

# **ANALYZING BANK FINANCIAL PERFORMANCE**

## **OVERVIEW**

This session introduces bank financial statements and provides a traditional, ratio-based procedure for analyzing bank financial performance using historical data. It demonstrates the interrelationship between the income statement and balance sheet and describes the risk and return trade-off underlying management decisions. Data are provided that compare the performance characteristics of small banks versus large banks and differentiate between high and low performers.

## **LEARNING OBJECTIVES**

Following the successful completion of this session, you should be able to:

- recognize the basic balance sheet accounts and income statement components and understand how they relate to each other
- apply the ROE model to analyzing bank profitability over time and against peers
- comprehend the importance of net interest margin, earning assets, and operating efficiency as sources of bank profitability
- identify key ratios that signify the degree of credit risk, liquidity risk, interest rate risk, and capital risk assumed by a bank
- explain the factors that affect a bank's CAMELS rating
- understand how and why the performance characteristics of small and large banks differ
- relate key financial concepts and data to planning and managing a bank.

## THE BALANCE SHEET

A bank's balance sheet presents financial information that compares what a bank owns with what it owes and the ownership interest of stockholders. Assets represent what a bank owns; liabilities represent what a bank owes; and equity refers to stockholders' ownership such that:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

The balance sheet represents a snapshot taken at a point in time. Account values indicate what a bank owns or owes on that date. Bank regulators require that banks report balance sheet data quarterly, so most published figures are dated at the end of March, June, September, and December of each year. *Exhibit 2-1* presents balance sheet data for SCBS Bank, an \$80 million community bank.

### Bank Assets

Bank assets fall into one of four types, each with different yield and risk features.

#### *Cash and Due from Banks*

Cash and due from banks consists of vault cash, deposits held at Federal Reserve Banks (Fed), deposits held at other financial institutions, and checks in the process of collection. These accounts generally facilitate check clearing and customers' currency withdrawals and serve to meet legal reserve requirements. Their distinguishing feature is that they do not earn interest, although balances at the Fed and other depository institutions can be used to obtain correspondent banking services.

#### *Investments*

Investment securities are primarily fixed-income securities held to meet liquidity needs and earn interest. Short-term securities have maturities less than one year and can be readily sold if a bank needs cash and the securities are not pledged as collateral against a bank liability. In *Exhibit 2-1*, SCBS Bank reports owning time deposits issued by other financial institutions, federal funds sold and repurchase agreements (Repos) that are effectively short-term investments. Long-term securities have maturities as long as 30 years, although most banks prefer not to commit funds out very far. Different types of securities are discussed below:

- **Treasury bills, notes, and bonds** are direct obligations of the U.S. Treasury. Bills are sold at a discount where all interest is price appreciation; while notes and bonds typically carry a fixed term and rate, and coupon interest is paid semiannually.
- **Federal Agency securities** are obligations of federal agencies such as the Federal Home

Loan Bank. They normally carry yields that are slightly above the yield on a comparable maturity Treasury security because they are backed by government entities and not the government directly. Note that government-guaranteed mortgage-backed securities are included under this label. Actual yields earned on mortgage-backed securities often differ sharply from expected yields due to prepayments.

- **Municipal securities** are obligations of state and local governments and their political subdivisions. They come in many forms. "Bank-qualified" municipals consist of small issue securities (\$10 million a year per issuer) issued for essential public purposes. Interest income is exempt from federal income taxes but may be subject to state income taxes. According to the Tax Reform Act of 1986, banks can deduct 80 percent of their borrowing costs to finance qualified municipals. Other municipals that pay tax-exempt interest are labeled "nonqualified." Banks must take a TEFRA disallowance cost in calculating the Tax equivalent yield associated with these municipals. This is usually the total cost of funds for a bank. 2013 – Interest rates remaining low so long have made the purchase of nonqualified municipals a good option for some community banks.
- **Other securities** consist primarily of corporate and foreign bonds and various types of mortgage-backed securities.

For reporting purposes, banks are required to designate securities either as held-to-maturity, available-for-sale, or held in a trading account. Regulators require different accounting for each class of securities consistent with the perceived intent behind their purchase. Securities designated as held-to-maturity are valued on the balance sheet at historical, amortized cost. There is no financial statement impact with unrealized gains or losses when interest rates change. Securities designated as available-for-sale are reported at current market values, with unrealized gains and losses included as a component of capital. Thus, when interest rates rise (fall), any decrease (increase) in the value of the securities is balanced by a corresponding unrealized loss (gain) in equity. Trading account securities are reported at market values on the balance sheet with unrealized gains and losses recorded in the income statement. The objective is to provide better information to regulators, analysts, and investors regarding the market value of securities when banks expect to sell them prior to final maturity.

### ***Loans***

Loans represent the primary earning asset at most banks. Banks serve the needs of their community, and extending loans to businesses and individuals allows a community bank to grow. Loans are typically grouped into categories based on the type of borrower and use of proceeds.

- Commercial and Industrial loans (C & I) consist of loans to businesses. They appear in many forms but are used primarily to finance working capital needs and new

plant and equipment expenditures. They may also be short-term commitments to securities dealers or temporary loans to finance one firm's purchase of another.

- Real estate loans consist of property loans secured by first mortgages or interim construction loans secured by real property.
- Consumer loans are made to individuals for a wide variety of purposes. They may be installment loans for the purchase of cars, boats, and durable goods, or credit card loans.
- Agriculture loans represent credit extended to farmers or agribusinesses.
- International loans are essentially business loans made to foreign enterprises. Foreign governments often guarantee them. Most Community Banks do not make international loans.

Loans typically earn the highest yields before expenses. They also exhibit the highest risk and default rates and cost more than securities to administer. A loan loss reserve is maintained by the bank to cover future expected loan losses. This account is presented on the balance sheet as a contra asset account to total loans.

Several key profitability ratios use a bank's earning assets, which equals loans plus investment securities and other interest-earning assets.

#### *Other Assets*

Other assets are of relatively small magnitudes, representing such items as bank premises and equipment, interest receivables, and other real estate owned. They are essentially nonearning because they generate no interest income.

## **Bank Liabilities and Stockholders' Equity**

Bank funding sources are classified by the type of deposit, debt claim and equity component. The characteristics of each liability vary according to maturity, interest paid, whether the holder can write checks against outstanding balances, and whether they are FDIC-insured. Prior to the early 1980s, regulations limited the maximum interest rates that banks could pay on most deposits. Since 1986, interest rate restrictions have been largely removed on all deposit accounts including demand deposits. Banks now compete for deposits by paying market rates on virtually all liabilities.

## ***Transaction Accounts***

Transaction accounts are accounts on which depositors can withdraw or transfer funds by writing checks, debit cards, mobile banking, drafts, payment orders of withdrawal, or telephone. The various accounts include demand deposits, NOW accounts (Interest bearing checking accounts), automatic transfers from savings (ATS), and money market deposit accounts (MMDAs).

- **Demand deposits** enable the holder to write *checks against the* outstanding balance. By regulation they have an original maturity of less than seven days. Businesses now own most demand deposits and the majority of these deposit accounts are not interest bearing.
- **NOW accounts** are interest-bearing transaction accounts where the issuing bank can pay any rate desired. Banks often require that customers maintain some minimum balance before interest applies and may limit the number of free checks, but *terms vary among* institutions. These accounts are available to both personal and businesses.
- **ATS accounts** are combined savings and checking accounts where depositors can transfer funds from an interest-bearing savings account to a demand deposit. These accounts were initially introduced to circumvent restrictions against interest-on- checking accounts. They have thus declined in importance over time because NOW accounts offer the same service. They still appear, however, as sweep accounts whereby a bank can pay interest to a depositor, such as a municipality, for all balances held in excess of some contractual minimum amount. Very rare in banking today.
- **MMDAs** originated in December 1982 to allow banks to compete with money market mutual funds' share accounts, and have both savings and limited check writing features. Holders earn market rates of interest that typically exceed rates on transaction accounts because banks do not have to hold reserves against MMDAs. A customer can make up to six transfers per month from the account, of which three can be by check or debit and three by telephone.

Transaction accounts are attractive funding sources because the depositors are generally not very rate sensitive. Thus when interest rates change, customers are less likely to move their balances. For this reason, these accounts are referred to as relationship accounts in which the customer's primary rationale for keeping the account is convenient and personal service. These stable or "core" deposits improve a bank's liquidity by reducing the potential for large-scale deposit losses.

## ***Time and Savings Deposits***

These deposits usually comprise most of the interest-bearing liabilities at banks.

- Regular savings are small denomination accounts with no fixed maturity and limited check-writing capabilities.
- Time deposits pay higher interest rates, but the funds have a fixed maturity date and cannot be withdrawn until this date. There are two general categories of time deposits distinguished by whether the denomination is greater or less than \$100,000, (250,000). The features of small time deposits, or those under \$100,000, are set by each bank in terms of maturity, interest rate, and amount of deposit. Most banks market standardized deposits so customers are not confused. Large denomination (greater than or equal to \$100,000) deposits are negotiable instruments that can be traded in a well-established secondary market after issue. Labeled jumbo CDs, these are treated as “hot” money by regulatory agencies due to an adage that owners may move for just a slight higher rate at another bank.

Holders of time deposits are typically much more rate sensitive than owners of transaction accounts. Banks must continually change the rates they pay in line with market conditions in order to retain the bulk of these deposits. If they pay a rate on CDs slightly above market, they can usually attract significant new deposits even from outside their immediate trade area. Thus large time deposits are not viewed as stable core deposits, but are instead labeled non-core (volatile) liabilities, or "hot money."

### ***Other Interest-Bearing Liabilities***

Banks also rely on other funding sources that can be acquired quickly. Large money center and super-regional banks rely heavily on these funding sources, while community banks typically use them less frequently.

- **Federal funds purchased** represent overnight obligations where one bank borrows clearing balances, such as reserves held at a Federal Reserve Bank, from other institutions. Federal funds are primarily traded between banks to meet reserve deficiencies or offset reserve losses due to unanticipated loan demand and deposit outflows.
- **Repurchase agreements** (Repos) represent the sale of securities under *an agreement* to repurchase them later at a predetermined price. The maturity is negotiated, but ranges from overnight to several weeks. This source of funds is similar to federal funds purchased, except that the borrowing is collateralized by the security sold. Thus, the rate on a Repo is usually lower than the rate on a comparable unsecured federal funds transaction.
- **Eurodollar liabilities** are similar to the jumbo CDs described earlier, except that the dollar-denominated deposits are issued by a bank or bank subsidiary located outside the United States. Eurodollars are typically issued in \$1 million multiples and the holders are extremely rate sensitive. Most Community Banks do not deal in Eurodollars.

All of these liabilities are commonly referred to as "purchased" liabilities because banks buy the funds by paying a competitive market interest rate. They are not core deposits, but rather are also volatile liabilities.

The **Discount Window** is an instrument of monetary policy (usually controlled by central banks) that allows eligible institutions to borrow money from the central bank, usually on a short-term basis, to meet temporary shortages of liquidity caused by internal or external disruptions. The term originated with the practice of sending a bank representative to a reserve bank teller window when a bank needed to borrow money.

The interest rate charged on such loans by a central bank is called the **discount rate**, **base rate**, or **repo rate**, and is separate and distinct from the Prime rate. It is also not the same thing as the federal funds rate and its equivalents in other currencies, which determine the rate at which banks lend money to *each other*. In recent years, the discount rate has been approximately a percentage point above the federal funds rate. Because of this, it is a relatively unimportant factor in the control of the money supply and is only taken advantage of at large volume during emergencies

### ***Subordinated Debt and Equity***

**Subordinated notes and debentures** represent long-term securities that may meet regulatory requirements as Tier 2 bank capital. Unlike the first \$250,000 of transaction accounts and time and savings deposits, the debt is not FDIC insured. Claims of the bondholders are also subordinated to the claims of depositors, which means that in the event a bank fails, depositors are paid before bondholders.

**Stockholders equity** represents the ownership interest in a bank. Equity components consist of common and preferred stock outstanding at par value; surplus refers to stock proceeds in excess of par value received when the bank issued the stock; and retained earnings represent cumulative net income since the firm started operation minus cash dividends paid to stockholders. If a bank designates any securities as available-for-sale, it will also report unrealized gains or losses, net of tax on those instruments as equity.

## **THE INCOME STATEMENT**

A bank's income statement reflects the fact that most assets and liabilities are financial. Revenue consists primarily of interest income and interest payments on liabilities represent the primary expense. The statement format thus starts with interest income then subtracts interest expense. The next step is to subtract provision for loan losses, which represents management's recognition that some revenues will be lost due to bad loans. The format continues by adding noninterest income then subtracting noninterest expense and taxes to produce net income. *Exhibit 2-2* presents the income statement for SCBS Bank.

## **Income Statement Components**

### *Interest Income*

Interest income equals the sum of interest earned on earning assets. A statement normally itemizes the source of interest by type of asset. *Exhibit 2-2*, for example, separates interest income into interest on loans, federal funds sold and Repos, deposits at other institutions, U.S. Government and Agency securities, and municipal securities. All interest is fully taxable except municipal interest, which may be exempt from federal income taxes. This tax-exempt interest can be converted to a taxable equivalent amount by dividing by one minus the bank's tax rate. Note that interest on loans contributes the most to interest income because loans are the bank's dominant asset and pay the highest gross yields. In general, interest income increases when the level of interest rates increases and/or when a bank can book more earning assets. It decreases when loan balances decline and/or when rates fall.

### *Interest Expense*

Interest expense equals the sum of interest paid on transaction accounts, time and savings deposits; other purchased liabilities, and subordinated debt. Interest expense is fully tax deductible except for the portion associated with the purchase of municipal bonds after 1982. The session on investments describes this partial deductibility and its impact.

### *Net Interest Income*

Net interest income equals interest income minus interest expense and plays a crucial role in determining how profitable a bank is in any period. Variations in net interest income are also used to measure how successful a bank has been in managing its interest rate risk

### *Provision for Loan Losses*

Provision for loan losses represents a deduction from income for transfers to a bank's loan loss reserve. It is a noncash expense that indicates management's estimate of potential revenue losses from problem loans. Increases in provisions thus lower reported net income. Banks that understate potential losses effectively overstate net income and eventually have to raise provisions in recognition that past income has been overstated. The income statement reports net interest income after provision to account for estimated loan losses.

### *Noninterest Income*

Noninterest income consists primarily of service charges, fees and commissions, merchant service fees and gains (or losses) from securities sales. Large banks that operate securities and foreign exchange desks also report trading account profits. Fees arise from loan commitments, standby letters of credit, and trust department services. Since the early 1980s most banks have concentrated on increasing noninterest income as an



alternative source of earnings, and service charges and fees have generally increased. These alternative sources primarily include revenues derived from mortgage banking, credit card, insurance, and electronic or treasury banking operations. Other noninterest income is typically small unless a bank effects some extraordinary transaction. A bank holding company that sells a mortgage banking or data processing subsidiary might similarly report a large gain. These extraordinary or nonrecurring transactions increase earnings on a one-time basis and thus are normally excluded from profit analyses and comparisons.

### *Noninterest (Overhead) Expense*

Noninterest or overhead expense is composed primarily of personnel, occupancy, equipment, and other expenses. These expenses consist of salaries and fringe benefits paid employees, rent, depreciation, and maintenance on equipment and premises, and other operating expenses including utilities and FDIC insurance premiums. At most banks, noninterest income falls far below noninterest expense. A bank's **burden** is the difference, measured as noninterest expense minus noninterest income. Improving a bank's burden by raising fees and controlling unit-operating costs has been a major source of bank profits since interest rate deregulation.

A bank's income before taxes thus equals net interest income minus provision for loan losses, minus burden. Net income is then obtained by subtracting taxes. We can clarify these relationships with the following definitions:

II	interest income
IE	interest expense
PL	provision for loan losses
OI	noninterest income
OE	noninterest expense
T	taxes

We know that NII equals net interest income ( $II - IE$ ) and burden equals  $OE - OI$ . A bank's net income (NI) can then be viewed as having four general components: net interest income, provision for loan losses, burden and taxes.

$$NI = NII - PL - Burden - T$$

Using the income statement data for the SCBS Bank from *Exhibit 2-2* yields the following breakdown of the bank's net income:

$$\text{\$1,340} = \$3,200 - \$450 - (\$2,700 - \$1,700) - \$410$$

## AN OVERVIEW OF BANKING RISK

There are seven fundamental risks in banking: credit risk, liquidity risk, interest-rate risk, capital risk, operational risk, off-balance sheet risk, and foreign exchange risk. Each risk is related to the prospect that expected net returns on bank assets would not be realized. For most community banks, off-balance sheet risk and foreign exchange risk are negligible, unless the bank provides guarantees or is located near the U.S. border, and the bank conducts business in a currency other than U.S. dollars. In the following discussion, operational risk, off-balance sheet risk and foreign exchange risk are not covered.

