

PUBLIC DISCLOSURE

January 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**20 North Commerce Street
Summerville, Georgia 30747**

**Office of the Comptroller of the Currency
Atlanta Duty Station
1117 Perimeter Center West, Suite W-401
Atlanta, Georgia 30338-5417**

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 performance of the **First National Bank of Chattooga County** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 23, 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:

First National Bank of Chattooga County's CRA performance is rated Satisfactory. The bank has chosen the six census tracts constituting Chattooga County, Georgia as its assessment area and was evaluated for the period beginning with the second quarter of 1995 until the present. The bank's rating is based on its satisfactory loan-to-deposit ratio; the volume of its loans which were made within the assessment area; and its record of lending to borrowers of different incomes and to businesses of different sizes during the evaluation period.

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

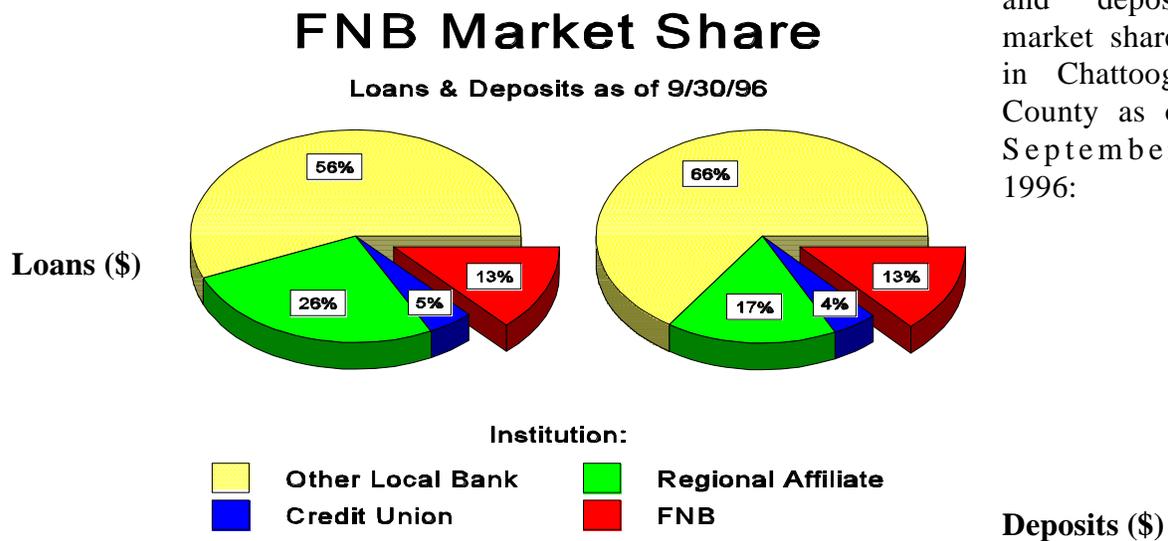
SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF CHATTOOGA COUNTY PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Geographic analysis would not be meaningful since all tracts in the assessment area are considered middle-income.		
Response to Complaints	No complaints were received during the evaluation period.		

DESCRIPTION OF INSTITUTION

The First National Bank of Chattooga County (“FNB” or “the bank”) was chartered in May, 1968 and opened for business in the city of Summerville, Georgia. The bank is a wholly-owned subsidiary of Summerville/Trion Bancshares, Inc., which also holds a significant equity interest in another community bank in Adairsville, Georgia. At September 30, 1996, FNB had total assets of \$29 million, with total loans of \$16 million and total deposits of \$25 million. The bank’s main office is located at 20 North Commerce Street in Summerville. The bank also has a full-service branch in the Triangle Shopping Center in neighboring Trion, Georgia. A second branch in the Ingles Supermarket in Summerville was not profitable and closed on March 31, 1996.

In Chattooga County, FNB must compete with a much larger state-chartered bank; a branch of a regional affiliate which is headquartered in neighboring Floyd County; and a credit union which serves employees of one of the county’s largest employers. The charts below illustrate the

bank’s loan and deposit market shares in Chattooga County as of September, 1996:



Despite its strong financial condition, FNB’s relatively small size is an impediment to its ability to meet the need for large commercial loans in Chattooga County. Recognizing this limitation, the bank has concentrated its lending activities in the small consumer market through small consumer installment and housing loans. There are no other known financial or legal

impediments to the bank’s ability to meet the credit needs of the assessment area.

FNB offers traditional consumer products and services such as consumer installment loans, credit cards, and 1-4 Family Residential Loans. The bank also makes small commercial loans and does some limited agricultural lending. Composition of the loan portfolio at September 30, 1996 was: 1-4 Family Residential Loans (51%); Loans to Individuals (22%); Commercial Loans (11%); Commercial Real Estate Loans (14%); and all other loans (2%).

