

PUBLIC DISCLOSURE

July 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Farmers & Merchants Bank
Eatonton, Georgia**

RSSD ID Number: 64730

**FEDERAL RESERVE BANK OF ATLANTA
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470**

<p>Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion of opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>

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DEFINITIONS

Income Definitions

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

Low-Income - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

Moderate-Income - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

Middle-Income - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

Upper-Income - An individual income, or median family income for geographies, that is 120 percent or more of the area median income.

Other Definitions

ATM - Automated Teller Machine
BNA- Block Numbering Area
HUD - Department of Housing and Urban Development
LTD - Loan-to-Deposit Ratio
MSA - Metropolitan Statistical Area
REIS - Regional Economic Information System

ROUNDING CONVENTION

Because the percentages presented in tables were rounded to the nearest whole number in most cases, some columns may not total exactly 100 percent.

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 CRA performance of Farmers & Merchants Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of July 29, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

Farmers & Merchants Bank's average LTD ratio for the past seventeen quarters ending June 30, 2002, meets the standards for a satisfactory performance given the institution's size, financial condition, and competition within the assessment area. A majority of the bank's loans were extended to individuals and businesses inside its assessment area. Based on samples of small business and residential real estate loans, lending to borrowers of different incomes and businesses of different revenue sizes is excellent. The geographic distribution of the bank's loans is reasonable. The bank has received no CRA-related complaints since the previous examination. In addition, the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

Farmers & Merchants is a small traditional community bank that operates one full service facility in Eatonton, Georgia that includes a drive-through and an ATM. The bank is a wholly owned subsidiary of Putnam Greene Financial Corporation of Eatonton. From March 31, 2001, to March 31, 2002, total assets grew from \$120.8 million to \$136.5 million (13 percent). As of March 31, 2002, net loans totaled \$79.9 million and deposits totaled \$114.3 million.

Farmers & Merchants Bank is a full service community bank that offers a wide variety of credit products to meet community credit needs. These credit products include consumer, residential mortgage, business, and commercial real estate loans. The bank's business strategy encourages residential real estate loans and commercial real estate loans.

The composition of the loan portfolio according to the March 31, 2002 Consolidated Reports of Condition and Income (Call Report) is as follows:

COMPOSITION OF LOAN PORTFOLIO				
Loan Type	6/30/2002		12/31/1998	
	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	\$2,848	3.8%	\$605	1.3%
Secured by One- to Four- Family Dwellings	\$23,009	30.4%	\$14,414	30.8%
Other Real Estate:				
Farmland	\$1,686	2.2%	\$2,031	4.3%
Multifamily	\$382	0.5%	\$274	0.6%
Nonfarm nonresidential	\$32,311	42.6%	\$18,548	39.6%
Commercial and Industrial	\$5,254	6.9%	\$1,658	3.5%
Loans to Individuals	\$7,546	10.0%	\$6,008	12.8%
Agricultural Loans	\$2,765	3.6%	\$3,242	6.9%
Total	\$75,801	100.00%	\$46,780	100.00%

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

As indicated by the table above, the bank's loan portfolio as of June 30, 2002, consisted primarily of nonfarm nonresidential lending and one- to four family dwelling loans. This is consistent with the bank's strategy. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA: Putnam County, Georgia

The bank's assessment area consists of all of Putnam County, Georgia. Putnam County, which is not located in a MSA, is located approximately 75 miles southeast of Atlanta, Georgia and 75 miles west of Augusta, Georgia. Cities located within Putnam County include Eatonton (the county seat), Phoenix, and Little River. Putnam County consists of three BNAs, of which none are low- or moderate-income, one is middle-income, and two are upper-income. The bank has elected to designate the entire county as its assessment area.

Demographic Data by Block Numbering Area

The following table provides demographic information that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in the report as they apply to particular parts of the analysis.