### Credit Risk (Asset Quality)

Credit or default risk is the primary source of bank failures. It relates to the quality of bank assets, or the risk that a borrower will default. A default occurs when a borrower does not make the obligated interest and principal payments in a timely manner. Before making a loan or buying a security, bank officers perform a *credit analysis* that attempts to *identify* specific sources and the likelihood of potential default. When a borrower defaults, the bank's cash inflows decline because interest and principal payments are deferred, reduced, or eliminated. Different assets display different credit risk with loans exhibiting the highest default rates. Bank security holdings are generally concentrated in federal government and agency securities or high quality municipal bonds with very low default rates. Generally, banks are required to own investment grade securities: those rated Aaa, Aa, A, or Baa by Moody's; or AAA, AA, A or BBB by Standard & Poor's.

Financial measures of credit risk focus on loan quality because loans exhibit the highest default rate. A bank's loan-to-asset and loan-to-deposit ratios indicate the relative size of these risky asset holdings. Net loan charge-offs indicate how many loans management writes off as uncollectible, net of recoveries. Nonaccrual and past-due loans similarly indicate the amount of loans that are not currently accruing interest or in which the borrower has not made the contracted interest and principal payments within the last 90 days. Such loans are labeled nonperforming assets. Provision for loan losses and a bank's loan loss reserve signify the amount of funds that management allocates to cover potential losses, but the amounts may lag the true volume of problem loans when a bank gets in trouble.

## **Liquidity Risk**

Banks need liquidity when they experience unanticipated deposit losses or new loan demand. Asset liquidity refers to the ease with which the owner can convert an asset to cash with a minimum of loss. Treasury bills are highly liquid, for example, because a holder can readily sell the bill in the secondary market at a predictable price. Real estate is less liquid because it takes longer to find a buyer at prevailing prices and transaction costs are higher. Liquidity risk refers to the variation in earnings caused by a bank's inability to access cash quickly and with little price risk. Of course, a bank can borrow to obtain cash. Liabilities can thus provide liquidity if a bank can readily issue new debt at reasonable interest rates.

Liquidity risk measures focus on the amount of assets that can be readily sold at reasonable prices to meet cash needs, and a bank's capacity to borrow. A bank should hold sufficient short-term government securities, federal funds sold, or deposits at other financial institutions that are not pledged as collateral against some bank borrowing. Because banks do not like to sell securities at a loss, it is best if the market value of securities exceeds book value and such securities are generally viewed as more liquid. If a bank anticipates ever selling securities, they need to designate them as available-for-sale for reporting purposes. A bank should also maintain quality assets and a sufficiently large equity capital base to allow it to issue new debt (CDs and other purchased liabilities) to access cash. Banks with few marketable securities, little or no cash, and with limited ability to issue new liabilities operate with high liquidity risk.

## **Interest Rate Risk**

Interest rate risk refers primarily to the variation in net interest income caused by changes in interest rates. The fundamental issue is to determine how much a bank's interest income will rise or fall when rates change compared to how much interest expense rises or falls. The focus is on the volume of rate sensitive assets and liabilities that can be repriced when interest rates change. If the rate sensitivity of assets is matched with the rate sensitivity of liabilities and a bank has no off-balance sheet exposure, it exhibits little interest rate risk. If the rate sensitivity difference is large as a fraction of assets, a bank's risk can be substantial. Banks typically examine their funding GAP as a measure of interest rate risk. GAP is a balance sheet measure that equals the dollar difference between rate sensitive assets and rate sensitive liabilities within a set repricing interval, such as the next 90 days. The greater is the difference, regardless of whether rate sensitive assets exceed rate sensitive liabilities, or vice versa, the greater is the risk. Banks also are required to use asset liability models to simulate changes in interest rates and the effects on earnings and capital.

Interest rate risk is also associated with changes in the market value of bank assets versus changes in the market value of bank liabilities when rates rise or fall. Interest rate changes cause prices of certain balance sheet items to change in the opposite direction.

When rates rise, prices fall; and when rates fall, prices rise. Interest rate risk can be measured by comparing the change in asset values relative to liability values as a result of interest rate changes, to determine how much the market or economic value of equity rises or falls.

## Capital Risk

The overall solvency risk of a bank is measured by its capital risk. A bank that assumes too much risk can become insolvent and fail. Insolvency occurs when the market value of a bank's assets is less than the market value of its liabilities. Such a bank has negative net worth or stockholders' equity. In banking, the term **capital** indicates the buffer or safety margin provided to insured depositors by equity or related long-term sources of funds. Capital risk is thus solvency risk, or the risk that a bank might fail because it has insufficient long-term debt and equity to absorb losses.

High credit risk produces high loan charge-offs and reduced interest and principal payments received from loans and securities. High interest rate risk manifests itself through reduced net interest income. High liquidity risk creates problems as banks can replace lost deposits only by asset sales and/or paying a premium on borrowed funds. Capital risk is thus closely associated with asset quality and rate sensitivity mismatches. A bank with few risky assets needs less of an equity buffer to protect against losses, while a bank with many risky assets should operate with more equity. The same holds for banks with high or low interest rate risk. Measures of capital or solvency risk thus compare long-term debt and equity to total assets or to risk assets.

## CAMELS Ratings

Federal and state bank regulators regularly assess the financial condition and specific risks faced by each bank through on-site examinations. The exams may address any facet of bank management, but typically focus on assessing asset quality and determining whether policies conform to regulatory requirements.

Federal regulators rate banks according to a CAMELS system that ranks performance in six general categories. The letters refer to each rating category as:

C	capital adequacy
A	asset quality
M	management quality
E	earnings quality
L	liquidity
S	sensitivity to market risk

Each bank is evaluated in each of the six categories ranging from the best rating, 1, to

the worst rating, 5. The regulators also assign a composite or overall rating using the same range. However, the six categories do not receive equal weighting in determining the composite rating. A composite rating of 3 indicates that the bank has some problems that need to be corrected, while a rating of 4 or 5 signifies that there is a reasonable chance that the bank might fail in the near term as a result of its problems.

## **ANALYZING PROFITABILITY: THE ROE MODEL**

The return on equity (ROE) model represents a well-known approach to analyzing bank profitability using financial ratios. The procedure combines balance sheet and income statement figures to calculate ratios that compare performance over time and relative to peers. A peer group consists of other banks of the same size and structure that compete in similar markets. Thus, community banks are compared with other community banks competing in the same geographic market. Each bank's Uniform Bank Performance Report (UBPR) identifies a peer group for comparison. The UBPR data are provided by federal regulators and are commonly used to evaluate comparative profitability and risk performance.

As a rule, ratios should be constructed using average balance sheet data calculated over the same time period as income statement data. This eliminates distortions caused by large changes in balance sheets just before a quarter or year ending reporting period. The following discussion introduces key ratios, and then uses the data for SCBS Bank from *Exhibits 2-1* and *2-2* as an application.

### **Aggregate Profitability Ratios**

Bank managers and bank analysts generally evaluate overall bank profitability in terms of return on equity (ROE) and return on assets (ROA). When a bank consistently reports a higher than average ROE and ROA, it is designated a high performance bank. In order to earn higher returns, a bank must either take on above-average risk or have a competitive advantage in offering certain products or services.

$$\text{ROE} = \text{Net income} / \text{Stockholders' equity}$$

Return on equity equals net income divided by stockholders' equity and thus measures the percentage return on stockholders' investment. The higher the return the better, as management can pay higher dividends and support greater future growth.

$$\text{ROA} = \text{Net income} / \text{Total assets}$$

Return on assets equals net income divided by total assets and thus measures the percentage return per dollar of average assets held during the period. Again, the higher is ROA; the better is the bank's profitability. ROAs vary between banks largely due to differences in

net interest income, provisions for loan losses, and burden.

ROE is tied to ROA through a bank's equity multiplier (EM), which equals total assets divided by stockholders' equity. EM measures a bank's financial leverage, or its amount of liabilities compared with equity. The greater are aggregate liabilities, the greater is financial leverage and EM.

$$EM = \text{Total assets} / \text{Stockholders' equity}$$

Consider the two banks with the assets, liabilities, and equity summarized below. Both banks have \$100 million in assets, but City Bank has \$90 million in liabilities and \$10 million in equity, while County Bank has \$95 million in liabilities and \$5 million in equity. Because County Bank has more debt, and thus greater financial leverage, its equity multiplier is higher, at 20 rather than 10.

City Bank		County Bank	
Assets = \$100	Debt = \$90	Assets = \$100	Debt = \$95
	Equity = \$10		Equity = \$5

$$EM = \$100 / \$10 = 10 \times$$

$$EM = \$100 / \$5 = 20 \times$$

EM has a multiplier effect on a bank's profits because ROE equals ROA times EM.

$$ROE = ROA \times EM$$

Thus, if a bank earns positive profits, greater debt financing produces a greater ROE. Of course, if the bank reports a loss, greater debt financing produces a larger negative ROE. For example, if both City Bank and County Bank earned a 1 percent ROA, their ROEs would equal 10 percent and 20 percent, respectively. If the ROAs equaled -1 percent, the corresponding ROEs would be -10 percent and -20 percent.

## Decomposition of ROA

A bank's ROA can be decomposed into ratios that indicate what factors contribute to higher or lower returns. In particular, ROA equals a bank's profit margin (PM) times its asset utilization (AU):

Where:

$$\text{ROA} = \text{PM} \times \text{AU}$$

$\text{PM} = \text{Net income} / \text{Total operating income}$ , and

$\text{AU} = \text{Total operating income} / \text{Total assets}$ .

Net income equals total operating income minus expenses and taxes. PM thus measures a bank's ability to control expenses and taxes. The greater is PM, the greater will be ROA because a bank is more efficient in keeping expenses low. To determine where the efficiencies are, you can analyze four additional ratios that compare interest expense, noninterest expense, provision for loan losses, and taxes as a fraction of total operating income. The lower each ratio; the better the bank has controlled that expense. If you use UBPR data, comparable ratios are reported relative to total assets.

AU measures a bank's gross yield on total assets before expenses and taxes. This yield varies over time when interest income and noninterest income change relative to assets, as indicated by the following decomposition.

$$\text{AU} = (\text{interest income} / \text{total assets}) + (\text{noninterest income} / \text{total assets})$$

AU will increase when interest rates rise and will fall when interest rates fall, simply because interest income tracks the level of interest rates. It will differ from peer banks when the bank earns different average yields on various assets, when its composition of assets differs, and when the bank has more or less total earning assets. Noninterest income tracks changes in bank fees, service charges, and other income. The greatest variation arises when a bank generates some nonrecurring income, such as from the sale of loans, securities or other bank assets, or when a bank dramatically changes its fee structure and product mix.

## Net Interest Margin and the Earnings Base

Other commonly referenced ratios indicate specific factors that contribute to bank profitability. Net interest margin (NIM) equals net interest income divided by earning assets and thus represents the net interest return on income producing assets. A bank's earnings base (EB) measures the fraction of assets that produce income, while noninterest expense minus noninterest income divided by total assets reveals the bank's burden, and thus its comparative ability to control net noninterest expense.

## Efficiency Ratios

Banks typically monitor their ability to generate noninterest income versus their noninterest expense. The most popular ratio currently used by analysts is noninterest expense divided

by the sum of net interest income and noninterest income. Typically, large banks have the lowest ratios, but the recent trend in most banks is the sharp reduction in overhead costs or improved efficiency over time. It is also common to compare productivity ratios, such as total assets per employee and noninterest expense per employee. The primary growth of noninterest income has been in the category of "other" noninterest income, which includes merchant fees, mortgage-servicing fees, and fees associated with data processing services, lockbox services and credit cards. Several banks have successfully lowered noninterest expense as a fraction of revenue. The efficiency ratio at most banks has declined since 1990s; although during the mid-2000s, bank began building new offices and efficiency ratios began to climb again. Now, we are seeing the number of banking offices declining again and employment (labor) costs has declined as well. The actual number of people employed has been relatively constant up to the most recent recession and now we are seeing banks operate on fewer employees. Finally, occupancy costs are dropping as banks have closed unprofitable branches. Dodd-Frank is also having an effect on number of employees as banks continue to comply with all the new regulations.

## APPLICATION TO SCBS BANK'S FINANCIAL INFORMATION

The following analysis uses data from *Exhibits 2-1* and *2-2* to calculate and interpret the various profitability ratios. Summary figures are presented in *Exhibit 2-3* for SCBS Bank (SCBS) and its peer banks. You should review the ratio definitions and verify each calculation.

### Profitability Analysis

In terms of ROE, SCBS Bank is a high performance bank as its 18.82 percent return exceeds the peer average of 15.74 percent. SCBS generated a higher ROE because its ROA is well above peers', even though EM is lower. SCBS appears to be in excellent shape as its aggregate profitability is above average, yet it operates with more equity (and thus less financial leverage).

$$\begin{aligned} 18.82\% &= 1.58\% \times 11.2 \text{ for SCBS} \\ 15.74\% &= 1.29\% \times 12.2 \text{ for peers} \end{aligned}$$

The bank's ROA reflects a profit margin of 14.56% and an asset utilization of 11.50% such that:

$$\begin{aligned} 1.68\% &= 14.56\% \times 11.50\% \text{ for SCBS} \\ 1.29\% &= 12.60\% \times 10.22\% \text{ for peers} \end{aligned}$$

Both PM and AU exceed comparable figures for peer banks, which suggests that SCBS controls expenses and/or taxes better and earns a higher gross yield on assets. The bottom part of *Exhibit 2-3* demonstrates that PM is higher because SCBS pays much less in both interest expense and taxes, which offsets the fact that its provision for loan losses and



noninterest expense exceed peer figures. SCBS's AU is higher because it is also able to generate more interest income and noninterest income per dollar of assets. It would be important to know how or why SCBS is able to pay less in interest and earn more in interest income, but the data are not provided here.

The other profit measures confirm SCBS's strong performance. The bank's NIM is 4.30%, or 29 basis points above peers. On a tax-equivalent basis, the difference is 43 basis points, indicating that SCBS made good use of municipal bonds. SCBS also has more earning assets, and covers more of its noninterest expense with noninterest income such that its burden is lower.

## Risk Analysis

To adequately assess SCBS's risk position, an analyst should have more detailed information about the composition and quality of assets. In general, you must examine footnotes in the financial statements to find this information. *Exhibit 2-4* summarizes various risk measures for SCBS, some of which are obtained from footnotes and thus do not appear in *Exhibits 2-1* or *2-2*. In terms of credit risk, SCBS has proportionately more loans than peers and reports a higher provision for loan losses. The bank also charges off more loans and a higher percentage is past due. Thus, its credit risk appears to be greater than peer banks'. It is difficult to determine a bank's true credit risk by looking at just one year of data. Rather, it is important to examine a longer time trend of ratios to assess patterns in reporting and performance.

Liquidity risk measures also indicate that SCBS exhibits more risk than its peers. SCBS has almost two percent fewer short-term securities, and the market value of its securities is a smaller fraction of book value. This latter ratio indicates that a higher fraction of the bank's securities carry below market interest rates. Both SCBS and peers find that the aggregate portfolio is priced at a discount to book values. SCBS has greater access to borrowed funds. Both stockholders' equity and core deposits are a greater fraction of assets and the bank relies less on hot money in the form of jumbo CDs. If the bank needs to borrow, it should have better access to new funds.

It is difficult to evaluate the bank's capital risk without knowing more about the quality of assets. The fact that SCBS has more stockholders' equity is appropriate given that the bank has more risky loans and has reported greater charge-offs and past due loans. Interest rate risk measures are examined in detail in the session on asset and liability management. Finally, SCBS appears to have more employees than similar size banks, which raises its salaries and fringe benefits above peers. This is consistent with its higher noninterest expense.

A more complete performance review would examine additional ratios and compare the bank's performance over time to detect trends in profitability and asset quality. With

SCBS it is particularly important to review trends because of the high level of credit risk. While greater loan interest improves profits near term, the impact of problem loans persists for years. A bank that understates provision for loan losses is actually overstating current income and will eventually have increased charge-offs and provisions.

### **A Well-Fortified Bank (Benchmarks)**

Many analysts compare a bank's profit and risk measures to basic target values that indicate a strong bank, or one that is well-fortified to handle problems. Below are listed key target ratios. Note that such a bank is expected to report strong earnings and operate with a large equity capital base.

#### **Profit Targets**

ROE	>	18.00%
ROA	>	1.25%
EM	>	12.5X
NIM	>	4.50%
Burden / Total Assets	<	2.00%
Non-Interest Expense / NII + Non II	<	55.00%

#### **RISK Measures**

Non-performing loans / Total Assets	<	1.00%
Net Charge offs / Total Loans	<	0.50%
Provision for Loan Losses / Total Loans	<	0.50%
Short-Term Assets – Purchased Liabilities / TA	>	-10.00%
Total Capital / Risk Weighted Assets	>	10.00%
Rate Sensitive Assets – Rate Sensitive Liabilities/ Total Assets	<	10.00%

### **Performance of Different-Sized Banks**

Banks of different sizes can exhibit substantially different performance depending on the markets they serve and the impact of government regulations. Prior to the early 1980s, small banks reported higher ROAs and appeared to operate with less risk. This has changed with increased competition and recent economic events.

