

PUBLIC DISCLOSURE

August 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fannin County Bank, N.A.
Charter # 9027**

**480 W. First Street
Blue Ridge, Georgia 30513**

**Office of the Comptroller of the Currency
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.

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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 **Fannin County Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **August 17, 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 CRA rating for The Fannin County Bank, N.A. (the “*bank*” or “*FCB*”) is based on the institution’s reasonable loan-to-deposit ratio, majority of lending within its assessment area, reasonable loan distribution to borrowers of different income levels and different size businesses, and a balanced distribution of loans to borrowers in different geographies.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Fannin County 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		✓	
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of Loans		✓	
Response to Complaints	No complaints have been received by Fannin County Bank, N.A. since the prior examination in May 1996.		

DESCRIPTION OF INSTITUTION

Fannin County Bank, N.A. (FCB) is a subsidiary of Century South Banks, Inc., a twelve-bank holding company headquartered in Dahlonega, Georgia. FCB is located in Blue Ridge, Georgia. The bank's financial condition is characterized by total assets of \$71 million, gross loans of \$45 million, and deposits of \$63 million, as of June 30, 1998. FCB operates the main office at 480 West First Street and one other branch in Blue Ridge located on Old Highway 76. The bank's only ATM is at the branch location. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment area.

FCB is the only nationally-chartered bank in Fannin County. Their primary competition consists of one state-chartered bank headquartered in Fannin County, the branch of a large regional bank, a branch of another small bank and several finance companies. The bank offers traditional lending products including commercial, consumer installment, and real estate loans as well as traditional deposit products and services. The composition of the loan portfolio is broken down as 54 percent in residential lending, 22 percent in commercial lending, and the remaining 24 percent divided in consumer, investment, construction, and agricultural loans. The majority of the bank's real estate loans are 1-4 family residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

FCB's assessment area is Fannin County. This county is not part of any Metropolitan Statistical Area ("MSA"). Fannin County has six block numbering areas ("BNA"). According to the U.S. Census Bureau, two BNAs are designated moderate-income, three are middle-income, and one is considered unpopulated. The County does not contain any low- or upper-income BNAs. The population of the assessment area is 15,992¹. Approximately 27 percent of the population resides in Blue Ridge. Other areas with concentrations in population include McCaysville with an additional 27 percent and Morgantown with 22 percent of the population.

The manufacturing, service, and retail industries dominate the business environment of Fannin County. The retail industry accounts for 22 percent of local employment with manufacturing and service representing 20 percent each. In recent years, Fannin County has experienced an influx of people relocating from the big cities to the County. A growing portion of the community includes retirees and second-home owners. Major industry employers include Levi Strauss, Blue Ridge Textiles, Stalwart Rubber, and LaCrosse Graphics. Unemployment for the county remains low at less than 5%.

¹U.S. Census Bureau, 1990

As part of our examination, we obtained information from a local church Pastor regarding local economic conditions and community credit needs. Based on information provided in this contact, a primary need is industrial loans for small businesses. FCB offers a variety of small business products to meet this credit need.

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

Income Designation	Number of BNAs in Assessment Area	Population of Families in Assessment Area	Percent of Families in Assessment Area
Low	0	1,251	25%
Moderate	3	1,055	22%
Middle	2	1,107	23%
High	0	1,477	30%
NA	1	0	0
Total	6	4,890	100.00%

Table 1

Approximately 18 percent of the households in Fannin County have incomes below the poverty level.

Income Definitions:

The Georgia statewide non-metropolitan median family income is used as the area median income for non-MSA communities. The 1990 U.S. Census non-MSA median family income was \$26,691 for Georgia. The 1998 updated median family income is \$34,600.

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.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

FCB's ten-quarter average loan-to-deposit (LTD) ratio is reasonable at 74% compared with its peer banks' average of 69%. FCB's peer group consisted of one other financial institution headquartered in the county.

