



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 01, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Shelby County
Charter Number 14590**

**106 East College Street
Columbiana, AL 35051**

**Comptroller of the Currency
ADC-Birmingham
100 Concourse Parkway Suite 240
Birmingham, AL 35244**

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.

Note: Throughout this evaluation, First National Bank of Shelby County will be referred to as “FNB”.

INSTITUTION'S CRA RATING This institution is rated Satisfactory.

- FNB’s lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- FNB’s loan-to-deposit (LTD) ratio is satisfactory. Since the April 20, 1998 Performance Evaluation, the bank’s LTD ratio has averaged 71%, however this ratio has recently shown improvement, as the LTD has averaged 77% over the past year and was 80% at September 30, 2003. This compares favorably with similar size peer banks.
- FNB generates a majority of its loans within its defined assessment area.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals and to small businesses.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, although there are no low-income census tracts in the assessment area and only one moderate-income tract.

DESCRIPTION OF INSTITUTION

First National Bank of Shelby County (FNB) is a community bank with total assets of \$215 million, as of September 30, 2003. FNB is a wholly owned subsidiary of Columbiana Bancshares, Inc., a one-bank holding company. The bank was established in 1892 with its main office located in Columbiana, Alabama, the county seat of Shelby County. In this portion of FNB’s market, the bank has limited competition and satisfies a majority of the community’s credit needs. In addition to the main office, the bank has six full service branches, ATMs at four locations and one limited service office that offers residential mortgages. All branch offices are located in Shelby County and are located in very competitive markets, south of Birmingham. There are 39 banking offices in the AA. FNB’s market share of deposits in the AA is 17.57%, which ranks third among the 14 institutions.

FNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. Other services include Internet banking and a 24 hour automated telephone response system. FNB’s lending strategy focuses on small business, commercial real estate and 1-4 family residential loans. The loan portfolio at September 30, 2003 was \$143 million and consists of the following loan types:

Loan Category	\$(000)	%
Construction and Land Development	9,762	6.3%
Commercial Real Estate	51,798	36.2%
Commercial and Industrial	15,184	10.6%
1-4 Family Residential	45,645	32.6%
Consumer	18,933	13.2%
Other	1,644	1.1%
Total	142,966	100%

Source: September 30, 2003 Consolidated Report of Condition and Income

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank's last CRA examination was performed as of April 20, 1998 and was rated Satisfactory.

DESCRIPTION OF SHELBY COUNTY

FNB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate-income geographies. The AA includes all twenty two-census tracts within Shelby County and did not include, nor exclude any low-income census tracts. One moderate, nine middle, and twelve upper income tracts are included in the assessment area. Economic conditions within the AA area are strong. The county's unemployment rate of 2.6% is the lowest in the state, compared to the state average of 5.6%. The weighted average of median family income for these census tracts was \$52,700 compared to \$44,000 in 1998. Shelby County is the fastest growing county in the state of Alabama and among the most rapid in the nation. From 1990 to 2000, census data reflects population growth of 44% and housing unit growth of 66%. A significant amount of the growth is due to out migration from nearby Birmingham. The 2000 census shows the Birmingham MSA with a population in excess of one million.

As part of our examination, we met with a representative from the community regarding local economic conditions and community credit needs. Based on information provided by an elected government official, the primary lending needs in the area are centered in small business and industrial loans. Our contact indicates that area financial institutions are positively perceived for their involvement through donations and employee involvement in community activities. It is his perception that the area's banking needs is being adequately met.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's LTD ratio meets the standard for satisfactory performance given the bank's size, financial condition, and considering the credit needs of the assessment area. Additionally, FNB's LTD is in line with that of peer banks nationally and within the state of Alabama. Since the April 20, 1998 Performance Evaluation, the bank's LTD ratio averaged 71%.

This ratio has shown steady improvement, as the LTD ratio at September 30, 2003 was 80% and has averaged 77% over the past four quarters. The bank's only similarly situated competitor in the AA area averaged 73% and banks of similar size in the state of Alabama averaged 74% over the same most recent four-quarter period.

Lending in Assessment Area

A substantial majority of FNB's loans were originated within the AA. Our sample was comprised of residential real estate and small business loans. Based on our sample, approximately 88% of the total number of loans reviewed and 89% of the dollar amount of loans reviewed were originated within the assessment area. The following table illustrates the location of each product type by number of loans and by dollar amount of loans.

Total Loans Reviewed (Evaluation Period 1/1/99-12/31/02)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Business	19	95.0%	1,884	98.1%	1	5.0%	37	1.9%
Residential Estate	656	88.3%	26,960	88.4%	87	11.7%	3,536	11.6%
Total	675	88.5%	28,844	88.9%	88	11.5%	3,573	11.1%

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

As shown below, the number of residential real estate loans to low and moderate-income families was greater than the percentage of low and moderate-income families in the AA. There are numerous financial institutions competing for the market share of residential home purchase, home refinancing, and home improvement loan products.

Residential Real Estate (Evaluation Period 1/1/99-12/31/02)				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Families	13.63%	12.34%	18.47%	55.56%
Residential Real Estate	% of Number	% of Number	% of Number	% of Number
	31.1%	18.6%	18.3%	23.6%

Our sample of small business loans revealed that the bank demonstrates satisfactory performance in lending to businesses with less than \$1 million in annual revenues. Eighty percent of the loans sampled were made to small businesses with less than \$1 million in revenues. Additionally, the majority (85%) of business loans we sampled were originated in amounts of \$100 thousand or less.

Borrower Distribution of Small Loans To Businesses		
Business Revenues	<\$1,000,000	>\$1,000,000
% of AA Businesses	90.2%	9.8%
% of Bank Loans in AA#	80%	20%

Geographic Distribution of Loan

We determined a geographic distribution analysis of the bank's loans would not be meaningful, as the AA has no low-income census tracts and only one moderate-income tract.

Responses to Complaints

FNB has not received any complaints relevant to CRA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.