Banks are generally classified as either wholesale or retail banks. **Wholesale banks** concentrate on the commercial customer. They make more commercial and real estate loans and rely more on commercial deposits and purchased liabilities for funding. **Retail banks** focus on the consumer, relying heavily on consumer deposits and putting more of their

assets in consumer-related loans.

Aggregate profitability among large and small banks measured by ROE and ROA has varied substantially from year to year. For example, the 10 largest banks reported losses in the aggregate in 1987 and 1989, but record profits in 1995 and 1996. Secondly, the smaller the bank the greater is net interest margin. This again reflects small banks' lower cost of funds and higher gross yields on assets. Third, net noninterest expense generally decreases with bank size. Thus, smaller banks are less able to generate noninterest income relative to their noninterest expense compared with bigger banks. Finally, loan loss provisions vary sharply across different sized banks. Small banks are generally less able to diversify and when local economic conditions deteriorate, the asset quality problems and charge-offs can be quite severe.

### **Analyzing Performance with a Bank's Uniform Bank Performance Report**

Every bank must file a report of condition and a report of income with the appropriate regulatory agency. For national banks, it is the Office of the Comptroller of the Currency; for state-chartered member (of the Fed) banks, it is the Federal Reserve; for state-chartered nonmember banks, it is the FDIC. The Uniform Bank Performance Report (UBPR) presents a bank's most recent financial data plus key profitability and risk measures, as well as similar figures for recent reporting periods. It also reports peer bank data to facilitate comparison.

All federally insured banks can obtain their UBPR quarterly. *Exhibit 2-5* presents the December 2009 UBPR data for an U.S. bank. The format and range of data provided differ slightly for different types of banks. Try and assess the bank's profitability and risk profile over time and versus peers for your bank, as indicated in your bank's UBPR.

For this exercise, we will review the banks performance over a 5 year period and look at the trends and try to determine the changes in operations that caused the bank's troubles.

Some tips in performing your analysis:

1. Review Assets and make determinations on what changed during the 5 year period.
2. Were there any changes in strategies?
3. Did the types of assets change?
4. What happened to the NIM?
5. What about overhead costs or Burden?
6. What happened with asset quality?
7. What happens when you have asset quality problems?
8. Liquidity: Where did the bank get its liquidity?
9. What about Capital?
10. What would you have done differently? Bring at least 3 ideas or strategies.

## SUMMARY

1. Bank assets can generally be classified in one of four categories: cash and equivalents, investment securities, loans, and other assets. Liabilities include transaction accounts, time and savings deposits, purchased liabilities, such as federal funds purchased and jumbo CDs, and long-term debt. Stockholders' equity represents ownership interest in the bank.
2. A bank's net income can be divided into four components that potentially reveal differences in performance: net interest income, provision for loan losses, burden, and taxes.
3. The ROE model provides a means of analyzing the source and magnitude of banking profits over time and against peer banks. It describes the relationship between return on equity and a bank's return on assets and equity multiplier. It then decomposes return on assets into its contributing factors.
4. There are seven fundamental risks in banking: credit risk, liquidity risk, interest-rate risk, capital (solvency) risk, operational/fraud risk, off-balance sheet risk, and foreign exchange risk.
5. There is a fundamental trade-off between bank profitability and risk. A bank that reports above average profits either takes on above average risk or realizes a competitive advantage in offering some product or service.
6. Different-sized banks exhibit different profitability and risk profiles because they serve different types of customers and operate in different geographic markets. Wholesale banks work primarily with commercial loan and deposit customers. Retail banks focus primarily on consumer customers
7. The Uniform Bank Performance Report (UBPR) is available quarterly for anyone to evaluate a bank's risk and return performance.

**Exhibit 2-1**  
**Balance Sheet Information for SCBS Bank**  
**Average Balances (In Thousands)**

	<b>December</b>	<b>%of Total</b>
<b>Assets</b>	<b>Assets</b>	
Cash and due from banks	\$ 3,700	4.63 %
Time Deposits at other institutions	2,200	2.75
Federal funds sold & Repos	3,380	4.23
Investments:		
U.S. Treasury securities	9,190	11.4
Federal Agency securities	7,950	9.94
Municipal securities	6,620	8.28
Other securities	<u>1,400</u>	<u>1.75</u>
Total investments	<u>25,160</u>	<u>31.45</u>
Loans & Leases		
Commercial and individual	18,670	23.34
Real Estate	10,740	13.43
Consumer	14,010	17.51
Other	<u>1,430</u>	<u>1.79</u>
Total loans & leases	44,850	56.06
Less: Reserve for loan losses	<u>(1,250)</u>	<u>(1.56)</u>
Net loans & leases	<u>43,600</u>	<u>54.50</u>
Other Assets	<u>1,960</u>	<u>2.45 %</u>
Total assets	<u>\$80,000</u>	<u>100</u>
 <b>Liabilities &amp; Stockholders' Equity</b>		
Demand deposits	\$ 8,680	10.8 %
Interest Checking accounts	9,730	12.1
MMDAs	7,970	9.96
Regular savings	6,030	7.54
COs less than \$100,000	30,560	38.2
COs over \$1 00,000	<u>7,820</u>	<u>9.78</u>
Total deposits	70,790	88.49
Short-term borrowings	470	0.59%
Subordinated debt	1,000	1.25
Other liabilities	<u>620</u>	<u>0.78</u>
Total liabilities	<u>72,880</u>	<u>91.10</u>
Common Stock	2,000	2.50 %
Surplus	1,000	1.25
Retained earnings	4,000	5.00
Unrealized gains (losses), net of tax	<u>120</u>	<u>0.15</u>
Stockholders' equity	<u>7,120</u>	<u>8.90</u>
Total liabilities & stockholders' equity	<u>\$ 80,000</u>	<u>100.0 %</u>

**Exhibit 2-2**  
**Income Statement for SCBS Bank**  
**(In Thousands)**

	<b>Twelve months ended</b>	<b>% of Operating</b>
<b>Interest Income</b>		
Interest on loans	\$ 5,125	55.7 %
Interest on Federal funds sold & repos	251	2.7
Interest on time deposits	182	2.0
Interest on U.S. Treasury & Agency	1,326	14.4
Interest on municipal securities	521	5.7
Interest on other securities	95	1.0
Total interest income	<u>7,500</u>	<u>81.5</u>
<b>Interest Expense</b>		
Interest on checking accounts	523	5.7
Interest on regular savings	341	3.7
Interest on MMDAs	436	4.7
Interest on CDs Less than \$100,000	2,260	24.6
Interest on CDs over \$100,000	618	6.7
Interest on deposits	<u>4,178</u>	<u>45.4</u>
Interest on short-term borrowings	30	0.3
Interest on subordinated debt	92	1.0
Total interest expense	<u>4,300</u>	<u>46.7</u>
Net interest income	3,200	34.8
Provision for loan losses	450	4.9
Net interest income after provision	<u>2,750</u>	<u>29.9</u>
<b>Noninterest Income</b>		
Service charges	1,037	11.3
Fee income	314	3.4
Securities gains	60	0.7
Other income	289	3.1
Total noninterest income	<u>1,700</u>	<u>18.5</u>
<b>Noninterest Expense</b>		
Salaries & employee benefits	1,388	15.1
Occupancy expense	229	2.5
Furniture & equipment expense	271	2.9
Other operating expense	812	8.8
Total noninterest expense	<u>2,700</u>	<u>29.3</u>
Income before taxes	1,750	19.0
Income tax expense	410	4.5
Net income	<u>\$ 1,340</u>	<u>14.6 %</u>
Earnings per share	s 1.34	
Weighted average shares outstanding	1,000	

\* Total operating income equals interest income plus noninterest income, \$7,500 + \$1,700 = \$9,200.

Exhibit 2-3  
Profitability Measures for SCBS Bank  
Versus Peer Banks

	<u>SCBS Bank</u>	<u>Peer Banks</u>
ROE = Net income/Total equity	8.82 %	15.74 %
ROA = Net income/Total assets	1.68 %	1.29 %
EM = Total assets/Total equity	11.20	12.20 X
PM = Net income/Operating income	14.56 %	12.60 %
AU = Operating income/Total assets	11.50 %	10.22 %
EB = Earning assets/Total assets	92.93 %	91.50 %
Net interest margin = Net income/Earning assets	4.30 %	4.01 %
Net interest margin tax equivalent	4.68 %	4.25 %
Noninterest income/Noninterest expense	62.96 %	40.43 %
Burden/Total assets	(1.25) %	(2.06) %
PM Components:		
Interest expense/Operating income	46.74 %	48.51 %
Noninterest expense/Operating income	29.35 %	29.13 %
Provision for loan losses/Operating income	4.89 %	4.66 %
Taxes/Operating income	4.46 %	5.10 %
AU Components:		
Interest income/Total assets	9.38 %	8.90 %
Noninterest income/Total assets	2.12 %	1.32 %
Efficiency ratio = Noninterest expense/(net interest income + noninterest income)	55.10 %	60.17 %

Footnotes:

Earning assets- \$2,200 + \$3,380 + \$25,160 + \$43,600 = \$74,340

Taxable equivalent income- \$521(1-0.35) = \$802(35% Tax Rate) Taxable equivalent net interest income- \$3,200- \$521 + \$802 = \$3,481

Exhibit 2-4  
Risk Measures for SCBS Bank  
Versus Peer Banks

Ratio	SCBS Bank	Peer Banks
<u>Credit Risk</u>		
Loans/Total assets	56.06 %	47.39 %
Provision for loan losses/Loans	1.00 %	0.61 %
Reserve for loan losses/Loans	2.79 %	2.18 %
Net charge-offs/Loans	0.96 %	0.84 %
Past due loans/Loans	0.79 %	0.69 %
<u>Liquidity Risk</u>		
Stockholders' equity/Total assets	8.90 %	8.21 %
Core Deposits/Total assets	78.71 %	77.96 %
CDs > \$100,000/Total assets	9.78 %	10.45 %
Securities maturing < 1 year/Total assets	9.63 %	11.58 %
Securities : Market value/Book value	98.17 %	98.81 %
<u>Capital Risk</u>		
Stockholders' equity/Total assets	8.90 %	8.21 %
Loans/Total assets	56.06 %	47.39 %

Footnotes:

Core deposits include demand deposits, interest checking, MMDAs, regular savings, and CDs < \$100,000.



Exhibit 2-5  
Asset/Liability Mix Comparison  
(In Thousands)

<u>Earning Assets (Actual)</u>	<u>Balance</u>	<u>% of EA</u>	<u>Income</u>	<u>Yield</u>
Time Deposits at other institutions	2,200	2.9%	182	8.27%
Federal Funds Sold & Repos	3,380	4.5%	251	7.43%
Investment Securities	25,160	33.3%	1,942	7.72%
Loans	44,850	59.3%	5,125	11.43%
	75,590	100.0%	7,500	9.92%

<u>Scenario 1 (Adjust Mix)</u>	<u>Balance</u>	<u>% of EA</u>	<u>Income</u>	<u>Yield</u>
Time Deposits at other institutions	0	0.00%	0	0.00
Federal Funds Sold & Repos	1,000	1.3%	74	7.43%
Investment Securities	25,160	33.3%	1,942	7.72%
Loans	49,430	65.4%	5,560	11.43%
	75,590	100.0%	7,667	10.14%

<u>Interest-Bearing Liabilities (Actual)</u>	<u>Balance</u>	<u>% of EA</u>	<u>Income</u>	<u>Yield</u>
Interest Checking Accounts	9,730	12.9%	523	5.38%
Money Market & Savings	14,000	18.5%	777	5.55%
CDs	38,380	50.8%	2,878	7.50%
Total Deposits	62,110	82.2%	4,178	6.73%
Short-term Borrowings	470	0.6%	30	6.38%
Subordinated Debt	1,000	1.3%	92	9.20%
	63,580	84.1%	4,300	6.76%

<u>Scenario 1 (Adjust Mix)</u>	<u>Balance</u>	<u>% of EA</u>	<u>Income</u>	<u>Yield</u>
Interest Checking Accounts	9,730	12.9%	523	5.38%
Money Market & Savings	24,000	31.8%	1,332	5.55%
CDs	28,380	37.5%	2,129	7.50%
Total Deposits	62,110	82.2%	3,984	6.41%
Short-term Borrowings	470	0.6%	30	6.38%
Subordinated Debt	1,000	1.3%	92	9.20%
	63,580	84.1%	4,106	6.46%

<u>Summary – Actual</u>	<u>Inc/Exp</u>	<u>Yield</u>
Interest Income	7,500	9.92%
Interest Expense	4,300	6.76%
Net Interest Income	3,200	3.16%

<u>Summary – Scenario 1</u>	<u>Inc/Exp</u>	<u>Yield</u>
Interest Income	7,667	10.14%
Interest Expense	4,106	6.46%
Net Interest Income	3,561	3.68%

FDIC Certificate # 16480  
OCC Charter # 14599  
Public Report

FRB District/ID\_RSSD 6 / 147839  
County: CARROLL

FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
December 31, 2009 Uniform Bank Performance Report

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### Information

#### Introduction

This uniform bank performance report covers the operations of a bank and that of a comparable group of peer banks. It is provided as a bank management tool by the Federal Financial Institutions Examination Council. Detailed information concerning the content of this report is provided in the Users Guide for the Uniform Bank Performance Report found online at [www.ffiec.gov](http://www.ffiec.gov). This report has been produced for the use of the federal regulators of financial institutions in carrying out their supervisory responsibilities. All information contained herein was obtained from sources deemed reliable however no guarantee is given as to the accuracy of the data. The information contained in this report are not to be construed as a rating or other evaluation of a financial institution by a federal banking regulator. The quarterly report of condition and income is the principal source of information for this report. Please refer to that document for additional financial information and an explanation of the accounting standards that underlie data shown herein. For questions regarding content of reports contact: 1-888-237-3111 or email: [cdr.help@ffiec.gov](mailto:cdr.help@ffiec.gov)

Financial Institution Address:  
FIRST NATIONAL BANK OF GEORGIA  
201 MAPLE STREET

CARROLLTON GA  
30117-

The Current Federal Regulator is:  
Office of Comptroller of the Currency

The bank was established on: 1/2/1948

The current peer group for this bank is: 3

Insured commercial banks having assets between \$300 million and \$1 billion

#### Footnotes:

Financial data in the Uniform Bank Performance Report may have been adjusted as a result of information shown in footnotes below. Please refer to the Uniform Bank Performance Report Users Guide online for details.

##One or more mergers, consolidations or purchases have occurred during one or more of the quarters listed. Consequently assets prior to the date of merger may be excluded from earnings analysis.

