



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 30, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Waynesboro
Charter Number 7899**

**626 Liberty Street
Waynesboro, GA 30830**

**Comptroller of the Currency
ADC - Carolinas
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.

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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 operations 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 The First National Bank Waynesboro, Waynesboro, GA as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of July 30, 2001. 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.

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

DESCRIPTION OF INSTITUTION

The First National Bank of Waynesboro (FNB) is an intrastate bank headquartered in Waynesboro, Georgia. The bank's main office is located at 626 Liberty Street in Waynesboro, which is in a moderate-income census tract. The institution has two branches both located in Waynesboro, and include a drive-in only facility and a supermarket branch, both of which are located in a middle-income census tract. The bank is wholly-owned by the First Burke Banking Company, a single bank holding company. FNB has average assets of \$75 million with gross loans representing 54% of average assets as of June 30, 2001. Net loans as a percentage of total assets totaled 53% as of June 2001. As of December 31, 2000, the bank's loan portfolio was comprised of the following types of loans:

- 66% Retail (consisting of Loans to individuals, Single Family and Home Equity Loans)
- 16% Commercial, Industrial Loans
- 18% Non-farm, Non-residential Real Estate Loans, Agricultural Production Loans

As illustrated above, the bank's lending is more heavily concentrated in retail lending, which is consistent with the bank's overall strategic goals and objectives.

This review disclosed no financial or legal impediments restricting the bank's lending activities. The bank's volume of originations during our assessment period, from January 1, 1998 through April 30, 2001 included 7,763 loans totaling \$106 million. The bank was rated a "1" in the previous CRA examination.

DESCRIPTION OF BURKE COUNTY, GEORGIA

The bank's assessment area meets the legal requirements of the regulation. It consists of the entire Burke County geographical area. This assessment area does not arbitrarily exclude any low-or-moderate-income geographies. The county is comprised of eight block numbering areas (BNAs). Five (63%) of the areas are moderate-income and three (37%) are middle-income. The 2000 census reported the population of Burke County at 23,475, and it is not a part of any metropolitan statistical area. The county's most recent unemployment rate was reported at 7%, with 31% of the county households at below the poverty level.

Within Burke County, 52% of commercial businesses are located in middle-income census tracts and 48% are located in moderate-income census tracts.

The city of Waynesboro is geographically located in the center of Burke County, Georgia. Waynesboro is the largest city in the county and serves as the county seat. The town is located 165 miles east of Atlanta and 101 miles north of Savannah. Competition in the bank's assessment area includes other community and regional bank branches and credit unions.

As a part of our review, we also incorporated information obtained from two local community contacts. The contacts included a local housing authority office and an administrator within Burke County. These contacts indicated a need for educating the local population about basic personal financial development.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average loan to deposit ratio on a quarter-to-quarter basis since the last review is reasonable at 64%. This is reasonable due to the generally low mortgage loan demand within the bank's assessment area and also the fact that the bank primarily makes consumer loans which are much lower in dollar amount than the commercial and commercial real estate loans made by its competitors. Commercial, Industrial, construction and land development loans represent only 18% of FNB's total loan portfolio, and FNB's portfolio of consumer oriented loans, amounts to 66% of total loans.

Lending in the Assessment Area

We performed an analysis of retail loans originated during our assessment period of January 1, 1998 through April 30, 2001. Of our sample, 25 of 26 loans, or 96.15% were within the bank's assessment area. This represented 95.73% of the dollar volume of the loans sampled. Our findings from this sample are consistent with the bank's data.

We also reviewed a sample of 24 commercial loans originated by the bank during this assessment timeframe. Ninety-two percent of the sampled loans were extended to businesses within the bank's assessment area.

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

Our review of borrower income distribution consisted of a sample of retail loans and a sample of business loans.

We found the institution's distribution of lending among borrowers of differing income levels to be reasonable. Based on the 25 retail loans originated within the bank's assessment area, four (16%) were granted to low income borrowers, one loan (4%) to a moderate income borrower, 6 loans (24%) to middle income borrowers, and fourteen loans (56%) to upper income individuals. Although this volume is below the demographics of the bank's assessment area, it is reasonable given the high level of poverty in the area.

