

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Commerce
Charter # 22907**

**Post Office Box 2728
Tuscaloosa, Alabama 35403-2728**

Office of the Comptroller of the Currency

**Southeast District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
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NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act performance of **National Bank of Commerce** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 6, 1996 . The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

National Bank of Commerce demonstrates satisfactory CRA performance based on their reasonable quarterly average loan-to-deposit ratio; substantial majority of lending within the assessment area; and reasonable distribution of loans to borrowers of different income levels, including low- and moderate-income individuals.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>NATIONAL BANK OF COMMERCE</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination	No complaints were received since the prior examination	No complaints were received since the prior examination

DESCRIPTION OF INSTITUTION

National Bank of Commerce (NBC) is a full-service bank located in Tuscaloosa County, Tuscaloosa, Alabama. The bank has total assets of \$78 million as of June 30, 1996 and is 99.28 percent owned by NBC Capital Corporation, a two-bank holding company operating out of Starkville, Mississippi. NBC has four banking offices. Three offices, including the main office, are located in Tuscaloosa. The remaining branch is located in the adjacent city to the north of Tuscaloosa in Northport, Alabama. NBC's primary lending focus is real estate and real estate development. The bank's loan mix consists of 28 percent one-to-four family residential, 15 percent construction and development, 21 percent nonfarm and nonresidential real estate, 22 percent commercial and industrial, and ten percent consumer. As of this examination date, there were no legal or regulatory impediments that would impact the bank's lending capacity or ability to help meet the credit needs of the assessment area.

Tuscaloosa County is well serviced by seven other commercial banks (including four regional branches), two savings and loans, and 11 credit unions. Management estimates that NBC holds 3.25 percent of the market share in Tuscaloosa County.

DESCRIPTION OF THE TUSCALOOSA COUNTY ASSESSMENT AREA

NBC's assessment area is metropolitan statistical area 8600 which consists entirely of Tuscaloosa County, Alabama. The bank's assessment area complies with the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income (LMI) geographies. The metropolitan areas of Tuscaloosa and Northport represent approximately 63 percent of the county's population. Census data for 1990 shows an assessment area population of 150,522 with 55,045 households. Tuscaloosa County consists of 30 census tracts; of which two are considered low-income, seven moderate-income, 12 medium-income, eight high-income, and one unclassified. The median family income for the Tuscaloosa County Metropolitan Statistical Area is \$35,100.

The local economy is supported by retail / wholesale trade, manufacturing, education, and service industries. The major employers are the University of Alabama (education), DCH Regional Medical Center (medical), Jim Walter Resources (mining), and Uniroyal Goodrich (tire manufacturing). According to the Alabama Department of Industrial Relations July 1996 data, unemployment levels in Tuscaloosa County are among the lowest in the State at 3.74 percent.

During the examination, the Office of the Comptroller of the Currency contacted two individuals representing local government and economic development in Tuscaloosa County. Both spoke favorably of the local financial institution's involvement in meeting the credit needs in the community. They indicated that the most pressing credit needs in the community are affordable housing loans, home buyer counseling programs, flexible and creative residential lending programs for first time home buyers and low- and moderate-income individuals, and small business loan programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

- NBC's performance under the Community Reinvestment Act is Satisfactory. This conclusion is based upon a reasonable loan-to-deposit ratio, a high level of lending within the assessment area, and reasonable lending activity throughout the assessment area and to individuals of different income levels.

This performance assessment was based on information obtained from the June 30, 1996 Uniform Bank Performance Report, bank prepared geographical and borrower income analyses, and 1990 census data for Tuscaloosa County. In addition, other information was obtained from management reports, community contacts, and discussions with bank management. Information obtained from management was reviewed and tested for accuracy.

LOAN-TO-DEPOSIT (LTD) RATIO

- NBC's quarterly average LTD ratio is considered reasonable given the bank's size, financial condition, and assessment area credit needs.

NBC's quarterly average LTD ratio since the bank's last CRA examination in March of 1994 is 69.69 percent. The high LTD ratio during that period was 75.77 percent on September 30, 1994 and a low of 63.82 percent on September 30, 1995. The bank's LTD ratio as of June 30, 1996 is 67.82 percent.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

- A substantial majority of the bank's lending activities are to borrowers within the bank's assessment area.

Bank management prepared geographic analysis reports dated July 23, 1996 show that 95.01 percent of the number and 93.45 percent of the dollars of outstanding loans were extended to borrowers within Tuscaloosa County.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

- NBC's record of lending to borrowers of different income levels, including low- and moderate-income individuals, and businesses of different sizes is reasonable.

The bank performed an analysis in July of 1996 of their lending patterns inside their assessment area. Since the bank began tracking loans by income level in the fourth quarter of 1995, approximately 29 percent the number of outstanding loans were made to low- and moderate-income borrowers. Approximately 42 percent of households in the assessment area are considered LMI. Although the bank's lending patterns to LMI individuals are proportionately less than the average LMI population, the data illustrates a reasonable level of lending to borrowers of different income levels.

The bank has demonstrated a willingness to lend to small businesses and farms. Since the bank began tracking business loans by revenue in the fourth quarter of 1995, approximately 68% of commercial loans (excluding sole proprietorships) were made to businesses with revenues less than one million dollars. Tuscaloosa is not an agricultural community; however, the bank has made ten agricultural loans to small farms totaling \$123,000.

GEOGRAPHIC DISTRIBUTION OF LOANS

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, including low- and moderate-income census tracts.

Of the 30 census tracts in the bank's assessment area, two are considered low-income and seven moderate-income. These nine LMI census tracts contain 26 percent of the households in Tuscaloosa County. Geographic analysis performed by bank management shows that approximately 22 percent of the number of loans made since the fourth quarter of 1995 were in low- and moderate-income census tracts. A review of lending activity in other income geographies reveals a reasonable penetration in medium and upper-income census tracts as well.

REVIEW OF COMPLAINTS

The bank has not received any written complaints regarding its performance under CRA.

RESULTS OF FAIR LENDING REVIEW

Our fair lending review did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. The bank has policies and procedures in place which provide satisfactory guidance on fair lending requirements.