PUTNAM COUNTY ASSESSMENT AREA								
DEMOGRAPHICS								
2001 HUD Median Family Income (MSA): \$40,100 Income Categories	Tract Distribution		Families					
	#	%	Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
			#	%	#	%	#	%
Low	0	0.0%	0	0.0%	0	0.0%	806	20.1%
Moderate	0	0.0%	0	0.0%	0	0.0%	663	16.5%
Middle	1	33.3%	1,979	49.3%	373	18.8%	708	17.6%
Upper	2	66.7%	2,038	50.7%	126	6.2%	1,840	45.8%
NA	0	0.0%	0	0.0%	0	0.0%	-	-
Total	3	100.0%	4,017	100.0%	499	12.4%	4,017	100.0%
Housing Units by Tract								
	Total Units	Owner Occupied		Rental Occupied		Vacant		
		#	%	%	#	%	#	%
Low	0	0	0.0%	0.0%	0	0.0%	0	0.0%
Moderate	0	0	0.0%	0.0%	0	0.0%	0	0.0%
Middle	2,962	1,739	44.4%	58.7%	918	31.0%	305	10.3%
Upper	4,151	2,180	55.6%	52.5%	392	9.4%	1,579	38.0%
NA	0	0	0.0%	0.0%	0	0.0%	0	0.0%
Total	7,113	3,919	100.0%	55.1%	1,310	18.4%	1,884	26.5%
*Total Businesses by Tract				Businesses by Tract and Revenue Size				
	#	%		Under \$1 Million		Over \$1 Million		
				#	%	#	%	
Low	0	0.0%		0	0.0%	0	0.0%	
Moderate	0	0.0%		0	0.0%	0	0.0%	
Middle	323	50.9%		276	49.6%	26	60.5%	
Upper	311	49.1%		280	50.4%	17	39.5%	
NA	0	0.0%		0	0.0%	0	0.0%	
Total	634	100.0%		556	100.0%	43	100.0%	
Percentage of Total Businesses:					87.7%		6.8%	

Sources: 1990 Census Data, 2001 Dun & Bradstreet business demographic data.

* Businesses with revenues under \$1million & over \$1million will not total due to revenue not available.

NA Tracts are tracts without household or family income.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Population

According to the 1990 U.S. Census, Putnam County's population was 14,137 persons. As of July 1, 2001, the total estimated population was 19,094, representing an increase of 35.1 percent.

Income Characteristics

At the time of the 1990 Census, there were 4,017 families in the assessment area. 20.1 percent were low-income and 16.5 percent were moderate-income. According to HUD, the estimated 2002 median family income for nonmetropolitan areas of Georgia was \$42,200.

Housing Data

According to 1990 Census data, the majority (55.1 percent) of the housing units in the bank's assessment area were owner-occupied and the median housing value for all types of units in the assessment area was \$46,675. The median housing value is much lower than the state of Georgia at \$70,707. Housing in the assessment area was primarily comprised of one-unit detached dwellings (58.1 percent) and the median age of the housing stock was 21 years.

Employment Statistics

A review of data from the REIS as of 1995 indicates that the manufacturing industry is the largest employer in Putnam County. According to REIS data, from 1990 to 1995 the manufacturing industry experienced a 16.5 percent increase in employment. The largest employer in the area is Horton Industries, Inc., which employs over 1,500 full-time employees and also provides an estimated 500 jobs in related satellite businesses. In addition, according to the U.S. Bureau of Labor Statistics, the annualized unemployment rates (not seasonally adjusted) have ranged from 4.5 percent in 1997 to 3.1 percent for 2000. The annualized unemployment rate for 2001 was 3.3 percent.

Business Size Characteristics

The demographic table earlier in this report provides key demographic business data by BNAs within Farmers & Merchants Bank's assessment area. The Dun and Bradstreet information for 2001 illustrates that 87.7 percent of the businesses in the bank's assessment area had total revenues less than \$1 million and were therefore considered to be small businesses.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Competition

Farmers & Merchants Bank is located in a moderately competitive banking market. However, the level of competition is considered typical given the bank's size, local area population, and the current economic growth being experienced in the area. There are two other financial institutions of similar asset size operating four offices in Putnam County. According to the June 30, 2001 FDIC Market Share Report, Farmers & Merchants Bank had a market share of 48.2 percent. Local competition does not seem to have adversely affected the bank's ability to serve the credit needs of its assessment area.

Community Contacts

As part of the CRA examination, information was obtained from two community contacts regarding local economic conditions and community credit needs. The contacts had positive comments regarding the degree of involvement of the financial institutions in the community. They indicated that the general banking and credit needs are being well served in the community and that, when there are opportunities for participation by local financial institutions in community development and other credit-related projects, the local financial institutions participate in these projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

Farmers & Merchants Bank meets the standards for satisfactory performance in this category. The bank's average LTD ratio for the seventeen-quarter period ending March 31, 2002, was 61.8 percent. The bank's ratio has ranged from 49.6 percent to 71.1 percent in the seventeen quarters since June 30, 1998. The bank's average net LTD ratio was compared with the ratios of the two financial institutions of similar asset size with branch offices in the bank's assessment area. Farmers & Merchants Bank's average net LTD ratio was slightly lower than those of both of its competitors.

