

PUBLIC DISCLOSURE

December 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Premier National Bank
Charter # 23127**

**100 W. Walnut Avenue, Suite 126
Dalton, Georgia 30720**

**Office of the Comptroller of the Currency
Georgia Field Office
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.

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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 **Premier National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 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: This institution is rated **SATISFACTORY**.

The Premier National Bank CRA rating is based on the institution's satisfactory loan-to-deposit ratio, high proportion of lending in its assessment area, distribution of lending to borrowers of different income levels and businesses of different sizes, and geographic distribution.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Premier National Bank 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 have been received by Premier National Bank since their opening in November, 1996.		

DESCRIPTION OF INSTITUTION

Premier National Bank (PNB) is a \$30 million “De Novo” community bank. The bank’s financial condition is characterized by gross loans of \$19 million, deposits of \$20 million, and net loss of \$589 thousand as of September 30, 1997. PNB opened on November 25, 1996, and operates from one location at 100 W. Walnut Avenue, Suite 126, Dalton, Georgia. (The bank’s drive-in facility is in the parking lot of Bry-Mans Plaza North, the shopping center housing the main office. The drive-in is technically a branch of PNB and not part of the main office. However, due to the proximity of the drive-in to the bank, operations were considered from one location for this analysis). No known legal impediments exist that would restrain PNB from meeting the credit needs of its assessment area.

The bank is headquartered in the highly competitive market of Whitfield County. Their competition consists of five state and nationally chartered financial institutions plus eight branches of multinational and regional banks operating in Georgia. The bank offers traditional lending products and services such as commercial loans, consumer installment loans, and small business administration loans. PNB’s loan portfolio is evenly distributed between Real Estate, Consumer, and Commercial and Industrial loans. The majority of the bank’s real estate loans are residential mortgages and the consumer loan portfolio is dominated by direct and indirect auto paper. The composition of the loan portfolio is broken down as 45.13% in commercial lending and 54.87% in consumer lending.

DESCRIPTION OF ASSESSMENT AREA

PNB’s assessment area includes all of Whitfield and Murray Counties. These counties are not part of any Metropolitan Statistical Area (“MSA”). Whitfield County has sixteen block numbering areas (“BNA”) and Murray County has five. According to the U.S. Census Bureau, these designated areas do not contain any low or moderate income tracts. The population of the assessment area is 98,609¹. The Housing and Urban Development Non-MSA median family income for Georgia is \$33,600 and \$32,348 for the bank’s assessment area.

Carpet manufacturing dominates the business environment of Whitfield and Murray Counties. Over 150 manufacturing plants and 100 outlet stores exist in the area. The area also has production facilities for plastics, chemicals, bakery products, denim jeans, and fiber products. Major industry employers include World Carpets Inc., Shaw Industries Inc., and Mohawk Industries. Unemployment for the county is 2% and has been lower than those of the state and national averages for several years.

As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs. Based on information provided by the Whitfield

¹U.S. Census Bureau, 1990

County Administrator and the Mayor of Chatsworth, the primary need in the area is affordable mortgage programs for low to moderate income families. Further, the contacts indicated that local institutions stay active in community development projects and meet local credit needs.

The table below summarizes the demographic information for Premier's assessment area (*Table 1*).

<i>County</i>	<i>Population</i>	<i>Median Family Income</i>	<i>Census Tracts or BNAs</i>	<i>Low Income Tracts</i>	<i>Low Income Families</i>	
Whitfield	72,462	33,291	16	0	2,825	13.62%
Murray	26,147	29,740	5	0	1,095	14.60%

Table 1

Income Definitions:

Low Income - An individual income, or median family income for geographies, that is less than 50% of the area median income.

Moderate Income - An individual income, or median family income for geographies, that is at least 50% and less than 80% of the area median income.

Middle-Income - An individual income, or median family income for geographies, that is at least 80% and less than 120% of the area median income.

