

PUBLIC DISCLOSURE

December 8, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Gordon Bank
Certificate Number: 33904
280 Milledgeville Highway
Gordon, Georgia 31031**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
10 Tenth Street, Northeast, Suite 800
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.

TABLE OF CONTENTS

Institution's CRA Rating	1
Scope of Examination	1
Description of Institution	2
Description of Assessment Area	3
Conclusions with Respect to Performance Criteria	6
Appendix - General CRA Definitions.....	9

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 **The Gordon Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 8, 2008**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

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

The CRA evaluation of Gordon Bank was prepared pursuant to the small bank examination procedures for institutions with total assets of \$265 million or less. The rating is based on results under the following performance criteria:

- **Loan-to-Deposit Ratio** – The average net loan-to-deposit ratio of 84 percent reflects a good responsiveness to the credit needs of the community.
- **Lending Inside the Assessment Area** – A majority of the loans were originated within the assessment area.
- **Lending to Businesses of Different Sizes and Borrowers of Different Income Levels** – The bank has achieved an excellent penetration of loans to businesses of different sizes and a good penetration to borrowers of different income levels within the assessment area.
- **Geographic Distribution of Loans** – The geographic distribution of the home mortgage and small business loans reflect a reasonable level of lending in middle-income census tracts. The assessment area does not contain any low-, moderate-, or upper-income census tracts.
- **Response to Complaints** – There have been no CRA-related complaints since the previous evaluation.

SCOPE OF EVALUATION

Examiners reviewed the lending performance of The Gordon Bank in its defined assessment area using CRA procedures for small banks. As of September 30, 2008, the bank's largest loan product type was construction and land development at 41 percent. However, the CRA regulation requires examiners to review a bank's lending performance with respect to home mortgage, small business, and small farm lending, if significant. Based on the bank's business focus and portfolio mix, commercial loans, including those secured by nonfarm, nonresidential real estate, comprise the second largest portion of the lending activity. The September 30, 2008, Call Report reflects that these loan types represent 29 percent of total loans. From January 1, 2008, through September 30, 2008, the bank originated and the examiner reviewed the entire universe of 18 commercial and nonfarm, nonresidential real estate loans totaling \$2,573,000 to evaluate the bank's lending performance.

Since the bank's office is not located in a Metropolitan Statistical Area (Non-MSA), the bank is not required to record and submit residential mortgage data pursuant to the Home Mortgage Disclosure Act (HMDA). However, home mortgage loans comprise the third largest portion of the lending activity. The September 30, 2008, Call Report reflects that these loan types represent 22 percent of total loans. From January 1, 2008, through September 30, 2008, the bank originated a universe of 35 home mortgage loans totaling \$2,103,000. Examiners selected a random sample of 24 home mortgage loans totaling \$885,526 to evaluate the bank's lending performance. Additionally, the bank has only originated 4 farm loans \$566,000 since the last evaluation. As such, small farm loans did not receive further analysis.

DESCRIPTION OF INSTITUTION

The Gordon Bank, which was established in 1946, is a state-chartered bank headquartered in Gordon, Georgia. The bank serves the residents of Wilkinson County through its one full-service office located at 280 Milledgeville Highway, Gordon, Georgia, in a middle-income census tract. The bank offers automatic teller machine (ATM) at its only office. The bank has not opened or closed any branches since the last examination, nor does it operate any loan production offices or limited service facilities. The bank has no affiliation with a holding company.

The bank offers an array of deposit products, including non-interest checking, interest checking, savings, certificates of deposit, and IRAs. In addition, the bank operates a 24-hour telephone response service that allows customers to make account transfers and balance inquiries at any time. Further, the bank operates a website (www.thegordonbank.com) that allows customers to communicate directly with the bank via e-mail.

The bank offers a variety of residential-related, consumer-oriented, and business purpose credit products typical of a full-service bank. Loan products include secured and unsecured consumer loans for various purposes; installment loans; mobile home loans; home purchase and home improvement loans; small business loans; and commercial-related loans and lines. Bank management also grants consumer loans as low as \$500 to help meet the needs of its community.

The institution provides for the credit needs of its assessment area in a manner consistent with its size, financial capacity, and local economic conditions. There are no financial or legal impediments that would preclude the bank from reasonably meeting those credit needs in accordance with the Community Reinvestment Act.

