

PUBLIC DISCLOSURE

July 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Griffin
Charter # 15572**

**318 South Hill, Drawer F
Griffin, Georgia 30224**

**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 **First National Bank of Griffin** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 6, 1999**. 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 First National Bank of Griffin's CRA rating is based on the following factors:

- # the institution's high loan-to-deposit ratio,
- # the majority of the loans are made within the assessment area,
- # lending to businesses of different sizes is excellent,
- # lending to borrowers of different income levels is satisfactory,
- # Satisfactory geographic distribution within the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Griffin (FNB) is headquartered in Griffin, Georgia with assets totaling \$210 million. The bank’s financial condition is characterized by gross loans of \$149 million, deposits of \$181 million, and net income of \$491 thousand as of March 31, 1999. Net loans equaled 69% of total assets as of March 31, 1999. FNB operates four branches in Spalding County and opened a branch in Hampton, Georgia (Henry County) in 1997. Each branch offers drive-in and ATM services along with three additional off-site ATM facilities.

The bank offers traditional financial services such as commercial loans, consumer installment loans, residential mortgage loans, home equity loans, and deposit accounts. The actual composition of the loan portfolio is highlighted in the table below. As can be noted from the table, FNB is not an agricultural lender. The bank also operates a finance company subsidiary and recently introduced Internet banking (including electronic bill paying) to its customer base. Additionally, the bank has a 24 hour automated bank information system that allows customers to obtain account information or transfer funds between their accounts by telephone. The bank caters to consumer needs, including residential housing, as well as small business needs, and considers these sectors to be its market niche.

Types of Loans Outstanding at March 31, 1999		
Loan Type	Amount Originated (000's)	Percent of Total Loans (%)
Real Estate		
Commercial	\$52,981	35.50%
Residential	\$40,295	27.00%
Agriculture	\$0	0.00%
Consumer	\$29,498	19.77%
Commercial and Industrial	\$26,288	17.61%
Other	\$178	.12%
TOTAL LOANS	\$149,240	100%

Table 1

The bank's primary business focus is to achieve a profitable return for its shareholders while serving the financial needs of the community. The bank does not rule out any line of financial service provided it meets the foregoing focus. The bank is in a sound position with no known legal or financial impediments to hinder the bank's ability to meet the credit needs of its assessment area. The bank is a charter member of Georgia Affordable Housing Corporation - an independent, not-for-profit organization formed to provide rental housing to low and moderate income families.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes all of Spalding County and part of Henry County. These counties are part of the Atlanta Metropolitan Statistical Area ("MSA"). The bank has identified twelve census tracts in Spalding County and two in Henry County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low-income geographies. According to the U.S. Census Bureau, these designated areas do not contain any low income tracts. The designated area consists of seven moderate income tracts, six middle income tracts, and one upper income tract. The only upper income tract is located in Henry County, north of the Hampton branch location.

Fifty three percent of the families living within the assessment area are low to moderate income. The remaining 47% is distributed evenly between middle and upper income levels. Fifteen percent of the families within the assessment area are living below the poverty level.

Demographics on housing related data show a median housing value of \$58M. Owner occupied housing constitutes 61% of total available units. The population of the assessment area is 63,521. The Housing and Urban Development MSA Median family income for 1998 was \$54,700.

The bank is headquartered in the highly competitive market of Spalding County. Their competition consists of three independent banks, a credit union, a savings & loan, and one multinational banking branch. The business environment of Spalding County continues to experience steady growth. The local economy is represented by retail trade, transportation and public utilities, government offices, manufacturing and service industries. Major industry employers include NaCom and Caterpillar. Unemployment for the county is low at 3.02%.