DESCRIPTION OF ASSESSMENT AREA

FNB’s assessment area includes all of Chattooga County, Georgia. Chattooga County is a rural community located approximately eighty miles northwest of Atlanta, Georgia. 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. FNB’s main office is located in the county seat of Summerville. The 1990 census showed 22,242 people residing in the county, with 5,025 residing in the city of Summerville. Racial composition of the population was 91% White and 9% Black. The census bureau divides the county into six distinct tracts. All of these tracts are considered “middle-income” in accordance with the following criteria.

The U.S. Census Bureau reports Median Family Income for nonmetropolitan Georgia communities was \$26,691 in 1990. This income statistic is used to determine Low, Moderate, Middle, and High income tracts within the bank’s assessment area. Median Family Income in Chattooga County was \$24,145 in 1990, and all six tracts in the county are considered “Middle-Income” in comparison to the median for other Georgia nonmetropolitan communities. Income definitions and distribution by tract and family within the assessment area are summarized below:

Income Designation	% of GA non-MSA Median Family Income	Number of Tracts in Assessment Area	Percent of Families in Assessment Area
Low	Less than 50%	0	21.66%
Moderate	50 to 80%	0	20.23%
Middle	80 to 120%	6	23.95%
High	Greater than 120%	0	34.16%
TOTAL:		6	100.00%

Although all tracts in the assessment-area are considered middle-income, the chart above shows that there is a wide dispersion of family incomes within the county. Since there are none, no low- or moderate- income areas have been arbitrarily excluded in the determination of the bank’s

assessment area.

According to the department of housing and urban development (HUD), median family income for nonmetropolitan Georgia communities grew to \$32,500 in 1996. This income statistic was used to determine low and moderate income borrowers in evaluating the bank's performance in lending to borrowers of different income levels (see **Lending to Borrowers of Different Incomes** later in this report).

Chattooga County and the city of Summerville have experienced minimal population and/or economic growth since 1980. Textile manufacturing remains the major industry, accounting for 40% of the county's jobs in 1993. Mohawk Carpet Corporation, Mt. Vernon Mills, and Tillotson Corporation are the three largest employers in the county. According to the 1990 census, 63% of the employed residents of Chattooga County work in the county; and 83% of the Chattooga County workforce live in the county.

COMMUNITY CONTACT

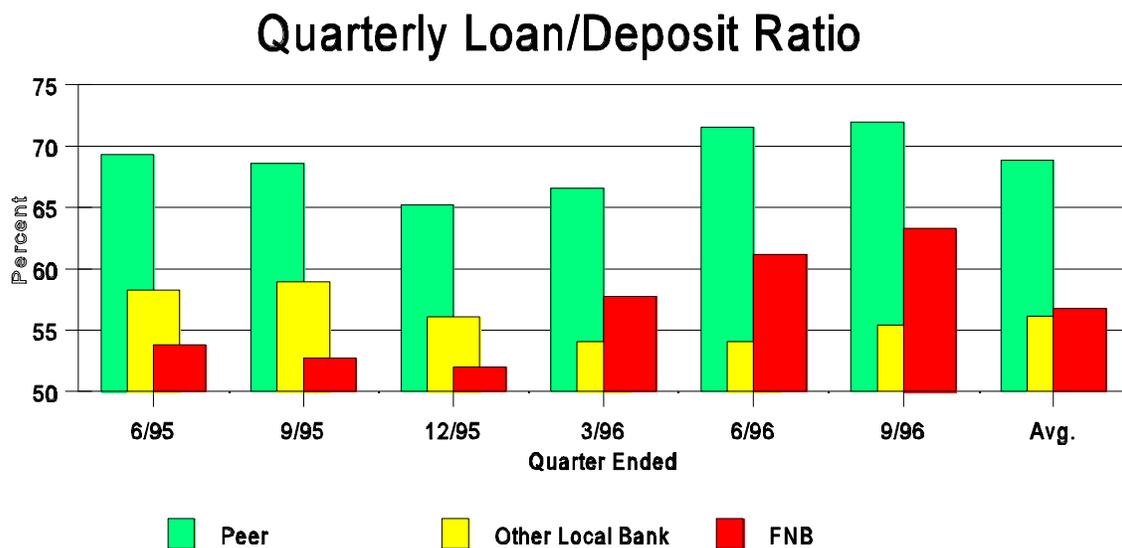
As part of our evaluation, we reviewed community contact information obtained by prior OCC examiners regarding local economic conditions, and community credit needs. The President of the Chattooga County Chamber of Commerce was one such contact. Based on information provide by these contacts, bank management, and our knowledge of the local community, we believe the primary credit needs in the assessment area are small consumer installment and housing loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The loan-to-deposit ratios maintained by the First National Bank of Chattooga County during the evaluation period are Reasonable, given the bank's size, financial condition, and assessment area credit needs. Our conclusion was based, in part, on a comparison of ratios maintained by FNB to the average ratios of twenty-nine banks of similar size (assets between \$25 and \$50 million) with two or more offices located in other nonmetropolitan areas of Georgia (i.e. "Peer" banks). The bank's six-quarter average loan-to-deposit ratio of 57 percent was below the 69 percent peer group average. However, FNB's loan-to-deposit ratio has increased significantly during each of the last three quarters.