1999 - 2001 RE Originations - by Income Level					
Income Level	# of Loans Orig by Bank	% of Originations	\$ of Loans Orig by Bank	% of Originations	BNA Demographics
Low	4	16%	168,625	9%	33%
Moderate	1	4%	68,000	4%	17%
Middle	6	24%	468,353	25%	19%
Upper	14	56%	1,207,334	64%	31%

Small Business Lending

We found the institution's distribution of lending among businesses of different sizes reflects a satisfactory penetration. Based on a random sample of 24 commercial loans, the bank originated 22 loans to small businesses, representing 92% of the number and 93% of dollar volume. Small businesses are defined as companies with gross annual revenues of \$1 million or less. This performance is above that of the assessment area where 88% of the businesses have revenues of \$1 million or less. In addition, small business loans of \$100,000 or less make up a substantial portion of the bank's commercial portfolio. Of the 22 commercial loans we reviewed within the bank's assessment, 21 (or 95%) were originated at or below \$100,000.

Borrower Distribution of Small Loans to Businesses		
Number of Businesses with Revenues of \$1 Million or Less		Number of Loans by Original Amount Regardless of Business Size
% of Businesses in the Assessment Area	% of Bank Loans	\$100,000 or Less
88.17%	100%	95%

Small Farm Lending

The bank reported 17 loans to family farmers for production purposes totaling \$2,627,000. We did not review these loans due to a lack of comparable census data.

Geographic Distribution of Loans

We reviewed the bank's geographical distribution of loan originations and found the results to be reasonable. Our analysis of this information reflected that 49% of the number and 53% of the dollar volume of originations were granted to borrowers in Moderate Income Tracts and that 51% of the number and 47% of dollar volume of originations were to borrowers located in Middle Income Tracts. This compares favorably to demographic data for the bank's assessment area. This data indicates that 51% of owner occupied dwellings are located in Moderate Income Census Tracts and that 49% of owner occupied dwellings are located in Middle Income Census Tracts.

We prepared an independent analysis of the bank's originations of retail loans. We sampled 26 loans and found 25 of these loans were extended to borrowers within the bank's assessment area. Of our sample, 36% (9) of the originations were extended to borrowers located in the Moderate Income Census Tracts and 64% (16) were extended to borrowers located in the Middle Income Census Tracts. Of the 25 loans in our sample, five were to individuals whose incomes was either at a low or moderate level. Four of these individuals are located in Middle income BNAs. The bank's lending percentage of lending in the middle-income tracts is below the demographic data of 51%. This is considered reasonable. The bank's lower lending percentage is mitigated by a high amount of rental units in the geography. In fact no new housing units have begun in the area since 1997. Also, 26% of the families in the bank's assessment area have incomes below the poverty level, and 33% of the families are at the low-income level.

1999 - 2001 Retail Originations* - by Geography					
Census Tract	# of Loans Orig by Bank	% of Originations	\$ of Loans Orig by Bank	% of Originations	BNA Demographics
Low	0	0	0	0	0
Moderate	9	36%	642,328	34%	51%
Middle	16	64%	1,241,994	66%	49%
Upper	0	0	0	0	0

We prepared an independent analysis of loans originated for business purposes since the last CRA examination. The bank extends a substantial majority of its commercial loans within their assessment area. Based on our sample of 24 business loans originated between 1998 and 2001, the bank extended 92% of the number of loans (22) and 93% of the dollar volume to businesses within the bank's assessment area.

The distribution of the bank's commercial loans within the bank's assessment area is good. Of the 22 loans originated within the bank's assessment area, ten loans, representing 45% of the number of origination and 26% of the dollar volume were to businesses located in moderate-income tracts and 55% of the number of originations, represented by 74% of the dollar volume, were originated to businesses located in middle-income areas. Although the dollar volume of

originations is below the demographics of the assessment area, we found no concerns with the bank's lending practices. Of our sample, 95% of the loans were for amounts of \$100,000 or less. A large commercial loan of \$140,000 was located in a middle-income tract. This loan skewed the dollar volume of originations for the middle-income tracts.

1999 - 2001 Commercial Loan Originations* - by Geography					
Census Tract	# of Loans Orig by Bank	% of Originations	\$ of Loans Orig by Bank	\$ of Originations	BNA Demographics
Low	0	0	0	0	0
Moderate	10	45.46%	168,315	26.39%	48%
Middle	12	54.54%	469,478	73.61%	52%
Upper	0	0	0	0	0

* Based upon a random sample of 22 commercial loans

Responses to Complaints

The bank has received no complaints since our last CRA examination. Also, our office's Consumer Complaint division has received no complaints against the bank since our last CRA examination.

Fair Lending Review

During June 2001, we conducted a review of the bank's fair lending activities. During this process, we reviewed the bank's loan policies and reviewed a sample of 10 diverse product applications (including both denied and approved) to determine whether the bank was in compliance with the fair lending laws. We also reviewed 5 approved and 5 denied consumer, residential real estate and business applications to determine any potential violations of law. We noted no exceptions during this review.