

PUBLIC DISCLOSURE

August 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Haralson County
Charter # 16567**

**3559 U.S. Highway 27 South
Buchanan, Georgia 30113**

Office of the Comptroller of the Currency

**1117 Perimeter Center West, Suite W-401
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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 **The First National Bank of Haralson County**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 4, 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 CRA rating for The First National Bank of Haralson County (the “bank” or “FNB”) is based on the institution’s satisfactory loan-to-deposit ratio, substantial majority of lending within its assessment area, and reasonable loan distribution to borrowers of different income levels and different size businesses.

The following table shows *FNB's* performance level with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Haralson 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		X	
Response to Complaints	FNB has not received any CRA-related complaints since the previous evaluation.		

DESCRIPTION OF INSTITUTION

The First National Bank of Haralson County is a \$114 million banking institution wholly owned by First Haralson Corporation. The bank's financial condition is characterized by gross loans of \$71 million, total deposits of \$101 million, and net income of \$865 thousand as of June 30, 1997. The main office is located at 3559 U.S. Highway 27 South, Buchanan, Georgia with five other branches in the cities of Bremen, Tallapoosa, Waco and Bowdon. There are not any legal impediments that should hinder the bank from meeting the credit needs of its assessment areas.

FNB is a retail banking institution that offers traditional financial services including commercial loans, consumer loans, real estate loans, agriculture loans, small business administration loans, and Georgia Development Authority loans. The loan portfolio primarily consist of residential real estate loans which total 34 percent of the portfolio. No other community banks are headquartered in the assessment area. However, the assessment area includes five branches of other financial institutions, including Citizens Bank and Trust of West Georgia and SouthTrust Bank of Georgia, N.A.

The bank is a member of several nationwide and regional ATM networks, including Honor, Cirrus, Tyme, NYCE, ATH, MAC and Magic Line. These systems offer the convenience of nationwide banking through six ATMs located at each branch location. Additionally, the bank provides express banking through a 24 hour telephone access system.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Haralson County. This area contains three block numbering areas (hereafter referred to as "*tracts*"). All tracts are considered as middle-income as determined by the U.S. Census Bureau. The population of the assessment area is 21,966¹. Growth is forecasted to reach 25,000 by the year 2000. In 1995, the unemployment rate averaged 8 percent due to weaknesses in the apparel industry. Since the 1980's, the county's unemployment rate has exceeded the state average.

As part of our examination, we contacted local organizations to discuss economic conditions and community credit needs. Based on information provided by the Haralson County Chamber of Commerce and the Haralson County Development Authority, small business lending is the primary need of the county. Further, based on our discussions with these groups, the local banks are meeting community credit needs.

¹ U.S. Census Bureau, 1990

Manufacturing and agriculture are the leading industries in the economy. Major local employers include Associated Substations, Inc., Wayne Davis Concrete, Ellis Equipment Company, Haralson County Board of Education, Haralson Metals, Hoover Hanes Rubber Company, Mark-Lynn Industries, Southeastern Hose, Stoffel Seals, Inc., and U.S. Can Company.

The table below summarizes the demographic information for Haralson County (*Table 1*).

<i>County</i>	<i>Population</i>	<i>Median Family Inc.²</i>	<i>Census Tracts or BNAs</i>	<i>Low Income Tracts</i>	<i>Low-Income Families</i>	
Haralson	21,966	\$26,691	3	0	1,238	19.5%

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.

² The 1997 Non-metro Median Family Income for Georgia was \$33,600. Source: U.S. Department of Housing and Urban Development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN-TO-DEPOSIT RATIO

Since the last CRA exam, the bank's nine quarter average loan-to-deposit ratio is 63 percent. As mentioned, there are no other state or nationally chartered banks operating in the county. When compared to your peer group³, your bank's loan to deposit ratio is slightly below their ratios. Beginning with June 1996, the margin differential is declining as your bank's loan growth continues. This is illustrated in figure 1. Loan growth has been good and averaged 10 percent in 1996. Most of this growth was in real estate related products.