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#### State Average

#### Bank Holding Company Information:

FRB District / ID\_RSSD 6 / 1134911  
WGNB CORP.  
CARROLLTON, GA

FDIC Certificate # 16480  
OCC Charter # 14599  
Public Report

FRB District/ID\_RSSD 6 / 147839  
County: CARROLL

FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Summary Ratios--Page 1

Summary Ratios  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Earnings and Profitability															
Percent of Average Assets:															
Interest Income (TE)	4.34	5.13	7	5.41	5.90	14	6.57	6.82	37	7.82	6.63	91	6.69	5.84	89
- Interest Expense	2.43	1.68	92	2.81	2.36	78	3.12	3.07	53	3.45	2.70	90	2.56	1.89	92
Net Interest Income (TE)	1.91	3.45	3	2.60	3.55	7	3.45	3.77	31	4.37	3.94	74	4.13	3.96	62
+ Noninterest Income	-0.61	0.74	0	0.81	0.77	57	0.94	0.82	63	1.18	0.83	78	1.17	0.88	75
- Noninterest Expense	3.43	2.97	75	5.89	2.91	96	2.71	2.85	45	3.04	2.84	62	2.94	2.86	57
- Provision: Loan & Lease															
Losses	5.13	1.12	97	1.68	0.62	88	1.19	0.21	95	0.27	0.15	80	0.32	0.17	82
Pretax Operating Income (TE)	-7.26	0.15	1	-4.16	0.87	3	0.48	1.56	8	2.24	1.82	74	2.05	1.84	66
+ Realized Gains/Losses Sec	-0.62	0.04	1	0.05	-0.04	87	0.00	0.00	66	0.00	0.00	74	0.05	0.00	94
Pretax Net Operating Income (TE)	-7.89	0.18	1	-4.11	0.74	4	0.48	1.55	8	2.24	1.81	74	2.10	1.84	68
Net Operating Income	-7.66	0.10	1	-3.39	0.53	4	0.38	1.10	9	1.50	1.26	70	1.38	1.27	63
Adjusted Net Operating Income	-6.15	0.41	1	-3.52	0.78	2	0.97	1.19	34	1.58	1.33	70	1.63	1.35	72
Net Inc Attrib to Min Ints	0.00	0.00	98	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Net Income Adjusted Sub S	-7.66	0.05	1	-3.39	0.47	4	0.38	1.01	9	1.50	1.17	77	1.38	1.19	70
Net Income	-7.66	0.10	1	-3.39	0.53	4	0.38	1.10	9	1.50	1.26	70	1.38	1.27	63
Margin Analysis:															
Avg Earning Assets to Avg Assets	90.02	93.59	12	86.94	93.86	2	91.74	93.94	18	95.21	94.04	68	96.32	93.75	86
Avg Int-Bearing Funds to Avg Assets	93.04	81.67	99	88.27	80.74	92	86.70	80.05	86	89.22	79.62	97	89.56	78.76	98
Int Inc (TE) to Avg Earn Assets	4.82	5.50	11	6.22	6.30	45	7.16	7.28	44	8.21	7.06	91	6.94	6.24	84
Int Expense to Avg Earn Assets	2.70	1.80	94	3.23	2.52	88	3.40	3.27	58	3.62	2.87	90	2.66	2.02	91
Net Int Inc-TE to Avg Earn Assets	2.12	3.70	3	2.99	3.79	13	3.76	4.03	37	4.59	4.21	70	4.29	4.24	55
Loan & Lease Analysis:															
Net Loss to Average Total LN&LS	5.19	1.12	96	2.57	0.53	95	0.76	0.18	93	0.24	0.11	82	0.08	0.13	46
Earnings Coverage of Net Losses (X)	-0.59	4.74	3	-1.37	9.99	2	2.68	31.11	8	12.51	57.97	26	36.27	47.18	61
LN&LS Allowance to LN&LS Not HFS	4.43	1.87	95	1.78	1.43	79	1.89	1.21	92	1.21	1.21	54	1.25	1.23	58
LN&LS Allowance to Net Losses (X)	0.80	3.28	12	0.70	5.96	3	2.45	15.59	13	5.51	26.60	22	17.50	21.00	63
LN&LS Allowance to Total LN&LS	4.43	1.85	95	1.78	1.42	79	1.89	1.21	92	1.21	1.20	55	1.25	1.22	59
Total LN&LS-90+ Days Past Due	0.94	0.15	94	0.73	0.15	91	0.16	0.11	72	0.31	0.08	88	0.16	0.07	79
-Nonaccrual	18.16	2.96	97	11.34	1.84	96	7.02	0.81	98	0.26	0.44	44	0.56	0.38	71
-Total	19.10	3.18	97	12.07	2.07	97	7.19	1.04	98	0.56	0.58	58	0.72	0.49	69
Liquidity															
Net Non Core Fund Dep New \$250M	45.37	26.41	88	50.72	31.66	87	46.78	27.89	86	47.41	26.92	85	42.36	24.53	82
Net Loans & Leases to Assets	64.22	68.15	34	69.62	71.43	39	73.44	71.61	50	81.66	70.71	83	80.23	69.42	81

Capitalization															
Tier One Leverage Capital	-0.38	8.66	0	7.04	8.75	11	6.81	9.06	4	8.40	9.02	38	8.24	8.88	38
Cash Dividends to Net Income	0.00	30.16	45	-7.00	45.37	9	153.92	47.84	94	44.31	39.93	53	45.13	36.15	60
Retained Earnings to Avg Total Equity	-199.95	-3.13	0	-38.19	0.24	4	-1.93	4.97	12	10.04	7.37	67	8.93	7.99	56
Rest+Nonac+RE Acq to Eqcap+ALLL	635.76	34.15	99	167.26	18.71	98	56.53	8.06	98	4.74	4.16	62	6.10	3.72	74
Growth Rates															
Total Assets	-5.44	4.62	13	1.10	8.75	21	53.50	8.22	97	10.06	10.13	56	18.62	11.92	76
Tier One Capital	-105.23	4.57	0	7.58	5.18	62	21.47	7.95	89	10.85	11.64	53	9.49	13.04	42
Net Loans & Leases	-12.78	-0.10	10	-4.15	9.14	10	38.05	10.30	94	12.02	12.34	54	18.55	13.38	71
Short Term Investments	84.36	232.34	52	148.17	35.08	82	107.67	10.12	85	-27.84	59.71	27	298.49	103.49	84
Short Term Non Core Funding	51.49	-2.97	93	-13.03	21.85	15	104.37	17.27	96	50.70	36.94	70	-12.51	29.94	12
Average Total Assets															
Total Equity Capital		870,054			888,474			858,999			542,802			491,931	
Net Income		236			66,357			87,811			47,625			43,025	
		-66,641			-30,134			3,223			8,129			6,778	
Number of banks in Peer Group															
		1,198			1,191			1,171			1,146			1,077	

FDIC Certificate # 16480  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Income Statement \$--Page 2

Income Statement \$  
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	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>	<u>Percent Change</u> <u>1 Year</u>
Interest and Fees on Loans	32,979	41,335	49,993	37,542	28,455	-20.22
Income From Lease Financing	26	72	148	220	274	-63.89
Tax-Exempt	78	98	81	62	94	-20.41
Estimated Tax Benefit	0	0	34	28	42	N/A
Income on Loans & Leases (TE)	33,005	41,407	50,175	37,790	28,771	-20.29
US Treas & Agency (Excl MBS)	17	25	278	174	134	-32.00
Mortgage Backed Securities	1,859	2,286	1,415	859	875	-18.68
Estimated Tax Benefit	0	0	759	545	603	N/A
All Other Securities	2,627	3,761	2,937	2,222	1,995	-30.15
Tax-Exempt Securities Income	1,798	2,670	1,780	1,203	1,320	-32.66
Investment Interest Income (TE)	4,503	6,072	5,389	3,800	3,607	-25.84
Interest on Due From Banks	162	35	69	0	0	362.86
Int on Fed Funds Sold & Resales	16	332	545	641	394	-95.18
Trading Account Income	0	0	0	0	0	N/A
Other Interest Income	87	205	232	208	132	-57.56
Total Interest Income (TE)	37,773	48,051	56,411	42,439	32,905	-21.39
Int on Deposits in Foreign Off	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Time Dep Over \$100M	8,968	9,573	8,401	5,699	3,476	-6.32
Interest on All Other Deposits	10,286	13,142	15,474	10,238	6,781	-21.73
Int on Fed Funds Purch & Repos	0	530	97	25	29	-100.00
Int Trad Liab & Oth Borrowings	1,917	1,743	2,824	2,766	2,298	9.98
Int on Sub Notes & Debentures	0	0	0	0	0	N/A
Total Interest Expense	21,171	24,988	26,796	18,728	12,584	-15.28
Net Interest Income (TE)	16,602	23,063	29,615	23,711	20,321	-28.01
Non-interest Income	-5,340	7,183	8,048	6,399	5,757	-174.34
Adjusted Operating Income (TE)	11,262	30,246	37,663	30,110	26,078	-62.77
Non-Interest Expense	29,830	52,308	23,307	16,484	14,443	-42.97
Provision: Loan & Lease Losses	44,631	14,900	10,206	1,465	1,550	199.54
Pretax Operating Income (TE)	-63,199	-36,962	4,150	12,161	10,085	-70.98
Realized G/L Hld-to-Maturity Sec	-6,075	0	0	0	0	N/A
Realized G/L Avail-for Sale Sec	664	435	0	0	228	52.64
Pretax Net Operating Inc (TE)	-68,610	-36,527	4,150	12,161	10,313	-87.83
Applicable Income Taxes	-1,969	-6,393	133	3,459	2,889	69.20
Current Tax Equiv Adjustment	0	0	794	573	646	N/A
Other Tax Equiv Adjustments	0	0	0	0	0	N/A
Applicable Income Taxes (TE)	-1,969	-6,393	927	4,032	3,535	69.20

Net Operating Income	-66,641	-30,134	3,223	8,129	6,778	-121.15
Net Extraordinary Items	0	0	0	0	0	N/A
Net Inc Noncontrolling Minority Interests	0	N/A	N/A	N/A	N/A	N/A
Net Income	-66,641	-30,134	3,223	8,129	6,778	-121.15
Cash Dividends Declared	0	2,108	4,961	3,602	3,059	-100.00
Retained Earnings	-66,641	-32,242	-1,738	4,527	3,719	-106.69
Memo: Net International Income	N/A	N/A	N/A	N/A	N/A	N/A

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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Noninterest Income, Expenses and Yields--Page 3

Non Int Inc, Exp, Yields  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Percent of Average Assets															
Personnel Expense	1.35	1.45	42	1.65	1.53	62	1.62	1.57	56	1.83	1.57	72	1.77	1.57	69
Occupancy Expense	0.40	0.39	57	0.45	0.40	63	0.38	0.40	48	0.44	0.40	62	0.42	0.40	58
Other Oper Exp (Incl Intangibles)	1.67	1.09	90	3.79	0.93	97	0.71	0.87	29	0.77	0.86	41	0.74	0.88	34
Total Overhead Expense	3.43	2.97	75	5.89	2.91	96	2.71	2.85	45	3.04	2.84	62	2.94	2.86	57
Overhead Less Nonint Inc	4.04	2.18	96	5.08	2.06	98	1.78	1.98	36	1.86	1.96	44	1.77	1.93	39
Other Income & Expense Ratios:															
Efficiency Ratio	264.87	71.47	99	172.94	66.05	97	61.88	61.55	50	54.75	59.04	33	55.38	58.59	35
Avg Personnel Exp Per Empl (\$000)	58.86	62.11	46	59.07	60.94	51	51.89	58.88	32	54.53	56.46	49	56.51	54.36	62
Assets Per Employee (\$Million)	4.20	4.60	49	3.58	4.39	37	3.28	4.14	32	3.15	3.97	30	3.38	3.86	45
Yield on or Cost of:															
Total Loan & Leases (TE)	5.44	6.06	13	6.61	6.77	41	7.57	7.93	32	8.51	7.78	81	7.21	6.92	70
Loans in Domestic Offices	5.44	6.04	13	6.61	6.75	42	7.56	7.92	32	8.51	7.76	81	7.20	6.90	70
Real Estate	5.07	5.99	5	6.29	6.69	21	7.39	7.79	32	8.43	7.61	81	7.10	6.77	71
Secured by 1-4 Fam Resi Prop	6.74	6.09	77	7.41	6.72	77	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
All Other Loans Sec Real Estate	4.26	5.94	1	5.78	6.72	7	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Commercial & Industrial	7.84	6.03	92	8.26	6.84	89	9.39	8.41	83	9.54	8.36	83	8.03	7.27	77
Individual	8.27	7.76	63	8.85	8.16	67	7.59	8.71	23	8.64	8.39	60	8.05	7.87	58
Credit Card	N/A	9.18	N/A	N/A	9.51	N/A	N/A	10.44	N/A	N/A	10.03	N/A	N/A	9.96	N/A
Agricultural	7.06	6.27	76	6.32	7.01	25	9.60	8.50	86	7.29	8.31	16	8.21	7.32	81
Loans in Foreign Offices	N/A	6.56	N/A	N/A	6.44	N/A	N/A	7.88	N/A	N/A	7.37	N/A	N/A	6.49	N/A
Total Investment Securities (TE)	4.62	4.44	57	5.21	5.02	63	5.14	5.06	59	6.63	4.69	98	5.97	4.21	97
Total Investment Securities (Book)	4.62	4.13	75	5.21	4.67	86	4.41	4.69	26	5.68	4.32	98	4.98	3.85	96
US Treas & Agency (Excl MBS)	3.08	3.57	32	5.08	4.57	73	5.71	4.70	94	4.35	4.20	62	3.62	3.56	56
Mortgage Backed Securities	4.52	4.58	44	5.62	4.99	88	4.15	4.91	10	5.01	4.59	79	4.96	4.14	88
All Other Securities	4.71	4.10	79	4.99	4.27	81	4.45	4.38	61	6.14	4.30	95	5.11	4.18	86
Interest-Bearing Bank Balances	0.24	0.63	40	1.85	2.22	37	N/A	4.63	N/A	N/A	4.33	N/A	N/A	2.83	N/A
Federal Funds Sold & Resales	0.20	0.24	46	1.47	2.10	11	3.37	5.07	1	5.29	4.96	88	3.49	3.23	79
Total Interest Bearing Deposits	2.54	1.98	81	3.16	2.87	65	3.49	3.76	35	3.69	3.27	73	2.64	2.26	74
Transaction accounts	0.13	0.66	8	0.98	1.09	49	1.77	1.58	60	3.28	1.44	93	1.90	0.98	87
Other Savings Deposits	0.31	0.92	6	1.25	1.56	33	2.33	2.57	44	2.56	2.25	62	1.64	1.43	65
Time Deps Over \$100M	3.53	2.79	89	4.21	3.95	70	4.38	4.87	11	4.35	4.36	46	3.53	3.20	80
All Other Time Deposits	3.87	2.89	95	4.82	3.97	95	4.29	4.77	11	4.99	4.12	95	3.84	3.04	95
Foreign Office Deposits	N/A	0.81	N/A	N/A	2.10	N/A	N/A	4.19	N/A	N/A	3.94	N/A	N/A	2.52	N/A
Federal Funds Purchased & Repos	N/A	0.91	N/A	3.87	2.32	92	6.61	4.49	95	4.92	4.45	66	3.19	2.81	69
Other Borrowed Money	3.69	3.13	58	3.32	3.67	33	4.77	4.86	43	5.37	4.70	84	4.46	3.94	74
Subord Notes & Debentures	N/A	4.65	N/A	N/A	5.24	N/A	N/A	6.91	N/A	N/A	6.81	N/A	N/A	5.85	N/A
All Interest-Bearing Funds	2.62	2.07	80	3.19	2.94	63	3.60	3.85	34	3.87	3.40	76	2.86	2.41	80

Non-interest Income & Expenses					
Fiduciary Activities	0	0	0	0	0
Deposit Service Charges	5,402	6,256	5,364	4,089	4,092
Trading, Vent Cap, Securtz Inc	0	0	0	0	0
Inv Banking, Advisory Inc	505	443	637	130	0
Insurance Comm & Fees	71	73	77	103	83
Net Servicing Fees	0	0	38	86	0
Loan & Lse Net Gains/Loss	0	0	0	0	0
Other Net Gains/Losses	-13,562	-1,551	-757	230	-85
Other Non-interest Income	2,244	1,962	2,689	1,761	1,667
Non-interest Income	-5,340	7,183	8,048	6,399	5,757
Personnel Expense	11,772	14,650	13,906	9,925	8,702
Occupancy Expense	3,496	3,962	3,300	2,365	2,090
Goodwill Impairment	0	24,128	0	0	0
Other Intangible Amortiz	574	574	0	0	0
Other Oper Exp(incl Intangibles)	13,988	8,994	6,101	4,194	3,651
Non-Interest Expense	29,830	52,308	23,307	16,484	14,443
Domestic Banking Offices (#)	10	14	14	8	6
Foreign Branches (#)	0	0	0	0	0
Assets Per Domestic Office	84,063	63,496	62,806	71,601	86,741



FDIC Certificate # 16480  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Balance Sheet \$--Page 4

