

PUBLIC DISCLOSURE

October 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Heritage Community Bank
9066**

**1000 W. Screven Street
Quitman, Georgia 31643**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
Suite 800, Millennium Building Midtown
10 Tenth Street, N.E.
Atlanta, Georgia 30309-3906**

NOTE: 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.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Heritage Community Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **October 8, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's CRA performance depicts a satisfactory practice of meeting the credit needs of the local community. The rating is supported by the following:

- The bank has displayed an excellent record of lending to businesses and farms of different sizes and borrowers of different income levels.
- The geographic distribution of loans within the assessment area reveals an adequate dispersion throughout the local community.
- The bank has originated a substantial majority of loans within its assessment area.
- The average net loan-to-deposit ratio is reasonable and reflects an adequate responsiveness to the credit needs of the community.

DESCRIPTION OF INSTITUTION

Heritage Community Bank, Quitman, Georgia is a retail banking institution with approximately \$82,922,000 in total assets and \$66,094,000 in gross loans, as of June 30, 2003. The bank extends credit to support the economic development of its community in a manner consistent with its size and financial capacity. The bank's major loan products, by dollar volume, are commercial, residential mortgage, and farm loans. The following is a breakdown of the loan portfolio, by loan type, as of June 30, 2003.

<u>Loan Type</u>	<u>Percentage of Gross Loans</u>
Construction and Land Development	6.42%
Secured by Farmland	12.37%
Secured by 1-4 Family Residential Properties	18.74%
Secured by Multi-Family Properties	0.00%
Secured by Nonfarm/Nonresidential Properties	16.80%
Agricultural Production	4.25%
Commercial and Industrial	22.69%
Consumer	11.93%
All Other Loans	<u>6.80%</u>
	100%

The bank is a wholly-owned subsidiary of ABC Bancorp, a multi-bank holding company located in Moultrie, Georgia. The bank's main office is located near the downtown area of Quitman, Brooks County, Georgia; one branch office is located within northern Brooks County; and the other branch office is located in the city of Valdosta, Lowndes County, Georgia. Lobby hours, at all locations, are from 9:00 A.M. until 4:00 P.M. Monday through Thursday and until 6:00 P.M. on Friday. Drive-thru window service is available from 8:00 A.M. until 5:00 P.M. Monday through Thursday and until 6:00 P.M. on Friday. Drive-thru window service is also available from 8:30 A.M. until 12:00 P.M. on Saturday, at the main office and one branch location. An automated teller machine (ATM) is located at all office locations. The bank offers a full range of loan and deposit accounts. Some of the products currently offered include installment loans; home equity loans; construction loans; mortgage loans; negotiable order of withdrawal (NOW) accounts; money market accounts; and statement savings accounts. Hours and services are considered reasonable. No legal or financial impediments exist which would prohibit the bank from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is reasonable and includes all of Brooks County, Georgia and 16 of the 31 census tracts of Lowndes County, Georgia. The bank's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income areas.

Brooks County is comprised of three moderate-income and two middle-income block numbering areas (BNAs). A moderate-income BNA is defined as a BNA where the median family income

(MFI) is at least 50 percent but less than 80 percent of the statewide non-metropolitan MFI. A middle-income BNA is defined as a BNA where the MFI is at least 80 percent but less than 120 percent of the statewide non-metropolitan MFI. The 2000 non-metropolitan MFI for the State of Georgia was \$38,700.

In 2000, the population of Brooks County was 16,450. There were 4,430 families living within the county, of which 29 percent were low-income and 20 percent were moderate-income families. Additionally, 19 percent of the families lived below the poverty level. The U.S. Bureau of the Census estimated that the population of Brooks County increased by 6.8 percent from the year 1990 to 2000. The increase in population for Brooks County is well below that of the state of Georgia, which increased by 26.4 percent during that same time period. According to Labor Bureau statistics, during the second quarter of 2003, the non-seasonally adjusted (NSA) unemployment rate was 2.7 percent, lower than the statewide NSA unemployment rate of 4.8 percent. Major employers in the area include Quitman Presbyterian Home, Micro Craft, Inc., Langboard, Inc., and Brooks County Hospital, all located within the city of Quitman.

Lowndes County is comprised of three low-income, seven moderate-income, fourteen middle-income, and seven upper-income census tracts. A low-income census tract is defined as a census tract where the MFI is less than 50 percent of the statewide non-metropolitan MFI. A moderate-income census tract is defined as a census tract where the MFI is at least 50 percent but less than 80 percent of the statewide non-metropolitan MFI. A middle-income census tract is defined as a census tract where the MFI is at least 80 percent but less than 120 percent of the statewide non-metropolitan MFI. An upper-income census tract is defined as a census tract where the MFI is 120 percent or more of the statewide non-metropolitan MFI.

