



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 5, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Chattooga County
Charter Number 15651**

**10144 Commerce Street
Summerville, GA 30747**

**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 Satisfactory.

Factors supporting the bank's Satisfactory rating include the following:

- The loan-to-deposit ratio is adequate when compared to similarly situated institutions and averaged 59 percent since the last evaluation.
- A majority of residential and commercial loans were made within the assessment area.
- The distribution of loans to borrowers of different incomes and to businesses of different sizes is good.
- The geographic distribution of loans does not impact overall CRA performance since the assessment area does not have any low- or moderate-income census tracts.

DESCRIPTION OF INSTITUTION

The First National Bank of Chattooga County (FNB) is a commercial bank with total assets of \$47 million as of June 30, 2006. The bank is a wholly-owned subsidiary of Summerville/Trion Bancshares, Inc. The main office is located in Summerville, Georgia and one full service branch is operated in neighboring Trion, Georgia. The bank operates three ATMs; one at each branch location and a stand alone machine at the Bi-Lo store on Highway 27 in Summerville, GA.

In Chattooga County, FNB competes with larger banks and a credit union.

FNB offers a wide array of banking products including commercial, residential real estate, and consumer products. Residential real estate loans comprise 41 percent of the loan portfolio, and commercial and commercial real estate lending accounts for 36 percent of the loan portfolio.

No legal, financial considerations or other factors impede FNB's ability to meet community credit needs. FNB received a "Satisfactory" rating for the last CRA evaluation dated October 29, 2001.

DESCRIPTION OF CHATTOOGA COUNTY

FNB defines Chattooga County, Georgia as its assessment area (AA). This area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income census tracts. The County is bordered by Walker County to the North; Gordon County to the East; Floyd County to the South; and two Alabama counties, Cherokee and Dekalb, to the West. All six census tracts in Chattooga County are middle-income. FNB's main office is located in the county seat of Summerville.

Chattooga County and the city of Summerville have experienced modest population and/or economic growth since 1990. Textile manufacturing remains the major industry. Mohawk Carpet Corporation, Mt. Vernon Mills, and Tillotson Corporation are the three largest non-government employers in the county. A state prison, Hayes State Prison and Inmate Boot Camp, is another large employer.

Demographic and Economic Characteristics of Chattooga County Assessment Area	
Population	
Total Population	25,470
Number of Families	6,845
Number of Households	9,590
Geographies	
Number of Census Tracts	6
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	100%
% Upper-Income Census Tracts	0%
Median Family Income (MFI)	
2000 MFI for AA	\$36,368
2005 HUD-Adjusted MFI	\$44,150
Economic Indicators	
Unemployment Rate	2.5%
2000 Median Housing Value	\$59,579
% Households Below Poverty Level	15%

Source: 2000 Census data and HUD updated income data.

Community leaders state that pressing credit needs include affordable housing loans and micro-lending for small businesses in Chattooga County and the larger regional area. The region has limited types of community development organizations to help meet these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending performance is strong. The loan-to-deposit ratio is excellent. A majority of loans are made within the AA. Lending to borrowers of different incomes is good, with excellent performance for lending to small businesses.

Loan performance was analyzed by sampling residential real estate loans and commercial loans made during the evaluation period. Both products are important in overall conclusions; residential real estate loans carried slightly more weight than commercial loans since residential real estate loans account for a very significant portion of the loan portfolio.

Loan-to-Deposit Ratio

The bank has an adequate loan deposit ratio compared to its peers. For 16 quarters since the previous CRA evaluation, the bank’s loan-to-deposit ratio averaged 59 percent. FNB Chattooga competes with much larger institutions in its AA. Several similar banks are located in surrounding counties, and FNB Chattooga compares favorably to four nearby banks that achieved an average loan-to-deposit ratio of 64 percent. The ratios ranged from 52 percent to 86 percent, and only one bank had a ratio higher than FNB Chattooga.

Lending in Assessment Area

A majority of loans are originated within the bank’s AA.

Table 1 - Lending in Chattooga County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	20	77	6	23	26	719	33	1,441	67	2,160
Commercial	18	75	6	25	24	4,344	90	496	10	4,840
Totals	38	76	12	24	50	5,063	72	1,937	28	7,000

Source: sample of loans.

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

The distribution of loans to small businesses and borrowers of different income levels is good.

Residential real estate lending reflects good performance. The penetration of loans to low-income families is lower than the percentage of AA families that are low income, but is reasonable when considering 15 percent of AA families live below the poverty level. The penetration of residential real estate loans to moderate-income families is excellent.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Chattooga County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	19	10	21	25	22	20	38	45

Source: Loan sample; U.S. Census data.

The borrower distribution of loans to businesses is excellent. A substantial majority of commercial loans are originated to businesses with revenues less than \$1 million.

Table 2A – Borrower Distribution of Loans to Businesses in Chattooga County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	51	3	46	100%
% of Bank Loans in AA by #	94	6	0	100%
% of Bank Loans in AA by \$	95	5	0	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

Chattooga County is comprised solely of middle-income census tracts. Therefore, a geographic lending analysis would not be meaningful. No conspicuous lending gaps were identified.

Responses to Complaints

No complaints related to CRA lending performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

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