



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 28, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The National Bank of Georgia  
Charter Number 23937

2234 West Broad Street  
Athens, GA 30606-0000

Office of the Comptroller of the Currency

GEORGIA FIELD OFFICE  
3 Ravinia Drive, Suite 550  
Atlanta, GA 30346

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

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

The bank's rating is based on the following factors:

- The loan-to-deposit ratio is strong when compared to similarly situated banks.
- A majority of loans are originated within the assessment area.
- The distribution of loans to borrowers of different incomes and to businesses of different sizes is good.
- The geographic distribution of loans is reasonable.

## **SCOPE OF EXAMINATION**

This Performance Evaluation is an assessment of The National Bank of Georgia's (NBG) ability to meet the credit needs of the communities in which it operates. Examiners conducted a full-scope review of the bank's Assessment Area (AA), which encompasses two Metropolitan Statistical Areas (MSAs). This evaluation covered the period of August 2003 to December 2007. Loan performance was determined by analyzing a sample of commercial loans and all home purchase and refinance loans reported on the 2006 and 2007 Home Mortgage Disclosure Act Loan Application Register. A random sample of 20 commercial loans was chosen to evaluate the bank's distribution of loans to businesses in the AA. Commercial and residential real estate loans were important to the overall conclusions and neither product carried more weight than the other.

## **DESCRIPTION OF INSTITUTION**

NBG is a wholly owned subsidiary of NBG Bancorp, a one bank holding company. NBG's main office is located in Athens, Clarke County, Georgia. The main office is a full service banking location with an on-site Automated Teller Machine (ATM). Two branches opened during the evaluation period. One is in Gainesville, Georgia and the other is in Flowery Branch, Georgia. There is also a drive-up ATM at the Flowery Branch location.

The bank offers a variety of traditional deposit and loan products with commercial and real estate lending being its primary credit products. There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its AA. During the evaluation period, there were no changes in the bank's corporate structure.

As of December 31, 2007, the bank had total assets of \$204 million with a loan portfolio approximating \$187 million. The percentage of net loans to total assets is 91%. Lending activity is centered in residential real estate loans (30%), non-farm and non-residential loans (28%), construction and land development loans (22%), commercial and industrial loans (8%), and consumer/other loans (2%). Total deposits in the bank are \$158 million with capital accounts aggregating \$20 million.

## **DESCRIPTION OF ASSESSMENT AREA**

NBG defines its AA as Clarke, Hall, and portions of Oconee Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Clarke and Oconee Counties are in the Athens-Clarke County GA Metropolitan Statistical Area (MSA). Hall County is in the Gainesville Georgia MSA.

### **ATHENS, GA MSA**

The Athens GA MSA includes Clarke, Madison, Oconee, and Oglethorpe counties. Clarke County is considered the hub of this MSA. Athens, located in Clarke County, is the MSA's largest city. It is also the home of the University of Georgia, the nation's oldest federal land grant university. There are 47 census tracts within this MSA consisting of 5 low-, 9 moderate-, 16 middle-, and 17 upper-income geographies. According to the 2000 US Census, the population of the Athens-Clarke County MSA was comprised of 166,079 residents and 37,877 families. Over 11% of families in this MSA had income considered below the poverty level. In 2006, the population of the Athens GA MSA increased to 166,709, with Clarke County having the highest number of residents. The Department of Housing and Urban Development's (HUD) updated median family income estimate is \$50,800 for 2007.

The Athens GA MSA has a diverse industrial base that includes: manufacturing, government, education, retailing, service, and hospitality. Major international Fortune 500 companies, as well as homegrown entrepreneurs find the local business climate, educational institutions, location, and quality of life conducive to success in business.

### **Clarke County**

Clarke County has 29 census tracts (5 low-, 9 moderate-, 4 middle-, and 11 upper-income geographies). According to the 2000 US Census, the population of Clarke County is 101,489. The census median family income for this assessment area is \$43,427. Owner occupied housing in the county is low at 40% while rental occupied units represent 55% of the total housing units in the county. Of the 42,126 existing housing units, 73% are 1-4 family and 26% are multi-family units. The median housing value is \$111,913. Households living below poverty level are 28% with unemployment at 10%. The 2006 U.S. census data indicated the population of Clarke County increased to 112,787.

According to the Georgia Department of Labor the five largest employers in Clarke County during 2006 were Athens Regional Medical Center, Merial Limited, Pilgrims Pride Corporation, St. Mary's Hospital and the University of Georgia.

### **Oconee County**

There are seven census tracts in Oconee County. The bank's AA includes six of these consisting of one middle- and five upper-income geographies. According to the 2000 US Census, the population of Oconee County is 26,225. The census median family income for this assessment area is \$61,929. Owner occupied housing in this county is high at 76% while rental occupied units represent 19%. Of the 9,528 existing housing units, 99% consist of 1-4 family units. The median housing value is \$154,427. Households living below poverty level are 6.2% with unemployment at 3.7%. According to 2006 U.S. census data the population of Oconee County increased to 30,858.

According to the Georgia Department of Labor the five largest employers in Oconee County during 2006 were Ameripride Services, Athens Academy, Bensons Inc., Southwire Company and Wal-Mart Associates.

**GAINESVILLE, GA MSA**

The Gainesville, GA MSA includes Hall County. Gainesville, the county seat of Hall County, is located 50 miles northeast of Atlanta and 40 miles northwest of Athens. Situated on the shores of Lake Lanier and at the foothills of the Blue Ridge Mountains, Gainesville is considered the economic center of Northeast Georgia. There are 22 census tracts within this MSA consisting of 3 moderate-, 16 middle-, and 3 upper-income geographies.