The Office of Thrift Supervision determined the bank's CRA performance to be satisfactory at the last evaluation of the institution prepared as of November 17, 2003, under small bank examination procedures. The Board of Directors has approved a branch closing policy as required under Section 42 of the FDI Act.

As of September 30, 2008, the bank's total assets equaled \$35,606,000. Total loans, net of unearned income, equaled \$25,870,000 or 73 percent of total assets. A distribution of the bank's loan portfolio is reflected in Table 1 below.

Table 1. The Gordon Bank's Loan Distribution, 9/30/08

The Gordon Bank		
September 30, 2008		
LOAN TYPE	DOLLAR AMOUNT (\$000s)	PERCENT OF TOTAL LOANS
Construction and Land Development	\$10,641	41%
Secured by Farmland	\$570	2%
1-4 Family Residential Real Estate (Open-end)	\$0	0%
1-4 Family Residential Real Estate (Closed-end)	\$5,656	22%
Multifamily (5 units or more) Residential	\$557	2%
Non-farm Nonresidential Real Estate	\$7,280	28%
Total Real Estate Loans	\$24,704	95%
Commercial and Industrial	\$171	1%
Agricultural	\$0	0%
Consumer	\$972	4%
Other loans	\$23	0%
Total Loans	\$25,870	100%

Source: FDIC Report of Condition as of 9/30/08.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of 3 middle-income census tracts in Wilkinson County, which is located in central Georgia, approximately 20 miles northeast of the Macon, Georgia, Metropolitan Statistical Area (MSA). Wilkinson County is a rural community that is not located in an MSA. The assessment area consists of whole census tracts and does not contain any low-, moderate-, or upper-income census tracts. The three largest cities are Gordon, Ivey, and McIntyre.

According to the June 30, 2008, Summary of Deposits Report, there are 3 financial institutions located within Wilkinson County. These financial institutions have 3 offices in the county and hold \$135 million in FDIC-insured deposits. Ranking by deposits, The Gordon Bank holds 24 percent of the FDIC-insured deposits. Included in the Wilkinson County are Four County Bank (50 percent) and Wilkinson County Bank (26 percent). These 3 institutions hold 100 percent of the total FDIC-insured deposits in the county. These 2 institutions are also the primary competitors for loans in the assessment area.

Income Levels

For purposes of all CRA evaluations, individuals are categorized as low-, moderate-, middle-, or upper-income based on their respective income levels as a percentage of the current Median Family Income (MFI). The parameters for each census tract are categorized in a similar fashion. As provided by the Department of Housing and Urban Development (HUD), the 2007 and 2008 estimated MFIs for the Non-MSA areas of the State of Georgia are \$43,000 and \$44,600,

respectively. Based on these estimated figures, the income categories for 2007 and 2008 are shown in Table 2.

Table 2. Department of Housing and Urban Development (HUD) MFI for the Non-MSA areas for the State of Georgia in 2007 and 2008

HUD Estimated MFI Levels			
Income Level	Percent of Median Family Income	2007 MFI \$43,000	2008 MFI \$44,600
Low	Less than 50 percent	Below \$21,500	Below \$22,300
Moderate	50 percent but less than 80 percent	\$21,500 to \$34,399	\$22,300 to \$35,679
Middle	80 percent but less than 120 percent	\$34,400 to \$51,599	\$35,680 to \$53,519
Upper	Equal to or greater than 120 percent	\$51,600 or higher	\$53,520 and above

Source: HUD's estimated 2007 and 2008 MFI.

Economic Conditions

Wilkinson County's already-weak economy is trending downward following the national and state recessionary conditions. Payrolls, which never fully recovered from the last recession, fell 2.2 percent in the third quarter of 2008. Weakness is broad-based with both goods and service producers shedding jobs. Similar to the State of Georgia, population growth in Wilkinson County remains stagnant. Weak demographics have impacted the housing market. The area never saw a boom and house prices have been falling since 2004. The unemployment rate has increased in the past year from 5.2 percent to 7.0 percent in the third quarter and remains above the U.S. average (6.0 percent) and State of Georgia average (6.4 percent). According to a community contact, a major contributor to the rise in the unemployment rate was the closure of the Rheem plant in Milledgeville, Georgia. Many of the residents of Wilkerson County commuted to Baldwin County to work at this plant that laid off 450 people.

