



Small Bank Performance Evaluation

PUBLIC DISCLOSURE

August 06, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Brewton
Charter Number 15797**

**227 Belleville Avenue
Brewton, AL 36427**

Office of the Comptroller of the Currency

**Southeast District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

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.

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 (CRA) performance of First National Bank of Brewton prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 06, 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 rating is based on the following:

- ◆ A substantial majority of the loans were made in the bank’s assessment area.
- ◆ The bank maintains a satisfactory loan to deposit ratio. Of similar sized community banks in the state, FNB of Brewton ranks 7th (out of 12).
- ◆ Lending patterns indicate good distribution of loans among borrowers of different income levels (low- to moderate- and small businesses).
- ◆ The geographic distribution of loans reflect reasonable penetration throughout the assessment area.

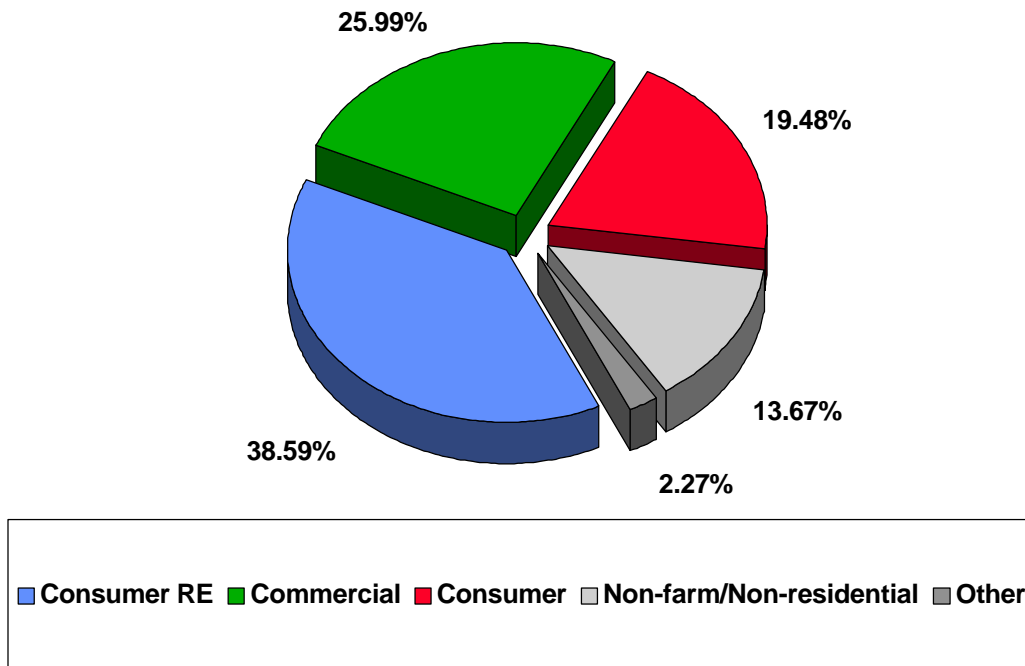
The following table indicates the performance level of The First National Bank of Brewton with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Brewton PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank Brewton (FNB) is a \$107 million community bank located in Brewton, Alabama. In addition to the main office, the bank operates two branches (Northside of Brewton and East Brewton) with each including a drive through facility. There is one ATM located at the Northside branch with a future site being planned for the East Brewton branch. FNB Brewton is part of a (3) bank holding company owned by South Alabama Bancorporation. FNB Brewton is a full-service oriented bank offering such products as real estate, consumer, and commercial loans and various deposit accounts. The loan mix based on 3/31/98 Call Report is as follows:

Loan Portfolio Mix



Source: Call Report (figures as a % of gross loans-3/31/98)

FNB Brewton is in sound financial condition with no legal impediments which would prevent it from meeting the credit needs of the community. The bank's previous CRA rating was "Satisfactory" (2/3/94). Information obtained from management reports were analyzed and reviewed for accuracy.

DESCRIPTION OF ASSESSMENT AREA

Escambia, Conecuh, Santa Rosa Counties

The assessment area(AA) of FNB Brewton includes 11 block numbering areas (BNAs) located in 3 different counties. In Escambia county (Brewton) there are 5 BNAs (numbered 9698 thru 9703). In Conecuh county, also in Alabama, 4 BNAs are included. Santa Rosa county, located in Florida, contains the remaining 2 BNAs. FNB's AA meets all legal requirements set forth by the CRA regulation and does not arbitrarily exclude any low- or moderate- income areas. The first chart below gives a breakdown of what constitutes low, moderate, middle, or upper income. The second chart identifies income level by BNA.

