



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 02, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Talladega
Charter Number 4838**

**120 E. North Street
Talladega, AL 35160**

**Comptroller of the Currency
Adc - Birmingham
100 Concourse Parkway Suite 240
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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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INSTITUTION'S CRA RATING

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 CRA performance of The First National Bank of Talladega prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 21, 2003. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 CFR § 25.

This institution is rated **Satisfactory**. The rating is based on the following:

- A majority of the loans were made within the bank's assessment area (AA). Eighty-eight percent (88%) of the loans have been made inside the bank's assessment area.
- The First National Bank of Talladega's performance was less representative in the consumer real estate sample. However, lending levels were strong for small business and general consumer loans. Ninety percent (90%) of the business loans sampled were to small businesses. The bank's retail lending to low and moderate-income borrowers exceeds AA benchmarks.
- The bank maintains a reasonable loan to deposit ratio. The loan to deposit ratio averaged 58.67% over the last 19 quarters.

DESCRIPTION OF INSTITUTION

The First National Bank of Talladega (FNB) is a \$238 million community bank located in Talladega, AL. Talladega is located approximately 70 miles east of Birmingham, AL. The bank is 100% owned by First National Talladega Corporation. FNB is the oldest independent bank headquartered in the state of Alabama. FNB has four full service offices consisting of the main office and branches in Munford, Lincoln, and in the Talladega Winn-Dixie Shopping Center. Proprietary automated teller machines (ATMs) are located at all locations with the exception of the Talladega Winn-Dixie Shopping Center location.

The First National Bank of Talladega offers a variety of credit products. The bank's primary loan product is residential real estate, which comprised about 42% of the loan portfolio as of 12/31/02. The composition of the bank's loan portfolio as of 12/31/02 follows:

Loan Type	Dollar Amount (\$000)	% of Total
Consumer RE	\$43,180	42%
Commercial RE	\$28,908	28%
Commercial	\$13,307	13%
Individual	\$14,997	14%
Agricultural	\$1,623	1%
Other	\$1,837	2%
Gross Loans and Leases	\$103,852	100%

There are no legal, financial, or other adverse factors that would impede the bank's ability to meet the credit needs of the assessment area. The bank's CRA performance was rated "Satisfactory" at their last examination on March 30, 1998.

DESCRIPTION OF THE ASSESSMENT AREA

The bank has designated northern Talladega County as its assessment area. The assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income areas. The AA contains 1 low-income, 9 middle-income, and 2 upper-income block numbering areas (BNA). Based on 1990 Census data, the total population for the AA is 44,589 with 11,982 families and 15,256 households. The non-MSA updated family income for 2002 is \$39,300. Approximately 22% of the families are considered to be low-income (<50% of Weighted Average Median Family Income (WAMFI)), 16.17% are moderate-income (50%-80% of WAMFI), 21.28% are middle-income, and about 41% are upper-income. The economy is heavily dependent on small non-farm businesses. Employment is centered in manufacturing, retail trade, and service industries. Major employers are Honda (automotive plant in Lincoln) and the Alabama Institute of the Deaf and Blind. Based on February 2003 data provided by the State of Alabama, the unemployment rate for Talladega County was 8.9% compared to the state of Alabama average of 5.5%. There are approximately 17,556 housing units in the area with

66.79% owner occupied, 20% renter occupied and 13.21% vacant.

Competition in the bank's assessment area is moderate due to the large number of banks and credit unions operating in the area. The primary competitor of The First National Bank of Talladega is the First Citizens Bank of Talladega.

The community contact made in conjunction with this examination was with the City Council President. The primary credit need identified by the contact was the need for affordable housing. He stated that consumer confidence was down in the area due to a recent massive job reduction by Georgia Pacific of Talladega. He believed that the area was a prime location for Honda supplier facilities, which would improve the local economy. The contact felt that local financial institutions were doing a good job of meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based on the bank's loan mix, we determined that the bank's primary loan products were 1-4 family residential real estate, commercial and general-purpose consumer loans. CRA tracking data for all 1-4 family residential real estate loans made within the last 15 months (328 loans) was reviewed. In addition, random samples of 20 commercial loans and 20 general-purpose consumer loans were selected. Our evaluation period was January 2002-March 31, 2003. The sample was used to determine the bank's percentage of lending in the AA and distribution by borrower income levels and businesses of varying sizes.

