



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

September 13, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First South Bank, N.A.
Charter Number 22531
502 Mulberry Street
Macon, Georgia 31201**

Office of the Comptroller of the Currency

**Southeastern District
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.

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 **First South Bank, N.A. (First South)**, Atlanta, Georgia prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 13, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a **MSA**. These areas are determined by the U. S. Census Bureau in an attempt to group homogeneous populations. A **CT** has defined boundaries per ten year census and an average population of 4,000.

Median Family Income (MFI) - The median income as determined by the U. S. Census Bureau. This amount is based on estimates developed by the Department of Housing and Urban Development and is updated annually.

Low-Income - Income levels which are less than 50% of the **MFI** of the **MSA**.

Moderate-Income - Income levels which are less than 80% of the **MFI** of the **MSA**.

Middle-Income - Income levels which are less than 120% of the **MFI** of the **MSA**.

Upper-Income - Income levels which are 120% or greater of the **MFI** of the **MSA**.

Community Reinvestment Act (CRA) - This statute requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2901 and 12 CFR 25 as amended, respectively.

Home Mortgage Disclosure Act (HMDA) - This statute requires certain mortgage lenders that do business or have banking offices in a **MSA** to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of applicant(s), the amount of loan requested and its disposition (e.g. made, denied, or withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase and home improvement, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2801 and 12 CFR 203 as amended, respectively.

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory Record of Meeting Community Credit Needs.**”

First South’s performance rating is supported by the following:

- C a satisfactory loan-to-deposit ratio;
- C a satisfactory record of lending within the assessment area;
- C a satisfactory record of lending to borrowers of different incomes and to businesses of different sizes; and,
- C a reasonable distribution of loans by geography.

The following table indicates the performance level of **First South Bank, N.A.** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First South Bank, N.A. 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First South is a \$195 million commercial bank located in Macon, Georgia. The bank operates from five office locations with two being in Bibb County (Macon, Georgia) and one office in Coweta County (Newnan, Georgia), Macon County (Montezuma, Georgia), and Peach County (Fort Valley, Georgia), respectively. The main office is located at 4951 Forsyth Road in Macon, Georgia. The bank has a loan portfolio approximating \$151 million as of June 30, 1999 with net loans to total assets of 80%. Lending activity is centered in consumer loans (5%), non-farm and non-residential loans (35%), residential real estate related loans (32%), real estate construction and development (18%) and commercial and industrial loans (10%). Total deposits in the bank approximate \$171 million with capital accounts aggregating \$18 million.

The bank offers a variety of traditional deposit and loan products with small business and commercial real estate related loans being its primary credit products. In addition, the bank offers loans through the government guaranteed loan program known as the Small Business Administration(SBA). First South is a certified SBA Lender and a preferred lender for Farmer's Home Administration guaranteed loan

program. The bank also has two automated teller machines at its Macon locations and one in Newnan, Georgia for customer convenience. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area.

First South is the largest bank owned by Century South Banks, Inc. (CSBI), a multi-bank holding company. CSBI has total assets of approximately \$1.05 billion and maintains dual headquarters in Dahlonega and Macon, Georgia. CSBI was organized in 1982 and merged with another bank holding company, Bank Corporation of Georgia, in 1997. CSBI currently owns eleven (11) banks in which four operates under a national charter. The holding company's primary markets are in northern, middle, and coastal Georgia; southeastern Tennessee and southwestern North Carolina.

The last CRA examination of **First South** was conducted as of January 23, 1997, at which time a Satisfactory rating was received.

DESCRIPTION OF ASSESSMENT AREA

First South's assessment area meets the technical requirements of the Act and does not arbitrarily exclude low and moderate income census areas. The assessment area is part of the greater Atlanta Metropolitan Statistical Area (MSA) and the Macon MSA. Coweta is the only county that is a part of the Atlanta MSA.

The bank's defined assessment area is comprised of 60 census tracts in Bibb, Coweta, Macon, and Peach counties. According to the 1990 United States Census, the population of this defined area is approximately 238 thousand people. The census median family income for the assessment area is \$32,854. The Department of Housing and Urban Development's (HUD) *updated* median family income estimate for the Atlanta and Macon MSAs is \$59,900 and \$42,560, respectively.

ATLANTA MSA - The Atlanta Metropolitan Statistical Area is a twenty-county area surrounding the city of Atlanta with a total of 504 census tracts. Metro Atlanta is internationally recognized as the transportation, communication, industrial, and cultural center of the Southeastern United States. The Atlanta MSA has one of the strongest economies of any major urban area. Due to its location and extensive transportation network, Atlanta has developed as a major distribution center for the Southeast. Distribution and associated industrial activities are gradually being transferred to other urban centers in the South, while Atlanta has evolved as a major provider of technological and financial support services.

The Atlanta MSA has a diverse industrial base that includes: manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Ninety percent (90%) of the Fortune 500 companies maintain regional offices in the Atlanta area. In

addition, ninety-eight of the nation's top industrial firms maintain some type of operational facility in metro Atlanta. Foreign trade has played a significant role in the area's growth over the last two decades. More than 200 foreign firms have established their U.S. headquarters in Atlanta.