Estimated Non-MSA Median Income (For 1998-\$32,600)

LOW X<50%	under \$16,300	MIDDLE 80% <=X<120%	\$26,080 to under \$39,120
MODERATE 50%<=X<80%	\$16,300 to under \$26,080	UPPER 120% < X	\$39,120 and over

Source: 1998 HUD Estimated Median Family Income

Income Level by BNA

SEQUENCE	BNA NUMBER	INCOME TRACT	COUNTY
1	9702	MODERATE	ESCAMBIA
2	9698	MIDDLE	ESCAMBIA
3	9701	UPPER	ESCAMBIA
4	9699	MIDDLE	ESCAMBIA
5	9703	MIDDLE	ESCAMBIA
6	9603	MIDDLE	CONECUH
7	9604	MIDDLE	CONECUH
8	9606	MIDDLE	CONECUH
9	9605	MIDDLE	CONECUH
10	0102	MIDDLE	SANTA ROSA, FLORIDA
11	0101	MODERATE	SANTA ROSA, FLORIDA

Source: 1990 Census

Note: For ease of reference the sequence column will be used to identify the BNA.

The estimated population for Escambia county is approximately 35,414 composing of 10,500 families. Public Assistance and Social Security payments are received by 10% and 34% of the total households in the AA, respectively. The median family income and unemployment rate for the assessment area and the State Non-MSA are as follows:

County/Assessment Area	HUD 1998 Estimated Median Family Income	Unemployment Rate
Escambia County	\$23,163(*)	4.9%
State Non-MSA	\$32,600	3.7%

Source: 1990 Census/1998 HUD Estimated Median Family Income/ 4/98-Employment Rpt..

(*): Weighted average of 3 counties in AA.

Employment is centered primarily in manufacturing, government, and wholesale and retail trade. Major employers in the area are: Jefferson Smurfit (600), TR Miller Mill (455) and Alabama Ductile Casting Co.(350).

There are 5 banks and 1 credit union which operate in the assessment area. Of the 5 banks, two are branches of larger financial institutions headquartered elsewhere while the remaining two are state chartered banks based out of Brewton. FNB Brewton is the largest (in total assets) of the community banks.

- ◆ Information received from a community contact, a local minority leader, indicated the need for extracurricular activities and summer jobs for the town's teenage population. The contact did not state any specific community credit needs and was complimentary of FNB Brewton for providing a banking seminar to his congregation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio (LTD)

FNB's loan to deposit ratio(LTD) is rated "satisfactory" based on peer group comparison of similarly sized banks in the state.

The bank's quarterly LTD ratio between 1/1/95 thru 3/31/98 averaged 62.12%. During this time frame, the bank had a low of 56.86% (3/98) and a high of 67.84% (9/96). As of 3/31/98, FNB's ratio of 56.86% ranks nationally at the 13th percentile. In the state of Alabama, the bank currently ranks 7th (as of 12/31/97) out of a total of 12 community banks with assets between \$95MM and \$120MM. Locally, FNB exceeds the two smaller community banks by 19% and 33%.

Comparison of Credit Extended Inside and Outside of the Bank's Assessment Area

A substantial majority of the loans are made to borrowers within the bank's assessment area.

The table below depicts 1-4 family real estate loans originated between June '97 and July '98. Percentages of loans in and out of the assessment area were further substantiated through a review of all consumer loans made between this time frame.

FNB's Consumer RE Loans

Location	# of Loans	% of Loans (by #)	\$ Volume of Loans (000)	% of Loans (by \$)
<i>Inside AA</i>	159	<i>95.21%</i>	\$7,867	90.93%
<i>Outside AA</i>	8	<i>4.79%</i>	\$785	9.07%
Total	167	100%	\$8,652	100%

Source: Fair Housing Home Loan Data System.

FNB's Loan Distribution (Consumer)

Location	# of Loans	% of Loans (by #)	\$ Volume of Loans	% of Loans (by \$)
Inside AA	2278	<i>92.60%</i>	\$15,100	82.03%
Outside AA	182	<i>7.40%</i>	\$3,308	17.97%
Total	2460	100%	\$18,408	100%

Source: Bank's consumer loan trial.

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

The distribution of loans made to different borrower income levels and to different business sizes is good. This was concluded through a comparison of the " % of Families by Income" (1990 Census information) to the actual performance of the loans made to each income category (% of Total (by #)) .