According to the 2000 US Census, the population of the Gainesville MSA was comprised of 139,277 residents, 47,391 households, and 36,245 families. Over 11% of families had income considered below the poverty level. In 2006, the population of the Gainesville, GA MSA increased to 173,256. The census median family income was \$50,899. The Department of Housing and Urban Development's (HUD) updated median family income estimate is \$56,500 for 2007. Owner occupied housing is high at 80% while rental occupied units represent 20% of the total housing units in the county. Of the 51,046 existing housing units 77% consist of 1-4 family units and 7% consist of multi-family units. The median housing value is \$117,329. Households living below poverty level are 11% with unemployment at 3.8%. Average unemployment for the area is lower than 2000 and average wages increased.

The following table includes general demographic data describing the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	62,409
Number of Households	94,773
<i>Geographies</i>	
Number of Census Tracts/BNA	55
% Low-Income Census Tracts/BNA	9.09%
% Moderate-Income Census Tracts/BNA	21.82%
% Middle-Income Census Tracts/BNA	36.36%
% Upper-Income Census Tracts/BNA	32.73%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$49,763
2007 HUD-Adjusted MFI	\$55,060
<i>Economic Indicators</i>	
Unemployment Rate	3.29%
2000 Median Housing Value	\$113,785
% of Households Below Poverty Level	17.51%

Source: CRA Wiz Report based on 2000 United States Census

The GA Department of Labor reported the five largest employers in 2006 were Fieldale Farms, Mar-Jac Poultry, Northeast Georgia Medical Center, Inc., Pilgrims Prides Corp., and WillStaff Crystal, Inc.

In addition to NBG, the AA is served by other small state and national community banks. Also, numerous large national and state banks have branches or locations in this AA.

As part of our examination we obtained information from the Small Business Development Center regarding local community credit needs. They identified small business loans as a primary credit need of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

NBG's average loan-to-deposit ratio is reasonable compared to its competition. The bank's average loan-to-deposit ratio from August 2003 to December 2007 is 105%. During these quarters, the loan-to-deposit ratio ranged from a low of 96% in September 2004, and a high of 117% in December 2007. We compared NBG to two institutions in the same assessment area during the same time period. The average ratio for these banks was 88% and 76%, respectfully. NBG compares favorably when considering its capacity to lend as it is smaller than these banks.

### Lending in Assessment Area

A majority of loans are originated within the bank's AA.

Table 1 - Lending in NBG's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Home Purchase	158	48%	174	52%	332	\$28,269	48%	\$30,673	52%	\$58,942
Home Refinance	349	62%	218	38%	567	\$66,346	60%	\$43,759	40%	\$110,105
Commercial	259	59%	177	41%	436	\$25,473	50%	\$25,521	50%	\$50,994
Totals	766	57%	569	43%	1335	\$120,088	55%	\$99,953	45%	\$220,041

Source: HMDA and loan report

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

#### Home Mortgage Loans

The following table shows the percentage of home purchase and refinance loans granted by NBG to borrowers in the AA compared to the percentage of families by income level that reside in the area. One percent of the home purchase loans and 3% of the home refinance loans were to low-income borrowers. This is low considering 20% of families in the bank's AA live in low-income geographies. Similarly, 7% of home purchase loans and 5% of home refinance loans were made to moderate-income families while 18% of families meet the moderate-income criteria. These

low lending levels are mitigated by the fact that only 56% percent of all housing units in the AA are owner occupied. Of these units, only 13% are located in the low- and moderate-income census tracts. Further, mitigation exists in the fact that 18% of the households in the AA live below the poverty level.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in NBG's AA</b>								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families
Home Purchase	1%	20%	7%	18%	16%	22%	75%	40%
Home Refinance	3%	20%	5%	18%	14%	22%	78%	40%

Source: HMDA and US Census Data.

**Small Business Loans**

Lending to businesses of different sizes is good. The percentage of loans made to businesses with revenues less than \$1 million is higher than the percentage of small businesses in the AA.

<b>Table 2A - Borrower Distribution of Loans to Businesses in NBG's AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63%	4%	33%	100%
% of Bank Loans in AA by #	15 / 75%	5 / 25%	-	100%
% of Bank Loans in AA by \$	\$5,624,328 / 90%	\$649,368 / 10%	-	100%

Source: CRA Wiz Report and Loan report

**Geographic Distribution of Loans**

The geographic distribution of loans meets the standards for satisfactory performance. The overall distribution of home purchase loans is good and penetration to low- and moderate-income census tracts is strong.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in NBG's AA</b>								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing
Home Purchase	13%	2%	30%	11%	6%	53%	50%	34%
Home Refinance	11%	2%	16%	11%	9%	53%	64%	34%

Source: HMDA and US Census Data.

The distribution of commercial loans by geography is good. The number of loans originated in low-income census tracts surpasses the percentage of businesses located in low-income census tracts. The number of loans originated in moderate-income tracts is only slightly below the percentage of businesses residing in those census tracts.

<b>Table 3A - Geographic Distribution of Loans to Businesses in NBG's AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	8%	18%	19%	16%	42%	16%	31%	50%

Source: Loan report

**Responses to Complaints**

NBG did not receive any consumer complaints during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.