



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 29, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Chattooga Co.
Charter Number 15651**

**10144 Commerce Street
Summerville, GA 30747**

**Comptroller of the Currency
Georgia Field Office
1117 Perimeter Center West Suite W401
Atlanta, GA 30338**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The bank has chosen the six census tracts constituting Chattooga County, Georgia as its assessment area and was evaluated for the period beginning January 23, 1997 (the date of the last CRA evaluation) until the present. The bank's rating is based on:

- its satisfactory loan-to-deposit ratio;
- the volume of its loans which were made within the assessment area; and
- its record of lending to borrowers of different incomes and to businesses of different sizes during the evaluation period.

An analysis of the geographic distribution of the bank's loans was not conducted, since all of the tracts in the assessment area are considered middle-income.

DESCRIPTION OF INSTITUTION

The First National Bank of Chattooga County (FNB) was chartered in May 1968 and opened for business in the city of Summerville, Georgia. The bank is a wholly-owned subsidiary of Summerville/Trion Bancshares, Inc. At September 30, 2001, FNB had total assets of \$41 million, with total loans of \$22 million and total deposits of \$34 million. The bank's main office is located at 10144 Commerce Street in Summerville. The bank also has a full-service branch in the Triangle Shopping Center in neighboring Trion, Georgia. A finance company branch operating under the trade name of "First Loans" opened April 16, 2001 at 10050 Commerce Street, a short distance from FNB's main office. This branch makes small consumer loans, but does not currently take deposits. The bank has three automated teller machines (ATMs), one at the main office in Summerville, another at the Trion branch, and a third stand-alone machine in the BiLo shopping center. None of these ATMs take deposits.

In Chattooga County, FNB must compete with a much larger state-chartered bank that was recently acquired by a regional bank holding company. At June 30, 2000, FNB's state bank competitor held an 85 percent market share of all FDIC-insured deposits in the county. Other competitors include a branch of a regional affiliate headquartered in neighboring Floyd County and a credit union that serves employees of one of the county's largest employers.

Despite its strong financial condition, FNB's relatively small size is an impediment to its ability to meet the need for large commercial loans in Chattooga County. Recognizing this limitation, the bank has concentrated its lending activities in the small consumer market through small consumer installment and housing loans. There are no other known financial or legal impediments to the bank's ability to meet the credit needs of the assessment area.

FNB offers traditional consumer products and services such as consumer installment loans,

credit cards, and 1-4 Family Residential Loans. The bank also makes small commercial loans and does some limited agricultural lending. Composition of the loan portfolio at June 30, 2001 was: 1-4 family residential loans - 34%; commercial real estate loans - 26%; loans to individuals - 18%; loans to state and local government entities - 10%; commercial loans - 9%; and all other loans - 3%.

DESCRIPTION OF CHATTOOGA COUNTY

FNB's assessment area includes all of Chattooga County, Georgia. The county is bordered by Walker County to the North; Gordon County to the East; Floyd County to the South; and two Alabama counties, Cherokee and Dekalb, to the West. FNB's main office and its new finance company branch are located in the county seat of Summerville. The 2000 census showed 25,470 people residing in the county, a 14.5% increase since the 1990 census. The census bureau divides the county into six distinct tracts. The assessment area chosen by the bank meets all of the requirements of the regulation.

The U.S. Census Bureau reported Median Family Income for nonmetropolitan Georgia communities was \$26,691 in 1990. This income statistic is used to determine Low, Moderate, Middle, and High income tracts within the bank's assessment area. Median Family Income in Chattooga County was \$24,695 in 1990, and all six tracts in the county are considered Middle-Income in comparison to the median for other Georgia nonmetropolitan communities. Income definitions and distribution by tract and family within the assessment area are summarized below:

Income Designation	% of GA non-MSA Median Family Income	Number of Tracts in Assessment Area	Percent of Families in Assessment Area
Low	Less than 50%	0	21.66%
Moderate	50 to 80%	0	20.23%
Middle	80 to 120%	6	23.93%
High	Greater than 120%	0	34.18%
TOTAL:		6	100.00%

Although all tracts in the assessment-area are considered middle-income, the chart above shows that there is a wide dispersion of family incomes within the county. Since there are none, no low- or moderate- income areas have been arbitrarily excluded in the determination of the bank's assessment area.

