

PUBLIC DISCLOSURE

December 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Northwest Georgia
Charter # 7549**

**215 North Wall Street
Calhoun, Georgia 30703**

**Office of the Comptroller of the Currency
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Atlanta, Georgia 30338-5417
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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 performance of **The First National Bank of Northwest Georgia**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 17, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The CRA rating for The First National Bank of Northwest Georgia (the “bank” or “FNB”) is based on the institution’s reasonable loan-to-deposit ratio, majority of lending within its assessment area, good distribution of loans to borrowers of different income levels and different size businesses, and a balanced distribution of loans to borrowers in different geographies.

The following table shows *FNB's* performance level with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Northwest Georgia PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Areas		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	FNB has not received any CRA-related complaints since the previous evaluation.		

DESCRIPTION OF INSTITUTION

The First National Bank of Northwest Georgia (FNB) is a \$191 million retail banking institution that is wholly owned by Hardwick Holding Company. The bank's financial condition is characterized by total loans of \$132 million, total deposits of \$170 million, and net income of \$2.26 million, for the first nine months of 1997. The main office is located at 215 North Wall Street in Calhoun, Georgia. The bank has three other full service branches, one in Calhoun and two in Cartersville. The bank has drive-thru teller windows and automated teller machines (ATMs) at all four offices and two stand alone ATMs in the Calhoun area. In 1997, the bank began offering various mortgage products through a mortgage originator. These loans either remain in-house or are sold in the secondary market. No legal impediments exist that should hinder the bank from meeting the credit needs of its assessment areas.

FNB offers traditional financial services including commercial loans, residential mortgage loans, home improvement loans, consumer loans, and deposit accounts and services. The bank's gross loan portfolio, as of September 30, 1997, consisted of 64 percent real estate loans, with one-to-four family residential real estate loans making up 53 percent of gross loans and 11 percent in other consumer loans. Three other local community banks, several regional bank branches, and branches of other savings and community banks are located in the assessment areas. Competition is especially strong in Bartow County with five regional bank presences and numerous credit unions, finance companies and mortgage lenders.

The bank is a member of the Cirrus and Visa ATM networks, which offer the convenience of 24-hour nationwide banking through six ATM locations in Gordon and Bartow counties. The bank also has an agreement with their sister bank in adjacent Whitfield County for FNB customers to use their six ATMs without charge. FNB also offers a 24-hour teller line for account inquiry.

DESCRIPTION OF ASSESSMENT AREA

FNB has two separate assessment areas consisting of two contiguous counties in northwest Georgia. This area contains 20 census tracts and/or block numbering areas (hereafter referred to as "tracts"). The first assessment area consists of Bartow County which is designated as a part of the Atlanta Metropolitan Statistical Area (MSA). This assessment area contains nine moderate-income and one middle-income census tracts, as determined by the U.S. Census Bureau, 1990. The second assessment area consists of Gordon County, which is not a part of any MSA, and contains seven middle-income tracts and three upper-income tracts. The bank's assessment areas do not have any low-income tracts.

According to the 1990 U.S. Bureau of Census data, the total population of the bank's assessment areas was 90,983. The majority of the population, 55,911, or 61 percent, resides in Bartow County

in the Atlanta MSA. Approximately 25,733 families live in the bank's assessment areas, with the largest percentage residing in moderate-income census tracts, 56 percent.

The 1997 HUD estimate for the Atlanta MSA median family income is \$53,100 and for the statewide non-metropolitan area is \$33,600. The following table (*Table 1*) contains additional demographic information by each census tract.

Assessment Area Demographic Data Distribution by Census Tract										
Demographic Data	Low		Moderate		Middle		Upper		Total	
	#	%	#	%	#	%	#	%	#	%
Census Tracts	0	0	9	45%	8	40%	3	15%	20	100%
Families (000's)	0	0	14	56%	10	37%	2	7%	26	100%
Households (000's)	0	0	19	58%	12	36%	2	6%	33	100%
Population (000's)	0	0	51	56%	33	36%	7	8%	91	100%

Source: Demographic Data

Table 1

Manufacturing is by far the dominate industry representing over 50 percent of all jobs in Gordon and Bartow Counties. Most jobs are in carpet and carpet related industries. Major local employers include Shaw Industries and Mohawk Industries. Various government agencies also account for a high percentage of jobs in the assessment areas.