Balance Sheet \$  
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	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>	<u>Percent Change</u>	
						<u>1 Quarter</u>	<u>1 Year</u>
Assets:							
Real Estate Loans	499,466	544,856	567,130	402,220	357,073	-3.37	-8.33
Commercial Loans	38,820	49,027	47,486	38,900	37,350	-4.48	-20.82
Individual Loans	24,750	34,576	40,870	27,398	22,271	-13.26	-28.42
Agricultural Loans	847	879	1,166	1,434	409	-3.97	-3.64
Other LN&LS in Domestic Offices	1,804	2,161	3,313	4,367	6,616	-2.06	-16.52
LN&LS in Foreign Offices	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loans Held for Sale	0	0	0	0	0	N/A	N/A
Loans not Held for Sale	564,849	630,161	658,161	473,501	422,879	-3.91	-10.36
LN&LS Allowance	25,030	11,240	12,422	5,748	5,302	26.58	122.69
Net Loans & Leases	539,819	618,921	645,739	467,753	417,577	-4.98	-12.78
U.S. Treasury & Agency Securities	43,602	33,175	46,841	24,861	26,057	-2.73	31.43
Municipal Securities	45,927	57,279	70,468	33,460	33,265	-3.13	-19.82
Foreign Debt Securities	0	0	0	0	0	N/A	N/A
All Other Securities	3,463	11,536	11,290	11,492	8,701	-3.08	-69.98
Interest-Bearing Bank Balances	98,450	18,555	401	0	0	41.53	430.58
Federal Funds Sold & Resales	13,800	41,443	19,841	654	5,548	549.41	-66.70
Trading Account Assets	0	0	0	0	0	N/A	N/A
Total Investments	205,242	161,988	148,841	70,467	73,571	22.54	26.70
Total Earning Assets	745,061	780,909	794,580	538,220	491,148	1.29	-4.59
Nonint Cash & Due From Banks	12,324	15,353	5,604	12,579	10,674	-33.45	-19.73
Premises, Fix Assts, Cap Leases	15,496	17,016	18,357	8,990	9,134	-3.09	-8.93
Other Real Estate Owned	41,045	45,798	10,314	1,318	567	-3.23	-10.38
Dir & Indir Inv RE Ventures	0	0	0	0	0	N/A	N/A
Inv in Unconsolidated Subs	0	0	0	0	0	N/A	N/A
Acceptances & Oth Assets	26,707	29,874	50,432	11,704	8,923	33.06	-10.60
Total Assets	840,633	888,950	879,287	572,811	520,446	0.97	-5.44
Average Assets During Quarter	862,302	887,920	877,822	565,973	520,437	3.02	-2.89
Liabilities:							
Demand Deposits	15,820	21,026	20,374	16,264	13,934	2.26	-24.76
All Now & ATS Accounts	24,327	21,717	22,918	9,958	17,576	-8.34	12.02
Money Market Deposit Accounts	193,501	218,996	246,125	179,580	176,025	5.27	-11.64
Other savings Deposits	19,779	18,718	19,192	10,987	12,181	-1.92	5.67
Time Deps At Or Below Insurance Limit	253,434	222,458	175,286	104,304	91,397	-1.83	13.92
Less: Fully Insured Brokered Deposits	92,683	137,257	90,857	62,454	55,237	-17.03	-32.47
Core Deposits	414,178	365,658	393,038	258,639	255,876	5.54	13.27
Fully Insured Brokered Deposits	92,683	137,257	90,857	62,454	55,237	-17.03	-32.47
Time Deps Above Insurance Limit	273,335	260,044	224,217	145,096	120,508	7.70	5.11
Deposits in Foreign Offices	0	0	0	0	0	N/A	N/A
Total Deposits	780,196	762,958	708,112	466,189	431,622	2.94	2.26
Federal Funds Purch & Resale	0	0	20,000	2,475	0	N/A	N/A
Fed Home Loan Bor Mat < 1 Year	12,000	0	7,500	0	0	0.00	N/A

Fed Home Loan Bor Mat > 1 Year	40,000	52,000	47,000	52,000	42,000	0.00	-23.08
Oth Borrowing Mat < 1 Year	0	0	0	0	0	N/A	N/A
Oth Borrowing Mat > 1 Year	0	0	0	0	0	N/A	N/A
Acceptances & Other Liabilities	8,200	7,635	8,863	4,522	3,798	-4.82	7.40
Total Liabilities (Incl Mortg)	840,396	822,593	791,475	525,186	477,420	2.67	2.16
Subordinated Notes & Debentures	0	0	0	0	0	N/A	N/A
Total Bank Capital & Min Int	236	66,357	87,811	47,625	43,025	-98.32	-99.64
Total Liabilities & Capital	840,632	888,950	879,286	572,811	520,445	0.97	-5.44
Memoranda:							
Officers, Shareholder Loans (#)	8	8	4	3	2		
Officers, Shareholder Loans (\$)	13,996	9,852	6,004	2,752	3,443	42.64	42.06
Held-to-Maturity Securities	420	7,622	5,905	5,562	4,270	0.00	-94.49
Available-for-Sale Securities	92,572	94,368	122,694	64,251	63,753	-2.95	-1.90
All Brokered Deposits	92,683	137,257	90,857	62,454	55,237	-17.03	-32.47

FDIC Certificate # 16480  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Off Balance Sheet Items--Page 5

Off Balance Sheet Items  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>			<u>Percent Change</u>	
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	<u>1</u> <u>Quarter</u>	<u>1 Year</u>
Outstanding (% of Total)																	
Home Equity (1-4 Family)	1.23	1.67	45	1.22	1.82	42	1.27	2.03	40	1.66	2.17	45	1.61	2.19	44		
Credit Card	0.00	0.20	69	0.00	0.20	67	0.00	0.24	63	0.00	0.26	63	0.00	0.27	63		
Commercial RE Secured by RE	0.40	1.78	14	2.77	2.89	55	6.43	4.47	73	11.49	4.74	88	10.35	4.93	82		
1-4 Family Residential	0.20	0.40	40	1.27	0.69	78	2.44	1.21	79	N/A	0.00	N/A	N/A	0.00	N/A		
Comm'l RE, Oth Const & Land	0.20	1.18	16	1.50	1.91	45	3.99	3.11	67	N/A	0.00	N/A	N/A	0.00	N/A		
Commercial RE Not Secured by RE	0.00	0.01	81	0.00	0.02	80	0.00	0.02	81	0.00	0.02	83	0.00	0.01	83		
All Other	2.87	5.26	29	3.68	5.81	34	3.65	6.35	27	3.82	6.46	30	3.31	6.58	24		
Total LN&LS Commitments	4.50	9.76	13	7.66	11.74	22	11.36	14.36	34	16.97	15.36	62	15.26	15.79	51		
Securities Underwriting	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99		
Standby Letters of Credit	0.85	0.42	80	0.83	0.54	72	1.13	0.64	76	1.03	0.67	72	1.62	0.69	85		
Amount Conveyed to Others	N/A	0.00	N/A	0.00	0.00	93	0.00	0.00	94	0.00	0.00	94	0.00	0.04	95		
Commercial Letters of Credit	0.00	0.01	85	0.00	0.01	84	0.00	0.01	84	0.00	0.02	83	0.00	0.02	84		
Assets Securitized or Sold w/Rec	0.00	0.14	84	0.00	0.12	84	0.00	0.11	84	0.00	0.07	85	0.00	0.05	86		
Amount of Recourse Exposure	0.00	0.01	85	0.00	0.01	85	0.00	0.01	85	0.00	0.01	86	0.00	0.01	87		
Credit Derivatives Bank as Guarantor	0.00	0.01	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99		
Credit Derivatives Bank as Beneficiary	0.00	0.01	99	0.00	0.01	99	0.00	0.00	99	0.00	0.00	99	0.00	0.01	99		
All Oth Off-Balance Sheet Items	0.00	0.12	85	0.00	0.15	85	0.00	0.12	86	0.00	0.06	88	0.00	0.00	93		
Off-Balance Sheet Items Outstanding (\$000)	5.35	11.41	14	8.49	13.61	21	12.49	16.29	33	18.00	17.18	56	16.89	17.54	51		
Home Equity (1-4 Family)		10,358			10,803			11,188			9,488			8,359		-2.18	-4.12
Credit Card		0			0			0			0			0		N/A	N/A
Commercial RE Secured by RE		3,349			24,587			56,573			65,798			53,882		-23.82	-86.38
1-4 Family Residential		1,642			11,251			21,462			N/A			N/A		61.30	-85.41
Commercial RE, Oth Const & Land		1,707			13,336			35,111			N/A			N/A		-49.47	-87.20
Commercial RE Not Secured by RE		0			0			0			0			0		N/A	N/A
All Other		24,138			32,670			32,121			21,909			17,202		-10.38	-26.12
Securities Underwriting		0			0			0			0			0		N/A	N/A
Memo: Unused Commit w/mat GT 1 YR		13,884			15,829			20,262			24,955			25,647		-9.72	-12.29
Standby Letters of Credit		7,110			7,383			9,943			5,903			8,447		-21.45	-3.70
Amount Conveyed to Others		N/A			0			0			0			0		N/A	N/A
Commercial Letters of Credit		0			0			0			0			0		N/A	N/A

Assets Securitized or Sold w/recourse	0	0	0	0	0	N/A	N/A
Amount of Recourse Exposure	0	0	0	0	0	N/A	N/A
Credit Derivatives Bank as Guarantor	0	0	0	0	0	N/A	N/A
Credit Derivatives Bank as Beneficiary	0	0	0	0	0	N/A	N/A
All Oth Off-Balance Sheet Items	0	0	0	0	0	N/A	N/A
Off-Balance Sheet Items	44,955	75,443	109,825	103,098	87,890	-11.80	-40.41

FDIC Certificate # 16480  
OCC Charter # 14599  
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Balance Sheet Percentage Composition--Page 6

Balance Sheet %  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
Percent of Average Assets	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Loans Held For Sale	0.00	0.18	48	0.00	0.12	51	0.00	0.16	47	0.00	0.18	45	0.00	0.22	45
Loans Not Held For Sale	69.58	70.54	42	73.05	72.22	47	75.86	71.50	60	81.06	70.87	80	80.39	69.52	80
Less: LN&LS Allowance	2.07	1.13	91	1.58	0.92	92	1.16	0.85	86	0.99	0.86	71	0.95	0.86	65
Net Loans & Leases	67.51	69.85	37	71.47	71.59	43	74.70	71.05	57	80.07	70.42	79	79.45	69.25	78
Interest-Bearing Bank Balances	7.45	2.35	89	0.47	0.59	64	0.07	0.32	46	0.00	0.31	13	0.00	0.35	13
Federal Funds Sold & Resales	1.33	1.19	61	2.64	1.46	77	1.36	1.89	48	1.66	1.73	59	0.95	1.73	43
Trading Account Assets	0.00	0.04	97	0.00	0.09	95	0.00	0.11	95	0.00	0.03	97	0.00	0.03	97
Held-to-Maturity Securities	0.40	1.09	67	0.81	1.16	71	0.65	1.24	70	0.94	1.36	70	0.66	1.51	67
Available-for-Sale Securities	10.86	15.23	38	12.41	14.83	43	12.54	15.21	42	10.78	15.91	33	12.25	16.69	37
Total Earning Assets	87.55	91.87	7	87.80	91.87	8	89.33	92.04	13	93.45	92.04	72	93.30	91.96	71
Nonint Cash & Due From Banks	2.39	2.03	70	1.81	2.37	28	1.98	2.44	30	2.85	2.70	58	3.24	2.86	66
Premises, Fix Assts & Cap Leases	1.89	1.88	52	2.00	1.92	56	2.06	1.91	57	1.66	1.83	45	1.69	1.79	46
Other Real Estate Owned	5.06	0.52	98	3.06	0.24	98	0.93	0.10	97	0.09	0.06	72	0.12	0.06	76
Dir & Indir Inv RE Ventures	0.00	0.00	91	0.00	0.00	91	0.00	0.00	93	0.00	0.00	91	0.00	0.00	91
Inv in Unconsolidated Subs	0.00	0.00	86	0.00	0.00	88	0.00	0.00	88	0.00	0.00	87	0.00	0.00	88
Acceptances & Other Assets	3.11	3.26	48	5.32	3.25	87	5.70	3.22	90	1.94	3.12	23	1.66	3.05	19
Total Non-Earning Assets	12.45	8.13	92	12.20	8.13	91	10.67	7.96	86	6.55	7.96	27	6.70	8.04	28
Total Assets	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99
Standby Letters of Credit	0.92	0.47	80	0.98	0.59	75	1.16	0.65	77	1.19	0.68	75	2.39	0.67	94
Liabilities															
Demand Deposits	2.09	6.33	5	2.48	6.46	7	1.74	7.20	3	3.05	8.40	7	2.92	9.66	5
All NOW & ATS Accounts	3.49	4.48	52	3.14	3.97	51	2.19	4.22	30	3.26	4.88	41	4.70	5.82	47
Money Market Deposit Accounts	23.25	15.58	76	26.45	15.59	81	28.47	16.37	82	30.60	16.05	85	31.76	15.97	87
Other Savings Deposits	2.33	11.92	16	2.20	11.53	16	2.24	11.29	17	2.15	11.55	14	2.48	11.81	15
Time Deps At or Below Insurance Limit	28.16	22.28	73	21.18	22.56	43	20.31	21.96	42	18.01	20.00	41	18.48	19.08	47
Less: Fully Insured Brokered Deposits	13.54	3.98	86	12.24	3.84	85	10.48	2.97	86	10.82	2.79	87	8.81	2.05	87
Core Deposits	45.78	59.05	15	43.22	58.65	13	44.47	60.61	12	46.25	61.15	16	51.53	63.53	19
Fully Insured Brokered Deposits	13.54	3.98	86	12.24	3.84	85	10.48	2.97	86	10.82	2.79	87	8.81	2.05	87
Time Deps Above Insurance Limit	29.87	16.98	93	26.73	15.79	90	26.01	16.19	87	24.58	16.50	82	19.81	14.49	75
Deposits in Foreign Offices	0.00	0.11	98	0.00	0.21	98	0.00	0.20	98	0.00	0.21	98	0.00	0.26	98
Total Deposits	89.18	81.89	89	82.19	80.38	55	80.97	81.69	41	81.64	81.96	43	80.14	81.59	36
Federal Funds Purch & Repos	0.00	1.52	29	1.54	1.95	54	1.34	1.94	52	0.22	1.94	29	0.39	1.95	32
Total Fed Home Loan Borrowings	6.02	4.93	58	5.90	5.71	53	6.28	4.41	66	9.11	4.51	79	10.30	4.90	80
Total Other Borrowings	0.00	0.14	59	0.00	0.11	59	0.00	0.06	63	0.00	0.06	63	0.00	0.07	60
Memo: Sht Ter N Core Funding	19.96	20.53	51	16.46	20.36	36	17.56	19.03	45	12.24	17.88	25	12.05	15.20	37

Acceptances & Other Liabilities	0.95	0.69	78	0.88	0.74	69	1.05	0.78	79	0.81	0.73	65	0.68	0.66	60
Total Liabilities (Incl Mortg)	96.14	90.62	99	90.51	90.45	43	89.64	90.34	30	91.78	90.65	71	91.52	90.68	62
Subordinated Notes & Debentures	0.00	0.00	94	0.00	0.00	93	0.00	0.00	94	0.00	0.00	93	0.00	0.00	93
Total Bank Capital & Min Int	3.86	9.32	0	9.49	9.49	57	10.36	9.60	70	8.22	9.27	29	8.48	9.24	39
Total Liabilities & Capital	100.00	100.00	3	100.00	100.00	97	100.00	100.00	97	100.00	100.00	96	100.00	100.00	98
Memo: All Brokered Deposits	13.54	4.97	83	12.24	4.20	83	10.48	3.33	84	10.82	3.15	85	8.81	2.33	86
Insured Brokered Deposits	13.54	3.98	86	12.24	3.84	85	10.48	2.97	86	10.82	2.79	87	8.81	2.05	87
Loans HFS as a % Loans	0.00	0.26	48	0.00	0.17	50	0.00	0.22	47	0.00	0.24	45	0.00	0.31	45

FDIC Certificate # 16480  
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Analysis of Credit Allowance and Loan Mix--Page 7

