



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 05, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southeast First National Bank
Charter Number 15651

10144 Commerce Street
Summerville, GA 30747

Office of the Comptroller of the Currency

Three Ravinia Drive
Suite 1950
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.

State Name: Georgia

Rating: Satisfactory

State Name: Florida

Rating: Needs to Improve

The performance rating is supported by the following factors:

- The loan-to-deposit ratio is less than reasonable given the bank's size, financial condition, and competition.
- A majority of loan originations were within the bank's combined assessment area.
- The penetration of loans to borrowers of different income levels within the Chattooga County, Georgia, assessment area is reasonable. There were no loan originations within the Bay County, Florida, assessment area during the review period.
- The distribution of loans to consumers is reasonable.
- The bank's record of lending to businesses reflects a reasonable penetration among businesses of different sizes.
- There was no review of the geographic distribution of loans for Chattooga County, Georgia, because all of census tracts (CTs) within this assessment are middle-income. A review of the geographic distribution of loans for the Bay County, Florida, assessment area was not performed because there were no loan originations within this assessment area during the review period.
- The bank's overall rating is a blend of the state ratings. In arriving at the overall bank rating, the state of Georgia carried the vast majority of the weight since most of the bank's branches, deposits, and lending activity is in this state. Approximately 99 percent of the bank's deposits and 100 percent of the loans originated during the review period were within the state of Georgia. The bank's performance in Florida carried little weight in arriving at the overall bank rating.

Scope of Examination

This CRA Performance Evaluation is an assessment of Southeast First National Bank's (SEFNB) ability to meet the credit needs of its community. Examiners conducted full-scope reviews of the bank's two assessment areas (AAs). The bank was evaluated utilizing the Small Bank CRA examination procedures. The evaluation covered the period of January 1, 2009, to December 31, 2011, and was based upon the bank's

residential mortgage, commercial, and consumer lending activities. The bank has no lending affiliates. A data integrity review was performed of the bank's loans reported under the Home Mortgage Disclosure Act (HMDA) prior to the commencement of this evaluation. Consumer and small business loans were also reviewed and compared to the bank's source files and other internal records.

Description of Institution

SEFNB is a wholly-owned subsidiary of Summerville/Trion Bancshares, Inc., Summerville, Georgia. The bank has three full-service facilities, the main office in Summerville, Georgia, a branch office in Trion, Georgia, and a branch office in Panama City Beach, Florida. The bank has automated teller machines (ATM) at all branch locations, and one non-bank location in Summerville. None of the ATMs accepts deposits. SEFNB does not offer internet banking services.

Since the preceding evaluation, the bank opened the branch in Panama City Beach, Florida. On February 1, 2008, SEFNB acquired Dunnellon State Bank (DSB), Dunnellon, Florida, through a merger. Simultaneous with this transaction, the location occupied by DSB was sold to another commercial bank, and SEFNB opened the Panama City Beach location.

There are no financial conditions, legal constraints, or other factors hindering the bank's ability to help meet the credit needs of its combined AAs. The prior CRA Performance Evaluation dated April 14, 2006, resulted in a "Satisfactory" rating.

SEFNB offers traditional loan and deposit products. As of June 30, 2012, SEFNB's assets totaled \$62.5 million, of which net loans comprised 21.70 percent. Loan products include commercial/industrial, consumer, and residential real estate. Based upon the number and dollar of loans, our analysis of the bank's lending included the two primary loan types: residential real estate and business loans. The loan portfolio composition at June 30, 2012, was reported as follows:

Residential Mortgage Loans	\$6,749	48.80%
Commercial/Industrial including CRE	\$5,404	39.07%
Consumer Loans	\$1,604	11.60%
All Other	\$74	0.53%
Total	\$13,831	100%
Loan Category	\$ (000s)	% of \$

Source: June 30, 2012 Call Report

Community Contact

During the CRA evaluation, it is customary for examiners to contact organizations within the assessment area(s) for information regarding local economic conditions and credit needs. The community contact stated that community credit needs are generally being met by local institutions. However, financial institutions in the local area are making fewer loans and applying stricter underwriting principles.

Conclusions with Respect to Performance Criteria

HMDA report data was available since the bank has offices located within the Panama City Beach, Florida MSA. A random sample of primary loan products was selected to verify the accuracy of the HMDA data and to evaluate CRA lending performance. Business and consumer loans were also sampled to determine the accuracy of the bank's internal records.

Loan-to-Deposit Ratio

SEFNB's loan-to-deposit (LTD) ratio is less than reasonable and does not meet the standards for satisfactory performance. The bank's quarterly LTD ratio averaged 37.78 percent since March 2006, which is well below the average quarterly ratio of 89.73 percent for the three other commercial banks also operating within Chattooga County, Georgia. The bank's ratio ranged from a low of 23.14 (March 2012) percent to a high of 59.36 percent (September 2006). The average LTD ratio at the preceding evaluation was approximately 59 percent.

