



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 6, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Waynesboro
Charter Number 7899**

**626 Liberty Street
Waynesboro, GA 30830**

**Comptroller of the Currency
Carolinas Field Office
6100 Fairview Road Suite 1154
Charlotte, NC 28210**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- This institution exhibits a reasonable loan-to-deposit ratio.
- The institution's record of lending to borrowers within the assessment area is more than reasonable.
- The institution's record of lending to borrowers of different income levels and businesses of different sizes is reasonable.
- The institution's distribution of loans within its assessment area by geography is reasonable.

DESCRIPTION OF INSTITUTION

The First National Bank of Waynesboro (FNB) is an intrastate bank headquartered in Waynesboro, Georgia. The bank is wholly-owned by the First Burke Banking Company, a single bank holding company. The bank was established in 1905. The bank's main office is located on 626 Liberty Street in Waynesboro and has a drive-up facility directly behind the bank. The institution has two other offices that include a drive-up facility on 528 West Sixth Street and a supermarket branch on 208 West Sixth Street in Waynesboro. The main office is located in a census tract designated as low-income. The other offices are located in a middle-income census tract.

FNB had total assets of \$92 million as of December 31, 2006. Gross loans represented 50 percent of average assets. Net loans represented 49 percent of total assets. The bank's primary loan products are commercial and residential mortgage loans. The bank's loan portfolio mix is approximately 50 percent commercial lending and 50 percent consumer lending. Residential lending represents approximately 46 percent of the bank's lending activity. Farm loans represent 4 percent of the bank's lending activity and do not represent a significant volume of lending for the bank.

FNB ranks number one in deposit market share of 39 percent totaling \$67.2 million, according to the Federal Depository Institutions Corporation's Market Share Report as of June 30, 2006. There are four other banking institutions in the market. Competitors include local community and regional banks that have multiple offices in and out of the state of Georgia. This review disclosed no financial or legal impediments restricting the bank's lending activities. The bank extended 5,980 loans totaling \$84.9 million during the evaluation period of January 1, 2004 to December 31, 2006. The bank's volume of mortgage originations was 196 mortgage loans totaling \$12.7 million. The bank received a satisfactory rating in the previous Community Reinvestment Act (CRA) examination.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Burke County. Burke County is a rural county located in east central Georgia on the border of South Carolina. The assessment area complies with the legal requirements of the CRA regulation and does not arbitrarily exclude any low-or moderate-income geography. The county became part of the Augusta-Richmond County Metropolitan Statistical Area (MSA) in 2003. Burke County is comprised of seven census tracts. One (14 percent) is low-income, four (57 percent) of the census tracts are moderate-income, two (29 percent) are middle-income, and there are no upper-income census tracts.

Burke County's population is 22,243. As of December 31, 2006, the Burke County unemployment rate was at 6.2 percent and higher than the state unemployment rate of 4.6 percent. The median family income is \$52,200. Twenty-eight percent of county households are below the poverty level. Jobs are centered in manufacturing (24 percent), education/health/social services (20 percent), and retail trade (11 percent).

As a part of our review, we also incorporated information obtained from local community contacts. These contacts indicated a need for educating the local population about basic personal financial development and new business lending.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

- **The bank's quarterly average loan-to-deposit ratio is reasonable at 63 percent.**

Although the ratio is lower than the national peer bank average of 76 percent, the bank is challenged with the fluctuations in loan demand for this rural county, as well as competing with other financial institutions in the market. The deposit base has remained stable while the bank holds the largest deposit market share. Competitors include two large regional banks, two other community banks not headquartered in Waynesboro, finance companies, and credit unions. We used a national peer bank average for comparison, because there were no local banks that were similar to FNB.

LENDING IN ASSESSMENT AREA

- **A substantial majority of the bank's lending is within the assessment area.**

We performed an analysis of mortgage loans originated from January 1, 2004 to December 31, 2006 based on Home Mortgage Disclosure Act (HMDA) data. The analysis indicated that 188 out of 196 loans or 96 percent of mortgages were originated within the bank's assessment area. This level of lending represented 97 percent of the dollar volume of loans originated.

We also reviewed a sample of 30 commercial loans originated by the bank during the evaluation

period. Twenty-eight or 93 percent of the number of loans were inside the assessment area and 98 percent of the dollar volume of loans in the sample was in the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

- **FNB's lending to borrowers of different income levels and business of different sizes is reasonable.**

Residential Mortgages

Demographics indicate that approximately 35 percent of families are low-income, 19 percent are moderate-income, 18 percent are middle-income, and 28 percent are upper-income. Our analysis of HMDA data indicated that the bank extended 17 percent of its mortgage loans to low-income individuals, 16 percent to moderate income borrowers, 22 percent to middle-income, and 35 percent to upper-income.

Although the bank's level of lending to low- and moderate-income borrowers is below the demographics for these income categories, the level of lending is considered reasonable given the high level of poverty in the Burke County, and lending to moderate-income borrowers is near demographics. Furthermore, approximately 67 percent of the low-income families in the bank's assessment area live below the poverty level, the median housing value in the assessment area is \$52,372, and a low-income person earns less than \$26,100 based on the Housing and Urban Development (HUD) adjusted median family income for 2006. These factors make it difficult for some of these families to afford and maintain a home. However, the county has obtained government subsidized housing which has provided affordable housing for low-income individuals.

Small Business Lending

For small business lending, demographics indicate that 57 percent of the businesses in the assessment area have revenues less than \$1 million. FNB's performance compares favorably based on commercial loans sampled. The sample of 28 loans in the assessment area indicated that 75 percent of the number and 83 percent of the dollar volume of commercial loans were made to businesses with revenues of \$1 million or less.

GEOGRAPHIC DISTRIBUTION OF LOANS

- **The bank's geographic distribution of loans is reasonable.**

Residential Mortgages

Demographics for owner occupied housing for each income tract of Burke County indicates that owner occupancy is 49 percent in low-income tracts, 75 percent is in moderate- income tracts, and 71 per cent is in middle-income tracts. Our analysis of the geographic distribution of home

mortgage loans extended in the assessment area indicates that 3 loans or 8 percent of the number and 18 percent of the dollar volume were originated in low-income tracts. Thirteen loans or 34 percent of the number and 24 percent of the dollar volume were originated in moderate-income tracts. Twenty-two loans or 58 percent of the number and 58 percent were originated in middle-income tracts. There are no upper-income tracts.

The bank's level of lending is below demographics based on a sample of 38 mortgage loans; however, the level of lending is reasonable considering that the county is rural with few concentrated pockets of development, the presence of government subsidized housing in the county, and a small population of 22,243 (28 percent or 6,126 are under 16 years of age). Most of the bank's lending is concentrated around the city of Waynesboro.

Small Business Lending

Demographics indicate that 32 percent of businesses are located in the low-income census tract, 42 percent are located in moderate-income tracts, and 26 percent were located in middle-income census tracts. Based on our commercial loan sample of 28 loans in the assessment area, eight business loans or 27 percent and 27 percent of the dollar volume were in low-income tracts. Five businesses loans or 18 percent were in moderate-income tracts with dollar volume representing 9 percent. Fifteen or 54 percent were in middle income tracts representing 64 percent of the dollar volume.

The lending in low-income census tracts is near the demographics while lending in moderate-income areas is below demographics. This level of lending is reasonable given the rural nature of the county and that most businesses are centered around the city of Waynesboro.

RESPONSES TO COMPLAINTS

The bank had no CRA related complaints.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.