During 2000, the population of Lowndes County was 108,565. There were 26,819 families residing within the county, of which 22 percent were low-income and 17 percent were moderate-income families. Fifteen percent of families lived below the poverty level. The U.S. Census Bureau estimated that the population of Lowndes County increased by 21.2 percent from 1990 to 2000. The increase in population is below that of the state of Georgia, which increased by 26.4 percent during that same time period. According to Labor Bureau statistics, during the third quarter of 2002, the NSA unemployment rate was 3.3 percent, lower than the statewide NSA unemployment rate of 4.8 percent. Major employers in the area include South Georgia Medical Center, Valdosta State University, Winn-Dixie, and Roadway Express, all located within the city of Valdosta.

The bank competes locally with numerous other banks within the assessment area. Within Brooks County, the bank competes with four other financial institutions. Within Lowndes County, the bank competes with several financial institutions, including large banks such as Bank of America, SunTrust Bank, and Regions Bank.

According to a local community contact, affordable housing is needed within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation of the bank’s lending performance is based upon a review of a sample of small business, small farm, and home mortgage loans. The sample consisted of 37 small business loans totaling \$1,086,687, from a universe of 163 loans totaling \$10,377,933. Also sampled were 24 small farm loans totaling \$1,026,414, from a universe of 28 loans totaling \$2,647,815. Thirty-one home mortgage loans totaling \$889,008, from a universe of 70 loans totaling \$2,892,154, were also sampled.

Lending to Businesses and Farms of Different Sizes and Borrowers of Different Income Levels

The bank has achieved an excellent penetration of loans to businesses and farms of different sizes and borrowers of different income levels. The analysis includes only loans which were originated within the assessment area.

As indicated in the following chart, 100 percent of sampled small business loans were originated to businesses with gross annual revenues of \$1,000,000 or less. Demographic information pertaining to the percentage of small businesses could not be obtained, by census tract level, for the portion of Lowndes County included in the bank’s assessment area. However, it was noted that the majority of sampled small business loans were originated within Brooks County. The bank’s lending performance substantially exceeds the 63 percent of businesses with gross annual revenues of \$1,000,000 or less, located within this county, based on Dun & Bradstreet data. Furthermore, 79 percent of sampled small business loans were originated to businesses with gross annual revenues of less than \$100,000. The analysis indicates that the bank is focusing on the needs of very small businesses.

Small Business Loans

GROSS REVENUE	NUMBER	% BY NUMBER	DOLLAR VOLUME	% BY DOLLAR VOLUME
Less than \$100,000	27	79%	328,032	31%
\$100,000 to \$250,000	5	15%	593,001	56%
\$250,001 to \$500,000	0	0%	0	0%
\$500,001 to \$1,000,000	2	6%	140,500	13%
Over \$1,000,000	0	0%	0	0%
TOTALS	34	100%	\$1,061,533	100%

Source: Bank Records

Of the farm loans, 95 percent by number and 96 percent by dollar volume of sampled loans were made to farms with gross annual revenues of \$1,000,000 or less, as shown in the Small Farm Loans chart. Demographic data pertaining to the percentage of small farms also could not be obtained for the portion of Lowndes County included in the bank’s assessment area. However, it was again noted that the majority of sampled farm loans were originated within Brooks County. The bank’s performance exceeds the 83 percent of farms with gross annual revenues of \$1,000,000 or less, located within this county, based on Dun & Bradstreet data. Furthermore, 81

percent of sampled loans were originated to farms with gross annual revenues of less than \$100,000. The analysis indicates that the bank is focusing on the needs of very small farms.

Small Farm Loans

GROSS REVENUE	NUMBER	% BY NUMBER	DOLLAR VOLUME	% BY DOLLAR VOLUME
Less than \$100,000	17	81%	720,535	84%
\$100,000 to \$250,000	3	14%	104,309	12%
\$250,001 to \$500,000	0	0%	0	0%
\$500,001 to \$1,000,000	0	0%	0	0%
Over \$1,000,000	1	5%	30,250	4%
TOTALS	21	100%	\$855,094	100%

Source: Bank Records

Of the home mortgage loans, 17 percent by number and dollar volume of sample loans were originated to low-income borrowers, as indicated in the Home Mortgage Loans chart. The bank's lending to low-income borrowers is below the percentage of low-income families located within the assessment area. Concern is mitigated, however, as 18 percent of families within the bank's assessment area, live below the poverty level. These individuals are typically not candidates for home mortgage loans. Twenty-five percent by number and 29 percent by dollar volume of sampled home mortgage loans were made to moderate-income borrowers. The bank's lending to moderate-income borrowers is above the percentage of moderate-income families located within the assessment area. The percentage of families within each income level is based on 2000 Census Bureau statistics. The analysis includes only loans which were originated within the assessment area. The 2003 Housing and Urban Development estimated statewide non-metropolitan MFI of \$44,300 was used for borrower distribution analysis. The following chart provides information on how each income category is derived.