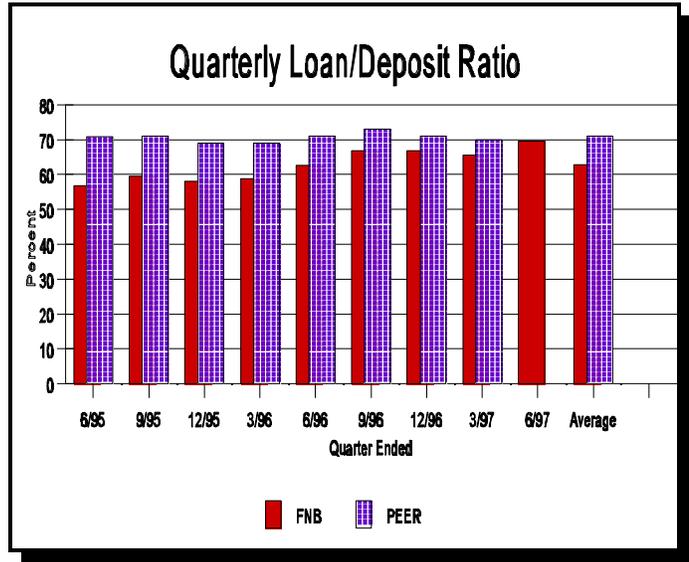


Figure 1

LENDING IN THE ASSESSMENT AREA

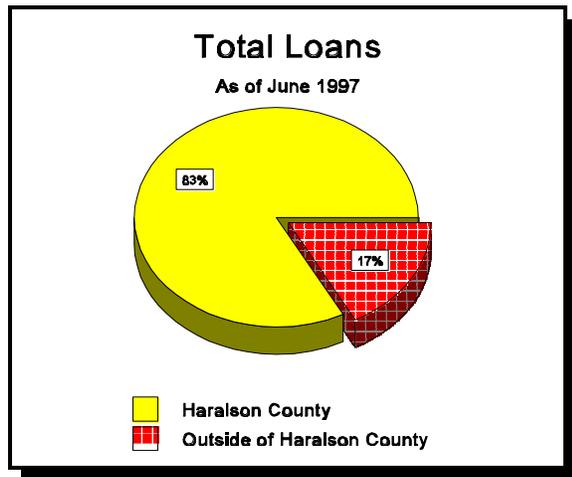


Figure 2

Lending levels reflect responsiveness to community credit needs. The bank extended a significant majority of its loans to borrowers within its assessment area. During the 12-month period ending December 31, 1996, the bank originated 76 percent of its residential real estate and consumer loans to borrowers residing within the assessment area. Year to date, the bank extended 83 percent of its loans within Haralson County (see Figure 2). A review of the bank's loan origination reports revealed that approximately 52 percent of lending activity for 1997 was centered in consumer related products such as residential real estate, multi-family real estate, and other consumer loans (see table 2).

³Peer group consists of all nonmetropolitan Georgia banks with assets between \$100MM to \$300MM operating three or more branches.

The bank also makes many residential loans to low- and moderate-income borrowers through mobile home financing. Currently, the bank has \$3,711MM or five percent of the outstanding loan portfolio centered in this housing product.

Types of Loans Originated in 1997

Loan Type	Number Originated	Amount Originated (000's)	Percent of Total Loans
Real Estate			
Construction and Land Development	21	\$2,381	7.0%
Residential	285	\$11,311	33.3%
Residential loans sold in the secondary market	3	\$168	0.5%
Multi-family	1	\$11	0.0%
Commercial	69	\$9,365	27.5%
Farms	12	\$912	2.7%
Consumer	1,317	\$6,532	19.2%
Commercial and Industrial	68	\$3,215	9.5%
Agriculture	3	\$46	0.1%
All Other	9	\$239	0.7%
TOTAL LOANS	1,788	\$34,173	100.00%

