

PUBLIC DISCLOSURE

December 31, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southern National Bank
Charter # 23669**

**200 Cherokee Street
Marietta, Georgia 30060**

**Office of the Comptroller of the Currency
Georgia Field Office
1117 Perimeter Center West, Suite W-401
Atlanta, Georgia 30338-5417**

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 (CRA) performance of **Southern National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 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**.

Major factors contributing to the bank's rating were its satisfactory loan-to-deposit ratio, volume of lending within the assessment area, and distribution of lending to borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of **Southern National Bank** with respect to each of the five performance criteria. These ratings are based on the bank's performance since it opened for business on December 21, 1998.

Small Institution Assessment Criteria	Southern National Bank 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 by Southern National Bank since they opened for business on December 21, 1998.		

DESCRIPTION OF INSTITUTION

Southern National Bank (Southern) is a \$61 million full service institution owned by Southern Bancorp, Inc., a one-bank holding company. The bank operates out of two locations with the main office being located in Marietta, Georgia. The second office is on the campus of Life University in Marietta, Georgia, and provides primarily depository services to the university community. Southern opened in December 1998 and is the only locally chartered national bank in Cobb County. Competition within the assessment area is heavy; 17 other banks (8 state chartered and 9 federally chartered) maintain a total of 74 offices within Cobb County. Southern offers traditional financial services such as commercial, residential mortgage, consumer installment, and credit card lending.

As of December 31, 1999, the bank's \$42 million loan portfolio represented 68.5% of total assets. The loan portfolio is made up of 73.4% commercial loans, 16.8% consumer loans, and 9.8% residential real estate loans. No known legal impediments exist that would restrain Southern from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Southern has delineated all of Cobb County as its assessment area. Cobb County is part of the Atlanta Metropolitan Statistical Area (MSA). Formerly a "bedroom" community of Atlanta clustered around historic Marietta, Cobb County has become a suburban megaplex in last 15 years. Of the 59 census tracts in Cobb County, two are designated low income and five are designated moderate income census tracts. Because Cobb County is part of the Atlanta MSA, the Atlanta MSA median Family Income for 1999 of \$59,900 was used in the geographic and income analyses.

Cobb County has a 1999 estimated population of 539,000. Nearly 75 percent of the population lives within unincorporated Cobb County. Located within the county are the cities of Marietta (the county seat), Ackworth, Austell, Kennesaw, Smyrna, and Powder Springs. Cobb County is composed of 25 middle income tracts, 25 upper income tracts, and two unpopulated tracts in addition to the low and moderate income census tracts mentioned above.

The majority of the jobs in Cobb County are in the service industry with retail and government following in order of significance. Lockheed Martin is the county's single largest employer, with 9,800 employed in aircraft and equipment construction. The county is a major center for office development with more than 13 million square feet of developed space. College educated residents make up 33 percent of the population. Two regional shopping malls (Cumberland and Town Center) are located within Cobb County. With 9,000 hotel rooms, the Cobb Galleria Centre's trade show and convention business, and two theme parks (Six Flags Over Georgia and White Water), tourism is a billion-dollar industry.

During our examination, we interviewed a community contact to discuss credit needs of low and moderate income persons within Cobb County. While the contact indicated that credit needs were generally being served, he pointed out a growing need for affordable rental housing because of a multi-family moratorium imposed by the county. Additionally, the contact pointed out a need for a rehab product for individuals who have home repairs, particularly the elderly. He also cited a need for Spanish-speaking lending officers at financial institutions in the area to ensure that the growing Hispanic population receives access to credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Southern's average loan-to-deposit ratio for the four quarters ending September 30, 1999, is 58%, a figure considered satisfactory. This ratio is comparable to the bank's peer group average of 68% over the same time period, particularly considering that Southern had been in operation less than a full year at that date. The other members of the bank's peer group are the two community banks chartered in the city of Marietta, with total deposits ranging from \$122 million to \$129 million.

Lending in the Assessment Area

A majority of Southern's lending occurs within the assessment area. The bank maintains tracking records showing where its loans have been made. We reviewed these records and determined them to be reliable. Based on these records, Southern has made 151, or 53%, of its 286 residential real estate and consumer loans within Cobb County. Additionally, 38 of 63, or 60%, of Southern's commercial loans have been made within Cobb County.

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

Lending to borrowers of different incomes is reasonable. The bank's tracking records show that 15 loans totaling \$275,936 or 10% by number and 2.6% by dollar amount of the 151 residential and consumer loans made in Cobb County, were made to low income borrowers. An additional 21 loans totaling \$339,449 or 14% by number and 3.2% by dollar amount of the total loans made in the assessment area were made to moderate income borrowers. 1990 census data indicates that 12% of the families in Cobb are considered low income and 16% are considered moderate income. While the dollar volume percentages are slightly low compared to the low and moderate-income population of Cobb County, they are considered reasonable because of the bank's de novo status.

Southern's lending to businesses of different sizes is considered reasonable. Based on the bank's tracking records, 14 commercial loans totaling \$3,710,796 were made to

small businesses. These loans represent 37% by number and 41% by dollar amount of the total commercial loans made within the assessment area. Small businesses are defined as companies with less than \$1 million in annual revenues.

Geographic Distribution of Loans

The geographic distribution of loans made in the assessment area appears reasonable. Southern has made loans in 38 of the 59 census tracts within Cobb County, including both of the two tracts designated as Low Income and two of the five tracts designated as Moderate Income. The following chart shows loans granted by census tract income categories within Cobb County:

<i>Census Tract Income Category</i>	<i>No. of Tracts</i>	<i>% of Total Tracts</i>	<i>% of County Population</i>	<i>Consumer Loans</i>	<i>Dollar Amount of Loans</i>	<i>% of Total by Number</i>	<i>% of Total by Dollar Amount</i>
Low	2	3.3	1.9%	5	1,467,797	3.3	13.9
Moderate	5	8.4	7.25%	3	81,575	2.0	0.8
Middle	25	42.4	42.4%	38	2,309,581	25.2	21.8
Upper	25	42.4	48.4%	87	4,616,384	57.6	43.7
				18*	2,087,647	11.9	19.8

* Census tract not shown in tracking records.

Four of the five moderate-income tracts are located in an area south and west of downtown Marietta. It was noted that Southern has made relatively few loans in the southwestern portion of Cobb County, which includes these moderate-income tracts. This is explained by the make-up of the area; it includes the Lockheed aircraft production facility, the Dobbins Air Force Reserve base, the Six Flags Over Georgia theme park, as well as numerous industrial facilities. Additionally, the southwestern portion of Cobb County has not seen the rapid residential development that has followed in the path of Interstate 75.

Response to Consumer Complaints

Southern has not received any CRA-related complaints since it opened for business in December 1998. The current examination is the bank's first CRA examination.

Record of Compliance with Anti-discrimination Laws

We conducted a concurrent compliance and fair lending examination. We did not identify any discriminatory lending practices or violations of the substantive provisions of federal anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, Fair Housing Act, and the Fair Housing Home Loan Data System Regulation. The bank has instituted appropriate fair lending policies, procedures, and training programs.