The examiner notes that SEFNB's three bank competitors in Chattooga County, Georgia, are much larger with respect to total assets, branch networks, and operate in multiple states. Therefore, the examiner also reviewed the LTD ratios of the competitor banks analyzed at the preceding evaluation, one from adjacent Floyd County, Georgia, and two from adjacent Walker County, Georgia. These three banks are more similarly situated to SEFNB with respect to total assets and branch networks. However, at 37.78 percent, SEFNB's LTD ratio is still lower than that of the three other banks. The other average LTD ratios for the same period were 48.64 percent, 53.02 percent, and 74.90 percent.

The potential to increase the bank's LTD has been affected by the competition, family and household poverty levels within the combined AAs, as well as the loss of jobs within the combined AAs.

Lending in Assessment Area

SEFNB's lending within the combined AA meets the standard for satisfactory performance with a majority of loans originated inside the combined AA.

Table 1 - Lending within the Combined Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate	86	82.69	18	17.31	104	4,248	68.56	1,948	31.44	6,196
Consumer	47	78.33	13	21.67	60	695	93.16	51	6.84	746
Commercial	33	80.49	8	19.51	41	2,842	67.32	1,380	32.68	4,222
Totals	166	80.98%	39	19.02%	205	\$7,785	69.73%	\$3,379	30.27%	\$11,164

Source: Consumer/commercial loan sample/HMDA analysis.

The majority of SEFNB’s mortgage loan originations are generated within the non-MSA Georgia AA. The following table presents SEFNB’s overall AA lending activity during the review period separated by AA:

Assessment Area	Originations
Chattooga County, GA	166/100.0%
Bay County, FL	-0-/ 00.0%
Totals	166/100.0%

In addition, as of June 30, 2012, the bank’s deposits were dispersed within the two AAs as detailed below:

Assessment Area	Deposits (000’s)
Chattooga County, GA	54.95/98.90%
Bay County, FL	00.61/01.10%
Totals	55.56/100.0%

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the national bank, or in any assessment area by an affiliate whose loans have been considered as part of the national bank's lending performance.

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

State Rating

State of Georgia The CRA Rating for Georgia is Satisfactory

The performance rating is supported by the following factors:

- The distribution of loans to borrowers of different income levels within this AA reflects a reasonable penetration.
- The distribution of loans to businesses of different sizes within this AA also reflects a reasonable penetration.
- The geographic distribution of loans within this AA was not reviewed as all of the CTs are classified as middle-income.

Description of Chattooga County Assessment Area

For purposes of this review, SEFNB's Georgia AA includes all of Chattooga County. Chattooga County is located in northwest Georgia, approximately 25 miles north of Rome, Georgia, and approximately 45 miles south of Chattanooga, Tennessee. This AA is comprised of six CTs, all middle-income, and is not located within a MSA. This AA does not arbitrarily exclude any low- or moderate-income geography. The table below highlights the demographic composition of this AA:

Demographic and Economic Characteristics of the Albany Assessment Area	
Population	<i>Chattooga County, GA AA</i>
Number of Families	6,845
Number of Households	9,590
Geographies	
Number of Census Tracts	6
% Low Income Census Tracts	00.0%
% Moderate Income Census Tracts	00.0%
% Middle Income Census Tracts	100.0%
% Upper Income Census Tracts	00.0%
Median Family Income (MFI)	
2000 HUD Adjusted MFI for non-MSA Georgia	\$42,400
2011 HUD Adjusted MFI for non-MSA Georgia	\$44,600
Economic Indicators	
June 2012 Unemployment Rate Chattooga County	9.9%
2000 Median Housing Value Chattooga County	\$59,579
% of Households Below Poverty Level Chattooga County Georgia	14.56%
% of Families Below Poverty Level Chattooga County, Georgia	11.31%

Source: U.S. 2000 Census, HUD, Georgia Department of Labor.

SEFNB's Georgia AA is predominately rural. Leading industries include regional medical facilities, light manufacturing, agriculture, timber, and education. Major employers in Chattooga County include Mount Vernon Mills, Mohawk Industries, Hays State Prison, and Best Manufacturing, as well as the county school systems. As reported by the 2010 Census, the total number of housing units in Chattooga County decreased since 2000 by 300 while the total number of housing units within the state of Georgia increased by 807,064 during the same period. In addition, the total number of jobs decreased by 1,208 from 2005 to 2010 across a variety of industries. Competition to provide financial services within this AA remains strong. SEFNB's major competitors in Chattooga County include three larger commercial banks, two of which have offices throughout the southeast.

