

PUBLIC DISCLOSURE

July 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Polk County
Charter # 11833**

**967 North Main Street
Cedartown, Georgia 30125**

**Office of the Comptroller of the Currency
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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 **The First National Bank of Polk County**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 13, 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 CRA rating for The First National Bank of Polk County (the “bank” or “FNB”) is based on the institution’s reasonable loan-to-deposit ratio, substantial majority of lending within its assessment area, good loan distribution to borrowers of different income levels and different size businesses, and a balanced distribution of loans to borrowers in different geographies.

The following table shows *FNB's* performance level with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Polk County 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	FNB has not received any CRA-related complaints since the previous evaluation.		

DESCRIPTION OF INSTITUTION

The First National Bank of Polk County (FNB) is a \$129 million retail banking institution that is wholly owned by First Polk Bankshares, Inc. The bank's financial condition, as of June 30, 1998, is characterized by total loans of \$62 million, total deposits of \$115 million, and net income of \$736 thousand, for the first six months of 1998. The main office is located at 967 North Main Street, Cedartown, Georgia. The bank has one other full service branch in Cedartown and a full service branch in nearby Rockmart. The bank also has an additional drive-in facility in downtown Cedartown and three automated teller machines (ATMs). No legal impediments exist that should hinder the bank from meeting the credit needs of its assessment area.

FNB offers traditional financial services including commercial loans, residential mortgage loans, home improvement loans, consumer loans, and deposit accounts and services. The bank's gross loan portfolio, as of June 30, 1998, consisted of 70 percent real estate loans, with one-to-four family residential real estate loans making up 59 percent of gross loans and 18 percent in other consumer loans. One community bank and two regional bank branches are located in the assessment area.

The bank is a member of Cirrus, MasterCard, and Intercept ATM networks, which offers the convenience of 24-hour nationwide banking through two ATM locations in Cedartown and one in Rockmart. FNB also offers First Connection, a 24-hour voice response system for inquiries and transfers for deposits and loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Polk County, Georgia. This area contains seven block numbering areas (BNAs). The BNAs consist of six middle-income BNAs and one upper-income BNA as designated by the U.S. Census Bureau. Polk County does not include any low- or moderate-income BNAs. The assessment area is not part of any Metropolitan Statistical Area (MSA).

The population of the assessment area is 33,815¹, which is further broken down to 7,978 people residing in Cedartown, 3,356 people residing in Rockmart, and the remaining 22,481 people dispersed throughout the unincorporated areas of Polk County and the small community of Aragon. The unemployment rate is 5.3 percent compared to the state average of 3.8 percent, as of May 1998. Manufacturing is the dominate industry representing 28 percent of all jobs in Polk County. However, manufacturing jobs continue to decline as other industries move into the area. Other major industries include Retail, Services, and Government, which combined represent about 53 percent of all jobs.

¹ U.S. Census Bureau, 1990

Agriculture is a diminishing industry that only represents about 4 percent of all jobs. Major manufacturing employers in Polk County include The HON Co., Engineered Fabrics Corp., Tip Top Poultry, Inc., and Zartic, Inc. Also, Southern Bell recently located a large facility in Polk County. The area continues to draw new and varied industries due to the county's proximity to Atlanta, Birmingham, and Chattanooga and reasonable land and utilities prices. The emerging mix of industries requires a higher level of skilled labor force and has led to a high unemployment rate in the county. The table on the following page shows additional demographic information for the assessment area (*Table 1*).

Income Designation	Number of BNAs in Assessment Area	Population of Families in Assessment Area	Percent of Families in Assessment Area
Low	0	1,801	19.04%
Moderate	0	1,625	17.18%
Middle	6	2,233	23.60%
High	1	3,800	40.16%
Total	7	9,461	100.00%

Table 1

Polk County's depressed economic condition is not an environment conducive to vigorous lending activity. About one third of the households receive social security benefits and 19 percent of households have incomes below the poverty level. These factors contribute to FNB's low loan-to-deposit ratio during the evaluation period.