According to the department of housing and urban development (HUD), median family income for nonmetropolitan Georgia communities grew to \$40,100 in 2001. This income statistic was used to determine low and moderate income borrowers in evaluating the bank's performance in lending to borrowers of different income levels (see **Lending to Borrowers of Different Incomes** later in this report).

Chattooga County and the city of Summerville have experienced modest population and/or economic growth since 1990. Textile manufacturing remains the major industry, accounting for almost 40% of the county's jobs. Mohawk Carpet Corporation, Mt. Vernon Mills, and Tillotson Corporation are the three largest non-government employers in the county. A state prison, Hayes Correctional Institute, is another large employer.

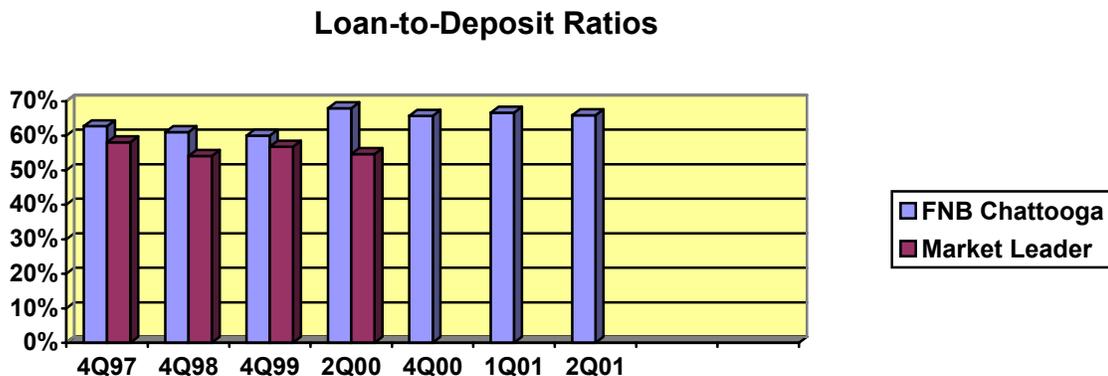
COMMUNITY CONTACT

As part of our evaluation, we contacted the President of the Chattooga County Chamber of Commerce and the Chairman of the Downtown Development Authority. Based on information provide by these contacts, bank management, and our knowledge of the local community, we believe the primary credit needs in the assessment area are small consumer installment and housing loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

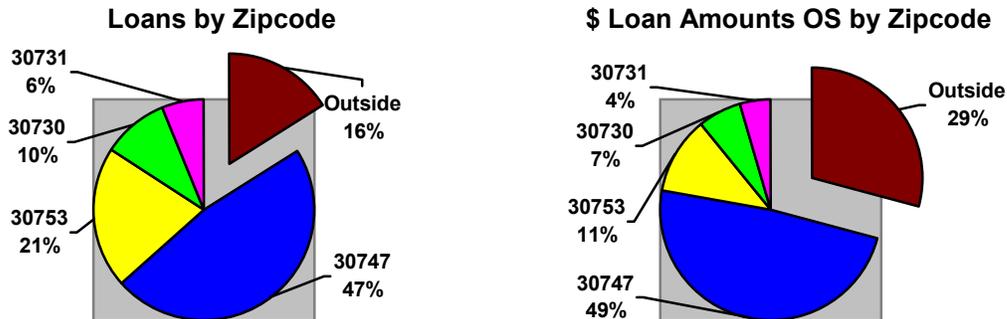
The loan-to-deposit ratios maintained by First National Bank of Chattooga County during the assessment period are Satisfactory. Our conclusion was based on a comparison of the bank's ratios and trends to the ratios maintained by its primary competitor, the market leader (85% deposit market share at June 30, 2000). Data is unavailable for the market leader after the 2nd quarter of 2000 when it was acquired by a multi-state regional holding company. As the chart below illustrates, FNB's loan-to-deposit ratios have exceeded 60% during the evaluation period and compare favorably to the bank's much larger competitor in the assessment area.



