



SMALL BANK

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

PUBLIC DISCLOSURE

January 20, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of The South
Charter Number 21873

2501 North Columbia Street
Milledgeville, GA 31061

Comptroller of the Currency
Georgia Field Office
1117 Perimeter Center West Suite W401
Atlanta, GA 30338

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.

We assigned the rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A majority of the bank's loans were originated within their assessment area.
- Analysis reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area.
- No public complaints related to CRA have been filed since the last CRA examination.

DESCRIPTION OF INSTITUTION

First National Bank of the South (FNB) is an intrastate bank that, effective September 1, 2003, became a subsidiary of GB&T Bancshares, Inc (GB&T). Prior to that date, the bank was a subsidiary of Baldwin Bancshares, Inc, which merged with GB&T. There have been no other major changes in the bank's corporate structure since the last Community Reinvestment Act (CRA) examination. The bank received a satisfactory CRA rating at its last CRA performance evaluation dated February 9, 1999. There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment area.

FNB's main office is located in Milledgeville, Georgia. The bank also operates two full-service branch offices within its assessment area (AA). The bank has one branch in the downtown business district of Milledgeville, and one branch on Lake Oconee Parkway in Eatonton, Georgia. The bank opened both of these branches and did not close any branches since the last CRA examination. A loan production office in Eatonton was closed when the full service branch opened in April 2000. FNB currently has three depository ATMs.

As of December 31, 2003, FNB's assets totaled \$151 million, of which net loans comprise 60 percent. The following table reflects the composition of FNB's loan portfolio based on the January 18, 2004 trial balance.

Product Category	Gross Loans as of January 18, 2004*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	\$ 32,777	36%
Residential Mortgage Loans	16,991	19%
Individuals	3,721	4%
Construction & Land Development	25,105	28%
All Other	10,412	12%
Farmland and Agriculture	1,034	1%
<i>Total</i>	<i>\$ 90,040</i>	<i>100%</i>

* Data obtained from FNB's internal loan accounting system

Management does not formally track loan originations by type; therefore we chose primary loan types based on balances and the number of loans outstanding. As indicated in the table above, the bank's primary loan type based on outstanding balances is commercial loans.

Product Category	Gross Loans as of January 18, 2004*	
	Number of Loans Outstanding	Percent
Commercial & Industrial Including Commercial Real Estate	387	21%
Residential Mortgage Loans	198	11%
Individuals	784	42%
Construction & Land Development	217	12%
All Other	268	14%
Farmland and Agriculture	6	0%
<i>Total</i>	<i>1,860</i>	<i>100%</i>

* Data obtained from FNB's internal loan accounting system

A second primary loan product based on number of loans outstanding is consumer loans. Because most of these loans are small dollar loans, it is not reflected as a primary loan product based on outstanding balances. However, the table above indicates a significant portion of the number of loans outstanding is consumer loans so we also included these loans as a primary loan type for evaluation purposes.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's AA includes the contiguous counties of Baldwin, Putnam, and Greene including the cities of Milledgeville and Eatonton. The area is located approximately 110 miles southeast of Atlanta, Georgia. The AA is not part of a Metropolitan Statistical Area (MSA) but is subdivided into standard U.S. Census Bureau Block Numbering Areas (BNA). The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography.

The total population for the assessment area was approximately 78,000 as of the 2000 census. Average unemployment in 2002 for the combined area was 5.24%, compared to the state average of 5.1%. The State of Georgia is the largest employer in the assessment area employing over 6,000 people at state-owned institutions such as Central State Hospital, Georgia College and State University, and several prison facilities. Local government accounts for over 2,000 additional jobs in the area. The area has a diversified manufacturing base that produces goods such as aerospace products, heat pumps, carpet yarn, worsted wool, and manufactured housing. Major non-government employers include Rheem Manufacturing, Oconee Regional Medical Center, Vought Aircraft Industries, Reynolds Plantations, Haband Operations, and Horton Homes, Inc. Competition in the assessment area is strong consisting of four branches of two regional banks, and fifteen branches of seven other community banks. FNB had a 10 percent deposit market share in the assessment area as of June 30, 2003.