Income Level

INCOME CATEGORY	PERCENT OF MFI	INCOME RANGE
Low	Less than 50%	Less than \$22,150
Moderate	50% to 80%	\$22,150 to less than \$35,440
Middle	80% to 120%	\$35,440 to less than \$53,160
Upper	120% and over	\$53,160 and over

Home Mortgage Loans

BORROWER	PERCENT OF FAMILIES	NUMBER	% BY NUMBER	DOLLAR VOLUME	% BY DOLLAR VOLUME
Low-Income	26%	4	17%	86,597	17%
Moderate-Income	17%	6	25%	146,690	29%
Middle-Income	20%	9	37%	120,805	23%
Upper-Income	37%	5	21%	159,001	31%
TOTALS	100%	24	100%	\$513,093	100%

Source: CRA Wiz and Bank Records

Geographic Distribution of Loans

The bank has achieved a reasonable dispersion of small business, small farm, and home mortgage loans within the assessment area. The analysis includes only loans which were originated within the assessment area. It is noted that as a result of the 2000 census, the number of geographies within the Brooks County was reduced from 7 to 5. For Lowndes County, the number of geographies was increased from 16 to 31. As of this evaluation, demographic information pertaining to the number of businesses and farms located within the assessment area, based on 2000 census data, was not available.

Of the small business loans, 62 percent by number and 45 percent by dollar volume of sampled loans were originated in moderate-income geographies, as shown in the Small Business Loans chart. There were no sampled small business loans which were originated in low-income geographies. However, as previously indicated, the majority of sampled loans were originated within Brooks County. There are no low-income geographies located in Brooks County. Furthermore, the three low-income geographies which are included in the bank's assessment area are considerable distance from the bank's one Lowndes County branch location. Several competing financial institutions are located within close proximity of these low-income geographies.

Small Business Loans

BNA/TRACT INCOME CATEGORIES	NUMBER	% BY NUMBER	DOLLAR VOLUME	% BY DOLLAR VOLUME
Low-Income (3)	0	0%	0	0%
Moderate-Income (7)	21	62%	479,955	45%
Middle-Income (7)	13	38%	581,578	55%
Upper-Income (4)	0	0%	0	0%
TOTALS	34	100%	\$1,061,533	100%

Source: CRA Wiz and Bank Records

Of the small farm loans, 52 percent by number and 35 percent by dollar volume of sampled loans were originated within moderate-income geographies, as indicated in the following chart. There were no sampled small farm loans originated in low-income geographies. Concern is mitigated, however, due to the same factors noted above in the loans to small businesses.

Small Farm Loans

BNA/TRACT INCOME CATEGORIES	NUMBER	% BY NUMBER	DOLLAR VOLUME	% BY DOLLAR VOLUME
Low-Income (3)	0	0%	0	0%
Moderate-Income (7)	11	52%	300,745	35%
Middle-Income (7)	10	48%	554,349	65%
Upper-Income (4)	0	0%	0	0%
TOTALS	21	100%	\$855,094	100%

Source: CRA Wiz and Bank Records

Of the home mortgage loans, 29 percent by number and 26 percent by dollar volume of sampled loans were originated in moderate-income geographies. The bank’s lending performance is generally consistent with the percentage of families living within moderate-income geographies. There were no home mortgage loans originated within low-income areas. As previously indicated, the three low-income geographies included in the bank’s assessment area are considerable distance from the bank’s Lowndes County branch. Furthermore, several competing institutions are located in close proximity to these low-income areas.

Home Mortgage Loans

BNA/TRACT INCOME CATEGORIES	PERCENT OF FAMILIES	NUMBER	% BY NUMBER	DOLLAR VOLUME	% BY DOLLAR VOLUME
Low-Income (3)	16%	0	0%	0	0%
Moderate-Income (7)	28%	7	29%	132,880	26%
Middle-Income (7)	36%	14	58%	256,862	50%
Upper-Income (4)	20%	3	13%	123,351	24%
TOTALS	100%	24	100%	\$513,093	100%

Source: CRA Wiz and Bank Records

Lending in Assessment Area

The bank originates a substantial majority of its loans within the assessment area. Specifically, 92 percent by number and 98 percent by dollar volume of sampled small business loans were originated within the assessment area. Of the small farm loans, 88 percent by number and 83 percent by dollar volume of sampled loans were originated within the assessment area. Of the home mortgage loans, 77 percent by number and 58 percent by dollar volume of sampled loans were made within the assessment area.

Loan-to-Deposit Ratio Analysis

The bank's average net loan-to-deposit (NLTD) ratio of 86.25 percent meets performance standards and reflects an adequate responsiveness to the credit needs of the local community. The ratio is based on loan and deposit data from 19 quarters since the October 26, 1998 CRA evaluation. Due to differences in asset size, branching networks, product lines, and areas served, there are no similarly situated financial institutions.

Response to CRA-Related Complaints

The bank has not received any CRA-related complaints since the October 26, 1998 CRA evaluation.

Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the examination.