We reviewed three community contacts recently conducted by the Federal Deposit Insurance Corporation and the Federal Reserve Bank of Atlanta in the bank's assessment areas. One was conducted with the Gordon County Chamber of Commerce and another with the City of Calhoun's Home Housing Rehabilitation Program. The third contact was conducted in the Cartersville/Bartow County area with the City of Cartersville, Economic Development Department. These contacts stated that a major credit need in the community is low-interest loans for first-time home buyers.

Income Definitions

The Georgia statewide MSA and non-MSA median family incomes are used as the area median incomes for MSA and non-MSA communities. The U.S. Census Bureau 1997 updated median family income is \$53,100 for the MSA and \$33,600 for the non-MSA.

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 and 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 and 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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

Since the last CRA examination dated March 30, 1995, the bank's eleven-quarter average loan-to-deposit ratio is 68.45 percent compared to the average loan-to-deposit ratio of 71.50 percent for the other three independent community banks in the assessment areas. The following chart (*Figure 1*) illustrates how the quarterly and average loan-to-deposit ratios compare during the evaluation period.

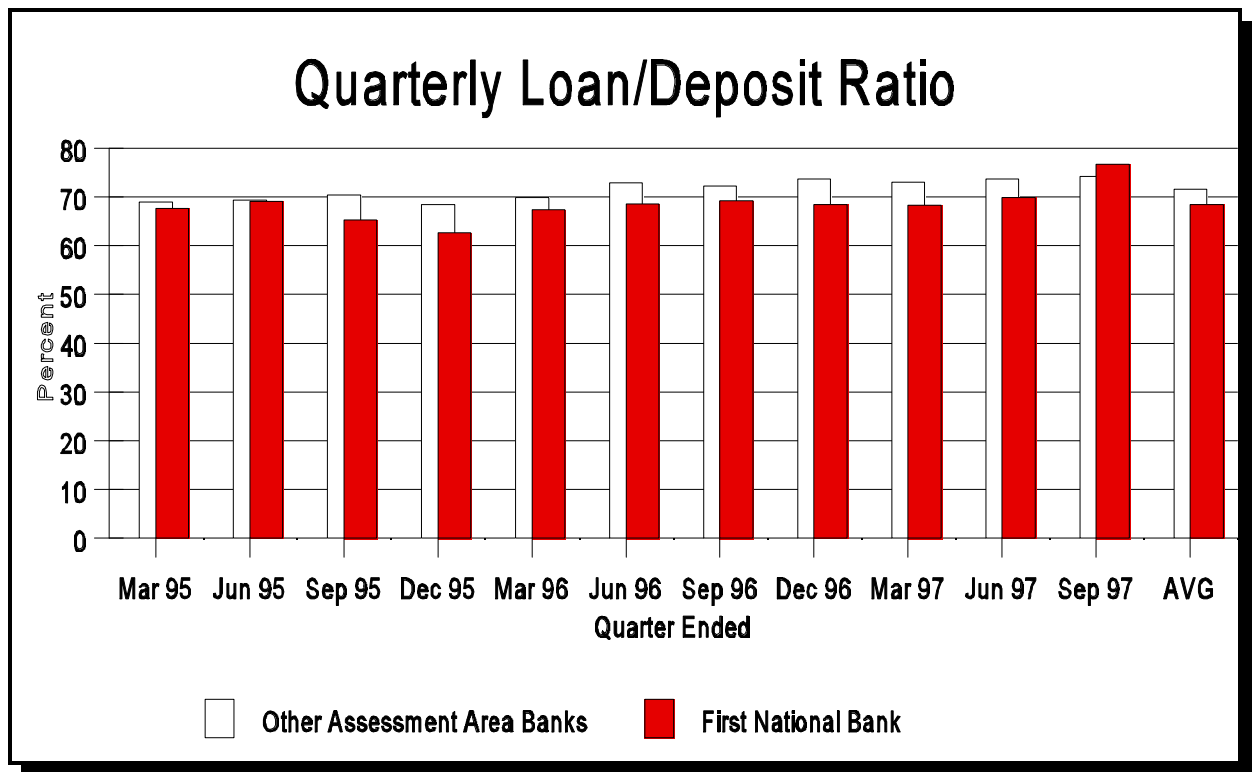


Figure 1

DISTRIBUTION OF CREDIT

Lending levels reflect responsiveness to the credit needs of the community. We used internal bank documentation which shows all loans originated within the bank's assessment areas during 1995, 1996 and through September 1997, which are still outstanding, to determine the extent of lending inside and outside the bank's assessment areas. To determine the bank's lending to borrowers of different income levels, including low- and moderate-income families, we sampled 50 residential real estate loans extended in 1997 and reviewed 1996 Home Mortgage Disclosure Act (HMDA) data. We also sampled 35 consumer purpose loans. To determine whether the bank is lending to businesses of different sizes, we sampled 40 commercial loans originated in 1995, 1996 and through September 1997. Our conclusions are based on the above-mentioned information.