As the graph shows (Figure 1), FCB's LTD ratio

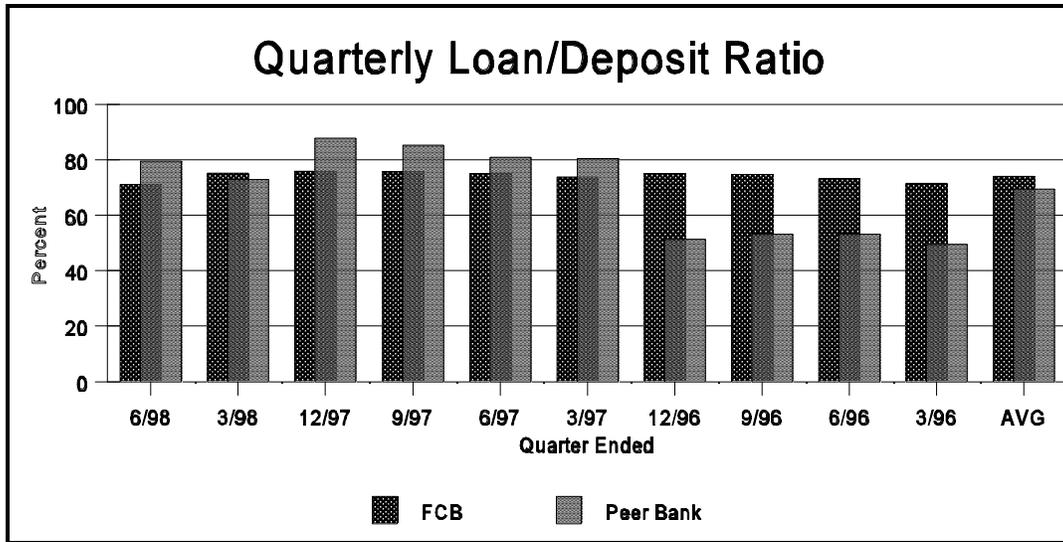


Figure 1

has remained stable, while the peer bank's LTD continually fluctuates. This stability is generally a result of management's strategy to increase demand deposits and loans.

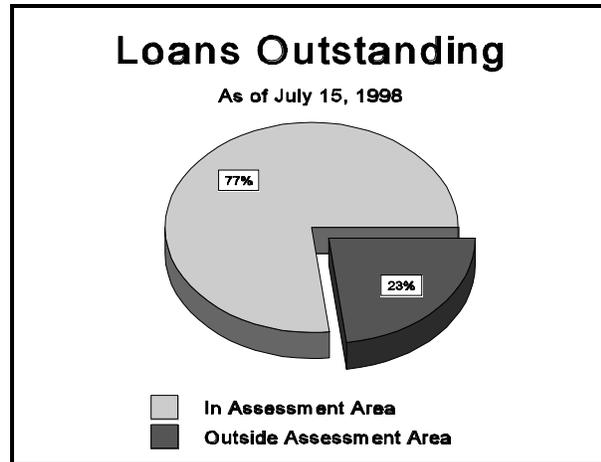


Figure 2

LENDING IN THE ASSESSMENT AREA

The bank has extended a majority of its loans to borrowers within its assessment area. As of July 15, 1998, 77 percent of all loans currently outstanding were extended in Fannin County. This chart (*Figure 2*) depicts the number of loans outstanding within the bank's assessment area compared to loans outstanding outside the assessment area.

Types of Loans Outstanding at June 30, 1998

The following table (*Table 2*) details the composition of the bank's loan portfolio as of June 30, 1998.

Loan Type	Dollar Amount of Loans OS	Percent of Average Loans
Residential Mortgage	\$23,557	52%
Commercial Real Estate	13,363	30%
Consumer (automobile, miscellaneous)	4,583	10%
Commercial and Industrial	2,734	6%
Agriculture	897	2%
All Other	140	<1%
Total	\$45,274	100.00%

Table 2

The FCB is primarily a consumer and small business lender. As of June 30, 1998, approximately 62 percent of outstanding loans were for consumer purposes, including residential mortgage loans. Also, the majority of commercial loans are to small businesses.

DISTRIBUTION OF CREDIT

Lending levels reflect responsiveness to the credit needs of the community. We used internal bank documentation that shows all outstanding loans as of July 15, 1998 to determine lending inside and outside the bank's assessment area. We used a sample of 50 consumer purpose loans to determine if the bank is lending to borrowers of different income levels, including low- and moderate-income families. We also used a sample of 16 commercial loans to determine whether the bank is lending to businesses of different sizes. Our conclusions are based on the above-mentioned reports.

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

Lending to borrowers of different incomes is reasonable. We found, through our loan sample, that 22 percent of the consumer loans were made to low-income borrowers compared to 25 percent of low-income families. Lending to moderate-income borrowers was very good at 34 percent of loans compared to 22 percent of moderate-income families. Also, the distribution of loans to middle- and upper-income individuals was 24 percent and 20 percent, respectively. This compared to 23 percent middle-income families and 30 percent upper-income families residing in Fannin County.

Lending to businesses of different sizes is also reasonable. Based on our sample of 16 business loans extended within the assessment area in 1998, all were to small businesses. Small businesses are defined as companies with less than \$1 million in gross annual revenues.

GEOGRAPHIC DISTRIBUTION OF LOANS

FCB has a satisfactory record of lending to all segments of its assessment area. While all of the tracts in the bank's assessment area are moderate- or middle-income, distribution of credit throughout the various tracts is reasonable and consistent with the bank's ability to help meet the credit needs of its community. The majority of loans, 45 percent, are extended in Blue Ridge where the bank's main office and branch are located.

RESPONSE TO CONSUMER COMPLAINTS

FCB has not received any CRA-related complaints since the prior CRA examination dated May of 1996.

Record of Compliance with Antidiscrimination Laws.

We conducted a concurrent compliance and fair lending examination. We did not identify any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, Fair Housing Act, and the Fair Housing Home Loan Data System Regulation. The bank has instituted appropriate fair lending policies, procedures, and training programs.

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