As part of our examination, we obtained information from one community contact regarding local economic conditions and community credit needs. The contact was the Housing Authority of Griffin, and the Director provided responses to our questions. This organization's primary purpose is to provide decent, safe, and sanitary housing to low to moderate income level families. Funding is provided by the State of Georgia. Based on information provided, the primary needs in the area are educational programs, affordable housing,

and public transportation for low-income families. It was stated that the local banks have funds reserved for affordable housing. Further, the contact indicated that these institutions stay active in community development projects and meet local credit needs. The contact specifically indicated that FNB Griffin was one of her 3 principal contacts in the local area, and she felt that the bank was doing their part in the community to help meet the needs stated above.

Income Definitions:

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

Since the previous examination, FNB's average loan-to-deposit (LTD) ratio is more than reasonable at 85%.

Over the last four quarters, the LTD ratio averaged 82% as compared with its peer banks' average of 79%. For the loan to deposit comparison, FNB's peer group consisted of two community banks chartered in Spalding County. These institutions were used for comparison due to similar market niche, assessment area, and range of services. As the graph shows (*Figure 1*), the bank's LTD ratio has remained relatively stable along with its peer banks. The slight decline during first quarter of 1999 was a reflection of competitive rates resulting in an increase in deposits. In spite of this fact, FNB has exceeded the peer banks' LTD ratio for the past four quarters, reflecting very good performance.

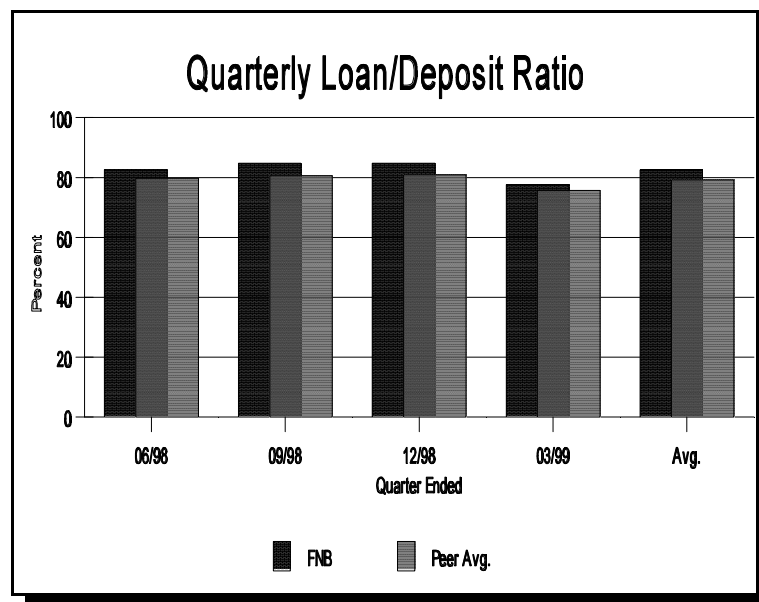


Figure 1

Lending in the Assessment Area

Lending levels reflect responsiveness to community credit needs. The bank has extended a majority of its loans to borrowers within its assessment area. Based on a review of bank data for twelve months concerning consumer loans, 76% of the number of loans made and 74% of the dollar volume of loans made were within the assessment area. Based on HMDA data, 71% of the number of loans made and 67% of the dollar volume of loans made were within the assessment area. Bank data for twelve months on small business loans indicates 80% of the number of loans made and 57% of the dollar volume of loans made were within the assessment area. The dollar volume ratio is skewed due to loans to 5 companies outside the assessment area. These percentages demonstrate that the bank is making a majority of their loans to

borrowers in the assessment area.

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

The bank provided an analysis of commercial and consumer lending to analyze and document their lending patterns. We also reviewed HMDA-LAR data for calendar year 1998.

Lending to Borrowers of Different Incomes

The bank’s record of lending to borrowers of different income levels is satisfactory. Our analysis of consumer lending concluded that 49% of the dollar volume and 70% of the number of loans were made to low-to moderate income borrowers. Our analysis of HMDA data concluded that 34% of the dollar volume and 45% of the number of loans were made to low-to-moderate income borrowers. This compares favorably to the demographic composition of the bank’s assessment area (which shows 53% of the families in the assessment area as low to moderate income). Sixty seven percent of all low-to-moderate income borrowers live within moderate income tracts, however only 49% of all housing units within the moderate income tracts are owner occupied. This demonstrates that the bank is doing a satisfactory job of lending to all economic segments of their community. This data also indicates that there continues to be tremendous opportunity for home mortgage lending within your assessment area. The table below illustrates the distribution of loans among the four income groups for the last twelve month period.

