



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 04, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**nBank, National Association
Charter Number 7431**

**1731 North Elm Street
Commerce, GA 30529**

**Comptroller of the Currency
Atlanta Field Office
1117 Perimeter Center West Suite W401
Atlanta, GA 30338-5417**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The bank's performance rating is supported by exceeding the standard for a satisfactory rating in the following categories:

- The loan-to-deposit ratio is more than reasonable in view of the community's credit needs, demand for credit, and keen competition among area institutions.
- Lending levels reflect excellent responsiveness to the community credit needs.
- Overall, the distribution of loans to borrowers of different income levels indicates excellent penetration among individuals of different income (including low- and moderate-income) levels.

DESCRIPTION OF INSTITUTION

Formerly First National Bank of Commerce until April 2, 2001, nBank is a \$259 million banking institution wholly owned by nBank.Corporation, \$259 million as of March 31, 2001, Commerce, Georgia. The bank will use the trade name of First Commerce Bank. The bank has no subsidiaries or affiliates. As of March 31, 2001, the bank had gross loans of \$209 million and total deposits of \$238 million. Net loans to total assets was 76 percent. Tier 1 Leverage Capital as of December 31, 2000 was 7 percent. The intrastate bank's main office is located at 1731 North Elm Street in Commerce, Georgia with four other branches in the cities of Dacula, Hoschton, Jefferson, and Lexington. The Dacula branch opened in April 1997. The Southside drive through facility in Commerce was closed on April 13, 1999. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to meet the credit needs of its assessment areas.

nBank is a retail banking institution that offers traditional loan and deposit products with residential loans being its primary credit product. The percentage of total loans by dollar amount is residential real estate loans (81%), nonresidential loans (8%), consumer loans (7%), commercial and industrial loans (3%), and agriculture and other loans (1%). The bank changed its focus to residential lending from commercial lending since the 1997 performance evaluation in an effort to meet the credit needs of its customers. Three other community banks that are similar in total asset size have branches in the assessment areas. The assessment areas consist of several branches of large multistate financial institutions, including Regions Bank, SunTrust Bank, and Wachovia, NA, each with assets exceeding \$1 billion, and other community banks.

The bank is a member of the Star and Cirrus ATM Network, which offers the convenience of nationwide banking through six ATMs located in Commerce (1), Dacula (1), Hoschton (1), Jefferson (2), and Talmo (1). Additionally, the bank has a 24-hour automated voice service system that allows customers to obtain account information or transfer funds between their accounts. The bank offers online banking at www.nbank.com that allows loan and deposit transactions.

The previous performance evaluation of February 27, 1997 rated the bank as satisfactory in meeting the community credit needs of its assessment area. The bank became a HMDA reporter in 1998 when the Dacula branch opened in the Atlanta Metropolitan Statistical Area (MSA). The review period from January 1, 1998 to March 31, 2001 included home purchase and refinance real estate loans.

DESCRIPTION OF nBANK ASSESSMENT AREAS

nBank’s assessment area meets the technical requirements of the Act. The assessment area consists of six contiguous counties in northeast Georgia and 23 census tracts or block numbering areas (hereafter referred to as “tracts”). nBank has three separate assessment areas of Jackson County, Atlanta MSA, and Oglethorpe County. Although the overall assessment area does not contain low- or upper-income tracts, the bank has not arbitrarily excluded low- and moderate-income geographies.

The population of the combined assessment area is 93,619¹. Service-related businesses dominate the local economy. Owner occupied housing is high in the assessment area at 72%. The following table highlights the demographic composition of the bank’s assessment areas.

Demographic and Economic Characteristics of the Assessment Areas (AAs)	
Population	
Number of Families	26,460
Geographies	
Number of Census Tracts	23
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	4%
% Middle-Income Census Tracts	96%
% Upper-Income Census Tracts	0%
Median Family Income (MFI)	
1990 MFI for AA	\$29,938
2001 HUD Adjusted MFI	\$43,630
Economic Indicators	
Unemployment Rate	3%
1990 Median Housing Value	\$58,362
% of Families Below Poverty	11%

As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs by performing three community contacts and by reviewing recent contacts performed in the assessment areas. Based on information obtained through our review and those provided by the community contacts, the primary needs in the assessment areas are new and rehabilitated housing and education.

