



SMALL BANK

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

PUBLIC DISCLOSURE

October 13, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Brundidge
Charter Number 7429**

**137 South Main Street
Brundidge, AL 36010**

**Comptroller of the Currency
Georgia (Atlanta)
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: Satisfactory.

The performance rating is supported by the following factors:

- The loan-to-deposit ratio exceeds the standard for satisfactory performance given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans are granted within the bank's assessment area.
- The distribution of loans to borrower of different income levels within the assessment area is reasonable.
- The distribution of loans to businesses of different sizes is reasonable.
- The geographical distribution of loans within the assessment area is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank of Brundidge (FNB) is a wholly owned subsidiary of First Brundidge Bancshares, Inc. The bank operations include two full service facilities, the main office in Brundidge, Alabama and a branch office in Troy, Alabama. The branch office opened in November 2002. In February 2005, the bank also established a Financial Literacy Center located at the Pike County High School. The Center, which is operated in conjunction with The National Business and Finance Academy, provides limited deposit and checking services. No further expansion is planned at this time. The bank has no automated teller machines (ATMs), but offers transactional internet banking services through its website at <http://www.f-n-b.com/>. There are no financial conditions, legal constraints or other factors hindering the bank's ability to help meet the credit needs of its assessment area. The institution received a Satisfactory rating at the last CRA Performance Evaluation dated August 9, 1999.

We assessed the bank's performance by reviewing a sample of loans from the bank's two primary loan products, Commercial and Industrial Loans (including Farmland & Agriculture) and Residential Mortgage Loans originated between January 1, 2003 and December 15, 2005. As of September 30, 2005, FNB's assets totaled \$88.9 million, of which net loans comprise 71 percent. The following table reflects the composition of FNB's loan portfolio as reported in the September 30, 2005 Call Report.

Product Category	Gross Loans as of September 30, 2005	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial RE	\$ 17,654	28%
Residential Mortgage Loans	\$21,850	34%
Individuals	10,942	17%
Construction & Land Development	1,252	2%
Farmland and Agriculture	12,444	19%
All Other	86	0%
<i>Total</i>	<i>\$ 64,228</i>	<i>100%</i>

DESCRIPTION OF ASSESSMENT AREA (PIKE COUNTY)

FNB's assessment area (AA) is delineated by the eight census tracts comprising Pike County, which is located approximately 40 miles south of Montgomery, Alabama. Pike County is considered a Non-Metropolitan Statistical Area. As a result, FNB is not required to file an annual summary of their mortgage lending activity. The AA, which contains three moderate-income and five middle-income census tracts, meets the technical requirements of the Act and does not arbitrarily exclude any low-or moderate-income geographies. There are no low-income census tracts in the area.

According to the 2000 US Census, the total population of the AA was 29,605. The census median family income was \$36,638. The Department of Housing and Urban Development's (HUD) 2004 updated median family income estimate is \$47,100. The area contains 11,929 households, of which 4,103 (39 percent) were located within moderate-income census tracts. Approximately 43 percent of the families residing in the assessment area were considered to be low- and moderate- income, and 25 percent were living below the poverty level. The assessment area contains 13,981 housing units, of which approximately 57 percent were owner-occupied, 28 percent were occupied rentals and 15 percent were vacant.

The following table highlights the demographic composition of the bank's assessment area:

Demographic and Economic Characteristics of Assessment Area	
Population	FNB Brundidge's AA
Number of Families	7,658
Number of Households	11,929
Geographies	
Number of Census Tracts	8
% Low Income Census Tracts	0%
% Moderate Income Census Tracts (2)	37.50%
% Middle Income Census Tracts (1)	62.50%
% Upper Income Census Tracts	0%
Median Family Income (MFI)	
2000 MFI for AA	\$36,638
2004 HUD Adjusted MFI for MSA	\$41,700
Economic Indicators	
Unemployment Rate	4.39%
2000 Median Housing Value	\$59,832
% of Households Below Poverty Level	25%

Source: 2000 US Census

FNB's assessment area is predominately rural and light industrial. The area's leading industries include light manufacturing; agriculture; timber; cattle and poultry; and education. Major employers in Pike County include Walmart Corporation with approximately 2,000 employees, Wiley Sanders Truck Lines, Inc. with 950 employees, and Troy State University with 550 employees. Other significant employers in the area include Lockheed Martin, Russell Corporation, PICKNIC, Inc, and the United States Army.