We also compared FNB's loan-to-deposit ratios to those of the only other bank located in Chattooga County. The other local bank is much older and almost five times the size of FNB. FNB's loan-to-deposit ratios compared favorably during the evaluation period and now exceed those of its much larger competitor:



Based on the improving trend in the bank's loan-to-deposit ratios during the evaluation period and its favorable comparison with the only other bank located in the county, we concluded that FNB's ratios were reasonable. The disparity between the bank's ratios and those of other nonmetropolitan Georgia banks can be attributed to low loan demand in the assessment area and the bank's concentration of lending activities in small dollar amount loans.

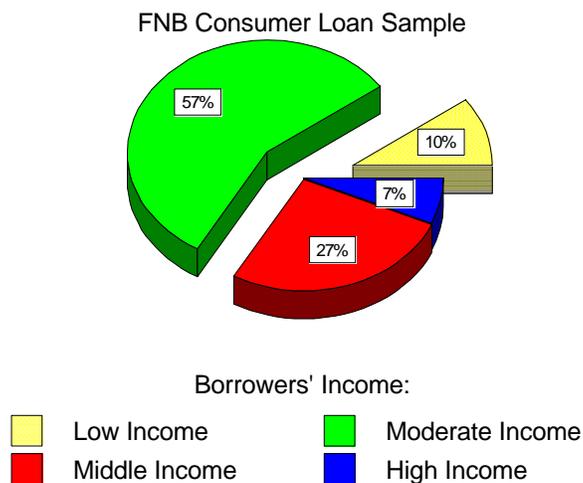
Lending in Assessment Area

A majority of FNB's loans and other lending-related activities are in Chattooga County. The bank does not track the geographic distribution of its loans within and outside the assessment area. Therefore, for purposes of this evaluation, we sampled 32 used car loans made during 1996. We found that all of these loans were made to borrowers in Chattooga County. Twenty-seven, or 84% of the loans in our sample, were to borrowers in the Summerville or Trion zipcode areas where the bank's offices are located..

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

The bank's distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. As noted above, FNB makes primarily small consumer loans. As part of our evaluation, we sampled twenty small (\$10,000 or less) consumer car loans made during 1996. We compared the income of these borrowers to the 1996 median family income for nonmetropolitan Georgia communities (\$32,500) as reported by the Department of Housing and Urban Development (HUD) which was discussed in the **Description of Assessment Area** section of this report. The chart below illustrates the distribution of these consumer loans:

Distribution of Credit



The dispersion of these borrowers among the four income groups was reasonable given the demographic characteristics of the assessment area. Although low- and moderate-income families compose only 42% of the county's population, 67% of the loans in our sample were

made to low- or moderate-income borrowers.

LOANS TO SMALL BUSINESS and SMALL FARMS

Call report instructions define loans to small businesses as commercial and commercial real estate loans in original amounts of \$1 million or less. Similarly, loans to small farms are defined as those in original amounts of \$500,000 or less. The volume of small business and small farm loans is reported on the June Report of Condition (i.e. Call Report).

FNB reported on its June 30, 1996 Call Report that all or substantially all of its 62 outstanding “Loans secured by nonfarm nonresidential properties” and its 33 “Commercial and industrial loans” were in the original amounts of \$100,000 or less. The bank reported that all or substantially all of its 3 outstanding “loans secured by farmland” and its 14 “loans to finance agricultural production and other loans to farmers” were also in original amounts of \$100,000 or less. Based on this information, we concluded that FNB has a satisfactory record of lending to small businesses and small farms.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank’s loans would not be meaningful, since all of the tracts in the assessment area are considered middle-income.

Response to Consumer Complaints

There have been no complaints relative to the bank’s CRA performance during the evaluation period.

Record of Compliance with Antidiscrimination Laws

A fair lending examination was performed in conjunction with our CRA review. No violations of the substantive provisions of antidiscrimination laws and regulations were noted during that examination.