



PUBLIC DISCLOSURE

January 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Effingham
Charter Number 21790**

**501 South Laurel Street
Springfield, Georgia 31329**

Office of the Comptroller of the Currency

**Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

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.

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 **First National Bank of Effingham** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 23, 1998. 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 following major factors provide support for First National Bank of Effingham's rating:

- ▶ The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment area.
- ▶ A substantial majority of loans are in the bank's assessment area.
- ▶ The distribution of loans reflects reasonable dispersion among individuals of different income levels and throughout all sections of the assessment area.

The following table indicates the performance level of First National Bank of Effingham with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FNB OF EFFINGHAM</u> 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 Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

As of September 30, 1997, First National Bank of Effingham (FNBE) is a \$58.8 million bank headquartered in Springfield, Georgia. The bank is 100% owned by First Banking Company of Southeast Georgia, a three bank holding company located in Statesboro, Georgia. The bank has two branches located in Rincon, Georgia. Net loans represent 73% of total assets. The loan portfolio mix is as follows: residential real estate loans (39%), commercial real estate loans (38%), consumer loans (18%), agriculture loans (3%) and other loans (2%).

The bank offers a wide variety of credit products to consumers, businesses and real estate lending. Also, FNBE offers additional banking services, including checking and savings accounts, to meet the needs of its consumer and commercial customers. Currently, there are no legal impediments that would prevent the bank from meeting any credit or banking service needs of the community.

DESCRIPTION OF EFFINGHAM COUNTY, GEORGIA

The bank's assessment area is Effingham County which is part of the Savannah Metropolitan Statistical Area (MSA). The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Based on the 1990 Census Bureau information, Effingham County has five tracts: four qualify as middle-income and one as upper-income. The 1990 Census median family income was \$32,364. In 1990, the county's population totaled 25,687.

The estimated 1996 population is 32,792. The population has experienced a 5% annual growth rate since 1990. The county has three incorporated municipalities. The city of Rincon has an estimated 1996 population of 3,470. The city of Springfield, which is the county seat, has an estimated 1996 population of 1,777. The city of Guyton has an estimated 1996 population of 800. Almost 81% of the population live in unincorporated areas. These figures were based on information that was provided by Effingham County Chamber of Commerce and Development Authority.

The county's 1996 annual average unemployment rate is 4.0%, which is lower than the state of Georgia's rate of 4.6%. The county's five largest private sector employers are Effingham County Hospital Authority, Fort James Corporation, Kroger Company, Union Camp Corporation, and Wal-Mart Stores, Inc.

FNBE's local competition is from branches of one regional bank, one community bank and one credit union. During a discussion with a community leader, it was noted that the involvement of financial institutions are positively perceived within the local community. The community leader did mention a need for more affordable housing and a home purchase program.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The average net loan to deposit ratio, using quarter-end information from June 30, 1995 to September 30, 1997, is 76%. The bank's ratio compares favorably to other institutions of similar size and structure in the local community. A peer group of bank's chartered in the state of Georgia with total assets between \$35 million and \$75 million had an average loan to deposit ratio of 71% over the last twelve months.

A substantial majority of loans are in the bank's assessment area. On a monthly basis, FNBE's holding company generates a report on the number of loans made within and outside the assessment area. From the time period of October 1, 1996 to September 30, 1997, the bank originated 88% of the number of loans within the assessment area. This report was validated by using the 1996 Home Mortgage Disclosure Act (HMDA) Statement and the HMDA Register for the first six months of 1997. Over the 18 month time period, FNBE originated 97% of the number and dollar amount of HMDA related loans within the assessment area.

Based on 1996 and the first six months of 1997 HMDA information, there were 98 HMDA related loans originated during the 18 month time period. The bank made 21 or 21% of the loans to low-income borrowers, 22 or 22% were made to moderate-income borrowers, 26 or 27% were made to middle income borrowers, and 25 or 26% were extended to upper-income borrowers. There were four borrowers where income information was not obtained. Income levels were based on the 1997 Housing & Urban Development (HUD) estimated median family income for the Savannah, GA MSA, which is \$39,100. Currently, the bank does not compile this type of information. The distribution of borrowers reflects reasonable penetration among individuals of different income levels.

As of June 30, 1997, FNBE has 516 small business loans totaling \$16.7 million and 44 small farm loans totaling \$1.2 million. Small business and farm loans make up 41% of the loan portfolio. Loans for \$1 million or less to businesses were considered small business loans.

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Based on the number of families residing in each of the census tracts and FNBE's loan activity within each tract, we did not identify any areas of low penetration in the bank's lending pattern. As illustrated in the following table, the percentage of loans made within the four income categories defined by the CRA regulation are very close to the percentage of families that resides within the identified income census tracts.

Loans Made by Income Level					
Loans made between October 1, 1996 to September 30, 1997					
Income Level	# of Tracts	# of families	%	Applications Approved	%
Low	0	0	0%	0	0%
Moderate	0	0	0%	0	0%
Middle	4	7,182	99%	1,443	100%
Upper	1	45	1%	0	0%

The bank has satisfactory policies, procedures, training programs, and other practices in place to prevent discriminatory or other illegal credit practices. A review of FNBE's instalment lending practices was performed to determine if any discriminatory practices exist based on the gender, marital status, or age of the applicant. We performed a comparative analysis of loan terms. Factors used to make the comparison included the interest rate, maturity, finance charge, and income. No violations of the substantive provisions of the antidiscrimination legislation were identified.