Allowance & Loan Mix-a  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
Analysis Ratios	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Loss Provision to Average Assets	5.13	1.12	97	1.68	0.62	88	1.19	0.21	95	0.27	0.15	80	0.32	0.17	82
Recoveries to Prior Credit Loss	1.95	17.41	11	6.64	30.09	19	16.56	42.68	28	17.53	35.70	31	21.41	33.96	43
Net Loss to Average Total LN&LS	5.19	1.12	96	2.57	0.53	95	0.76	0.18	93	0.24	0.11	82	0.08	0.13	46
Gross Loss to Average Total LN&LS	5.24	1.20	96	2.62	0.58	94	0.79	0.24	92	0.25	0.16	76	0.10	0.19	39
Recoveries to Average Total LN&LS	0.05	0.06	59	0.06	0.05	67	0.03	0.04	46	0.02	0.05	29	0.02	0.05	35
LN&LS Allowance to LN&LS Not HFS	4.43	1.87	95	1.78	1.43	79	1.89	1.21	92	1.21	1.21	54	1.25	1.23	58
LN&LS Allowance to Total LN&LS	4.43	1.85	95	1.78	1.42	79	1.89	1.21	92	1.21	1.20	55	1.25	1.22	59
LN&LS Allowance to Net Losses (X)	0.80	3.28	12	0.70	5.96	3	2.45	15.59	13	5.51	26.60	22	17.50	21.00	63
LN&LS Allowance to Nonaccrual LN&LS (X)	0.24	1.13	5	0.16	1.69	0	0.27	3.55	2	4.74	6.42	62	2.23	7.98	34
Earnings Coverage of Net Losses (X)	-0.59	4.74	3	-1.37	9.99	2	2.68	31.11	8	12.51	57.97	26	36.27	47.18	61
Net Losses by Type of LN&LS															
Real Estate Loans	5.09	0.97	95	2.84	0.39	95	0.81	0.09	95	0.24	0.03	94	0.07	0.03	79
Loans to Finance Comm'l Real Estate	6.98	0.27	93	0.18	0.00	94	0.54	3.48	97	N/A	0.01	N/A	N/A	0.00	N/A
Construction & Land Development	13.56	2.46	94	6.64	0.86	94	1.57	0.12	94	0.55	0.01	97	0.00	0.01	85
1-4 Family Construction	12.68	2.35	91	4.38	0.81	89	3.07	0.10	96	N/A	0.00	N/A	N/A	0.00	N/A
Other Construction & Land	13.67	2.14	94	7.16	0.71	94	1.10	0.07	93	N/A	0.00	N/A	N/A	0.00	N/A
Secured by Farmland	0.00	0.02	86	0.00	0.00	92	0.00	0.00	93	0.00	0.00	94	0.00	0.00	94
Single & Multifamily Mortgage	1.76	0.65	85	0.56	0.26	81	0.32	0.08	89	0.03	0.04	62	0.00	0.04	50
Home Equity Loans	1.91	0.43	89	1.52	0.15	94	-0.02	0.04	3	0.16	0.01	92	0.00	0.01	82
1-4 Family Non-Revolver	1.61	0.69	82	0.52	0.25	80	0.38	0.08	90	0.00	0.04	54	0.00	0.04	53
Multifamily Loans	3.91	0.28	93	0.00	0.05	88	0.00	0.00	94	0.00	0.02	96	0.00	0.07	96
Non-Farm Non-Residential Mtg	1.42	0.35	90	0.03	0.12	59	0.16	0.04	87	0.00	0.02	72	0.21	0.02	92
Owner Occupied Nonfarm	0.21	0.27	65	0.01	0.08	66	0.08	0.02	86	N/A	0.00	N/A	N/A	0.00	N/A
Nonresidential	2.79	0.34	93	0.06	0.10	75	0.23	0.03	91	N/A	0.00	N/A	N/A	0.00	N/A
Other Nonfarm Nonresidential	N/A	41.86	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	-0.01	N/A
RE Loans in Foreign Offices															
Agricultural Loans	0.00	0.05	78	0.00	0.01	85	0.00	0.01	86	0.00	0.01	87	0.00	0.01	87
Commercial and Industrial Loans	7.93	1.44	95	0.85	0.70	69	0.29	0.32	61	0.09	0.25	50	0.02	0.29	33
Lease Financing	0.00	0.41	80	3.21	0.14	94	0.00	0.10	84	0.00	0.05	86	0.00	0.08	83
Loans to Individuals	3.14	1.24	86	0.98	0.86	63	0.77	0.57	69	0.40	0.49	52	0.39	0.64	42
Credit Card Plans	N/A	3.12	N/A	N/A	2.42	N/A	N/A	1.67	N/A	N/A	1.43	N/A	N/A	1.96	N/A
All Other Loans & Leases	0.00	0.43	60	0.00	0.27	66	0.00	0.23	68	0.00	0.20	71	0.00	0.13	74

Loans to Foreign Governments	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Change: Credit Allowance (\$000)															
Beginning Balance		11,240			12,422			5,748			5,301			4,079	
Gross Credit Losses		31,786			16,430			5,244			1,111			388	
Memo: Loans HFS Write-down		0			0			0			0			0	
Recoveries		320			348			184			68			85	
Net Credit Losses		31,466			16,082			5,060			1,043			303	
Provision: Loan & Lease Losses		44,631			14,900			10,206			1,465			1,550	
Other Adjustments		624			0			1,528			25			-25	
LN&LS Allowance		25,030			11,240			12,422			5,748			5,302	
Average Total Loans & Leases		606,433			626,619			662,748			443,887			398,849	



FDIC Certificate # 16480  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Analysis of Credit Allowance and Loan Mix--Page 7A

Allowance & Loan Mix-b  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
Loan Mix, % Average Gross LN&LS	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Construction & Development	26.37	12.70	88	32.94	15.25	89	37.17	16.30	90	36.50	14.97	90	35.25	12.74	93
1-4 Family Construction	2.92	3.11	56	6.12	4.44	72	8.82	5.40	75	N/A	0.00	N/A	N/A	0.00	N/A
Other Const & Land Development	23.45	9.17	93	26.82	10.27	93	28.35	10.76	92	N/A	0.00	N/A	N/A	0.00	N/A
1-4 Family Residential	28.88	23.82	67	24.84	22.52	60	22.64	22.11	55	16.59	22.89	35	17.04	23.69	34
Home Equity Loans	2.48	3.48	42	2.00	3.16	39	1.90	3.05	38	3.04	3.32	49	3.28	3.66	49
Other Real Estate Loans	31.99	37.74	31	28.33	35.51	27	26.00	34.78	22	31.38	35.16	39	31.34	35.14	40
Farmland	2.18	2.64	61	1.77	2.32	60	1.61	2.08	61	1.64	1.81	64	1.87	1.62	70
Multifamily	1.73	2.57	43	1.67	2.32	47	1.57	2.19	48	2.84	2.15	71	4.08	2.01	82
Non-Farm Non-Residential	28.09	30.84	42	24.89	29.31	35	22.82	28.97	30	26.90	29.67	43	25.39	29.86	37
Owner Occupied Non-Farm	14.89	15.34	48	12.29	14.36	39	11.25	13.47	33	N/A	0.00	N/A	N/A	0.00	N/A
Non-Residential	13.20	14.78	45	12.60	14.31	45	11.57	14.57	41	N/A	0.00	N/A	N/A	0.00	N/A
Other Non-Farm Non-Residential	13.20	14.78	45	12.60	14.31	45	11.57	14.57	41	N/A	0.00	N/A	N/A	0.00	N/A
Total Real Estate	87.24	77.54	77	86.11	76.89	75	85.81	76.97	74	84.48	76.71	72	83.64	75.34	72
Financial Institution Loans	0.00	0.00	92	0.00	0.00	92	0.00	0.00	93	0.00	0.00	93	0.00	0.00	93
Agricultural Loans	0.15	1.54	49	0.15	1.40	51	0.17	1.30	53	0.25	1.16	56	0.11	1.11	51
Commercial & Industrial Loans	7.06	13.41	21	7.11	14.09	19	7.03	13.84	20	8.24	13.80	25	8.59	14.42	25
Loans to Individuals	4.97	3.77	72	5.90	3.92	76	6.26	4.22	74	5.55	4.62	67	5.12	5.12	59
Credit Card Loans	0.00	0.07	66	0.00	0.07	64	0.00	0.08	61	0.00	0.09	60	0.00	0.10	60
Municipal Loans	0.26	0.51	56	0.29	0.44	60	0.21	0.42	56	0.28	0.43	60	0.48	0.44	66
Foreign Office Loans & Leases	0.00	0.05	99	0.00	0.08	99	0.00	0.09	98	0.00	0.09	99	0.00	0.13	98
All Other Loans	0.27	0.31	68	0.29	0.32	65	0.30	0.31	66	0.56	0.30	77	1.15	0.31	87
Lease Financing Receivables	0.05	0.05	83	0.14	0.06	85	0.22	0.07	86	0.64	0.08	90	0.90	0.09	91
Supplemental:															
Loans to Foreign Governments	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99
Loans to Finance Comm'l Real Est	7.17	0.16	98	7.10	0.15	98	3.48	0.13	96	0.00	0.12	71	0.00	0.09	74
Memorandum (% of Avg Tot Loans):															
Loans & Lease Commitments	6.53	14.46	12	10.58	16.71	21	15.06	20.52	28	21.31	22.19	51	19.23	23.17	38
Officer, Shareholder Loans	2.41	1.61	69	1.53	1.68	54	0.91	1.75	38	0.60	1.74	29	0.83	1.73	36
Officer, Shareholder Loans to Assets	1.66	1.11	69	1.11	1.19	54	0.68	1.23	39	0.48	1.21	31	0.66	1.16	39
Other Real Estate Owned % Assets															
Construction & Land Development	4.47	0.24	98	2.71	0.09	99	0.42	0.02	96	0.01	0.00	84	0.00	0.00	72
Farmland	0.01	0.00	92	0.00	0.00	91	0.00	0.00	93	0.00	0.00	93	0.00	0.00	91
1-4 Family	0.21	0.10	79	0.15	0.05	84	0.16	0.02	94	0.03	0.02	78	0.05	0.02	85
Multifamily	0.00	0.01	80	0.06	0.00	95	0.23	0.00	99	0.00	0.00	94	0.00	0.00	93

Non-Farm Non-Residential	0.37	0.10	88	0.14	0.04	85	0.12	0.02	89	0.04	0.02	79	0.07	0.03	81
Foreclosed GNMA	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99	0.00	0.00	98	N/A	0.00	N/A
Foreign Offices	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Subtotal	5.06	0.52	98	3.06	0.24	98	0.93	0.10	97	0.09	0.06	72	0.12	0.06	76
Direct and Indirect Inv	0.00	0.00	91	0.00	0.00	91	0.00	0.00	93	0.00	0.00	91	0.00	0.00	91
Total	5.06	0.53	98	3.06	0.25	98	0.93	0.11	97	0.09	0.07	70	0.12	0.07	75
Asset Servicing % Assets															
Mortgage Servicing w/ Recourse	0.00	0.02	91	0.00	0.02	91	0.00	0.01	92	0.00	0.00	92	0.00	0.00	93
Mortgage Servicing w/o Recourse	0.00	2.23	73	0.00	1.64	73	0.00	1.71	73	0.00	1.88	73	0.00	2.22	72
Other Financial Assets	0.00	0.28	86	0.00	0.26	87	0.00	0.20	88	0.00	0.13	90	0.00	0.15	90
Total	0.00	3.62	64	0.00	3.01	64	0.00	2.88	64	0.00	2.97	65	0.00	3.38	64

FDIC Certificate # 16480  
OCC Charter # 14599  
Public Report

FRB District/ID\_RSSD 6 / 147839  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Analysis of Concentrations of Credit--Page 7B

Concentrations of Credit  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
Loan & Leases as a % of Total Capital	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Construction & Development	-4174.80	84.92	0	258.99	111.47	90	365.15	123.58	95	328.36	117.42	93	318.32	103.80	94
1-4 Family Construction	-284.37	17.91	0	37.72	29.48	69	79.54	38.23	82	N/A	0.00	N/A	N/A	0.00	N/A
Other Const & Land Development	-3890.43	63.47	0	221.27	78.35	93	285.62	84.34	97	N/A	0.00	N/A	N/A	0.00	N/A
1-4 Family Residential	-5234.89	180.61	0	246.05	174.60	75	225.23	162.11	74	155.57	164.18	49	145.86	166.64	45
Home Equity Loans	-492.22	27.49	0	19.82	26.28	45	18.22	23.37	45	25.83	23.99	56	27.44	26.66	54
Other Real Estate Loans	-5958.49	291.42	0	266.58	279.58	45	264.40	259.67	52	270.67	257.54	57	276.24	256.71	58
Farmland	-392.18	19.73	0	17.51	17.80	64	16.69	15.42	66	14.32	13.33	67	14.89	11.76	71
Multifamily	-315.29	20.53	0	15.01	17.73	51	15.54	15.89	56	15.62	15.01	59	33.72	14.86	84
Non-Farm Non-Residential	-5251.02	238.10	0	234.06	230.43	53	232.17	215.66	57	240.73	216.67	62	227.64	217.78	56
Owner Occupied Non-Farm	-2841.20	118.76	0	121.93	112.76	58	114.36	99.94	54	N/A	0.00	N/A	N/A	0.00	N/A
Non-Residential															
Other Non-Farm Non-Residential	-2409.82	115.85	0	112.13	112.52	54	117.81	110.55	58	N/A	0.00	N/A	N/A	0.00	N/A
Total Real Estate	-	569.81	0	771.62	591.13	83	854.78	574.07	96	754.59	567.31	87	740.42	555.26	85
Financial Institution Loans	0.00	0.68	95	0.00	0.77	95	0.00	1.14	95	0.00	0.56	95	0.00	0.77	95
Agricultural Loans	-26.06	11.06	0	1.24	9.98	52	1.76	8.96	57	2.69	8.12	61	0.85	7.65	52
Commercial & Industrial Loans	-1164.43	97.35	0	67.27	104.14	31	69.31	101.95	33	71.09	99.77	36	73.43	102.24	36
Loans to Individuals	-761.54	26.05	0	48.97	27.22	81	61.60	28.72	84	51.40	31.17	77	46.18	34.79	70
Credit Card Loans	0.00	0.50	69	0.00	0.48	67	0.00	0.59	65	0.00	0.64	63	0.00	0.72	63
Municipal Loans	-30.03	3.65	0	2.16	3.25	60	2.26	3.02	62	1.89	2.97	59	4.02	3.12	69
Foreign Office Loans & Leases	0.00	0.24	99	0.00	0.42	99	0.00	0.60	99	0.00	0.59	99	0.00	0.68	99
All Other Loans	-50.34	2.08	0	2.34	2.31	69	2.96	2.30	72	3.85	2.15	77	6.61	2.12	86
Lease Financing Receivables	-5.17	0.34	0	0.72	0.44	84	2.03	0.49	88	4.34	0.53	90	7.11	0.57	92
Supplemental:															
Loans to Foreign Governments	0.00	0.00	99	0.00	0.04	99	0.00	0.00	99	0.00	0.01	99	0.00	0.01	99
Loans to Finance Commercial Real Estate	-1214.77	0.99	0	67.27	1.05	98	69.31	0.98	99	0.00	0.87	74	0.00	0.73	76
Commercial Real Estate Loans as a % of Total Capital:															
Non-owner OCC Commercial Real Estate	-8114.68	233.70	0	453.40	260.09	86	567.81	273.04	95	N/A	0.00	N/A	N/A	0.00	N/A
Total Commercial Real Estate	-	356.31	0	575.33	380.15	85	682.17	377.34	96	584.70	371.58	88	579.67	358.11	88
Commercial Real Estate Loans as a % of Total LN&LS:															
Construction & Development	24.02	11.33	89	29.02	14.47	87	36.81	16.48	89	36.96	15.83	90	36.30	13.88	92
Non-owner OCC Commercial Real Estate	46.69	31.41	82	50.81	33.71	82	57.24	36.33	85	N/A	0.00	N/A	N/A	0.00	N/A
Total Commercial Real Estate	63.04	48.38	78	64.47	49.54	79	68.77	50.56	82	65.82	50.39	77	66.11	48.61	81

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OCC Charter # 14599  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Analysis of Past Due, Nonaccrual & Restructured--Page 8