The FNB is primarily a consumer and small business lender. As of September 30, 1997, approximately 51 percent of loans outstanding were for consumer purposes, including residential mortgage loans. Also, the majority of commercial loans are to small businesses. The following table (Table 2) details the bank's lending portfolio as of September 30, 1997.

Types of Loans Outstanding at September 30, 1997

Loan Type	Dollar Amount of Loans OS	Percent of Average Loans
Residential Mortgage	\$53,612	40%
Consumer (automobile, miscellaneous)	14,690	11%
Commercial Real Estate	16,735	13%
Construction and Land Development	12,487	9%
Commercial and Industrial	10,095	8%
Agriculture	2,039	2%
All Other	22,784	17%
TOTAL LOANS	\$132,442	100.00%

Table 2

LENDING IN THE ASSESSMENT AREAS

The bank has extended a majority of its loans within the assessment areas (*Figure 2*). As of September 30, 1997, 82 percent of the number of loans and 73 percent of the dollar volume of loans outstanding were extended in Gordon and Bartow counties. Of these percentages, 58 percent of the number are extended in Gordon county and 24 percent are extended in Bartow County.

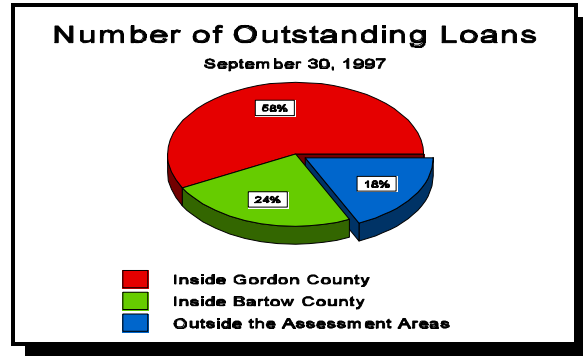


Figure 2

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The overall distribution of loans to borrowers with different incomes is good compared to the demographics of the assessment areas. We selected a sample of 50 residential real estate loans extended in 1997 and reviewed the 1996 HMDA-LAR. We separated the loans extended within Bartow County, as a part of the MSA, from the loans extended within the entire assessment areas. The following tables (*Table 3 and Table 4*) detail the number of HMDA loans originated in 1996 as a percentage compared to the percentage of families from each of the four income levels.

Distribution of HMDA Loans by Borrower Income Level for 1996 in Both Assessment Areas			
Income Level	% Families in Assessment Areas	#	%
Low Income	23%	18	12%
Moderate Income	21%	30	20%
Middle Income	24%	36	24%
Upper Income	32%	66	44%
Total	100%	150	100%

Source: HMDA Loan Application Register

Table 3

Overall lending penetration of 1996 HMDA loans is good and lending penetration to low-income families in Bartow County is very good, as indicated in the following table (*Table 4*).

