



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

December 08, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Polk County
Charter Number 11833

967 North Main Street
Cedartown, GA 30125

Office of the Comptroller of the Currency

Georgia Field Office
3 Ravinia Drive, Suite 550
Atlanta, GA 30346

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.

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

This performance rating is supported by the following:

- The loan-to-deposit ratio is reasonable;
- A substantial majority of loans are in the assessment area;
- Lending to borrowers of different incomes is satisfactory; and
- Lending to businesses of different sizes is excellent.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of The First National Bank of Polk County's (FNB) ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank's Assessment Area (AA), which is not part of any Metropolitan Statistical Area (MSA). This evaluation covered the period of January 2006 to September 2008. Although the bank is not required to report loan activity in accordance with the Home Mortgage Disclosure Act (HMDA), it had qualifying residential real estate loans for the purposes of this review. Lending performance was determined by analyzing 20 home purchase loans, 20 home refinance loans, and 43 business loans. These loans were important to the overall conclusions and neither product carried more weight than the other.

DESCRIPTION OF INSTITUTION

FNB, located in Cedartown, Georgia, is a wholly owned independent community bank of SouthCrest Financial Group, Inc. FNB operates three full service locations in Polk County, Georgia. The main office and "downtown" branch are in Cedartown, Georgia and a third branch is in Rockmart, Georgia. In addition to FNB, SouthCrest has three other bank affiliates. They are The Bank of Upson in Thomaston, Georgia, Peachtree Bank in Maplesville, Alabama, and The Bank of Chickamauga in Chickamauga, Georgia.

The bank offers a variety of traditional deposit and loan products with commercial and real estate lending being its primary credit products. There are automated teller machines located at each branch for customer convenience. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to meet the credit needs of its AA.

As of September 30, 2008, the bank had total assets of \$168 million with a loan portfolio approximating \$119 million. Net loans represent 71 percent of total assets. Lending activity is centered in residential real estate loans (48%), non-farm and non-residential loans (21%), construction and land development loans (13%), commercial and industrial loans (4%), and consumer loans/other (7.43%). Total deposits in the bank were \$140 million with capital accounts aggregating \$19 million.

The previous CRA evaluation dated March 10, 2003 rated the bank's performance as "Outstanding."

DESCRIPTION OF ASSESSMENT AREA(S)

FNB’s AA meets the technical requirements of the Act and does not arbitrarily exclude low-or moderate-income census tracts. The AA is defined as all of Polk County, which is not part of any MSA and is comprised of seven middle-income census tracts. The 2000 United States Census showed the population of Polk County (non-MSA) to be approximately 38,127 with a median family income of \$38,171. Owner occupied housing in the county was 66 percent with the median housing value at \$72,083. Households living below poverty level were 15 percent with unemployment at 2.7 percent. The Department of Housing and Urban Development’s (HUD) 2007 *updated* median family income estimate for the assessment area is \$43,000.

Manufacturing remains the county’s leading industry employer. Other industries that primarily support the local economy are: service, retail, government, and farming. Major employers in Polk County are Cingular Wireless, Engineered Fabric Corp, The Hon Company, Tip Top Poultry Inc, and Wal-Mart Associates.

FNB is one of two small community banks in Polk County. The other local community bank was established in 2005. Other banking institutions in Polk County include two large state banks and one regional bank. As of June 30, 2008, FNB had 34 percent of deposit market share in the AA.

We contacted a community group in conjunction with this examination. This organization provides consultations, assistance, and funding opportunities for individuals and businesses located in rural communities. Identified needs included affordable housing and small business loans.

The following table includes general demographic data describing the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	10,407
Number of Households	14,031
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$37,320
2007 HUD-Adjusted MFI	\$43,000
<i>Economic Indicators</i>	
Unemployment Rate	2.68%
2000 Median Housing Value	\$72,083
% of Households Below Poverty Level	15%

Source: CRA Wiz Report based on 2000 US Census

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan to deposit ratio is reasonable given the bank's size and financial condition, and credit needs of the AA. The bank's loan to deposit ratio averaged 75 percent over the 23 quarters since the last CRA examination. This ratio ranged from a low of 66 percent to a high of 85 percent. Only one other community bank, established in 2005, includes Polk County as their primary service area. It is smaller than FNB with total assets of \$71 million and an average loan to deposit ratio slightly higher at 80 percent. There are eleven small banks located in four counties adjacent to FNB's AA with total assets ranging from \$62 million to \$427 million. The average loan to deposit ratios of those banks ranged from 78 percent to 118 percent.

Lending in Assessment Area

Lending levels reflect a strong responsiveness to community credit needs. A substantial majority of loans were made in the banks assessment area. Ninety-five percent of home purchase loans and seventy-five percent of home refinance loans were within the AA. Overall, eighty five percent of the loans sampled were originated or purchased in the AA.

Assessment Area Lending (Evaluation Period – January 2006 through September 2008)								
	In Assessment Area				Out of Assessment Area			
Loan Type	#		\$000's		#		\$000's	
Home Purchase	19	95%	1,535	96%	1	5%	67	4%
Home Refinance	15	75%	1,841	82%	5	25%	417	18%
Total	34	85%	3,376	87%	6	15%	484	13%

Source: Internal loan report

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

The distribution of loans to borrowers of different income levels reflects an adequate penetration among individuals of different income (including low- and moderate-income) levels. The following table shows the percentage of home loans in the AA as compared to the percentage of families by income level that reside in the area.

Distribution to Borrowers of Different Incomes in Polk County Assessment Area (Evaluation Period – January 2006 through September 2008)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of Number of loans	% of AA Families						
Home Purchase	15%	18.7%	40%	19.41%	25%	21.74%	20%	40.15%
Home Refinance	5%	18.7%	35%	19.41%	35%	21.74%	25%	40.15%

Source: Internal Loan Reports & 2000 U.S. Census

For home purchase loans, the percentage of loans to low-income borrowers is slightly lower than the percentage of low-income families in the AA. The bank’s percentage of home refinance loans is significantly lower than the percentage of low-income families residing in the AA. This is mitigated by the fact that 15 percent of house holds in the AA live below the poverty line. In addition low-income borrowers have higher denial rates in comparison to those of other income levels. However, the bank’s percentage of home purchase and home refinance loans to moderate-income borrowers is strong and exceeds the percentage of moderate-income families residing in the AA.

Small Business Loans

Lending to businesses of different sizes exceeds the standards for satisfactory performance. The percentage of loans made to businesses with revenues less than \$1 million is substantially higher than the percentage of small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	51.79%	2.01%	46.20%	100%
% of Bank Loans in AA by #	88.37%	11.63%	0%	100%
% of Bank Loans in AA by \$	47.23%	52.77%	0%	100%

Source: Internal Loan Reports & U.S Census

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed because it would not be meaningful. Polk County, which is in a non-MSA, has seven middle-income census tracts. There are no low- or moderate-income census tracts.

Responses to Complaints

FNB has not received any consumer complaints since the prior CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.