PD, Nonacc & Rest Loans-a  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
% of Non-Current LN&LS by Loan Type	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Real Estate LNS-90+ Days P/D	0.82	0.14	91	0.79	0.14	91	0.16	0.11	74	0.31	0.07	89	0.13	0.06	78
-Nonaccrual	19.77	3.32	97	13.00	2.06	97	8.09	0.87	98	0.28	0.41	52	0.65	0.34	77
-Total	20.59	3.55	97	13.79	2.29	97	8.25	1.04	98	0.59	0.52	63	0.77	0.43	75
-30-89 DAYS P/D	6.20	1.41	96	4.62	1.41	94	2.50	1.04	86	0.42	0.70	38	0.91	0.53	75
LNS Fin Coml RE-90+ Days P/D	0.00	0.29	98	0.00	0.00	99	0.00	0.00	99	N/A	0.00	N/A	N/A	0.00	N/A
-Nonaccrual	0.00	0.03	92	0.00	0.99	95	0.00	0.76	95	N/A	0.08	N/A	N/A	0.04	N/A
-Total	0.00	0.05	92	0.00	0.99	95	0.00	0.76	95	N/A	0.08	N/A	N/A	0.04	N/A
-30-89 DAYS P/D	0.00	0.00	93	0.00	0.00	94	0.00	0.00	94	N/A	0.09	N/A	N/A	0.09	N/A
Const & Land Dev-90+ Days P/D	1.91	0.09	94	2.05	0.11	94	0.14	0.05	85	0.37	0.02	92	0.14	0.01	93
-Nonaccrual	54.38	8.25	99	34.88	4.60	97	17.56	1.49	97	0.15	0.29	72	1.36	0.14	92
-Total	56.29	8.58	99	36.93	4.97	97	17.70	1.73	97	0.52	0.40	76	1.50	0.19	91
-30-89 DAYS P/D	8.14	1.41	93	4.68	1.64	84	3.88	1.08	86	0.51	0.55	64	1.33	0.29	88
1-4 Fam Cons & L Dev-90+ Days P/D	2.49	0.04	95	2.17	0.08	94	0.00	0.04	88	N/A	0.00	N/A	N/A	0.00	N/A
-Nonaccrual	55.52	6.93	96	31.27	4.34	93	23.68	1.34	96	N/A	0.00	N/A	N/A	0.00	N/A
-Total	58.01	7.33	96	33.45	4.80	94	23.68	1.60	96	N/A	0.00	N/A	N/A	0.00	N/A
-30-89 DAYS P/D	3.15	1.16	81	9.13	1.66	91	8.26	1.07	94	N/A	0.00	N/A	N/A	0.00	N/A
Other Const & Land Dev-90+ Days P/D	1.87	0.05	95	2.03	0.06	95	0.18	0.02	91	N/A	0.00	N/A	N/A	0.00	N/A
-Nonaccrual	54.30	8.05	98	35.49	4.12	96	15.86	1.13	96	N/A	0.00	N/A	N/A	0.00	N/A
-Total	56.17	8.34	98	37.52	4.43	96	16.04	1.30	96	N/A	0.00	N/A	N/A	0.00	N/A
-30-89 DAYS P/D	8.51	1.23	93	3.92	1.35	83	2.66	0.85	84	N/A	0.00	N/A	N/A	0.00	N/A
Single & Multi Mtg-90+ Days P/D	0.41	0.12	84	0.12	0.12	67	0.27	0.11	80	0.67	0.07	94	0.28	0.07	86
-Nonaccrual	6.39	1.92	89	2.26	1.11	81	0.82	0.55	71	0.55	0.33	73	0.25	0.31	56
-Total	6.81	2.13	89	2.38	1.31	80	1.09	0.73	72	1.21	0.45	86	0.53	0.41	65
-30-89 DAYS P/D	4.99	1.48	93	3.32	1.34	87	2.32	1.17	80	0.67	0.85	48	1.25	0.71	76
Non-Farm Res Mtg-90+ Days P/D	0.45	0.07	89	0.22	0.07	84	0.11	0.05	82	0.00	0.03	78	0.00	0.03	78
-Nonaccrual	7.87	2.10	91	1.73	1.08	73	1.30	0.48	82	0.28	0.37	61	0.00	0.33	43
-Total	8.32	2.27	92	1.95	1.24	72	1.41	0.60	79	0.28	0.46	56	0.00	0.40	37
-30-89 DAYS P/D	6.13	0.95	96	6.36	0.87	97	0.56	0.64	59	0.14	0.48	41	0.11	0.34	46
Own Occ Non-Farm Non-Res- 90+ Days P/D	0.82	0.05	94	0.00	0.04	82	0.22	0.03	89	N/A	0.00	N/A	N/A	0.00	N/A
-Nonaccrual	1.20	1.81	54	0.00	0.97	40	0.80	0.42	76	N/A	0.00	N/A	N/A	0.00	N/A
-Total	2.02	1.95	62	0.00	1.11	35	1.02	0.55	75	N/A	0.00	N/A	N/A	0.00	N/A
-30-89 DAYS P/D	7.35	0.91	96	8.22	0.91	97	0.49	0.62	62	N/A	0.00	N/A	N/A	0.00	N/A

Other Non-Farm Non-Res-90+ Days P/D	0.00	0.04	86	0.45	0.05	90	0.00	0.02	85	N/A	0.00	N/A	N/A	0.00	N/A
-Nonaccrual	15.74	2.03	96	3.61	0.91	86	1.79	0.36	88	N/A	0.00	N/A	N/A	0.00	N/A
-Total	15.74	2.23	96	4.06	1.08	86	1.79	0.46	86	N/A	0.00	N/A	N/A	0.00	N/A
-30-89 DAYS P/D	4.69	0.82	92	4.33	0.69	92	0.62	0.46	71	N/A	0.00	N/A	N/A	0.00	N/A
Non-Current LN&LS (\$000)															
90 Days and Over Past Due		5,314			4,598			1,070			1,455			673	
Total Nonaccrual LN&LS		102,723			71,600			46,351			1,212			2,382	
Total Non-Current LN&LS		108,037			76,198			47,421			2,667			3,055	
LN&LS 30-89 Days Past Due		34,530			27,255			16,200			2,867			4,013	
Gtyd LN&LS 90+ Days P/D		0			0			0			0			0	
Gtyd LN&LS on Nonaccrual		0			0			0			0			0	
Gtyd LN&LS 30-89 Days P/D		0			0			0			0			0	
Restructured LN&LS 90+ Days P/D		467			935			0			0			0	
Restructured LN&LS Nonaccrual		661			1,479			0			0			0	
Restructured LN&LS 30-89 Days P/D		3,514			0			0			0			0	
Current 1-4 Family Restru LN&LS		1,508			3,231			N/A			N/A			N/A	
Current Other Restructured LN&LS		11,375			8,228			0			0			0	
Loans Secured 1-4 RE in Foreclosure		2,386			1,054			N/A			N/A			N/A	
Other Real Estate Owned		41,045			45,798			10,314			1,318			567	

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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Analysis of Past Due, Nonaccrual & Restructured--Page 8A

PD, Nonacc & Rest Loans-b  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
% of Non-Current LN&LS by Loan Type	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Coml & Indust LNS-90+ Days P/D	2.82	0.08	98	0.07	0.08	73	0.04	0.06	71	0.02	0.05	69	0.37	0.06	89
-Nonaccrual	5.37	1.54	89	0.97	0.87	65	0.28	0.52	51	0.08	0.47	39	0.05	0.49	34
-Total	8.19	1.73	93	1.04	1.05	61	0.32	0.67	46	0.10	0.60	34	0.42	0.63	54
-30-89 DAYS P/D	5.83	1.04	95	1.33	1.06	66	1.75	0.82	81	0.92	0.66	68	0.81	0.62	68
Loans to Individuals-90+ Days P/D	0.54	0.08	91	0.69	0.09	93	0.24	0.07	84	0.71	0.06	95	0.04	0.08	60
-Nonaccrual	1.33	0.36	87	0.62	0.28	78	0.64	0.21	84	0.17	0.19	64	0.24	0.21	66
-Total	1.86	0.51	89	1.31	0.43	85	0.88	0.34	82	0.88	0.30	85	0.28	0.33	55
-30-89 DAYS P/D	5.54	1.40	94	4.10	1.46	90	2.97	1.31	84	2.98	1.16	88	0.00	1.15	12
Credit Card Plans-90+ Days P/D	N/A	0.47	N/A	N/A	0.49	N/A	N/A	0.46	N/A	N/A	0.36	N/A	N/A	0.34	N/A
-Nonaccrual	N/A	0.01	N/A	N/A	0.01	N/A	N/A	0.01	N/A	N/A	0.02	N/A	N/A	0.01	N/A
-Total	N/A	0.64	N/A	N/A	0.64	N/A	N/A	0.56	N/A	N/A	0.48	N/A	N/A	0.46	N/A
-30-89 DAYS P/D	N/A	1.49	N/A	N/A	1.58	N/A	N/A	1.53	N/A	N/A	1.29	N/A	N/A	1.26	N/A
Lease Financing-90+ Days P/D	0.00	0.00	93	0.00	0.01	91	0.00	0.01	89	0.00	0.01	90	0.00	0.00	92
-Nonaccrual	0.00	0.18	82	0.00	0.13	84	0.00	0.09	86	0.00	0.02	90	0.00	0.05	86
-Total	0.00	0.28	79	0.00	0.24	81	0.00	0.19	80	0.00	0.09	83	0.00	0.09	82
-30-89 DAYS P/D	0.00	0.27	77	0.00	0.35	77	0.00	0.16	81	0.00	0.22	77	0.00	0.36	72
Agricultural LNS-90+ Days P/D	0.00	0.00	91	0.00	0.00	92	0.00	0.00	89	0.00	0.00	92	0.00	0.00	93
-Nonaccrual	0.00	0.11	78	0.00	0.03	83	0.00	0.03	82	0.00	0.06	81	0.00	0.06	82
-Total	0.00	0.16	75	0.00	0.05	79	0.00	0.06	76	0.00	0.09	78	0.00	0.08	80
-30-89 DAYS P/D	0.00	0.15	69	0.00	0.12	72	0.00	0.15	69	0.00	0.12	71	0.00	0.11	72
Other LN&LS-90+ Days P/D	0.20	0.02	91	0.00	0.01	86	0.45	0.01	95	0.00	0.01	86	1.45	0.01	98
-Nonaccrual	46.60	0.15	99	2.86	0.05	97	1.94	0.03	96	0.00	0.03	82	0.00	0.04	82
-Total	46.81	0.26	99	2.86	0.11	96	2.40	0.09	95	0.00	0.09	73	1.45	0.09	93
-30-89 DAYS P/D	0.06	0.26	62	0.67	0.22	83	0.00	0.24	58	0.00	0.20	62	8.53	0.19	98
Total LN&LS-90+ Days Past Due	0.94	0.15	94	0.73	0.15	91	0.16	0.11	72	0.31	0.08	88	0.16	0.07	79
-Nonaccrual	18.16	2.96	97	11.34	1.84	96	7.02	0.81	98	0.26	0.44	44	0.56	0.38	71
-Total	19.10	3.18	97	12.07	2.07	97	7.19	1.04	98	0.56	0.58	58	0.72	0.49	69
-30-89 DAYS P/D	6.10	1.42	97	4.32	1.43	93	2.45	1.11	87	0.60	0.79	45	0.95	0.64	72
Other Pertinent Ratios:															
Non-Cur LN&LS to-LN&LS Allowance	431.63	162.11	94	677.92	137.72	98	381.75	85.27	97	46.40	49.57	57	57.62	40.52	69
-Equity Capital	45778.39	25.73	99	114.83	16.79	97	54.00	7.95	98	5.60	4.41	68	7.10	3.66	79
% Total P/D LN&LS-Incl Nonaccrual	25.20	4.75	98	16.38	3.62	97	9.64	2.23	97	1.17	1.42	46	1.67	1.20	71
Non Curr LNS+OREO to LNS+OREO	24.61	4.27	98	18.05	2.63	98	8.64	1.28	98	0.84	0.71	64	0.86	0.61	67

Non-Curr Restruct Debt/Gr LN&LS	0.20	0.19	74	0.38	0.02	93	0.00	0.00	91	0.00	0.00	92	0.00	0.00	93
Curr+Non-Curr Restruct/GR LN&LS	2.48	0.86	83	2.20	0.13	96	0.00	0.02	77	0.00	0.02	79	0.00	0.02	78
Current Restruct LN&LS	2.28	0.58	87	1.82	0.08	96	0.00	0.01	80	0.00	0.01	82	0.00	0.01	81
Loans Sec 1-4 Fam RE in Foreclosure as % Total Loans Sec 1-4 Fam RE	1.40	0.45	84	0.61	0.26	80	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Gtyd LN&LS 90+ P/D / LN&LS 90+ P/D	0.00	0.00	94	0.00	0.04	93	0.00	0.01	94	0.00	0.00	94	0.00	0.07	93
Gtyd Nonaccrual LN&LS / Nonaccrual LN&LS	0.00	0.40	78	0.00	0.40	81	0.00	0.80	80	0.00	1.22	80	0.00	1.33	80
Gtyd LN&LS 30-89 P/D / LN&LS 30-89 P/D	0.00	0.17	85	0.00	0.16	85	0.00	0.15	86	0.00	0.14	87	0.00	0.27	86

FDIC Certificate # 16480  
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Interest Rate Risk Analysis as a Percent of Assets--Page 9

Interest Rate Risk  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Long Assets Insts w/Options	19.42	16.59	63	19.38	16.83	62	18.70	15.36	66	12.20	15.33	41	11.49	15.67	38
Mortgage Loans & Pass Thrus															
Loans & Securities Over 15 Years	2.49	2.90	58	2.01	2.90	53	2.92	2.21	69	0.66	1.74	43	0.66	1.57	45
Loans & Securities 5-15 Years	1.61	3.38	38	1.55	3.35	37	1.05	2.94	34	0.70	3.05	29	0.87	3.47	32
Other Loans and Securities	44.15	64.59	6	53.77	67.53	15	64.40	70.61	27	80.48	71.11	78	80.13	70.62	78
Loans & Securities Over 15 Years	3.66	2.04	75	2.93	1.61	75	3.53	1.38	84	2.29	1.36	75	2.49	1.25	79
Loans & Securities 5-15 Years	5.44	9.17	29	6.04	8.64	35	6.87	8.04	47	6.83	7.53	50	6.67	6.95	53
Total Loans & Securities Over 15 Years	6.14	5.64	63	4.94	5.13	59	6.45	4.09	76	2.95	3.55	57	3.15	3.21	62
CMO'S Total	2.45	1.91	70	1.25	1.75	61	1.31	1.35	65	2.11	1.34	74	2.40	1.39	75
Avg Life Over 3 Years	2.04	0.72	83	0.50	0.73	66	0.65	0.78	64	0.88	0.65	72	1.93	0.60	85
Structured Notes	0.00	0.42	58	0.00	0.11	74	0.00	0.23	63	0.00	0.40	57	0.00	0.51	57
Mortgage Servicing (FV)	0.00	0.01	80	0.00	0.01	80	0.00	0.01	79	0.00	0.01	80	0.00	0.01	79
Total	0.00	0.46	47	0.00	0.14	60	0.00	0.27	51	0.00	0.44	46	0.00	0.55	46
Overall Risk Indicators															
Available for Sale	11.01	15.61	37	10.62	14.66	37	13.95	14.97	50	11.22	15.54	35	12.25	16.39	38
Held to Maturity	0.05	0.97	63	0.86	1.11	73	0.67	1.13	71	0.97	1.25	72	0.82	1.44	69
Off Balance Sheet	5.35	11.41	14	8.49	13.61	21	12.49	16.29	33	18.00	17.18	56	16.89	17.54	51
Unrealized															
Appreciation/Depreciation	0.00	0.01	71	0.00	0.00	76	0.00	0.00	73	0.00	0.00	81	0.00	-0.01	80
Unrealized App/Dep % Tier One Cap	0.00	0.13	71	0.00	0.02	76	0.00	0.05	73	0.00	-0.04	81	0.00	-0.10	80
Contractual Mat/Reprice Data															
Loans/Securities Over 3 Year	24.11	35.98	22	22.17	35.26	18	22.69	31.19	27	19.38	30.28	23	21.33	29.97	29
Liabilities Over 3 Year	4.00	3.08	66	6.43	3.29	80	6.13	2.57	84	11.83	2.84	95	14.76	4.26	96
Net Over 3 Year Position	20.12	32.40	21	15.75	31.43	13	16.56	28.11	20	7.55	27.06	8	6.58	25.35	8
Loans/Securities Over 1 Year	42.46	55.19	17	38.59	53.66	14	41.12	49.00	29	33.78	49.12	17	31.63	48.24	15
Liabilities Over 1 Year	21.17	12.14	84	28.65	12.14	94	20.15	9.45	89	23.57	9.92	94	26.81	13.77	93
Net Over 1 Year Position	21.29	42.31	9	9.94	40.80	3	20.97	38.80	12	10.21	38.52	5	4.82	33.89	5
Non-Maturity Deposits	30.15	43.10	15	31.55	39.55	27	35.10	40.90	34	37.85	42.42	37	42.22	45.39	43
Non-Maturity Deps % Long Assets	125.02	134.32	54	142.28	124.50	67	154.67	150.84	61	195.24	165.76	70	197.89	184.51	66
Net Over 3 Year Position	-6.03	-6.96	52	-9.37	-4.19	38	-12.41	-9.58	42	-18.46	-11.95	34	-20.88	-15.18	36
As % Tier 1 Capital															
Structured Notes	0.00	5.17	58	0.00	1.24	74	0.00	2.65	63	0.00	4.58	57	0.00	5.85	57
Mortgage Servicing (FV)	0.00	0.16	80	0.00	0.11	80	0.00	0.13	79	0.00	0.15	80	0.00	0.18	79



Total	0.00	5.66	47	0.00	1.63	60	0.00	3.10	51	0.00	5.06	46	0.00	6.41	46
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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Liquidity & Funding--Page 10