Distribution of HMDA Loans by Borrower Income Level for 1996 in Bartow County			
Income Level	% Families in Assessment Area	#	%
Low Income	28%	14	26%
Moderate Income	26%	11	21%
Middle Income	25%	14	26%
Upper Income	21%	14	26%
Total	100%	53	100%

Source: HMDA Loan Application Register

Table 4

Our sample of residential real estate lending in 1997 indicates very good penetration to low- and moderate-income level individuals. The following table (*Table 5*) details the sample of 50 residential real estate loans extended in 1997 within each of the four income levels.

Distribution of a Sample of Residential Real Estate Loans Extended in 1997				
Income Level	Both Assessment Areas		Bartow County	
	#	%	#	%
Low Income	19	38%	13	52%
Moderate Income	15	30%	7	28%
Middle Income	10	20%	2	8%
Upper Income	6	12%	3	12%
Total	50	100%	25	100%

Table 5

We also sampled 35 consumer purpose loans to determine borrower income levels. The following table (*Table 6*) details the sample of consumer loans extended in 1995, 1996, and through September 1997 within each of the four income levels.

Distribution of a Sample of Consumer Loans Extended				
Income Level	Both Assessment Areas		Bartow County	
	#	%	#	%
Low Income	10	29%	3	30%
Moderate Income	11	31%	4	40%
Middle Income	8	23%	2	20%
Upper Income	6	17%	1	10%
Total	35	100%	10	100%

Table 6

Lending to businesses of different sizes is also good. We selected a sample of 40 commercial purpose loans to determine the gross revenues of the businesses. For purposes of the Community Reinvestment Act, small businesses are defined as those with gross annual revenues less than \$1 million. Our sample indicated that 87% of commercial loans are to small businesses.

LENDING TO BORROWERS IN DIFFERENT GEOGRAPHIES

The bank has a satisfactory record of lending to all segments of its assessment area. The bank records the tract for all loans extended. We reviewed documentation for all loans extended in 1995, 1996, through September 1997, which are still outstanding. We found that the loans in the assessment areas were reasonably disbursed throughout the counties. The majority of loans were in geographies near the bank's branches, but many loans were also made to borrowers' throughout the assessment areas.

Distribution of credit within the different tracts is reasonable and consistent with the bank's ability to help meet the credit needs of its community. The following table (*Table 7*) details the number of loans, by type, within the different tract income levels for both assessment areas. No low-income tracts are in the assessment areas.

Loans by Type Within Each Tract Income Level for the Assessment Areas								
Loan Type	Moderate-income		Middle-income		Upper-income		Total	
	#	%	#	%	#	%	#	%
Residential Real Estate	102	21%	317	64%	76	15%	495	100%
Other Consumer	936	24%	2,468	65%	424	11%	3,828	100%
Commercial	330	32%	586	58%	102	10%	1,018	100%
Total	1,368	26%	3,371	63%	602	11%	5,341	100%

Table 7

The following table (*Table 8*) details the number of loans, by type, within the different tract income levels for Bartow County. Bartow County does not have any low- or upper-income tracts.

Loans by Type Within Each Tract Income Level for Bartow County						
Loan Type	Moderate-income		Middle-income		Total	
	#	%	#	%	#	%
Residential Real Estate	102	94%	6	6%	108	100%
Other Consumer	936	90%	100	10%	1,036	100%
Commercial	330	96%	13	4%	343	100%
Total	1,368	92%	119	8%	1,487	100%

Table 8

RESPONSE TO CONSUMER COMPLAINTS

FNB did not receive any CRA-related complaints since its last CRA examination dated March 30, 1995.

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS.

We conducted a concurrent compliance and fair lending examination. We did not find any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws, including the Equal Credit Opportunity Act. The bank has instituted fair lending policies, procedures, and training programs.

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