Weak income trends weigh on the assessment area future as well. Within the past five years, educational, health, and social services has surpassed manufacturing as the primary industry providing employment. According to HUD, in 2008, the decline of manufacturing is one of several reasons per capita income is estimated at only 76 percent of the national average. This has also contributed to 18 percent of households remaining below the poverty level. Manufacturing is still an important industry due to the extracting and processing of kaolin clay deposits. Kaolin is used to produce products such as paint, paper, drywall, rubber, and some medicines.

In addition to poor income growth, the inability of households to gain wealth through their primary asset due to low sustained housing price levels also provides a powerful constraint for consumer activity. To illustrate, according to the 2000 U.S. Census data, the median housing value for the county was \$51,815. In 2007, based on information provided by Onboard Informatics, the median housing price for 2007 was still under \$100,000. Finally, the personal bankruptcy rate for Wilkerson County, at 7.25 per thousand residents, is significantly higher than both the U.S. average at 2.73 and the State of Georgia average at 5.07. In fact, the personal bankruptcy rate for Wilkerson County increased by 59 percent in 2007 and ranks Wilkinson County as the nineteenth highest among the 159 counties in the State of Georgia.

Overall, Wilkinson County faces a below average outlook. Weak fundamentals, including poor income trends, low population growth, weak loan demand, high personal bankruptcy rates, and high unemployment rates, pose serious problems for the stagnant assessment area.

Assessment Area Demographic Information

Based on the 2000 U.S. Census, selected demographic data for the assessment area is shown in Table 3.

Table 3. Demographics for Wilkerson County

Assessment Area Demographic Information					
Demographic Characteristics	Number	Census Tract Income Level			
		Low	Moderate	Middle	Upper
Census Tracts	3	0	0	3	0
Percent of Census Tracts	100%	0%	0%	100%	0%
Family Distribution by Income Level	2,813	22%	14%	21%	43%
Population by Tract Income Category	10,220	0%	0%	100%	0%
Families Below Poverty Level/Percent	411	15%			
Household Distribution by Income Level	3,847	27%	14%	18%	41%
Households Below Poverty Level/Percent	705	18%			
Owner-Occupied Housing Units by Tract	4,449	0%	0%	100%	0%
Renters with Rent Costs > 30% of Income	209	5%			
Median Age of Housing Stock by Tract	N/A	0 years	0 years	23 years	0 years
Businesses by Tract Income Category (2007)	678	0%	0%	100%	0%
Farms by Tract Income Category (2007)	11	0%	0%	100%	0%

Source: 2000 U.S. Census.

As indicated in Table 3, 22 percent of families in the assessment area are low-income and 14 percent are moderate-income. In addition, 15 percent of families in the assessment area have incomes below the poverty level, while 18 percent of households have incomes below the poverty level. Renters in the assessment area whose rental costs are greater than 30 percent of their income represent 5 percent, while the median age of housing stock is 23 years. Further, 14 percent of the housing stock was built prior to 1950.

Identification of Needs

Based on demographic and economic data, several conclusions regarding the credit needs of the assessment area can be derived. First, the substandard condition of existing housing stock indicates a significant need for home improvement or similar-type loans. Second, the relatively high number of low- and moderate-income families, at 36 percent, indicates a continued need for affordable housing. Lastly, based on population percentages below the poverty level, the data

indicates the need for acquisition and renovation loans to creditworthy contractors or investors willing to provide affordable rental housing for low- and moderate-income individuals.

Community Contact

Two community contacts were conducted. Both organizations represented had comparable objectives of promoting and expanding new and existing businesses in Wilkerson County. The contacts stated that additional working capital for small businesses is always needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable considering its size, structure, and business focus. The loan-to-deposit ratio for the previous 17 quarters averaged 84 percent. These figures are calculated on a net basis, excluding loan loss reserves and unearned income. Since the 2004 conversion to a state, nonmember bank, the loan-to-deposit ratio ranged from a low of 71 percent reported on September 30, 2004, to a high of 92 percent on December 31, 2005. Until the recent decline in loans over the past year, the loan-to-deposit ratio remained stable during the evaluation period with no distinctive trend.

