



PUBLIC DISCLOSURE

January 03, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Brundidge
Charter Number 7429

137 South Main Street
Brundidge, AL 36010

Office of the Comptroller of the Currency

3595 Grandview Parkway
Suite 655
Birmingham, AL 35243

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 COMMUNITY REINVESTMENT ACT (CRA) RATING:
This institution is rated Satisfactory.**

First National Bank of Brundidge (FNBB or Bank) has a **satisfactory** record of meeting community credit needs. We based this assessment on the following:

- The level and trend of the loan-to-deposit ratio is reasonable given the Bank's size, financial condition, economic environment, and assessment area (AA) credit needs.
- A substantial majority of the Bank's loans are inside its AA.
- The Bank has reasonable penetration among borrowers of different incomes and farms of different sizes within the AA.
- The Bank has an excellent dispersion of home, agriculture/ farm, and consumer loans throughout its AA.
- The Bank did not receive any CRA-related consumer complaints during the evaluation period.

SCOPE OF EXAMINATION

This performance evaluation is an assessment of FNBB's ability to meet the credit needs of its community. We evaluated the Bank's performance using the Small Bank performance criteria, which consists of a lending test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The evaluation period for this assessment is August 16, 2011 through January 3, 2017. However, we utilized loan data from January 1, 2014 through December 31, 2016 for the lending analysis, as this period is indicative of the Bank's lending practices throughout the evaluation period.

We identified the Bank's primary products as home loans, loans secured by farmland or for agricultural purposes, and consumer loans based on the number and dollar volume of loans originated during the evaluation period. We reviewed a random sample of loans originated between January 1, 2014 and December 31, 2016, and based our conclusions on lending performance utilizing 2010 US Census data. Additionally, we contacted a member of the community to better assess the community needs and determine the opportunities for financial institutions to lend and provide services to the area.

FNBB is not a Home Mortgage Disclosure Act (HMDA) reporting institution. Therefore, we selected a random sample of primary loan products to evaluate CRA lending performance.

DESCRIPTION OF INSTITUTION

FNBB is a national bank with total assets of \$93 million at September 30, 2016. FNBB is wholly owned by a one-bank holding company, First Brundidge Bancshares, Inc. The Bank operates two full-service facilities in Pike County, Alabama, the main office in Brundidge, Alabama, and a branch in Troy, Alabama. Both locations have automated teller machines (ATM), although neither ATM accepts deposits. No branches were opened or closed during the review period. The prior CRA rating, dated August 15, 2011, was "Satisfactory."

FNBB offers a traditional mix of loan and deposit products, in addition to being a Small business Administration (SBA) certified lender. Primarily, the Bank offers 1-4 family home loans, loans for agricultural production and farmland, and consumer loans. The Bank also lends to businesses. Deposit products include personal checking, student checking, savings, money market, business checking accounts, certificates of deposits, and NOW accounts. The Bank also offers a SPIRIT checking account product, which benefits six area schools. The Bank donates \$0.01 for everyday debit card transactions (excluding ATM withdrawals) to the respective school chosen by the account owner. The Bank provides a financial literacy curriculum through Everfi to these same six schools. In addition, it supports the Business & Finance Academy located in Pike County, which helps high school students enrolled in the program to earn a two year associates degree in a business/finance related field from a local junior college. FNBB offers both online and mobile banking services. We found no legal or financial impediments adversely affecting the Bank's ability to help meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA(S)

FNBB has designated Pike County, Alabama, as its CRA assessment area (AA). Pike County is located approximately 40 miles southeast of Montgomery, Alabama and is comprised of eight census tracts (CTs). It is not within a Metropolitan Statistical Area (MSA). The AA contains no low-income, three moderate-income, three middle-income, and two upper-income CTs. The three middle-income CTs are designated as Distressed geographies due to the AA's elevated poverty level. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Per the Bureau of Labor Statistics, as of December 2016, Pike County had a 6.6 percent unemployment rate, as compared to the state of Alabama at 5.9 percent and the U.S. at 4.5 percent. In addition, based on 2010 US Census data, nearly 29 percent of Pike County households live below the poverty level.

Economic activity in the area primarily consists of educational services, manufacturing, and transportation and warehousing. In February 2016, Golden Boy Foods, a peanut butter manufacturer, announced an expansion project that will create 50 jobs. Other major employers in the area include Troy University, Wiley Sanders Truck Lines, and Wal-Mart Distribution Center. Competition from other financial institutions is moderate. The Bank's competitors include another local community bank and branches of large regional institutions.

A community contact indicated that local financial institutions are actively meeting all loan needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBB's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The LTD ratio averaged 58.94 percent over the 21 quarters

since the last CRA examination, with a quarterly high of 70.13 percent at September 30, 2015, and a quarterly low of 49.92 at December 31, 2012.

FNBB’s LTD ratio compares reasonably to other community institutions of similar size, location, and product offerings. FNBB ranks third among six similarly situated institutions serving its AA. Five other banks had a combined average LTD ratio of 53.09 percent over the CRA review period.

Loan-To-Deposit Ratios		
Institution	Total Assets (in 000s) as of 9/30/16	Average Loan-to-Deposit Ratio
Southfirst Bank	89,798	79.35%
Peopletrust Bank	92,121	63.76%
FNBB Brundidge	92,528	58.94%
Commercial Bank of Ozark	87,324	51.47%
First Fidelity Bank	92,379	47.53%
Bank of Moundville	92,214	23.32%

Source: Institution Reports of Condition for the period from September 30, 2011 to September 30, 2016.