Distribution of Loans by Borrower Income Level in Assessment Area			
Income Level	% Families in Assessment Area	# of Consumer Loans/ % of Consumer Loans	# of HMDA Loans/ % of HMDA Loans
Low Income	30%	1368/40%	49/14%
Moderate Income	23%	1004/30%	105/31%
Middle Income	24%	550/16%	97/29%
Upper Income	23%	466/14%	88/26%
Total	100%	3388/100%	339/100%

Table 2

Bank prepared data documenting the lending activity of the finance company was reviewed. In 1997, the

finance company made 786 loans totaling \$1.4MM. The average loan size was \$1,760. In 1998, the finance company made 768 loans totaling \$1.9MM. The average loan size was \$2,420. Approximately 75% of the finance company loans are made to low income applicants and 23% are to moderate income applicants. Seventy one percent of the total number of loans made were to borrowers within the assessment area. This further indicates the bank's responsiveness to the need for small consumer loans both to low to moderate income levels and within the assessment area. Information regarding finance company activity is provided separately due to the bank's practice of separate record keeping for this line of service.

Lending to Businesses of Different Sizes

Lending to businesses of different sizes is excellent. We utilized the bank's internal analysis to determine gross revenue levels of the businesses. For CRA purposes, the bank defines small businesses as those with gross annual revenues less than \$1 million. Bank data indicated that over 77% of FNB's commercial loans are to small businesses. In fact, almost 40% were to businesses with annual revenues of less than \$250M. The size of the loans made to small businesses is also indicative of the bank's willingness to meet the credit needs of businesses of different sizes. Bank data indicates that 86% of all business loans made were for a loan amount less than \$250M. Demographics for the assessment area indicate that small businesses (annual sales less than \$1MM) comprise 73% of all businesses within the assessment area.

Geographic Distribution of Loans

FNB has an satisfactory record of lending to all segments of its assessment area. While the bank does not analyze its distribution of commercial loans, management did provide a breakdown of HMDA-related and consumer loans. 34% and 65% of total HMDA related loans were distributed among moderate and middle income census tracts, respectively. Only 1% of HMDA related loans were made in upper income census tracts. 42% of consumer loans were made to borrowers in moderate income census tracts and 58% to those in middle income tracts. Loans made by the bank are evenly dispersed throughout the assessment area. Dispersion patterns correlate to the population distribution among the census tracts, which are all moderate, middle, and upper income. There are no low income census tracts.

Response to Consumer Complaints

The bank has not received any CRA-related complaints since the last CRA examination, which was dated July 8, 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. The bank has instituted appropriate fair lending policies, procedures, and training programs.

Investments and Services

The following items are provided as further demonstration of the bank's commitment to the Act and their record of performance:

- # The bank helped to form the L.E.N.D.E.R.S Network in July 1998 for the purpose of providing small business loans to low income families. The recipients of this service receive financial counseling and basic life skills training. This service qualifies for Community Development purposes due to the bank's investment in time and money to provide financial related services to meet the needs of needy families in their community. The goals of the network include training and counseling to change their life circumstances and return to self sufficiency.
- # In 1998, the bank sponsored a "Habitat for Humanity" house. The sponsorship entailed funding the entire cost (\$39,860) of the project and providing the volunteer hours to construct the house. The bank has also provided the new owner of the house with financial counseling.
- # The bank is a charter member of Georgia Affordable Housing Corporation. This is an independent, not for profit organization formed to provide rental housing to low and moderate income families. The bank participated in the funding and agreed to provide any technical assistance. The bank contributed \$3M on 4-22-98 to fund organizational costs for the corporation.