Competition to provide financial services within Pike County is strong. FNB's major competitors include four larger commercial banks, two credit unions, and a small finance company.

Community Contacts

During our review, we conducted a community contact with a representative from the South Central Alabama Development Commission. Information obtained indicates that the local economy is strong and growing due to the recent opening of a Walmart Regional Distribution Center and expansion of the Lockheed Martin facility. While, small business and farm loans continue to be in high demand, the banking industry appears to be meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio exceeds the standard for satisfactory performance given the bank's size, financial condition, and assessment area credit needs. FNB is the smallest independently owned bank in Pike County. FNB's quarterly average loan-to-deposit ratio since the prior CRA examination was approximately 86 percent, which compares favorably to the average quarterly ratio for similarly situated institutions of 84 percent.

Lending in Assessment Area

FNB originated a substantial majority of its total loans within its assessment area during the period of January 1, 2003 to December 15, 2005. Our analysis of the bank's lending within its assessment area included a statistical sample of two primary loan types, residential real estate and business/farm loans. The following table reflects the ratios of sampled loans originated within and outside of FNB's AA by the number of loans and dollar amount of loans.

Lending in Assessment Area (Pike County)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate	19	70.37%	8	29.63%	100.00%	868	69.22%	386	30.78%	100.00%
Business/Farm	18	85.71%	3	14.29%	100.00%	1,313	91.11%	128	8.89%	100.00%
Totals	37	77.08%	11	22.92%	100.00%	\$2,181	80.93%	\$514	19.07%	100.00%

Source: 2000 Census data and sampled loan files

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 between both borrowers of different income levels (including low-and moderate-income) and businesses of different sizes. Our analysis of lending to borrowers of different

income levels and businesses of different sizes was performed using a random sample of loans originated within the bank’s assessment area during the period January 1, 2003 and December 15, 2005.

The following table illustrates the results of our review of residential real estate loans. As indicated the distribution of loans to low-and moderate-income borrower’s is reasonable.

Borrower Distribution of Residential Real Estate Loans within Pike County								
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 Real Estate (1-4 family)	25.63%	15.00%	17.63%	25.00%	20.68%	15.00%	36.05%	45.00%

Source: 2000 Census data and sampled loan files

The table below illustrates the percentages of loans extended to large and small businesses by number of loans and dollar volume of loans. Although, the distribution of loans to small businesses and farms is slightly below the percentage of businesses within the AA that are categorized as small (annual revenues of less than \$1 million), the level of penetration is considered reasonable.

Borrower Distribution of Loans to Businesses/Farms within Pike County		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of Businesses in AA	90.90%	9.10%
% of Bank Loans in AA (# of loans)	85.00%	15.00%
% of Bank Loans in AA (\$ of loans)	65.74%	34.26%

Source: 2000 Census data and sampled loan files

Geographic Distribution of Loans

FNB’s geographic distribution of loans meets the standard for satisfactory performance. The aggregate distribution of loans reflects an excellent level of penetration within the moderate-income census tracts. However, penetration within census tract 9887, a moderate census tract located in north central Pike County, is low. The lack of loans originated within this census tract is attributed to limited lending opportunities in the rural area and heavy competition from Troy Bank & Trust, which operates a branch within the census tract and has dominated the local market for several years. FNB does not have a branch office within the census tract.

The following table reflects the results of our review of residential real estate loans. We

compared the percentage of residential real estate loans originated within each geography income level to the percentage distribution of owner-occupied units located within the income level geographies. As illustrated, the volume of loans originated within the moderate-income level census tracks significantly exceeds the percentage of owner-occupied units.

Geographic Distribution of Residential Real Estate Loans in Pike County								
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 (1-4 family)	N/A	N/A	34.66%	60.00%	65.34%	40.00%	N/A	N/A

Source: 2000 Census data and sampled loan files

The table below shows a comparison of the percentage of loans extended to businesses/farms within each income level geography (moderate and middle) to the percentage distribution of all businesses/farms located within the respective income level geographies. As illustrated, the percentage of loans granted to businesses in the moderate-income geographies is reasonable.

Geographic Distribution of Loans to Businesses/Farms within Pike County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
	NA	N/A	26.2%	45.00%	73.8%	55.00%	N/A	N/A

Source: 2000 Census data and sampled loan files

Responses to Complaints

Management has not received any CRA related complaints since our last examination. An informal response process is in place to address such complaints when they are received.

Fair Lending or Other Illegal Credit Practices Review

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