



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

October 03, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southern National Bank
Charter Number 23669**

**200 Cherokee Street
Marietta, GA 30060**

**Comptroller of the Currency
Georgia (Atlanta)
1117 Perimeter Center West Suite W401
Atlanta, GA 30338**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Southern National Bank's performance rating is supported by the following factors:

- a reasonable loan-to-deposit ratio;
- a majority of loans are in the assessment area;
- satisfactory loan penetration among of businesses of different sizes; and,
- a reasonable geographic distribution of loans in the assessment area.

DESCRIPTION OF INSTITUTION

Southern National Bank (SNB) is a local and wholly-owned independent community bank of Southern Bancorp., Inc., a one-bank holding company. The holding company does not have any other subsidiaries or affiliates.

SNB is a full-service bank with two office locations. The main office is located in downtown Marietta in Cobb County. The branch office is located in Canton, which is in adjacent Cherokee County. Each office has an automated teller machine (ATM). SNB also offers Internet banking through their website. As of June 30, 2005, the bank had total assets of \$270 million with a loan portfolio approximating \$200 million. Lending activity is centered in real estate construction and development loans (41%), commercial real estate loans (31%), commercial and industrial loans (17%), residential real estate loans (10%), and consumer loans (2%). SNB has an in-house mortgage loan department that originates and packages residential mortgage loans. For 2004 through March 2005, the bank originated 234 mortgage loans. Total deposits in the bank approximate \$245 million with capital accounts aggregating just under \$19 million.

The bank offers a variety of traditional deposit and loan products with an emphasis on construction and commercial real estate lending. Presently, the bank has no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area.

SNB's last CRA Performance Evaluation was dated December 29, 1999 and was also rated Satisfactory. This Performance Evaluation covers the time period of January 2000 through September 2005.

DESCRIPTION OF ASSESSMENT AREA

SNB's assessment area (AA) meets the technical requirements of the CRA and does not

arbitrarily exclude low- and moderate-income census tracts. The AA is part of the Atlanta-Sandy Springs-Marietta Metropolitan Statistical Area (ASSM-MSA). Cobb County is also one of the five core counties in the ASSM-MSA, indicating it is one of the most densely developed counties in the ASSM-MSA. The defined AA is comprised of Cobb and Cherokee counties. According to the 2000 United States Census, the population of this defined area is approximately 750 thousand people. The census median family income for the AA is \$70,649. The Department of Housing and Urban Development's (HUD) 2004 *updated* median family income estimate for the ASSM-MSA is \$67,900.

The bank's AA includes many financial options. As of June 2004, the FDIC reported that thirty-six banks, with 229 total offices, operated in the AA. These bank's held over nine billion dollars in deposits. SNB's market share of this deposit base was two percent. Five regional banks held over sixty percent of the market share. Nonbank institutions offer additional financial services.

ATLANTA-SANDY SPRINGS-MARIETTA MSA - The Atlanta-Sandy Springs-Marietta Metropolitan Statistical Area (ASSM-MSA) is a twenty-eight county area encompassing the city of Atlanta. The ASSM-MSA accounts for over half of the total population and employment of the state. The Metro Atlanta area is recognized as the transportation, distribution, and cultural center of the Southeastern United States. Population growth is strong and individuals continue to migrate to the area from the northeast, the west, and other southern locations of the country. The per capita income in the Atlanta area exceeds both the state and national averages. The popularity of the area has caused suburban sprawl and increased growth into outlying counties in the ASSM-MSA. Overall, housing prices have not risen as quickly in this market as the national average.

The ASSM-MSA has a diverse industrial base that includes; manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Top employers include; Delta Airlines, BellSouth Corporation, Emory University, US Army Garrison Headquarters, Publix Super Markets, Randstad Staffing Services, and The Home Depot.

COBB COUNTY – Cobb County is one of the largest counties in the Atlanta-Sandy Springs-Marietta MSA and one of five core counties. The population in the county was estimated in 2003 by the Georgia Department of Labor at 651,027. The annual average labor force for Cobb County in 2003 was 383,262. The 2000 US Census Bureau showed that 55 percent of Cobb County residents also work in the county. An additional 38 percent of county residents commute to one of the other four core counties in the ASSM-MSA. The local business community's top five largest employers are The Home Depot, IBM Corporation, Lockheed Martin, Publix Super Markets, and Wellstar Health Systems. The county's industry mix is heavily reliant on service producing businesses, which account for over 75 percent of the number of jobs in the county. Retail trade businesses employ the largest number of residents at 13 percent. Total government jobs account for an additional 10 percent of employed individuals.

