeds the percentage of AA Farms in these CTs. The percentage of loans granted to farms within middle-income distressed CTs is lower than the percentage of AA farms in these CTs. Because of this, we concluded the bank has an excellent dispersion of farm loans throughout the CTs within the AA.

<b>Table 3A - Geographic Distribution of Loans to Farms in DNB AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0.00	0.00	38.02	65.00	61.98	35.00	0.00	0.00

Source: Loan sample; D & B data.



### **Responses to Complaints**

The bank received no complaints relative to its CRA performance during the review 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.

Pursuant to 12 C.F.R.25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.