

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**THE FIRST NATIONAL BANK OF TALLADEGA
Charter # 4838**

**P. O. Drawer 797
Talladega, Alabama 35161-0797**

Office of the Comptroller of the Currency

**Southeast District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

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 (CRA) performance of **The First National Bank of Talladega** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 30, 1998. 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 rating is based on the following:

- FNB's lending in its assessment area is very good. A substantial majority of the loans were made to borrowers within the bank's assessment area.
- Lending to borrowers of different income levels and to small businesses and farms is good.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE FIRST NATIONAL BANK OF TALLADEGA PERFORMANCE LEVELS</u>		
	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 were received since the prior examination	

DESCRIPTION OF INSTITUTION

The First National Bank of Talladega (FNB) is located in Talladega, Alabama. Talladega is located approximately 70 miles east of Birmingham, Alabama. FNB is 96% owned by First National Talladega Corporation, a one bank holding company. FNB is the oldest and largest independent bank headquartered in Talladega county. As of 12/31/97, FNB had total assets of \$147,415 million. FNB offers a variety of credit products. FNB's primary business focus is in residential real estate lending. The composition of the bank's \$75 million loan portfolio as of 12/31/97 was (50%) residential real estate, (20%) consumer, (13%) commercial, and (17%) other real estate loans.

Competition is strong in the bank's assessment area and includes a branch of the state's largest holding company, one state bank, and one savings banks. FNB has a deposit share of approximately 55% in the bank's assessment area. FNB operates four full service offices, including the main office. No financial or legal impediments were identified which would inhibit the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area consists of Talladega County, Alabama. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. Based on the 1990 U.S. Bureau of Census information, the assessment area is made up of 12 census tracts. Of those, one is a low income tract, nine are middle income tracts, and two are upper income tracts. There are no moderate income tracts within the assessment area.

Community credit needs were determined by contacting a local community leader. According to this community contact, the most predominant need is affordable and decent housing for low and moderate income individuals. Also, the contact believes that local financial institutions should provide more financial counseling in educating low and moderate income individuals about credit and home ownership.

According to the 1990 U. S. Bureau of Census data, the total population of the bank's assessment area was 44,589. There are 11,982 families in the assessment area. Of the 11,982 families, 22% are low income, 16% are moderate income, 21% are middle income, and 41% are upper income. Families living below the poverty level account for 21% in the assessment area. The State's MSA/Non-MSA's 1997 updated median family income is \$31,500.

Talladega county's local economy is improving. According to the local Chamber of Commerce, unemployment in the county as of March 1998 was 4.75% slightly below the state's average of 4.87%. The local economy is centered in the service related industries along with some light manufacturing. The Alabama Institute for the Deaf and Blind is the county's largest employer. Discussion with management relates that during this evaluation period, there have been a couple of new industries locating within the bank's assessment. These industries have provided jobs to numerous individuals that were displaced due to the closing of several major textile manufacturing plants.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

In assessing FNB's performance, we utilized information obtained from the December 31, 1997 Uniform Bank Performance Report, and 1990 U. S. Bureau Census data for Talladega County. In addition, other information was obtained from management reports, community contacts, and discussions with bank management. We sampled management reports to verify the accuracy of the information provided.

LOAN TO DEPOSIT RATIO ANALYSIS

- FNB's quarterly average loan to deposit ratio meets the standards for satisfactory CRA performance.

Based on information obtained from the Uniform Bank Performance Reports, FNB's quarterly average loan to deposit ratio since the last CRA examination (dated 03/08/94) to December 31, 1997 is 55%. During this evaluation period, the examiner noted a generally positive trend with the bank's loan-to-deposit ratio. Since 12/31/94, the bank's loan to deposit ratio has increased from 50% at 12/31/94 to 61% at 12/31/97. The loan to deposit ratio is reasonable given local competition, the bank's size, economic conditions, and loan demand in the local market.

LENDING IN THE ASSESSMENT AREA

- A substantial majority of FNB's loans are made to borrowers within the assessment area.

FNB's lending in its assessment area is very good. As of 12/31/97, based on internal management reports, 90% of the total number of loans made in 1997 were within the bank's assessment area.

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

- FNB's record of lending to borrowers of different income levels, including low- and moderate income individuals is good given the demographics and poverty level ratio in the bank's assessment area. Also, FNB has demonstrated good efforts in lending to small businesses and farms.

Management's internal analysis of their lending activities by income level indicates that the bank makes loans to borrowers of all income levels as indicated in Table 1. Loans made to low and moderate income borrowers exceeds the proportionate share of families in those income groups. Loans made to low income borrowers in 1997 was 35% compared to the 22% of low income families in the bank's assessment area. Also, loans to moderate income borrowers approximates 19% compared to 16% of moderate income families within the bank's assessment area.

FNB does not collect information on business revenue. Therefore information was not available to determine whether the bank makes loans to businesses of different sizes. However, based on

loan size, internal management reports indicated that management does a good job of lending to small businesses and farms. As of 12/31/97, FNB's outstanding loans to small businesses and farms approximated \$6.9 million. Also, outstanding Small Business Administration loans totaled \$1.8 million.

Table 1
Distribution of All Loans by Borrower Income Level

Income Level	Distribution of Families by Income Level	Percentage of All Loans Made in 1997
Low Income	22%	35%
Moderate Income	16%	19%
Middle & Upper Income	62%	46%
Total	100%	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

- FNB geographic distribution of all loans made is reasonable given the demographics of its assessment area.

The geographic distribution of all loans reflects reasonable penetration throughout the assessment area. No moderate income tracts exist in the bank's assessment area. Based on internal reports, the bank originated 278 loans or 11% of all loans made in its low income tract. According to the 1990 U. S. Census, approximately 19% of families live in low income tracts. The bank's lending in its low income tract lags behind the number of families in the tract. However, the bank's level of lending compares favorably with the percentage of low income BNAs (8%) in the assessment area. Also, management relates that a large part of the bank's low income tract is comprised of the Federal Institution Correction Prison and vacant land. The bank's lending in its low income tract is reasonable given the demographics of its assessment area.

RESPONSES TO COMPLAINTS

- No CRA related complaints were received from the public since the prior examination.

RESULTS OF FAIR LENDING EXAMINATION

- Our fair lending review did not identify any violations of the antidiscrimination laws and regulations. The bank informal policies and procedures provide satisfactory guidance on fair lending requirements.