

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sapelo National Bank
Charter Number 23093**

**1200 North Way
Darien, Georgia 31305**

Office of the Comptroller of the Currency

**Southeastern 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 Sapelo National Bank prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 30, 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 following major factors provide support for Sapelo National Bank's rating:

- ▶ The loan-to-deposit ratio is competitive with that of other institutions and reflects the bank's capacity to make loans given its size, financial condition, and the credit needs within the community.
- ▶ A reasonable amount of loans and other lending related activities are within the bank's assessment area.
- ▶ The distribution of loans reflects reasonable penetration among individuals of different income levels including low- and moderate- income borrowers.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>SAPELO NATIONAL BANK</u> 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 have been received.		

DESCRIPTION OF INSTITUTION

Sapelo National Bank (SNB) opened for business on May 29, 1997. As of June 30, 1998, total assets were \$12 million. The bank serves the credit and deposit needs of its customers from a single facility located in the city of Darien, McIntosh County, Georgia. This facility offers full-service banking, including drive-up and ATM service. Loans represent 61.50% of assets. The loan portfolio is as follows: commercial/commercial real estate loans (52.34%), residential real estate loans (30.85%), and consumer loans (16.81%) .

SNB offers a wide variety of credit products to consumers and businesses. They also offer other banking services, such as checking and savings accounts, to meet the needs of its customers. Currently, there are no legal impediments that would prevent the bank from meeting any credit or banking service needs of the community.

DESCRIPTIONS OF MCINTOSH AND GLYNN COUNTIES, GEORGIA

The institution's assessment area is McIntosh and Glynn counties. This area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. McIntosh County's 1990 Census population was 8,634 while Glynn County's 1990 Census population was 62,496. Also, based on the 1990 Census, McIntosh County has three Block Numbering Areas (BNA's), two of which are designated middle- income and one designated moderate- income. Glynn County has eleven BNA's, six of which are designated upper- income, three of which are designated middle- income, one designated moderate- income and one designated NA. The 1998 Housing & Urban Development estimated state-wide non-MSA median family income for Georgia of \$34,600.

McIntosh County, which includes the cities of Darien, Townsend and Crescent, had an estimated population of 9,815 in 1997. This is an increase of approximately 13.5% since 1990. The unemployment rate was 5.6%. These figures were based on demographic information from the Georgia Department of Labor and the McIntosh Chamber of Commerce. Major employers in the area include Prime Outlets of Darien, Southeastern Bank, Blusteins Supermarket and Sea Garden Seafood.

Glynn County includes the cities of Brunswick, St. Simons Island, Sea Island, Jekyll Island and Little St. Simons Island. Based on published demographic information, the county's 1997 population was estimated to be 66,278. This would indicate growth of approximately 6% since the 1990 Census. The unemployment rate is approximately 3.1%. Major employees include Glynn County Board of Education, Federal Law Enforcement Training Center, Southeast Georgia Regional Medical Center and the Sea Island Company.

Competition in the two counties includes three regional banks, NationsBank, SunTrust and Synovus Financial Corp. Locally owned institutions include Southeastern Bank, First Bank of Brunswick and Atlantic National Bank. Contacts made with local community

leaders indicated that the involvement of financial institutions is positively perceived within the local community. The community leaders stated the local population's banking needs are being adequately met with the volume and business strategies of all the financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

Since SNB opened, the loan to deposit ratio has increased from 45% on June 30, 1997 to 83% on June 30, 1998 and has averaged 81.94% since September 30, 1998. Having attained a competitive level of loan activity in such a relatively short time demonstrates both the bank's willingness and ability to lend. The bank's average loan to deposit ratio exceeds the 73% attained by peer banks during the same time period. The bank's peer group consists of all national and state chartered institutions less than 3 years old.

Lending In Assessment Area

A reasonable number of loans originated since the bank opened are to individuals and businesses located within the assessment area. The bank does not perform a geographical analysis internally. We reviewed a sample of 36 loans consisting of 3 residential real estate, 29 consumer and 4 Commercial loans. Of this sample, 97% were made to customers within the assessment area.

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 satisfactory. Borrowers were categorized as low-, moderate-, or upper- income based on the 1998 non-MSA median family income for Georgia of \$34,600. The following table shows the results of this analysis.

	Low- income	Moderate- income	Middle- income	Upper- income
Percentage of households	17.43%	14.89%	18.67%	49%
Percentage of loans in sample	34%	12%	27%	27%

Geographic Distribution of Loans

Based on our sample, there appears to be reasonable distribution of lending within the

assessment area. Loans within our sample included McIntosh County borrowers in Darien, Townsend, and Crescent. The sample also included loans made to borrowers in Brunswick and St. Simons Island which are in Glynn County.

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 SNB instalment lending to determine any discriminatory practices based on gender. No violations of the substantive provisions of anti-discrimination laws were identified.