The city of Macon has a population of approximately 114 thousand with Bibb County having 156 thousand. Macon's economy is centered in manufacturing and service firms, schools and universities, and government institutions. The major employer is Warner Robins Airforce Base in nearby Houston County. In Fort Valley, Georgia, located 20 miles south of Macon, the economy centers around orchard agriculture (peaches, pecans, and peanuts). Significant employers are the Blue Bird Body Company, Fort Valley State College, and Bibb County Textiles. Wrightville and Montezuma, Georgia are also agricultural areas, producing row or annual crops such as peanuts, cotton, and corn. Newnan, Coweta County, is emerging from a rural/agricultural area to a suburban area. Due to the lack of significant industry locally, Newnan is largely a bedroom community of Atlanta.

COMMUNITY CONTACTS - While we did not formally contact any community groups during this examination, previous contacts performed by our Office and other regulatory agencies, revealed that affordable housing loans for low and moderate income families and small business loans were the primary credit needs of the community.

The following table highlights the demographic composition of the bank's assessment area.

Type of Census Tract	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low	12	20%	10,480	12%
Moderate	15	25%	19,821	23%
Middle	22	37%	37,107	43%
Upper	9	15%	19,311	22%
NA	2	3%	0	0%

Two census tract do not have an assigned income characteristic. These types of tracts typically have very little residential development due to the industrial nature of the area or the area is unsuitable for residential development.

In addition to First South, area competition for financial services is keen and includes several multi-national and regional banks, local community banks, savings banks, and credit unions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

First South's loan-to-deposit ratio is satisfactory in view of the community's credit needs, demand for credit, and keen competition among area financial institutions. The bank's average loan-to-deposit ratio over the last eight quarters is approximately 87% as compared to peer averages for the same period of 89%. The bank's loan-to-deposit ratio on June 30, 1999 is 88%.

Lending in the Assessment Area

A majority of the bank's loans is within its defined assessment area. An analysis of a sample of 418 new loans originating between May 3, 1999 through July 31, 1999 reveals that a majority of loans is granted within the assessment area (AA) and is detailed as follows:

Lending In the Assessment Area					
	# of Loans	%	\$ of Loans ('000)	%	
Inside AA	345	83	8,900	72	
Outside AA	73	17	3,460	28	
Totals	418	100	12,360	100	

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

Lending to borrowers of different incomes is satisfactory. We sampled a total of 159 consumer purpose loans to determine the income levels of borrowers. As the following table indicates, First South's lending to borrowers of low and moderate income levels is satisfactory having approximately twenty-three percent in volume of loans granted to LMI borrowers. This compares favorably to forty-three percent of families or thirty-five percent of households at those levels in the bank's assessment area. Distribution at other income levels is also reasonable.

Distribution of Loans by Borrower Income Level in Assessment Area			
Income Level	% Families in Assessment Area	% of Loans by Number	% of Loans by Dollar
Low Income	26%	2%	3%
Moderate Income	17%	21%	20%
Middle Income	20%	58%	47%
Upper Income	37%	19%	30%
N/A	0%	0%	0%
Total	100%	100%	100%

Overall, the bank's lending volume regarding loans to small businesses is satisfactory. Based on our review, most business loans are to local businesses having annual revenues less than \$1 million. An analysis of our sample of small business loans also originating between May 3, 1999 and July 31, 1999 revealed that 71 loans or 48% of the dollar volume of loans were extensions to businesses having annual revenues of less than \$1 million. There were no loans in our sample extended to business having revenues greater than \$1 million. The bank considers its primary market to be small businesses and commercial real estate customers.

Geographic Distribution of Loans

There is a reasonable distribution of loans extended within the assessment area. The following table reflects the distribution of all types of loans within the bank's assessment area by income designation of census tract.

Geographic Analysis of Loans by Percentage Originating Between May 3, 1999 and July 31, 1999			
Type Of Census Tract	Number of Loans Within the Type of Census Tract	Dollar Amount of Loans Within the Type of Census Tract	Households Within the Type of Census Tract
Low Income	3%	3%	12%
Moderate Income	20%	19%	23%
Middle Income	60%	49%	43%

Geographic Analysis of Loans by Percentage Originating Between May 3, 1999 and July 31, 1999			
Upper Income	17%	29%	22%

This distribution is reasonable given the geographic size of the bank's assessment area which comprises 60 census tracts. The sample analysis disclosed that First South has originated 22% in dollar volume of loans in low and moderate income census tracts; 49% in middle income census tracts; and, 29% in upper income census tracts of the four county assessment area. This distribution is considered reasonable and consistent with the location of the bank's offices, financial and human resources, and households within the respective census tracts.

Response to Consumer Complaints

First South has not received any consumer complaints since the last CRA examination.

Fair Lending

The bank's compliance with fair lending laws and regulations is satisfactory. There was no evidence of discriminatory or other illegal credit practices noted. Due to the lack of a sufficient number of prohibited basis denials to select a sample of home mortgage or home improvement loans, consumer loans were used to perform our comparative file analysis. We used automobile loans as the product type and gender as the prohibited basis. We compared rates, terms, and conditions of prohibited group versus control group applicants applying for credit.

The bank was found in compliance with the substantive provisions of anti-discrimination laws and regulations. There was no pattern, practice or evidence of discrimination noted during our analysis.

Loan applications are solicited from all segments of the community and income levels. The dispersion of loans throughout the assessment area is reasonable. Satisfactory policies and procedures have been adopted and are in place.

Summary

The loan to deposit ratio, lending in the assessment area, lending to borrower's of different incomes and businesses of different sizes, and the geographic distribution of loans are satisfactory in view of the bank's human and financial resources.