Lending in Assessment Area

During the review period, FNBB originated a substantial majority of home, agriculture/farm, and consumer loans inside the AA. The Bank originated 75 percent of the number of loans, and 86.07 percent of the total dollar amount of loans inside the AA.

Table 1 details lending within the AA by number and dollar volume during the evaluation period.

Table 1 - Lending in Pike County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	15	75.00%	5	25.00%	20	\$1,864	90.13%	\$204	9.87%	\$2,069
Consumer Loans	15	75.00%	5	25.00%	20	\$245	74.54%	\$84	25.46%	\$329
Ag/ Farm Loans	15	75.00%	5	25.00%	20	\$4,259	85.15%	\$743	14.85%	\$5,002
Totals	45	75.00%	15	25.00%	60	\$6,369	86.07%	\$1,031	12.93%	\$7,339

Source: Loan Sample Data

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

Overall, FNBB’s lending to borrowers of different incomes and farms of different sizes reflects reasonable penetration and meets the standard for satisfactory performance. Poverty levels in the AA are elevated, as nearly 29 percent of AA households live below the poverty level. We considered this factor in our analysis of the Bank’s lending performance.

Home Loans

FNBB’s distribution of home loans reflects reasonable penetration among AA families of different income levels. The percentage of home loans to low-income borrowers, at 10 percent, was well below the percentage of low-income families of 26.90 percent. The high rate of poverty impedes the Bank’s ability to originate home loans to qualified low-income borrowers. The percentage of home loans to moderate-income borrowers, at 15 percent, was near the percentage of moderate-income families of 16.02 percent.

Table 2 depicts the distribution of home loans among borrowers of different incomes within the Pike County AA.

Table 2 - Borrower Distribution of Home Loans in 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
Home Loans	26.90	10.00%	16.02	15.00%	15.72	35.00%	41.35	40.00%

Source: 2010 U.S. Census data.

Agriculture/ Farmland Loans

FNBB’s lending to farms of different sizes reflects excellent penetration. Demographic information reflects that 97.81 percent of AA farms are considered small, with annual revenues of less than \$1 million. Based on our sampling, FNBB originated 100 percent, by both number and dollar volume, of farm loans to farms with annual revenues less than \$1 million.

Table 2A depicts the distribution of commercial loans among businesses of different revenue sizes within the Pike County AA.

Table 2A - Borrower Distribution of Loans to Farms in Pike County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	97.81%	0.73%	1.46%	100%
% of Bank Loans in AA by #	100%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100%	0.00%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Consumer Loans

FNBB’s distribution of consumer loans reflects reasonable penetration. The percentage of consumer loans to low-income borrowers, at 27.78 percent, was near the percentage of low-income households of 31.30 percent. The percentage of consumer loans to moderate-income borrowers, at 16.67 percent, exceeds the percentage of moderate-income households of 16.12 percent.

Table 2B depicts the distribution of consumer loans among borrowers of different incomes within the Pike County AA.

Table 2B - Borrower Distribution of Consumer Loans in Pike County								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	31.30%	27.78%	16.12%	16.67%	15.85%	11.11%	36.72%	44.44%

Source: US Census Data and Loan Sample Data

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects excellent dispersion throughout census tracts of different income levels, and meets the standards for outstanding performance. The AA contains no low-income census tracts and three moderate-income census tracts.

Home Loans

The geographic distribution of home loans reflects excellent dispersion among borrowers in moderate-income census tracts. Owner-occupied housing in moderate-income census tracts represents 32.72 percent of AA housing. FNBB originated 55 percent of home loans within the moderate-income census tracts, exceeding the demographic comparator.

Table 3 shows the geographic distribution of home loans within the AA.

Table 3 - Geographic Distribution of Home Loans in Pike County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Loans	0.00%	0.00%	32.72	55.00%	50.88	20.00%	16.40	25.00%

Source: 2010 U.S. Census data; Loan Sample Data

Agriculture/ Farmland Loans

The geographic distribution of agriculture/ farm loans reflects excellent dispersion among borrowers in moderate-income census tracts. Farms located in moderate-income census tracts represent 30.66 percent of all AA farms. FNBB originated 45 percent of agriculture/ farm loans within the moderate-income census tracts, exceeding the demographic comparator.

Table 3A shows the geographic distribution of agriculture/ farm loans within the AA.

Table 3A - Geographic Distribution of Loans to Farms in Pike County								
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
Ag/ Farm Loans	0.00%	0.00%	30.66%	45.00%	30.66%	20.00%	38.69%	35.00%

Source: Loan sample; U.S. Census data

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion among borrowers in moderate-income census tracts. Households located in moderate-income census tracts represent 34.89 percent of all AA households. FNBB originated 33.33 percent of consumer loans within the moderate-income census tracts, near to the demographic comparator.

Table 3B shows the geographic distribution of consumer loans within the AA.

Table 3B - Geographic Distribution of Consumer Loans in Pike County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00%	0.00%	34.89%	33.33%	52.31%	44.44%	12.80%	22.22%

Source: 2010 US Census Data; Loan Sample Data

Responses to Complaints

The Bank has not received any CRA-related complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.

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