Liquidity & Funding  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Percent of Total Deposits	75.24	91.00	5	90.25	91.38	39	89.83	92.21	31	88.55	92.38	26	87.05	92.38	20
Individ, Partnerships, and Corp.															
U.S. Govt, States & Political Sub	8.86	6.99	63	9.75	6.91	69	10.17	6.53	73	11.45	6.39	78	12.95	6.25	84
in U.S.															
Comm Bank & Other Dep Inst.	15.90	0.97	96	0.00	0.76	37	0.00	0.48	41	0.00	0.44	41	0.00	0.55	43
in U.S.															
Banks in Foreign Countries	0.00	0.11	98	0.00	0.21	97	0.00	0.11	97	0.00	0.10	97	0.00	0.19	97
Foreign Govts and Official Inst.	0.00	0.00	98	0.00	0.00	97	0.00	0.00	99	0.00	0.00	99	0.00	0.00	99
Total deposits	100.00	100.00	98	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99
Domestic Demand Deposits	2.03	7.87	3	2.76	7.72	7	2.88	8.25	8	3.49	9.31	9	3.23	11.25	4
Domestic Other Transaction															
Accts	3.12	5.76	34	2.85	4.94	37	3.24	4.85	43	2.14	5.35	25	4.07	6.31	43
Domestic Nontransaction Accts	94.85	85.83	92	94.40	86.85	88	93.89	86.48	85	94.38	84.93	91	92.70	81.81	88
Total Domestic Deposits	100.00	99.87	99	100.00	99.76	99	100.00	99.76	99	100.00	99.73	99	100.00	99.63	99
Deposits in Foreign Offices	0.00	0.13	98	0.00	0.24	98	0.00	0.24	98	0.00	0.27	98	0.00	0.37	98
Total Deposits	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99
Liquidity/Funding Ratios															
Net Non Core Fund Dep \$250M	45.37	26.41	88	50.72	31.66	87	46.78	27.89	86	47.41	26.92	85	42.36	24.53	82
Net Non Core Fund Dep \$100M	31.91	25.39	68	32.91	30.37	57	35.30	25.65	76	35.82	24.43	79	31.13	22.30	72
Core Deposits	49.27	60.92	17	41.13	57.46	13	44.70	59.96	13	45.15	60.29	16	49.16	62.81	18
Short Term Non Core Funding	24.85	19.03	75	15.51	21.29	29	18.04	19.61	45	13.55	19.04	26	9.89	16.08	23
S.T Inv to S.T. Ncore Fund	53.77	36.40	73	44.18	20.69	82	15.48	25.17	47	15.24	31.23	39	31.82	37.60	57
S.T. Asset to S.T. Liabilities	65.86	84.67	37	107.05	78.34	79	117.49	85.05	78	184.91	89.44	91	224.80	101.95	92
Net S.T. Liabilities to Assets	16.28	6.48	76	-2.22	8.68	21	-5.70	6.67	21	-22.51	5.09	7	-27.43	1.25	6
Net Loans & Leases to Deposits	69.19	82.64	17	81.12	89.27	28	91.19	89.44	51	100.34	86.81	82	96.75	85.43	76
Net LN&LS to Core Deposits	130.34	114.99	70	169.26	129.05	83	164.29	123.06	85	180.85	120.07	88	163.20	113.15	87
Brkr Dep Mat < 1 Yr to Brkr															
Deps	67.03	68.03	37	47.67	71.00	15	37.00	56.60	19	32.94	54.85	16	22.18	48.25	18
Brokered Deposits to Deposits	11.88	5.23	78	17.99	6.76	82	12.83	4.18	84	13.40	4.18	85	12.80	3.27	87
Listing Service Dep to Deposits	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
List Service and Brkrd Dep to															
Deps	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Sec Bor + sec FFP to Tot Bor +															
FFP	0.00	1.04	78	0.00	1.68	76	0.00	0.93	78	0.00	0.91	79	N/A	0.00	N/A
Recip Brkrd Dep to Tot Brkrd															
Dep	0.00	15.74	49	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Total Deposits															
Individ, Partnerships, and Corp.		587,038			688,543			636,107			412,812			375,706	
U.S. Govt, States & Political Sub		69,119			74,415			72,005			53,377			55,916	
in U.S.															
Comm Bank & Other Dep Inst.		124,039			0			0			0			0	
in U.S.															
Banks in Foreign Countries		0			0			0			0			0	
Foreign Govts and Official Inst.		0			0			0			0			0	

Total Deposits	780,196	762,958	708,112	466,189	431,622
Domestic Demand Deposits	15,820	21,026	20,374	16,264	13,934
Domestic Other Transaction Accts	24,327	21,717	22,918	9,958	17,576
Domestic Nontransaction Accts	740,049	720,215	664,820	439,967	400,112
Total Domestic Deposits	780,196	762,958	708,112	466,189	431,622
Deposits in Foreign Offices	0	0	0	0	0
Total Deposits	780,196	762,958	708,112	466,189	431,622
Other Liquidity/Funding Data					
Non Core Liabilities \$250M	418,018	449,301	389,574	262,025	217,745
Non Core Liabilities \$100M	327,308	312,931	300,000	200,854	164,377
Short Term Non Core Funding	208,938	137,919	158,591	77,599	51,494
Core Deposits	414,178	365,658	393,038	258,639	255,876
Time Deps \$250M & Under Mat < 1 Yr	N/A	N/A	N/A	N/A	N/A
Time Deps \$250M & Under Mat > 1 Yr	N/A	N/A	N/A	N/A	N/A
Time Deps over \$250M Mat < 1 Yr	N/A	N/A	N/A	N/A	N/A
Time Deps over \$250M Mat > 1 Yr	N/A	N/A	N/A	N/A	N/A
Fed Home Loan Bor Mat < 1 Yr	12,000	0	7,500	0	0
Fed Home Loan Bor Mat > 1 Yr	40,000	52,000	47,000	52,000	42,000
Other Borrowing Mat < 1 Year	0	0	0	0	0
Other Borrowing Mat > 1 Year	0	0	0	0	0
Secured Other Borrowings	0	0	0	0	N/A
Federal Funds Purchased	0	0	0	2,475	0
Secured Fed Funds Purchased	0	0	0	0	N/A
Listing Service Deposits	N/A	N/A	N/A	N/A	N/A
Brokered Deposits	92,683	137,257	90,857	62,454	55,237
Reciprocal Brokered Deposits	0	N/A	N/A	N/A	N/A

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FIRST NATIONAL BANK OF GEORGIA ; CARROLLTON , GA  
Liquidity & Investment Portfolio--Page 10A

Liquidity & Inv Portfolio  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
Percent of Total Assets	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Short Term Investments	13.36	5.95	88	6.85	3.70	80	2.79	4.07	46	2.06	4.88	28	3.15	4.77	45
Marketable Equity Sec (MES)	0.07	0.03	83	0.06	0.03	81	0.00	0.07	67	0.00	0.08	66	0.00	0.08	65
Net LN&LS & SBLC to Assets	65.06	68.69	35	70.45	72.11	39	74.57	72.41	52	82.69	71.55	83	81.86	70.30	82
Pledged Assets	77.78	25.10	97	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Securities Mix															
% Total Securities															
US Treas & Govt Agencies	1.57	28.68	16	0.00	26.94	12	1.58	35.12	9	14.24	42.08	18	13.18	42.85	17
Municipal Securities	49.39	19.86	89	56.16	19.68	94	54.80	19.58	93	47.93	18.55	91	48.90	17.38	92
Pass-Through Mtg Backed Secs	25.10	23.14	56	23.94	25.46	50	28.24	20.06	64	8.99	17.78	40	10.98	18.08	44
CMO & REMIC Mtg Backed Secs	22.14	11.13	75	10.86	10.51	64	8.98	8.18	64	17.32	7.56	79	18.36	7.67	79
Commercial Mtg Back Secs	0.00	0.02	90	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Asset Backed Securities	0.00	0.10	96	0.38	0.00	95	0.59	0.27	96	1.28	0.20	97	1.50	0.00	97
Structured Financial Products	0.00	0.00	94	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Other Domestic Debt Secs	0.72	0.99	72	8.11	1.37	89	5.82	1.37	86	10.24	1.40	92	7.08	1.70	86
Foreign Debt Securities	0.00	0.07	97	0.00	0.04	96	0.00	0.03	96	0.00	0.03	95	0.00	0.06	95
Inv Mut Fnd & Oth Mktbl	0.62	0.19	85	0.55	0.27	83	0.00	0.45	67	0.00	0.50	66	0.00	0.47	64
Total	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99	100.00	100.00	99
Liquidity/Securities Ratios:															
App (Dep) Hi Risk & Struc/T1 Cap	0.00	-0.03	85	0.00	0.01	81	0.00	0.00	77	0.00	-0.04	94	0.00	-0.25	98
App (Dep) in AFS sec to AFS Sec	-0.14	1.06	21	-1.97	0.47	14	0.85	0.24	78	0.19	-0.75	88	0.30	-1.27	92
App (Dep) in HTM Sec to HTM Sec	0.00	1.48	29	0.00	0.04	44	0.00	0.49	38	0.00	0.07	59	0.00	0.00	59
App (Dep) in HTM Sec to Eqy Cap	0.00	0.13	71	0.00	0.02	76	0.00	0.05	73	0.00	-0.04	81	0.00	-0.10	80
Pledged Securities to Tot Sec	95.69	53.41	95	72.12	59.44	62	71.29	56.71	64	86.46	53.18	85	91.00	52.07	91
Pledged Loans to Total Loans	100.00	20.35	99	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Loans Held for Sale to Total Loans	0.00	0.22	55	0.00	0.16	58	0.00	0.19	54	0.00	0.24	53	0.00	0.23	53
Short Term Investments															
Short Term Assets		112,342			60,937			24,555			11,824			16,386	
Debt Securities 90+ Days P/D		263,954			299,567			336,900			280,824			257,109	
Total Non-Current Debt Sec		0			0			0			0			0	
Fair Value Structured Notes		420			0			0			0			0	
Pledged Securities		0			0			0			0			0	
Pledged Loans & Leases		88,986			73,551			91,679			60,360			61,904	
Loans Held for Sale		564,849			N/A			N/A			N/A			N/A	
		0			0			0			0			0	

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Capital Analysis--Page 11

Capital Analysis-a  
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	<u>12/31/2009</u>			<u>12/31/2008</u>			<u>12/31/2007</u>			<u>12/31/2006</u>			<u>12/31/2005</u>		
Capital Ratios	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT	BANK	PG 3	PCT
Percent of Bank Equity:															
Net Loans & Leases (x)	2287.37	7.61	99	9.33	7.92	71	7.35	7.60	43	9.82	7.70	85	9.71	7.70	83
Subord Notes & Debentures	0.00	0.00	94	0.00	0.01	94	0.00	0.84	95	0.00	0.02	94	0.00	0.01	94
Long Term Debt	0.00	0.00	94	0.00	0.01	94	0.00	0.84	95	0.00	0.02	94	0.00	0.01	94
Com RE & Related Ventures	163925.42	360.49	99	665.26	380.71	90	515.44	366.29	76	639.70	369.55	91	613.27	356.57	90
Percent of Average Bank Equity:															
Net Income	-199.95	0.32	0	-35.69	5.52	4	3.58	11.64	8	18.03	13.73	77	16.27	13.85	70
Dividends	0.00	2.81	32	2.50	4.46	35	5.52	6.02	51	7.99	5.73	66	7.34	5.26	68
Retained Earnings	-199.95	-3.13	0	-38.19	0.24	4	-1.93	4.97	12	10.04	7.37	67	8.93	7.99	56
Other Capital Ratios:															
Dividends to Net Operating Income	N/A	48.53	N/A	N/A	58.25	N/A	153.92	49.34	94	44.31	40.33	52	45.13	36.51	60
Bank Eq Cap + Min Int to Assets	0.03	9.23	0	7.46	9.25	14	9.99	9.64	64	8.31	9.39	31	8.27	9.22	33
Growth Rates:															
Total Equity Capital	-99.64	4.92	0	-24.43	4.57	5	84.38	9.67	97	10.69	12.26	51	6.78	10.82	43
Equity Growth Less Asst Growth	-94.21	-0.72	0	-25.53	-4.33	8	30.88	1.77	96	0.63	2.33	40	-11.84	-0.81	12
Intang Assets % Bank Equity															
Mortgage Servicing Rights	0.00	0.13	80	0.00	0.09	80	0.00	0.10	79	0.00	0.12	80	0.00	0.15	79
Goodwill	0.00	2.30	63	0.00	3.38	58	27.31	3.65	93	0.00	3.15	57	0.00	3.18	57
Purch Credit Card Relations	0.00	0.02	97	0.00	0.02	97	0.00	0.02	97	0.00	0.05	97	0.00	0.07	97
All Other Intangibles	1823.73	0.45	99	3.65	0.56	90	6.21	0.58	96	0.00	0.59	61	0.00	0.60	62
Total Intangibles	1823.73	3.50	99	3.65	4.58	64	33.52	4.88	94	0.00	4.39	38	0.00	4.51	37
Risk-Based Capital															
Tier One RBC to Risk-Wgt Assets	-0.52	11.90	0	9.17	11.40	15	8.46	11.62	2	9.62	11.75	18	9.60	11.78	16
Total RBC to Risk-Weight Assets	-0.52	13.17	0	10.42	12.60	15	9.72	12.73	0	10.78	12.89	19	10.79	12.95	18
Tier One Leverage Capital	-0.38	8.66	0	7.04	8.75	11	6.81	9.06	4	8.40	9.02	38	8.24	8.88	38
Other Capital Ratio:															
Def Tax Asset to T1 Cap	-14.03	2.49	0	13.86	2.55	95	5.60	1.90	89	3.97	2.20	74	4.33	2.55	71
End of Period Capital (\$000)															
Perpetual Preferred		0			0			0			0			0	
+ Common Stock		2,000			2,000			2,000			2,000			2,000	
+ Surplus		56,592			56,435			43,785			2,403			2,275	
+ Undivided Profits		-57,471			9,171			41,414			43,152			38,624	
+ Accum Other Comp Income		-885			-1,249			612			70			126	
+ Other Equity Capital Comp		0			0			0			0			0	
Total Bank Equity Capital		236			66,357			87,811			47,625			43,025	
Minority Interest Cons Subs		0			0			0			0			0	
Total Bank Capital & Min Int		236			66,357			87,811			47,625			43,025	
Subordinated Notes & Debentures		0			0			0			0			0	

Changes in Bank Equity (\$000)					
Balance at Beginning of Period	66,357	87,810	47,624	43,024	40,292
+ Net Income	-66,641	-30,134	3,223	8,129	6,778
+ Sales or Purchase of Capital	157	10,622	178	129	0
+ Merger & Absorptions	0	0	41,203	0	0
+ Restate due to Acctg	0	0	0	0	0
Error&Chg	0	0	0	0	0
+ Trans with Parent	0	2,028	0	0	0
- Dividends	0	2,108	4,961	3,602	3,059
+ Other Comprehensive	364	-1,861	543	-56	-987
Income	364	-1,861	543	-56	-987
Balance at End of Period	237	66,357	87,810	47,624	43,024
Intangible Assets					
Mortgage Servicing Rights	0	0	0	0	0
+ Purch Credit Card Relations.	0	0	0	0	0
+ Other Intangibles	4,304	2,421	5,451	0	0
+ Goodwill	0	0	23,983	0	0
Total Intangibles	4,304	2,421	29,434	0	0

FDIC Certificate # 16480  
OCC Charter # 14599  
Public Report

FRB District/ID\_RSSD 6 / 147839  
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	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Risk Based Capital (\$000)					
Tier One Capital					
Total Equity Capital Adjusted	1,054	67,606	87,199	47,555	42,899
- Ineligible Def Tax Assets	0	3,041	0	0	0
- Ineligible Intangibles	4,304	2,421	29,434	0	0
- Cumul Change F.V. Financial Liab	0	0	0	N/A	N/A
Net Tier One	-3,250	62,144	57,765	47,555	42,899
Tier Two Capital					
+ Qualif Debt and Redeem Pfd	0	0	0	0	0
+ Cumulative Preferred Stock	0	0	0	0	0
+ Allowable LN&LS Loss Allow	8,013	8,468	8,583	5,748	5,327
+ Unrl Gain Mktbl Eqy Sec (45%)	0	0	0	0	0
+ Other Tier 2 Capital Comp	0	0	0	0	0
Net Eligible Tier Two	0	8,468	8,583	5,748	5,327
Total RBC Before Deductions					
Tier One & Tier Two	-3,250	70,612	66,348	53,303	48,226
Tier Three & Fin Sub Adj	0	0	0	0	0
- Deductions for Total RBC	0	0	0	0	0
Total Risk-Based-Capital	-3,250	70,612	66,348	53,303	48,226
Risk-Weighted Assets					
On-Balance Sheet					
Category Two - 20%	26,532	29,907	15,087	12,577	12,894
Category Three - 50%	73,144	100,158	127,161	47,388	43,855
Category Four - 100%	507,068	534,822	524,334	416,113	368,950
Total On-Balance Sheet	606,744	664,887	666,582	476,078	425,699
Memo: Category One - 0%	75,517	11,947	7,148	4,679	4,424
Off-Balance Sheet					
Category Two - 20%	0	0	0	0	0
Category Three - 50%	0	0	59	103	75
Category Four - 100%	34,253	15,298	20,074	18,381	21,271
Total Off-Balance Sheet	34,253	15,298	20,133	18,484	21,346
Memo: Category One - 0%	0	0	0	0	0
Adjustments to Risk-Wgt Assets					
Risk-Weighted Asset Before Ded	640,997	680,185	686,715	494,562	447,045
- Excess Allowable LN&LS Loss Al	17,473	2,772	3,839	0	0
- Allocated Transfer Risk Reserve	0	0	0	0	0
+ Mkt Risk Asset & Fin Sub Adj	0	0	0	0	0
Total Risk-Weighted Assets	623,525	677,413	682,876	494,562	447,045