Lending in Assessment Area

The vast majority of FNB's loans and other lending-related activities are within the assessment area (Chattooga County). We analyzed the bank's loan portfolio at November 5, 2001 to determine the number and dollar amount of outstanding loans to borrowers in the Chattooga county zipcodes: 30747 (Summerville), 30753 (Trion), 30730 (Lyerly), and 30731 (Menlo). We attempted to analyze loan originations and purchases since the last CRA examination, but found that this information was not readily available. Instead we used outstanding loans, which we believe represent a satisfactory proxy based on our knowledge of the bank and characteristics

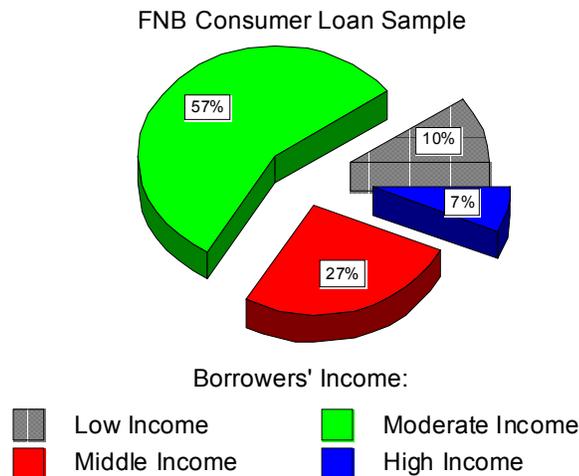
of the loan portfolio. We found that 84% of the bank's loans and 71% of the dollar amount of loans outstanding were to borrowers in the assessment area. Furthermore, 68% of the number and 60% of the outstanding amounts were to borrowers in the Summerville or Trion zipcode areas where the bank's offices are located. The chart below illustrates the distribution of the bank's loans inside and outside the assessment area and by zipcode within the assessment area:



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

Given the demographics of the assessment area, FNB's distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. In order to assess the bank's performance in lending to borrowers of different incomes, we sampled thirty consumer loans made between September 6th and November 5th 2001. We compared the income of these borrowers to the 2001 median family income for nonmetropolitan Georgia communities (\$40,100) as reported by the Department of Housing and Urban Development (HUD) which was discussed in the **Description of Assessment Area** section of this report. The chart below illustrates the distribution of these consumer loans:

Distribution of Credit



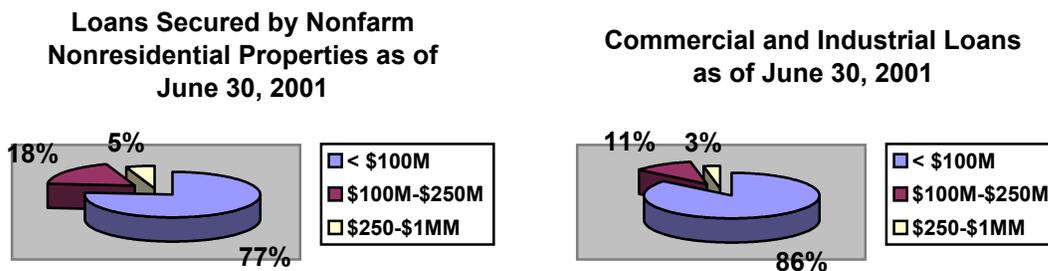
The dispersion of these borrowers among the four income groups was reasonable given the

demographic characteristics of the assessment area. Although low- and moderate-income families compose only 42% of the county's population, 67% of the loans in our sample were made to low- or moderate-income borrowers.

LOANS TO SMALL BUSINESS

Call report instructions define loans to small businesses as commercial and commercial real estate loans in original amounts of \$1 million or less. The volume of small business loans is reported on the June Report of Condition (e.g. Call Report).

FNB reported on its June 30, 2001 Call Report that all of its commercial and commercial real estate loans were in original amounts of \$1 million or less (i.e. small business loans). Furthermore, 71 of its 93 outstanding loans secured by nonfarm nonresidential properties and 54 of its 63 commercial and industrial loans were in original amounts of \$100,000 or less. The charts below further illustrate the bank's performance in lending to small businesses:



Based on this information, we concluded that FNB has a satisfactory record of lending to small businesses.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans would not be meaningful, since all of the tracts in the assessment area are considered middle-income.

Responses to Complaints

There have been no complaints relative to the bank's CRA performance during the evaluation period.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997. No violations of the substantive provisions of antidiscrimination laws and regulations were noted during that examination.