We reviewed previously conducted Community Contacts with Cedartown Main Street and the Farm Bureau of Polk County. We determined that the types of credit needed include residential real estate loans and small business loans. These types of loans are available through financial institutions in Polk County.

Income Definitions

The Georgia statewide nonmetropolitan median family income is used as the area median income for non-MSA communities. The 1990 U.S. Census non-MSA median family income was \$26,691 for Georgia. The 1998 updated median family income is \$34,600.

Low-income - an individual income, or median family income for geographies, that is less than 50 percent of the area median income.

Moderate-Income - an individual income, or median family income for geographies, that is at least 50 percent and less than 80 percent of the area median income.

Middle-Income - an individual income, or median family income for geographies, that is at least 80 percent and less than 120 percent of the area median income.

Upper-Income - an individual income, or median family income for geographies, that is 120 percent or more of the area median income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

Since the last CRA examination in April 1996, the bank's eight-quarter average loan-to-deposit ratio is 49.54 percent compared with the average loan-to-deposit ratio of 60.46 percent for the only other independent community bank in the assessment area. The following figure (*Figure 1*) illustrates how

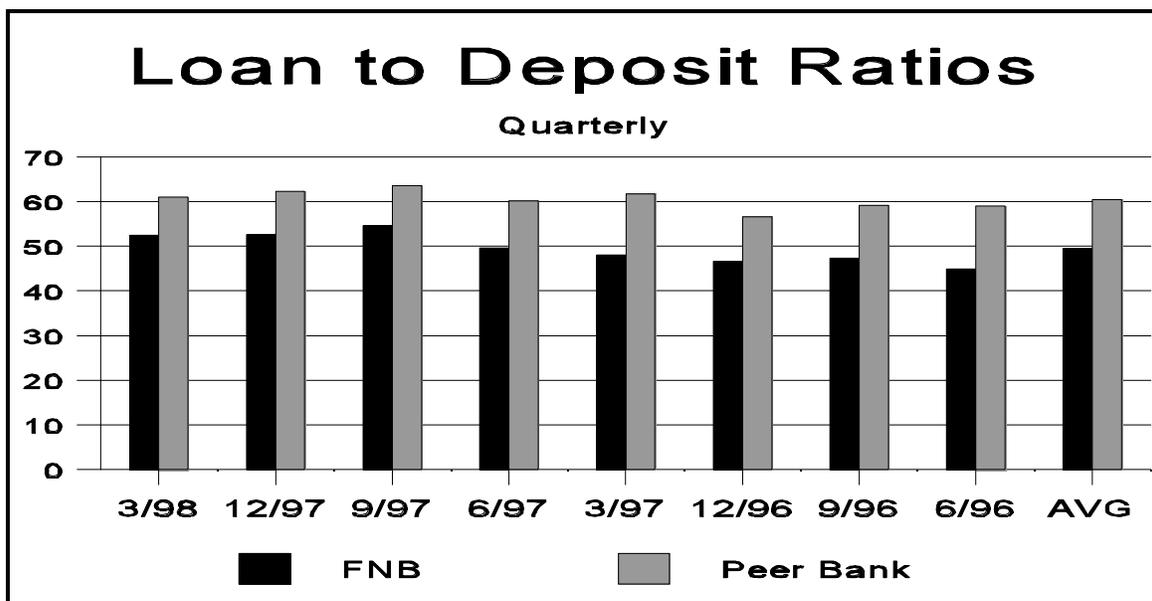


Figure 1

the quarterly and average loan-to-deposit ratios compare during the evaluation period.

FNB's Loan to Deposit ratio is relatively low, but is considered reasonable given the demographics

of the assessment area.

Types of Loans Outstanding at June 30, 1998

The following table (*Table 2*) details the composition of the bank's loan portfolio as of June 30, 1998.

Loan Type	Dollar Amount of Loans OS	Percent of Average Loans
Residential Mortgage	\$36,261	59%
Consumer (automobile, miscellaneous)	11,224	18%
Commercial and Industrial	6,741	11%
Commercial Real Estate	6,550	11%
Agriculture	582	1%
All Other	490	<1%
Total	\$61,848	100.00%

Table 2

The FNB is primarily a consumer and small business lender. As of June 30, 1998, approximately 77 percent of outstanding loans were for consumer purposes, including residential mortgage loans. Also, the majority of commercial loans are to small businesses.