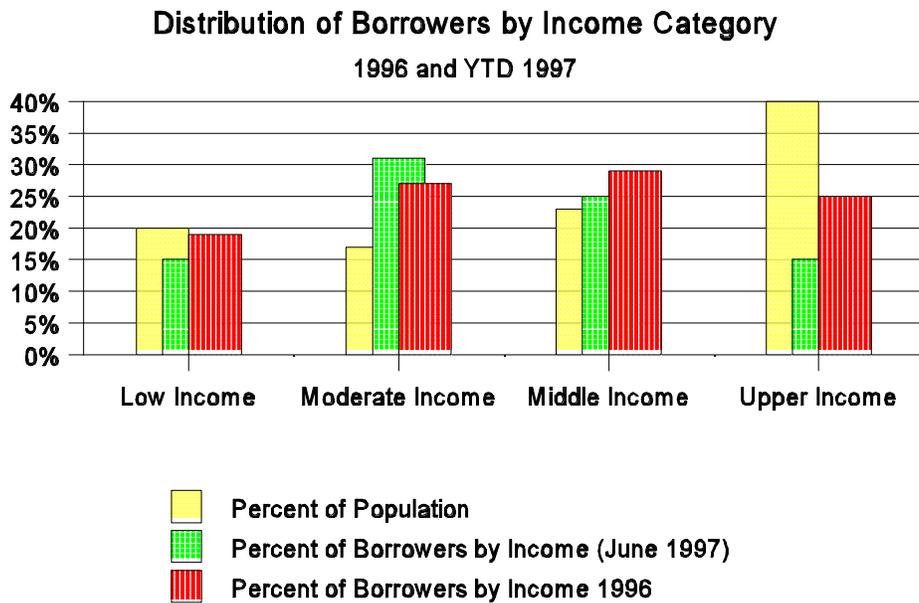
Table 2

DISTRIBUTION OF CREDIT

We relied in part on analyses management conducted to assess the distribution patterns of credit to borrowers of different income levels and tracts. Management's analysis included 3,051 loans that were made in 1996 and 1,354 as of June 1997. From the June 1997 Call Report, we determined the bank's commercial lending patterns to businesses of different sizes. The bank regularly reviews the geographic distribution of its loans as well as income distribution of the borrowers.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The overall distribution of lending to borrowers of different incomes is good. Management tracks all loans to borrowers in Haralson County and outside of the assessment area. Based on internal reports, management has originated loans which correlate to the low- and moderate- income population of the assessment area. In 1996, the bank originated 47 percent of loans to low- and moderate- income borrowers which corresponds favorably to the population (37 percent) of these income groups. Further, the bank has extended 46 percent of the loans originated in 1997 to this group.



LENDING TO BUSINESS OF DIFFERENT SIZES

Lending to businesses of different sizes is very good. Based on June 1997 Call Report data, the loan portfolio has 402 small business loans outstanding totaling \$18,872M. This represents 90 percent of the commercial and commercial real estate portfolio. Additionally, during November 1996, the bank committed \$500,000 to Habitat for Humanity, International, Inc. to fund timing differences in their contributions. This loan was purchased from The Banker's Bank, Atlanta, Georgia.

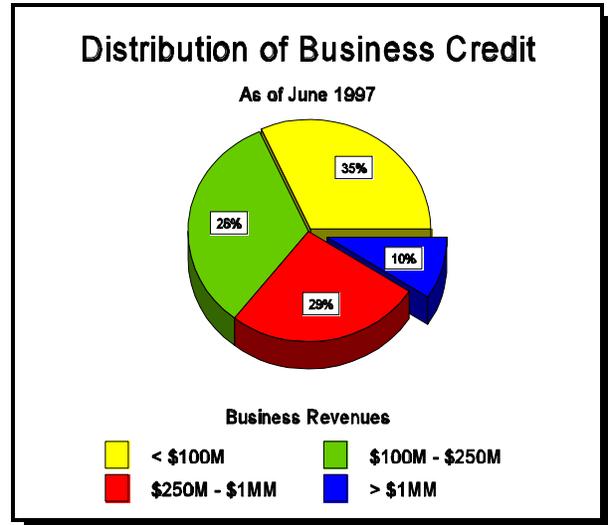


Figure 4

LENDING TO BORROWERS IN DIFFERENT GEOGRAPHIES

The bank has a satisfactory record of lending to all segments of its assessment areas. While all of the tracts in the bank's assessment areas are middle income, distribution of credit throughout the different tracts is reasonable and consistent with the bank's ability to help meet the credit needs of its community. Further, the bank has at least one branch office in each of the three block numbering areas.

RESPONSE TO CONSUMER COMPLAINTS

FNB did not receive any CRA-related complaints since the most recent CRA examination dated April 4, 1995.

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS.

We conducted a concurrent compliance and fair lending examination. We did not find any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws, including the Equal Credit Opportunity Act and Fair Housing Act. The bank has instituted formal fair lending policies and procedures, training programs, and second review process.

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