While peer ratios are based on national statistics, evaluating the bank's loan-to-deposit ratio against a similarly situated bank headquartered in Wilkinson County provides a more targeted comparison. The only bank with similar size, structure, and business focus was the Wilkinson County Bank (WCB), Irwinton, Georgia. Using the same evaluation period, WCB's average loan-to-deposit ratio was 44 percent. When compared against WCB's average loan-to-deposit ratio, The Gordon Bank has demonstrated good performance for this criterion.

In addition, the bank's loan-to-deposit ratio was compared to Uniform Bank Performance Report (UBPR) peer bank data. The peer group, as defined by the UBPR, consists of 555 banks that have assets less than or equal to \$50 million in a non-metropolitan area with one full service office. The bank's September 30, 2008, ratio of 80 percent was higher than the peer average of 67 percent for the same period.

Lending Inside the Assessment Area

Lending levels reflect adequate responsiveness to assessment area credit needs. The bank has originated a majority of its loans within its assessment area. As Table 4 illustrates (on the following page), the bank extended 79 and 56 percent of the number, and 59 and 23 percent of the dollar volume of home mortgage and small business loans, respectively, to borrowers inside the assessment area.

This performance demonstrates the bank's commitment to serving the credit needs of its assessment area.

Table 4. Distribution of Loans Inside and Outside of the Assessment Area

Lending within the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Mortgage	19	79%	5	21%	24	\$523	59%	\$362	41%	\$885
Small Business	10	56%	8	44%	18	\$584	23%	\$1,989	77%	\$2,573
Totals	29	69%	13	31%	42	\$1,107	32%	\$2,351	68%	\$3,458

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

The distribution of home mortgage loans to borrowers of different incomes is good and the distribution of small business loans by revenue size is excellent. Only loans originated inside the assessment area are included in the analysis. As of the evaluation date, aggregate lending data for 2007 was not available.

Home Mortgage Loans

An analysis of home mortgage loans reflects a good distribution to borrowers of different incomes. Table 5 details the distribution of home mortgage loans by borrower income level. For comparison, the distribution of families in the assessment area by income level is provided. The following table depicts the level of lending to borrowers of different income levels.

Table 5. Distribution of Home Mortgage Loans Based on Income

Table 5 - Distribution of Home Mortgage Loans by Borrower Income						
Median Family Income Level		Low	Moderate	Middle	Upper	Total
Percent of Families		22%	14%	21%	43%	100%
Home mortgage loans	Number	5	3	2	9	19
	Percent	26%	16%	11%	47%	100%
	Dollar (000's)	69	40	65	349	523
	Percent	13%	8%	12%	67%	100%

Source: 2000 U.S. Census and 2008 bank data.

At 26 percent, the bank’s performance slightly exceeds the percentage of low-income families. In addition, the bank originated 16 percent of its home mortgage loans to moderate-income borrowers. The performance to moderate-income borrowers is comparable to the percentage of families at 14 percent.

Small Business Loans

The Gordon Bank has demonstrated excellent performance in lending to businesses of different sizes, including small and start-up entities, in the assessment area. As illustrated in Table 6 (on the following page), the bank extended 100 percent of its loans to small businesses.

For comparison purposes, demographic data published by D&B for 2007 indicates that 47 percent of the businesses in the assessment area are small businesses. However, 48 percent of businesses in the assessment area did not report revenues. As such, the bank’s lending

performance exceeds assessment area demographics. For information purposes, the CRA regulation defines a small business as an entity with gross annual revenues of \$1 million or less.

Table 6. Distribution of Small Business Loans Based on Revenues

Gross Annual Revenues (000s)	% of Businesses	Small Business Loans			
		Number	%	Dollar (000s)	%
< or = \$1,000	47%	10	100%	\$584	100%
> \$1,000	5%	0	0%	\$0	0%
Not reported	48%	0	0%	\$0	0%
Total	100%	10	100%	\$584	100%

Geographic Distribution of Lending

A factor considered in the analysis of the bank’s lending distribution is the dispersion of loans among census tracts that comprise the assessment area. The most weight in this criterion is placed on the bank’s lending within low- and moderate-income census tracts. However, given that all of the census tracts comprising the assessment area are middle-income, a detailed analysis for this criterion would not have provided meaningful information. However, the loans are disbursed throughout the assessment area’s census tracts.

Response to Consumer Complaints

There have been no CRA-related complaints since the last evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No substantive violations of the anti-discrimination and other consumer protection laws and regulations were identified during this CRA evaluation.

APPENDIX A - GENERAL CRA DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.