Assessment Area Concentration

Farmers & Merchants Bank's lending in the assessment area exceeds the standards for a satisfactory performance in this category. A sample of 134 small business and 154 residential real estate loans originated since the previous performance evaluation (May 1998) was analyzed to determine the extent of the bank's lending inside the assessment area. As illustrated in the following table, a substantial majority (by both number and dollar volume) of the bank's residential real estate loans and small business loans sampled were originated within the assessment area.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA				
Loan Type	IN			
	Number	Percent	\$ (000s)	Percent
Small Business	107	79.9%	\$6,748	60.1%
Residential	136	88.3%	\$6,378	90.1%
Total In	243	84.4%	\$13,126	71.7%
	OUT			
	Number	Percent	\$ (000s)	Percent
Small Business	27	20.1%	\$4,489	39.9%
Residential	18	11.7%	\$704	9.9%
Total Out	45	15.6%	\$5,193	28.3%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

To assess Farmers & Merchants Bank's performance relative to this criterion, 136 residential real estate loans secured by properties located within the bank's assessment area and 107 small business loans originated within the bank's assessment area were analyzed. Borrower income classifications were assigned in accordance with the definitions outlined earlier in this report. For this analysis, the distribution of residential real estate loans by borrower income levels and small business lending by revenue size was compared with the available demographic information.

Lending to Borrowers of Different Incomes

Farmers & Merchants Bank's distribution of lending by income levels of borrowers is considered outstanding. Of the 136 residential real estate loans sampled that were originated in the assessment area during the review period, 121 had income information. According to the following chart, 10.7 percent of the 121 residential real estate loans were originated to low-income borrowers; where non-poverty, low-income families represent 7.6 percent of total families. While families below the poverty level are not ineligible for credit, it is recognized that they have a lower capacity for debt repayment and therefore, may not qualify for residential real estate loans.

RESIDENTIAL LOANS BY BORROWER INCOME		
Borrower Income Level	Number	Percent
Low-Income	13	10.7%
Moderate-Income	32	26.4%
Middle-Income	21	17.4%
Upper-Income	55	45.5%
<i>Total</i>	<i>121</i>	<i>100.0%</i>

26.4 percent of the residential loans were made to moderate-income families, who represent 16.5 percent of total families. These levels are excellent considering the demographics of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Farmers & Merchants Bank’s record of lending to businesses of different sizes is considered outstanding given the business demographics of the bank’s assessment area. Of the 107 loans originated in the assessment area during the review period, 95 loans (88.8 percent) were extended to businesses with gross annual revenues of less than \$1 million. As noted earlier, 87.7 percent of the businesses in the assessment area are considered to be small businesses. In addition, 81.3 percent of the dollar volume of small business loans originated were in amounts of \$100,000 or less. Based on these factors, Farmers & Merchants Bank’s performance with regard to lending to businesses of different sizes is excellent.

SMALL BUSINESS LENDING		
Lending by Business Revenue	Number	Percent
\$1 Million or Less	95	88.8%
Over \$1 Million	12	11.2%
Not Available	0	0.0%
Loan Size:		
\$100,000 or Less	87	81.3%
\$100,001 - \$250,000	16	15.0%
\$250,001 - \$1 million	4	3.7%
<i>Total</i>	<i>107</i>	<i>100.0%</i>

Geographic Distribution of Loans

The demographic table earlier in this report reflects that the bank’s assessment area does not contain any low- and moderate-income BNAs, therefore, an analysis of the geographic distribution of loans would not be meaningful. The following tables illustrate the geographic distribution of loans and are provided for informational purposes.

GEOGRAPHIC DISTRIBUTION		
Tract Income Level	RESIDENTIAL	
	#	%
Low-Income	0	0.0%
Moderate-Income	0	0.0%
Middle-Income	69	50.7%
Upper-Income	67	49.3%
<i>Total Assessment Area</i>	<i>136</i>	<i>100.0%</i>

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

GEOGRAPHIC DISTRIBUTION		
Tract Income Level	Small Business	
	#	%
Low-Income	0	0.0%
Moderate-Income	0	0.0%
Middle-Income	49	45.8%
Upper-Income	58	54.2%
<i>Total Assessment Area</i>	<i>107</i>	<i>100.0%</i>

Complaints

No CRA-related complaints have been received since the previous performance evaluation.

Compliance With Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices have the intent or the effect of discouraging applicants for credit.