DISTRIBUTION OF CREDIT

Lending levels reflect responsiveness to the credit needs of the community. We used internal bank documentation that shows all loans originated during 1997 and through June 1998 to determine lending inside and outside the bank's assessment area. We used bank documentation to determine if the bank is lending to borrowers of different income levels, including low- and moderate-income families. We also used bank documentation to determine whether the bank is lending to businesses of different sizes. Our conclusions are based on the above-mentioned reports.

LENDING IN THE ASSESSMENT AREA

The bank extended a substantial majority (90%) of all loans made in 1997 and through June 1998 to borrowers within the assessment area (*Figure 2*). The consumer loans were made for miscellaneous purposes and ranged from small loans to large residential purpose loans. The commercial loans were also made for a variety of purposes and amounts.

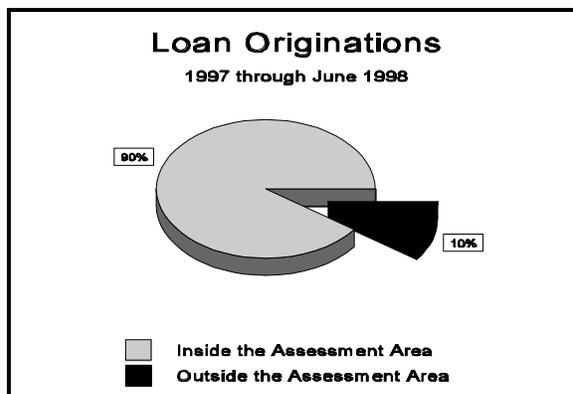


Figure 2

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The distribution of loans to borrowers with different incomes is very good compared with the demographics of the assessment area. About 19 percent of families in the assessment area are low-income families and approximately 20 percent of the loans extended in 1997 and through June 1998 were made to low-income families. About 17 percent of families in the assessment area are moderate-income families and approximately 28 percent of the loans extended during the review period were to moderate-income families. Also, the average dollar amount for consumer loans extended in 1997 through June 1998 was only slightly more than 12 thousand dollars.

Lending to businesses of different sizes is also good. For purposes of the Community Reinvestment Act, small businesses are defined as those with gross annual revenues less than \$1 million. Bank documentation indicated that 91% of commercial loans extended during the review period were to small businesses. The average loan size of commercial loans extended in 1997 through June 1998 was less than 200 thousand dollars.

LENDING TO BORROWERS IN DIFFERENT GEOGRAPHIES

The bank has a satisfactory record of lending to all segments of its assessment area. We found that loans made in 1997 and through June 1998 in the assessment area were reasonably disbursed throughout the county. The following table (*Table 3*) details lending patterns within the County.

BNA/City or Township	Number of Loans		Dollar Volume of Loans (\$000)	
	#	%	\$	%
9901/Aragon, Taylorsville & Braswell	338	10%	4,600	9%
9902/Cedartown	775	24%	20,223	38%
9903/Cedartown	389	12%	4,671	9%
9904/Cedartown	326	10%	3,043	6%
9905/Cedartown	595	18%	7,888	15%
9906/Rockmart & Aragon	484	15%	7,730	15%
9907/Rockmart & Braswell	361	11%	4,259	8%
Total	3,268	100%	52,413	100%

Table 3

The majority of loans were in geographies near the bank's branches. About one quarter of the loans were made in BNA 9902, where the bank's main office is located. However, many loans were also made to borrowers throughout the assessment area. Distribution of credit within the different BNAs is reasonable and consistent with the bank's ability to help meet the credit needs of its community.

RESPONSE TO CONSUMER COMPLAINTS

FNB did not receive any CRA-related complaints since its last CRA examination dated April 24, 1996.

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS.

We conducted a concurrent compliance and fair lending examination. We did not find any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws, including the Equal Credit Opportunity Act and Fair Housing Act. The bank has instituted fair lending policies, procedures, and training programs.