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

SEFNB's level of lending to borrowers of different incomes and to businesses of different sizes within this AA is reasonable and meets the standards for satisfactory performance. The bank's distribution of residential loans reflects reasonable penetration among individuals of different income levels. The percentage of lending to low-income families is below the demographic benchmark. However, this AA's family

poverty rate at 11.31 percent represents a mitigating factor. Lending to moderate-income families is also lower than the demographic benchmark.

Borrower Income Distribution of Residential Real Estate Loans within the Chattooga County AA								
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 RE	19.24%	15.12%	20.57%	17.44%	21.91%	15.12%	38.28%	52.32%

Source: U.S. Census Data and HMDA analysis.

The bank’s distribution of consumer loans reflects reasonable penetration among individuals of different income levels. The percentage of lending to low-income households is generally commensurate with the demographic benchmark. However, this AA’s household poverty rate at 14.56 percent also represents a mitigating factor. Lending to moderate-income households is higher than the demographic benchmark.

Borrower Distribution of Consumer Loans within the Chattooga County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	24.37%	23.40%	17.84%	23.40%	19.82%	19.15%	37.97%	34.04%

Source: Loan sample; U.S. Census data

Lending to businesses of different sizes within this AA reflects an excellent penetration. The number and dollar volume of loans made to businesses with revenues less than \$1 million is higher than the percentage for the number of small businesses within this AA.

Income Distribution of Loans to Businesses within the Chattooga County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.94%	0.96%	27.10%	100%
% of Bank Loans in AA by #	84.85%	15.15%	00.00%	100%
% of Bank Loans in AA by \$	55.24%	44.76%	00.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

All of the CTs within this AA are middle-income. Therefore, no analysis of SEFNB's geographic distribution of loans within this AA was performed. However, no conspicuous lending gaps were identified.

The examiner notes that during 2009 and 2010, all of the Chattooga County tracts were considered "Underserved and/or Distressed." However, this classification was removed for 2011.

Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period for this AA.

State Rating

State of Florida

The CRA Rating for Florida is Needs to Improve

The performance rating is supported by the following factors:

- The bank did not originate any loans in this AA during the review period.

Description of Bay County Assessment Area

For informational purposes, SEFNB operated one branch within Bay County (Panama City Beach), Florida, during the review period. The bank opened its branch in this county on February 1, 2008. Bay County, Florida, is located on the Gulf of Mexico and is approximately 100 miles west of Tallahassee, Florida, and 100 miles east of Pensacola, Florida. The Bay County AA is comprised of 29 CTs and is located within the Panama City, Florida MSA. The Bay County AA contains one low-, ten moderate-, 12 middle-, and six upper-income CTs, meets the technical requirements of the Act, and does not arbitrarily exclude any low- or moderate-income geography. The table below highlights the demographic composition of this AA:

Demographic and Economic Characteristics of the Bay County Assessment Area	
Population	<i>Bay County AA</i>
Number of Families	40,653
Number of Households	59,594
Geographies	
Number of Census Tracts	29
% Low Income Census Tracts	3.45%
% Moderate Income Census Tracts	34.48%
% Middle Income Census Tracts	41.38%
% Upper Income Census Tracts	20.69%
Median Family Income (MFI)	
2000 HUD Adjusted MFI for Panama City, FL MSA	\$42,600
2011 HUD Adjusted MFI for Panama City, FL MSA	\$57,500
Economic Indicators	
June 2012 Unemployment Rate Panama City, MSA	8.2%
2000 Median Housing Value Panama City AA	\$89,146
% of Households Below Poverty Level Panama City, AA	9.80%
% of Families Below Poverty Level Panama City AA	11.1%

Source: U.S. 2000 Census, HUD, Alabama Department of Labor.

The Bay County AA is a mix of urban and rural economies. Leading industries within this AA include tourism, regional medical facilities, light manufacturing, and education. Major employers in Bay County include Tyndall Air Force Base, Naval Support Activity Center, Bay Medical Center, Wal-Mart Corporation, Eastern Shipbuilding, and Gulf Coast Medical Center, as well as the school system within the county. As reported by the 2010 Census, the total number of housing units in Bay County decreased since 2000 by 21,215 while the total number of housing units within the state of Florida increased by 1,686,633 during the same period. In addition, the total number of jobs decreased by 1,081 from 2005 to 2010, primarily in the residential construction industry, building construction, building foundation contractors, and building finishing contractors. Competition to provide financial services within this AA remains strong. In Bay County, SEFNB competes against 16 other commercial banks including seven that have offices throughout the southeast. As of June 30, 2012, SEFNB had the fewest deposits of any FDIC insured financial institution.

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

The bank did not originate any loans in this AA during the review period.

Geographic Distribution of Loans

The bank did not originate any loans within this AA during the review period.

Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period for this AA.