Competition for financial products and services is keen and includes nonfinancial institutions as well as large multistate banks, and local community banks.

¹ U. S. Census Bureau, 1990

Jackson County Assessment Area

The first assessment area includes the adjacent counties of Banks and Jackson, and contains 11 middle-income tracts, which were determined by the 1990 U. S. Census Bureau. These counties are not part of any MSA. The main office and two of the four branches are located in Jackson County.

The population of the assessment area is 40,289. Service-related and retail trade businesses dominate the local economy. Owner occupied housing is high in the assessment area at 70%. The following table highlights the demographic composition of the bank's assessment area.

Demographic and Economic Characteristics of Jackson County AA	
Population	
Number of Families	11,410
Median Family Income (MFI)	
1990 MFI for AA	\$26,690
2001 HUD Adjusted MFI	\$38,700
Economic Indicators	
Unemployment Rate	3%
1990 Median Housing Value	\$54,155
% of Families Below Poverty	11%

According to one community contact, the 2000 census data indicated that 60 percent of the homes in the county are manufactured homes, and these homes are deteriorating rapidly. In the past ten years, the area has shifted from a rural farming community with open land to a bedroom community for residents, who work in DeKalb, Fulton, and Gwinnett Counties, and the cities of Athens, and Gainesville.

Atlanta MSA Assessment Area

The second assessment area consists of two census tracts in Gwinnett County and one census tract in Barrow County, which are designated as part of the Atlanta MSA. This assessment area contains two middle-income tracts and one moderate-income tract. The branch is located in Gwinnett County. Geographically, the three census tracts that comprise the assessment area are a small percentage of the overall MSA area and of the number of census tracts in the MSA. This assessment area is the newest market for the bank. The bank has low deposit market share in the MSA and faces stiff competition among large multistate banks, community banks, credit unions, savings and loans, and other nontraditional nonfinancial institutions.

The population of the assessment area is 22,517. Service-related businesses dominate the local economy. Owner occupied housing is high in the assessment area at 72%. In comparison to the other two assessment areas, homes built in the MSA tend to be newer and cost more. In addition, the percentage of families, who earn below the poverty level, is lower than the percentage of families below the poverty level in the other assessment areas. The following table highlights the demographic composition of the bank's assessment area.

Demographic and Economic Characteristics of Atlanta MSA AA	
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Population	
Number of Families	6,314
Geographies	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	33%
% Middle-Income Census Tracts	67%
% Upper-Income Census Tracts	0%
Median Family Income (MFI)	
1990 MFI for AA	\$37,888
2001 HUD Adjusted MFI	\$63,100
Economic Indicators	
Unemployment Rate	2%
1990 Median Housing Value	\$74,666
% of Families Below Poverty	9%

Oglethorpe County Assessment Area

The third assessment area consists of two adjacent counties. Madison County, which is designated as part of the Athens MSA, and Oglethorpe County, which is not in a MSA, contain nine middle-income census tracts. Madison County does not extend substantially beyond Oglethorpe County's branch lending area and is adjacent to the other two nonMSA counties.

The population of the assessment area is 30,813. Service-related businesses dominate the local economy. At 75%, the percentage of owner occupied housing is the highest of the three assessment areas. The following table highlights the demographic composition of the bank's assessment area.

Demographic and Economic Characteristics of Oglethorpe County AA	
Population	
Number of Families	8,736
Median Family Income (MFI)	
1990 MFI for AA	\$30,206
2001 HUD Adjusted MFI	\$43,166
Economic Indicators	
Unemployment Rate	3%
1990 Median Housing Value	\$52,659
% of Families Below Poverty	12%

Madison and Oglethorpe Counties have become bedroom communities for the surrounding communities. The availability of inexpensive land and a low tax rate have caused rapid population and housing growth in Oglethorpe County.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable in view of the community's credit needs, demand for credit, and keen competition among area institutions. Since the most recent CRA examination, the bank's 17-quarter average loan-to-deposit ratio is 93 percent. During these quarters, the loan-to-deposit ratio increased significantly from 80% as of March 31, 1997 to a high of 111% as of March 31, 2000. The ratio has since stabilized at 83 percent as of March 31, 2001. This percentage exceeds the average loan-to-deposit ratios of 78%, 76%, and 64% for three similarly situated community banks that range in total asset size from \$196 million to \$488 million and that have branches located in the assessment areas.