CHEROKEE COUNTY – Cherokee County is one of the fastest growing counties in Georgia. The population in the county was estimated in 2003 by the Georgia Department of Labor at 166,639, for an 85 percent increase from the 1990 Census. About 54 percent of county residents commute to an adjacent county for work and 35 percent work in Cherokee County. Major

industry employers include Con Agra Poultry, Herman Miller, Kroger Co., Publix Super Markets, and Wal-Mart Associations. The major industry focus is service producing, which employs 61 percent of county workers. The retail trade businesses employ the largest number of residents at 17 percent. Accommodation and food services employs an additional 10 percent. The manufacturing industry employs 11 percent and the construction industry an additional 10 percent. Total government jobs account for nearly 17 percent of county employment.

Community Contacts - As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs. Information obtained through our community contact supported the need for small start up business loans.

The demographic composition of SNB’s AA is highlighted in *Table 1*.

Demographic and Economic Characteristics of Assessment Area (2000 US Census Data)	
Population	Southern NB’s AA
Number of Families	197,346
Number of Households	277,152
Geographies	
Number of Census Tracts	110
% Low Income Census Tracts (1)	1%
% Moderate Income Census Tracts (17)	15%
% Middle Income Census Tracts (48)	44%
% Upper Income Census Tracts (44)	40%
Median Family Income (MFI)	
2000 MFI for AA	\$70,649
2004 HUD Adjusted MFI for MSA	\$67,900
Economic Indicators	
Unemployment Rate	2.03%
2000 Median Housing Value	\$147,127
% of Households Below Poverty Level	6%

Table 1

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SNB’s loan-to-deposit ratio is reasonable in view of the community’s credit needs, financial condition, and keen competition among area financial institutions. The bank’s average quarterly loan-to-deposit ratio since the prior CRA examination is approximately 78 percent. SNB’s average ratio compares favorably to seven similarly situated community banks in the AA having an average loan-to-deposit ratio of 81 percent over the same time range. This peer group of banks consists of banking institutions with total assets between \$110 million to \$595 million.

Lending in Assessment Area

Lending levels reflect a satisfactory responsiveness to community credit needs. An analysis of all loans originated between January 1, 2000 through September 30, 2005 currently outstanding revealed that a majority of loans are granted within the AA. The results of this analysis are detailed in *Table 2*.

Assessment Area Lending (Evaluation Period January 2000 – through September 2005)								
	In Assessment Area				Out of Assessment Area			
Loan Type	#		\$000's		#		\$000's	
All Loans	803	77%	\$16,148	69%	239	23%	\$74,401	31%

Table 2

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

We selected a sample of sixty commercial and commercial real estate loans to evaluate the bank’s performance of lending to business of different sizes. Residential real estate lending is not a significant activity for the bank; therefore, we did not evaluate HMDA reportable loans. Also, the majority of HMDA reported loans were for nonowner-occupied properties. Based on the low volume of residential home mortgage related loans, a meaningful analysis of this activity was not performed.

SNB’s lending volume regarding loans to small businesses is reasonable in view of the small business credit needs of the community and the number of small businesses in the AA. *Table 3* details the results of the business loan sample analysis. Approximately 92 percent of businesses reporting revenues in the AA report revenues of less than \$1 million, according to published demographic data. Comparatively, 70 percent of loans in the sample were made to businesses with revenues less than \$1 million. In addition, of the sixty loans in the sample, 85 percent were for original/committed amounts of less than \$500 thousand. This indicates the bank’s responsiveness to providing small business lending.

Borrower Distribution Of Small Loans To Businesses in AA (Evaluation Period – January 2000 through September 2005)				
Business Revenues	≤\$1,000,000	Loans by Original Amount Regardless of Business Size		
% of AA Businesses	92%	<\$100,000	>\$100,000 to \$500,000	>\$500,000 to \$1,000,000
% of Bank Loans in AA by #	70%	28%	57%	15%

Table 3

Geographic Distribution of Loans

The geographic distribution of business loans is reasonable in relation to the number and distribution of small businesses in the AA. The number and dollar volume of lending in low- and moderate-income census tracts is responsive to the demographics. The geographic distribution of business loans is detailed in *Table 5*.

Geographic Analysis of Loans Originating between January 2000 to September 2005 By Number and Dollar Percentages								
Geography	Low		Moderate		Middle		Upper	
Small Business Demographic Data by Number and % in AA	908		8,734		31,223		26,159	
	1%		13%		47%		39%	
Loan Type	# of Loans	\$ of Loans	# of Loans	\$ of Loans	# of Loans	\$ of Loans	# of Loans	\$ of Loans
Business	2%	1%	8%	11%	55%	49%	35%	40%

Table 4

Responses to Complaints

SNB has not received any complaints since the last CRA examination dated December 29, 1999.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.