Upper-Income - An individual income, or median family income for geographies, that is 120% or more of the area median income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Since the bank's opening, PNB's four quarter average loan-to-deposit (LTD) ratio is reasonable at 68% compared with its peer banks' average of 65%. PNB's peer group consisted of two financial institutions chartered in Whitfield County and two in Murray County. As the graph shows (*Figure 1*), the bank's LTD ratio has rapidly increased while peer ratios have remained stable. This is generally a result of the new bank status of PNB versus the otherwise established institutions. However, PNB has exceeded all peer banks in LTV ratio for the past two quarters.

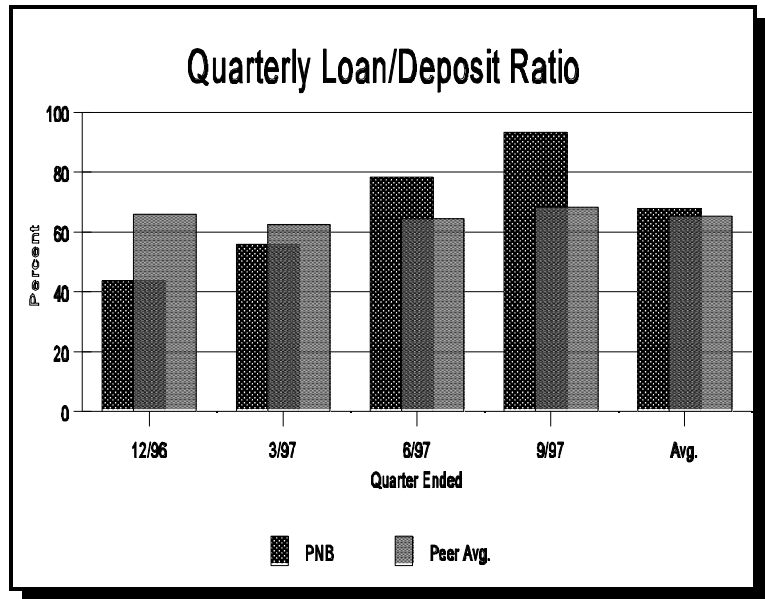


Figure 1

Lending in the Assessment Area

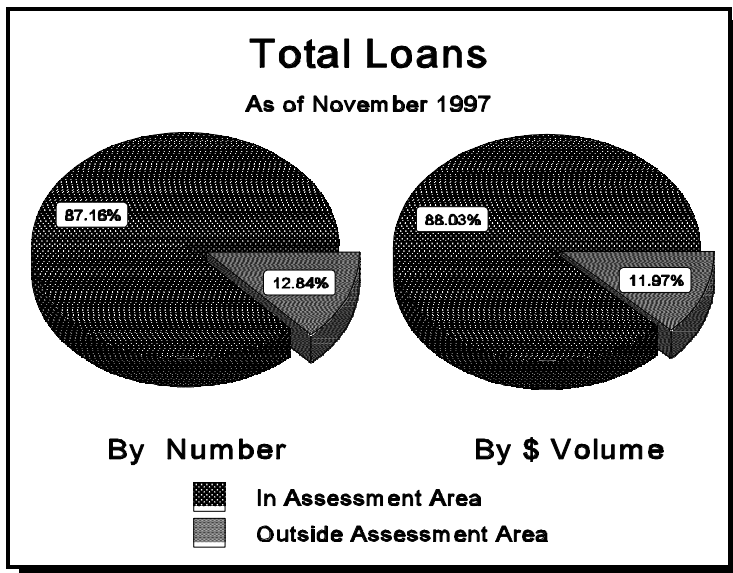


Figure 2

Lending levels reflect responsiveness to community credit needs. The bank has extended a majority of its loans to borrowers within its assessment area. Based on a sample of loans outstanding as of November 31, 1997, the bank originated 87% of its loans to borrowers within the assessment area (*Figure 2*). Using third quarter call report information, approximately 54% of lending activity for 1997 was centered in consumer related products such as residential real estate and other consumer loans (*Table 2*).

Types of Loans Outstanding at September 30, 1997		
Loan Type	Amount Originated (000's)	Percent of Total Loans
Real Estate		
Construction and Land Development	\$1,574	8.41%
Residential	\$3,700	19.77%
Commercial	\$397	2.12%
Agriculture	\$45	.24%
Consumer	\$6,569	35.10%
Commercial and Industrial	\$6,318	33.76%
Other	\$113	.60%
TOTAL LOANS	\$18,716	100%

Table 2

Distribution of Credit

Our analysis of Premier National Bank's lending patterns to borrowers of different income levels was based on a sample of ninety-two consumer loans made in 1997. Additionally, we reviewed a sample of fourteen commercial loans and the bank's June 1997 Call Report to assess the bank's commercial lending patterns to businesses of different sizes.