FNB's Consumer RE Distribution

Origination	% of Families by Income	# of Loans in AA	% of Total (by #)	\$ of Loans in AA (000's)	% of Total (by \$)
Low-Income	26.07%	16	10.06%	\$240	3.05%
Moderate-Income	17.55%	28	17.61%	\$720	9.16%
Middle-Income	19.86%	44	27.67%	\$1,658	21.07%
Upper-Income	36.51%	71	44.65%	\$5,249	66.72%

Source: 1990 Census Report and 1998 FHHLDS Data.

FNB's Loan Distribution (Consumer)

Origination	% of Families by Income	# of Loans in the AA	% of Total (by #)	\$ of Loans in AA(000's)	% of Total (by \$)
Low-Income	26.07%	824	36.17%	\$2,662	17.63%
Moderate-Income	17.55%	614	26.95%	\$3,004	19.89%
Middle-Income	19.86%	387	16.99%	\$2,249	14.89%
Upper-Income	36.51%	453	19.89%	\$7,185	47.59%
Total	100%	2,278	100%	318	100%

Source: Bank Report Data

Note: Figures were obtained from consumer loans originating between the time periods of 6/01/97 thru 7/7/98.

As shown in the above data, the bank performed satisfactorily in consumer RE lending. FNB's lending to moderate income families was comparable to the demographics of the AA. However, these figures were less representative for low income families. Under consumer lending, the bank performed quite well as loan penetration exceeded benchmarks in both low- and moderate-categories by 10.1% and 9.4%, respectively.

FNB's Loan Distribution - Small Business

Due to the absence of gross revenue information on small businesses, loan distribution could not be performed. However, an analysis utilizing loan size as a proxy for gross revenue was performed. The data below reveals good loan penetration to small businesses as 90.53% of all loans made were \$100M or less.

Small Business Loan Distribution

Small Business Loan Size	# Loans	% Loans(#)	\$ Loans(000)	% Loans(\$)
greater than \$100,000	25	9.47%	\$7,815	60.62%
<i>\$75,000 - \$100,000</i>	<i>8</i>	<i>3.03%</i>	<i>\$724</i>	<i>5.62%</i>
<i>\$50,000 - \$74,999</i>	<i>11</i>	<i>4.17%</i>	<i>\$665</i>	<i>5.16%</i>
<i>\$25,000 - \$49,999</i>	<i>44</i>	<i>16.67%</i>	<i>\$1,731</i>	<i>13.43%</i>
<i>less than \$25,000</i>	<i>176</i>	<i>66.67%</i>	<i>\$1,956</i>	<i>15.17%</i>
Total Loans	264	100%	\$12,891	100%

Source: Compiled bank data

Geographic Distribution of Loans

- ◆ The geographic distribution of consumer RE and consumer loans reflect adequate penetration in FNB's assessment area. This was concluded through a comparison of the " % of Total Census Tracts by Income" in the AA (1990 Census information) to the actual number of loans made in each income category tract(s).

Geographic Distribution of Consumer RE Loans

Origination	% of Total Census Tracts	# of Loans in Census Tract	% of Total	\$ of Loans in AA(000's)	% of Total
Low-Income (0)	0%	0	0%	0	0%
Moderate-Income (2)	18.18%	18	11.32%	\$355	4.51%
Middle-Income (8)	72.73%	100	62.89%	\$4,363	55.46%
Upper-Income (1)	9.09%	41	25.79%	\$3,149	40.03%
Total (11)	100%	159	100%	\$7,867	100%

Source: Bank's FHHLDS Data

Geographic distribution of the 2,278 consumer loans which originated between 6/1/97 and 7/7/98 is shown in the table below.

Geographic Distribution of Consumer Loans

Origination	<i>% of Total Census Tracts</i>	# of Loans in Census Tract	<i>% of Total</i>	\$ of Loans in AA(000's)	% of Total
Low-Income (0)	<i>0%</i>	0	<i>0%</i>	0	0%
Moderate-Income (2)	<i>18.18%</i>	341	<i>14.97%</i>	\$2,576	17.06%
Middle-Income (8)	<i>72.73%</i>	1,415	<i>62.12%</i>	\$8,142	53.92%
Upper-Income (1)	<i>9.09%</i>	522	<i>22.91%</i>	\$4,381	29.02%
Total (11)	<i>100%</i>	2,278	<i>100%</i>	\$15,099	100%

Source: Bank Reports

Response to Complaints

No complaints were received from the public since the prior examination.

Results of Fair Lending Review

Our fair lending review did not identify any violations of antidiscrimination laws and regulations. The bank has policies and procedures in place which provide satisfactory guidance on fair lending requirements.