

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

August 16, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 21709
2509 Osborne Road
Saint Mary's, Georgia 31558**

**Office of the Comptroller of the Currency
North Florida Field Office
8382 Baymeadows, Suite 1
Jacksonville, FL 32256**

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** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 16, 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 following major factors provide support for First National Bank's rating:

- < The loan-to-deposit ratio meets satisfactory performance standards given the bank's size, financial condition, and the credit needs within the community.
- < A majority of loans are within the bank's assessment area.
- < The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

As of June 30, 1999, First National Bank (FNB) is a \$81.8 million institution headquartered in Saint Marys, Georgia. The bank is 100% owned by First National Banc, Inc. The bank has two branches located in Kingsland and Woodbine, Georgia. Each location, the main office and two branches, have an automated teller machine (ATM). Additionally, the bank has a nonproprietary ATM located in Kingsland, GA. In June 1999, First National Insurance Agency, Inc. (FNIA) was established as a subsidiary of the bank. FNIA provides insurance services.

Gross loans, totaling \$51.6 million, represent 63% of assets. The loan portfolio mix, to average gross loans, is as follows: residential real estate loans (46%), commercial/commercial real estate loans (40%), consumer loans (8%) and construction/land development loans (6%).

The bank offers a wide variety of credit products to consumers, businesses and government entities. Also, FNB offers additional banking services, including checking and savings accounts, to meet the needs of its consumer and commercial customers. Currently, there are no legal impediments that would prevent the bank from meeting any credit or banking service needs of the community. The bank's previous CRA rating was Satisfactory. This review period covers July 1, 1996 to August 22, 1999.

DESCRIPTION OF CAMDEN COUNTY, GEORGIA

The institution's assessment area is Camden County. This area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Camden County's 1990 Census population was 30,167. Based on the 1990 Census, Camden County has seven Block Numbering Areas (BNA's). Three BNA's are designated middle-income, three BNA's are designated upper-income and one BNA does not have an income designation (wildlife management area). The 1998 Housing & Urban Development estimated statewide non-MSA median family income for Georgia of \$34,600. Based on this information, 13% and 15% of the population is considered low- and moderate-income, respectively. The remaining 72% are middle-and upper-income.

Camden County's estimated 1997 population is 47,800. The population has experienced a 8.4% annual growth rate since 1990. The county includes the incorporated cities of Kingsland, Saint Mary's and Woodbine. The October 1998 unemployment rate is approximately 3.9%. This is slightly lower than the 1998 state of Georgia unemployment rate of 4.2%. The county's five largest employers are Kings Bay Naval Submarine Base, Gilman Paper Company, Camden County Schools, JA Jones, Inc. and Lockheed Missiles & Space. These figures were based on published demographic information and the Camden - Kings Bay Area Chamber of Commerce.

Competition in the county is provided by one branch of a regional bank, branches of three community banks, two credit unions and several finance companies. A discussion with a local community leader indicated that the involvement of financial institutions is positively perceived within the local community. The community leader stated the local population's banking needs are being adequately met with the volume and business strategies of all financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets satisfactory levels given the bank's size, financial condition, and assessment of area credit needs. The average net loan-to-deposit ratio, using quarter-end information from September 30, 1996 to June 30, 1999, is 76.42%. This is considered stable and just above the local peer banks' average ratio of 75% for the same time period. The bank's peer group consists of all national and state chartered institutions in Camden County and the three contiguous counties in the state of Georgia. This group consisted of seven community banks.

In addition, FNB was compared to a national peer group of banks with total assets less than \$100 million and located in a non-metropolitan area (MSA). Based on the same time period mentioned above, FNB's loan-to-deposit ratio compares favorably to the national peer group average of 70.11%.

Lending In Assessment Area

A majority of loans are within the assessment area. Based on internal CRA reports from first quarter 1997 to first quarter 1999, FNB originated 1,496 consumer and residential real estate loans with 72% (by number) made within the assessment area. Our sample of 29 residential real estate loans, 18 commercial/commercial real estate loans and 34 consumer loans were reviewed to validate the bank's reports. Based on this sample, 75% of the loans (by number) were made within the assessment area. The percentage of loans made within the assessment area was very similar based on the bank reports and our loan samples.

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

The dispersion of loans to borrowers of different income levels and businesses of different sizes is reasonable. FNB began using the estimated HUD median family income information as part of their CRA analysis during the second quarter 1998. Borrowers are categorized as low-, moderate-, middle- or upper-income based on the 1998 non-MSA median family income for Georgia of \$34,600.

We performed an independent review of the bank's analysis and determined, via sampling, that the bank's analysis reflects its lending practices. The following table shows the results of this analysis:

Consumer and Residential Real Estate Loans Originating from Second Quarter 1998 to First Quarter 1999				
	Low income	Moderate income	Middle income	Upper income
Number of loans made to borrowers designated as:	69	259	196	158
Percentage of loans made to borrowers designated as:	10%	38%	29%	23%
Percentage of families designated as: (based on 1990 Census)	13%	15%	25%	47%

FNB does not formally track and report loans to businesses of different sizes. A sample of 18 commercial/commercial real estate loans was used for this analysis. This analysis found 14, or 78% (by number), loans were originated to businesses with annual revenue less than \$1 million. Based on 1990 Census, 95% (678 out of 717) of the nonfarm businesses reported annual revenue less than \$1 million.

Since the last CRA examination of September 6, 1996, the bank has originated three Small Business Administration loans totaling \$1,568,703 (original balance and total commitment). Additionally, FNB originated five development loans totaling \$398,978 with the Coastal Area District Development Authority (CADD), a Camden County Enterprise Program.

Geographic Distribution of Loans

We did not review the geographic distribution of the bank's loans within the assessment area due to the income distribution of the bank's seven BNAs. Six of the seven BNAs are designated as middle-income or upper-income. The remaining tract is not designated as it is a wildlife management area. The bank's assessment areas contains no BNAs Based on our sample, there appears to be reasonable distribution of lending within the assessment area. The bank does not formally geo-code each loan. Currently, the bank does not generate any geographic analysis reports.

Response to Complaints

There were no complaints received by the bank or our office during the period of review. During this examination we performed a fair lending review of FNB's instalment lending to determine any discriminatory practices based on gender. No violations of the substantive provisions of anti-discrimination laws were identified.