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

Lending to borrowers of different incomes is reasonable. We found, through our loan sample, that 20.6% of the consumer loans had been made to low and moderate income borrowers. Also, the distribution of loans to middle and upper income individuals was 16.3% and 63.1%, respectively. This loan distribution is fairly consistent with the percentage of Whitfield and Murray County residents within each income group (See Graph 3).

Lending to businesses of different sizes is also reasonable. Based on our sample of business credits, 50% of the loans were to small businesses (See Graph 4). Small Businesses are defined as companies with less than \$1 million in annual revenues.

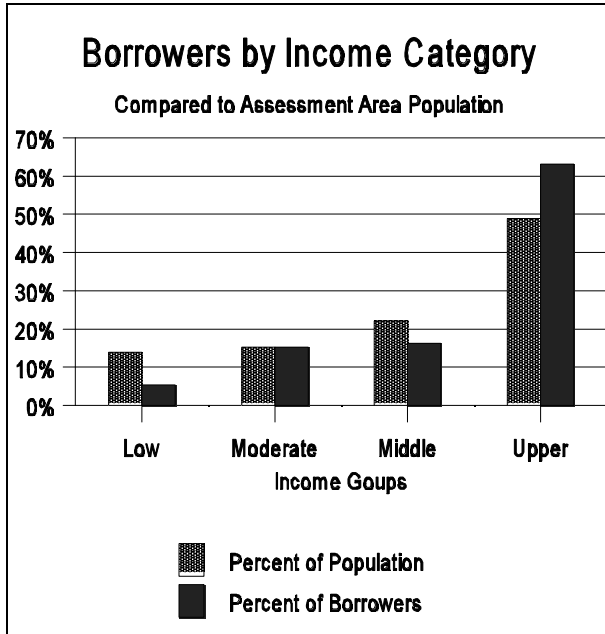


Figure 3

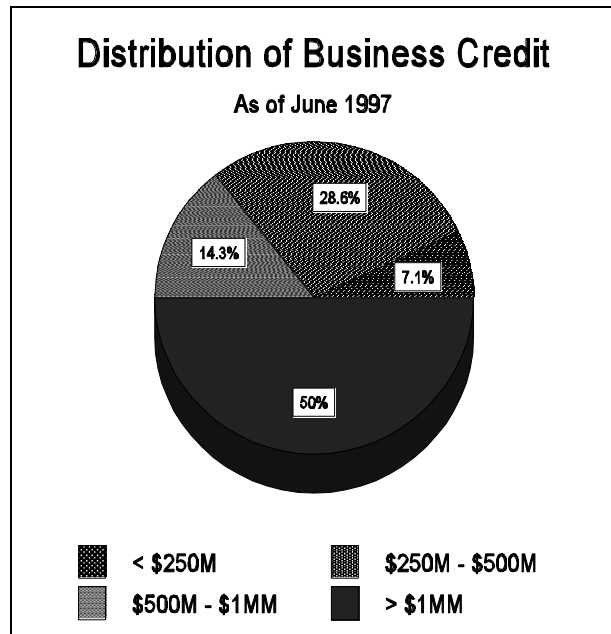


Figure 4

Geographic Distribution of Loans

PNB has a satisfactory record of lending to all segments of its assessment area. While all of the tracts in the bank's assessment area are middle or upper income, distribution of credit throughout the various tracts is reasonable and consistent with the bank's ability to help meet the credit needs of its community.

Response to Consumer Complaints

PNB has not received any CRA-related complaints since the bank opened on November 25, 1996.

Record of Compliance with Antidiscrimination Laws.

We conducted a concurrent compliance and fair lending examination. We did not identify any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, Fair Housing Act, and the Fair Housing Home Loan Data System Regulation. The bank has instituted appropriate fair lending policies, procedures, and training programs.

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