The following table includes general demographic data describing the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	15,816
Number of Households	21,488
<i>Geographies</i>	
Number of Census Tracts/BNA	16
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	6%
% Middle-Income Census Tracts/BNA	63%
% Upper-Income Census Tracts/BNA	31%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$ 29,285
2002 HUD-Adjusted MFI	\$ 42,200
<i>Economic Indicators</i>	
2002 Average Unemployment Rate	5.24%
1990 Median Housing Value	\$ 56,233
% of Households Below Poverty Level	18%

Community Contact

We conducted one community contact during this examination with a representative of a Chamber of Commerce in the bank's AA. They stated that the banking industry is adequately serving the credit needs of the community and local businesses. They did not identify any unmet credit needs in the bank's AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Considering the size of the bank and strong competition in the AA, FNB's loan to deposit ratio is reasonable. A review of bank data reveals that FNB is similarly situated to the Century Bank & Trust Company and Exchange Bank. All institutions offer similar credit products; are of similar size; have main offices in Milledgeville and operate a total of 3 offices in the assessment area as of June 2003. The following table reflects the average loan to deposit ratio of FNB and the similarly situated banks during the evaluation period:

Quarter Ending	FNB %	Exchange Bank %	Century B&TC %	Average for the 3 Banks %
12/99	80.98	69.60	53.64	68.07
12/00	93.74	73.80	54.81	74.12
12/01	79.74	77.58	52.92	70.08
9/02	81.98	76.24	49.45	69.22
12/02	75.42	75.73	53.12	68.09
3/03	75.17	76.02	54.52	68.57
6/03	83.62	80.93	59.59	74.71
9/03	85.34	81.70	57.56	74.87
Average during the period:	82.00	76.45	54.45	70.97

As reflected above, FNB's loan-to-deposit ratio was generally above both similarly situated banks during the evaluation period.

Lending in Assessment Area

The bank originated a majority of its total loans within their assessment area from February 9, 1999 to December 31, 2002.

The analysis of lending in the bank's assessment area included statistical samples of two of the primary loan types, commercial and consumer loans. The table that follows provides details on the loan samples used in our analysis.

TOTAL LOANS REVIEWED (2/9/99 to 12/31/02)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	21	91%	\$232	88%	2	9%	\$ 32	13%
Commercial	18	82%	\$874	79%	4	18%	\$229	21%
Total Reviewed	39	87%	\$1,106	81%	6	13%	\$261	19%

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

The distribution of loans, given the demographics of the assessment area, reflects good penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using all files inside the assessment area from the lending in the assessment area sample, excluding loans for which income information was not available. The following table reflects the results from our sample of consumer loans.

BORROWER DISTRIBUTION OF CONSUMER LOANS-FFIEC Code 6C (2/9/99 to 12/31/02)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.90%		15.70%		18.70%		44.60%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	19.05%	17.14%	28.57%	23.94%	19.05%	17.00%	33.33%	41.92%

The table below illustrates the number and dollar volume of loans by size and the percentage of small loans to businesses compared to the percentage of businesses that are small. The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is good.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES-FFIEC Code 4A (2/9/99 to 12/31/02)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	93.66%	6.34%
% of Bank Loans in AA #	88.89%	11.11%
% of Bank Loans in AA \$	92.56%	7.44%

Geographic Distribution of Loans

FNB's geographic distribution of loans reflects reasonable dispersion throughout the AA. The analysis of the geographic distribution of loans was completed using all files inside the AA from the lending in the AA sample.

We evaluated the lending distribution in the AA to determine if any unexplained conspicuous gaps existed. We used reports and maps to compare the geographies where loans were made to the geographies in the AA. We considered loan distributions, branch locations, competition, market conditions, and demographic information. No unexplained conspicuous gaps were identified. The following tables reflect the results for each primary loan type.

CONSUMER LOANS-FFIEC Code 6C (2/9/99 to 12/31/02)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		1.7%		68.6%		29.7%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0%	0%	0%	0%	57.14%	64.12%	42.86%	35.88%

The table above illustrates the geographic distribution of consumer loans among geographies of different income levels compared to the percentage of households located in each tract category. No consumer loans in our sample were made in the one moderate-income tract in the assessment area. However, this is mitigated by the fact that less than 2% of households are located in the moderate-income geography.

BUSINESS LOANS-FFIEC Code 4A (2/9/99 to 12/31/02)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		3.94%		65.65%		30.41%	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0%	0%	0%	0%	38.89%	23.12%	61.11%	76.88%

The table above illustrates the geographic distribution of business loans among geographies of different income levels compared to the percent of businesses located in each tract category. No commercial loans in our sample were made in the one moderate-income tract in the assessment area. However, this is mitigated by the fact that less than 4% of businesses are located in the moderate-income geography.

Responses to Complaints

FNB has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

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