Loan-to-Deposit Ratio (LTD)

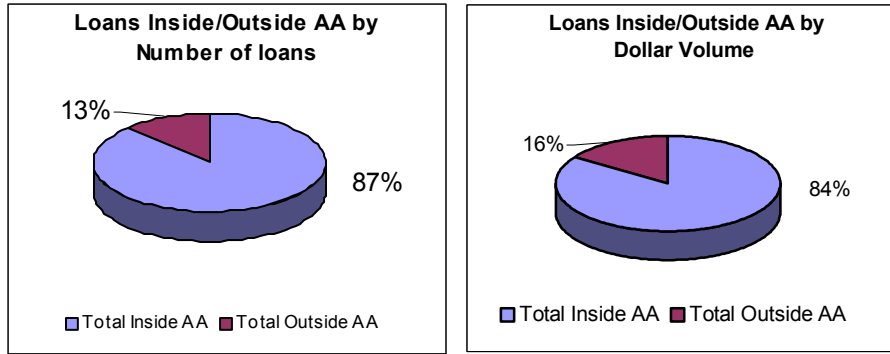
- The First National Bank of Talladega's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

The bank's quarterly LTD ratio average was approximately 59% since the prior exam and was 55.51% as of 12/30/02. The 12/30/02 ratio is below the national peer average of 76.29% but is comparable to its primary competitor, whose average LTD is 54.29%.

Lending in Assessment Area

- A substantial majority of both the dollar volume and the number of loans sampled were made within the AA.

For all 1-4 family residential real estate loans originated since 01/01/02, 88% of the number of loans and 84% of the dollar volume were made within the assessment area. One hundred percent of the commercial and general-purpose consumer loans sampled was inside the AA.



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

The First National Bank of Talladega’s lending is less representative in the residential real estate area, but is reasonable when the number of borrowers below the poverty level is considered. Approximately 22% of the families in the assessment area are low-income and 16% are moderate income. Of the number of loans sampled, 2.79% representing less than 1% of the dollar volume were made to low-income families. Although this is low compared to the 22% of low-income families in the AA, the level is mitigated by the high percentage of low-income families in the AA that are below the poverty level. Of 2607 identified low-income families in the AA, only 536 families are above the poverty level. Approximately ten percent (10.10%) of the number of loans representing 5.14% of the dollar volume was made to moderate-income families, which represent 16% of the AA. Refer to the table below for more results.

1-4 Family Residential RE Income Distribution - Talladega Assessment Area

Income Level	# of Families by Income	% of Families by Income	# of Loans Originated	% of Total (by #)	\$ of Loans Originated ('000)	% of Total (by \$)
Low-Income	2,607	21.76%	8	2.79%	\$108,565	0.60%
Moderate-Income	1,938	16.17%	29	10.10%	\$927,809	5.14%
Middle-Income	2,550	21.28%	92	32.06%	\$4,122,894	22.82%
Upper-Income	4,887	40.79%	158	55.05%	\$12,907,924	71.44%
Total	11,982	100.00%	287	100.00%	\$18,067,192	100.00%

While the bank’s lending to low and moderate-income borrowers for real estate loans is not representative of the benchmarks, FNB financed a \$1.3 million loan for low-income housing in Talladega.

The bank’s performance in the retail and small business areas is strong. About 22% of the borrowers are low-income while slightly more than 16% are moderate-income families. Of the retail loans sampled, 35% of the loans representing 30% of the dollar volume were made to low-

income borrowers. Thirty-five percent of the loans were also made to moderate-income borrowers representing 48% of the dollar volume. The First National Bank of Talladega demonstrates a good record of lending to small businesses. Small businesses represent a substantial portion of the bank's commercial portfolio. We sampled 20 random commercial loans originated during 2002 and 2003. Of the 20 originations, 18 were to small businesses representing 90% of the sample.

Geographic Distribution of Loans

A geographical analysis of loan distribution within the AA is not meaningful as the assessment area contains only 1 low-income tract, no moderate-income tracts, 9 middle-income tracts, and 2 upper-income tracts.

Responses to Complaints

The First National Bank of Talladega has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending Review

An analysis of 1998 through 2003 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.