Lending in Assessment Area

Lending levels reflect excellent responsiveness to the community credit needs. The bank extended a substantial majority of its loans to borrowers within its assessment areas. A sample of 20 home purchase and 20 refinance loans were selected from the 2000 HMDA Loan Application Register. The following table illustrates the percentage of loans in the assessment area.

Assessment Area Lending								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	%	\$000	%	#	%	\$000	%
Home Purchase	18	90	1,053	84	2	10	200	16
Refinance	19	95	761	93	1	5	55	7

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

Overall, the distribution of loans to borrowers of different income levels indicates excellent penetration among individuals of different income (including low- and moderate-income) levels. For the review period of January 1998 to December 2000, the following tables show the percentage of home purchase and refinance loans in the assessment areas compared to the percentage of families by income level that reside in the areas.

Distribution of Real Estate Loans for Jackson County Assessment Area					
	% of Families in AA	Home Purchase		Refinance	
		% of 48 Loans	% of Loan Amount	% of 181 Loans	% of Loan Amount
Low-Income	17	4	3	15	8
Moderate-Income	18	21	14	18	12
Middle-Income	23	35	29	26	23
Upper-Income	42	40	54	41	57

The Jackson County AA's lending performance is good compared to the demographic data. Considering the percentage of families in the AA that earn below the poverty level, the percentage of the home purchase loans to low-income borrowers is near the percentage of low-income families. The bank's percentage of home purchase loans to moderate-income borrowers exceeds the portion of moderate-income families residing in the AA.

For refinance, the AA's percentage of loans to low-income borrowers is near the percentage of low-income families residing in the AA. The bank's percentage of refinance loans to moderate-income borrowers meets the percentage of moderate-income families residing in the AA.

Distribution of Real Estate Loans for Atlanta MSA Assessment Area					
	% of Families in AA	Home Purchase		Refinance	
		% of 4 Loans	% of Loan Amount	% of 13 Loans	% of Loan Amount
Low-Income	22	50	45	39	17
Moderate-Income	20	25	17	15	8
Middle-Income	25	25	38	31	20
Upper-Income	33	0	0	15	55

The Atlanta MSA AA's lending performance is excellent compared to the demographic data. For the home purchase loans, the percentage of the loans to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income families. For refinance, the AA's percentage of loans to low-income borrowers exceeds the percentage of low-income families residing in the AA. The bank's percentage of refinance loans to moderate-income borrowers is lower than the percentage of moderate-income families residing in the AA.

Distribution of Real Estate Loans for Oglethorpe County Assessment Area					
	% of Families in AA	Home Purchase		Refinance	
		% of 22 Loans	% of Loan Amount	% of 54 Loans	% of Loan Amount
Low-Income	21	9	2	22	12
Moderate-Income	19	32	26	22	19
Middle-Income	23	18	33	30	32
Upper-Income	37	41	39	26	37

The Oglethorpe County AA's lending performance is excellent compared to the demographic data. Considering the percentage of families that earn below the poverty level, the percentage of home purchase loans to low-income borrowers meets the percentage of low-income families residing in the AA. The percentage of home purchase loans to moderate-income borrowers exceeds the percentage of moderate-income families in the area. For refinance, the AA's percentage of loans to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income families residing in the AA.

In addition, the bank continues to sponsor the Jackson County Habitat for Humanity since nBank made Habitat the first no interest loan in 1997 to begin construction on the first home. nBank is also the administrator of two grants for multifamily affordable rental apartments in the Atlanta area.

Geographic Distribution of Loans

Because of the high concentration of middle-income tracts in the assessment areas, the geographic distribution of loans is not meaningful to the overall analysis.

Responses to Complaints

nBank did not receive any CRA-related complaints since the previous CRA examination.

Fair Lending Review

We performed a fair lending examination of the bank according to the OCC's risk based fair lending approach. The examination included a sample of refinanced home loan requests made from January 1, 2000 to December 31, 2000 for comparative evidence of disparate treatment. Marital status was the criteria used for selecting our prohibited basis. Our prohibited basis group was unmarried approvals and the control group was married approvals. We used the Loan Terms Approach for comparative analysis purposes.

Compliance with fair lending laws and regulations is satisfactory. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. The bank has established satisfactory policies and procedures to promote compliance with fair lending laws and regulations.