

PUBLIC DISCLOSURE

December 19, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Milton National Bank
Charter # 22124**

**11650 Alpharetta Highway
Roswell, Georgia 30076**

**Office of the Comptroller of the Currency
Atlanta Duty Station
1117 Perimeter Center West, Suite W-401
Atlanta, Georgia 30338-5417**

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 **Milton National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 19, 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:

Milton National Bank's CRA performance is rated Satisfactory. The bank has chosen thirty-eight census tracts in the Atlanta Metropolitan Statistical Area (MSA) as its assessment area and was evaluated for the period beginning with the third quarter of 1994 until the present. The bank's rating is based on its satisfactory loan-to-deposit ratio; the volume of its loans which were made within its assessment area; its record of lending to borrowers of different incomes and to businesses of different sizes; and the reasonable dispersion of its lending activities throughout the assessment area during the evaluation period.

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

SMALL INSTITUTIO N ASSESSMENT CRITERIA	MILTON NATIONAL BANK 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 during the evaluation period.		

DESCRIPTION OF INSTITUTION

Milton National Bank (“MNB” or “the bank”) opened for business in January, 1992 at its current location on Alpharetta Highway in Roswell, Georgia. The bank is a wholly-owned subsidiary of North Fulton Bancshares, Inc.. By 9/30/96, assets of the bank had grown to \$92 million, with total loans of \$65 million and total deposits of \$84 million. The bank’s main office has been expanded, but remains at 11650 Alpharetta Highway in Roswell. MNB is in the process of opening a full-service branch on Piedmont Road in the Buckhead area of Fulton County. This branch is scheduled to open during the first quarter of 1997.

Milton National Bank is less than five years old and posted its first annual profit in 1994. MNB has historically targeted Small Business Lending as an area where the bank can have the most impact on addressing credit needs in the local community. There are no other known financial or legal impediments to the bank’s ability to meet the credit needs of the assessment area.

As of September, 1996, a total of seventy-five (75) other active banks were located in the Atlanta MSA, including Multinational, Regional, state-chartered, and nationally-chartered community banks. MNB ranked 43rd in this group in terms of total asset size. There are also numerous thrift institutions, credit unions, loan production offices, mortgage brokers, leasing companies, and finance companies with which MNB must compete in the highly-competitive Atlanta market. Many of these competitors do business in the bank’s assessment area.

MNB offers traditional consumer products and services such as installment loans, credit cards, and home equity lines. However, as noted above, the bank has concentrated its efforts on Small Business Lending, and has employed an experienced staff of commercial lenders and credit experts to solicit and expand this line of business. MNB’s small business loan products include:

- ▶ Lines of credit to support accounts receivable and inventory
- ▶ Equipment and other asset acquisition loans
- ▶ SBA-guaranteed Loans, including “Low-Doc” loans
- ▶ Equipment leasing
- ▶ Construction loans for residential and commercial builders
- ▶ “Mini-Permanent” financing of commercial property

Composition of the loan portfolio at 9/30/96 was: Commercial Loans-50%; Commercial Real Estate Loans- 16%; Construction Loans (primarily builders) - 20%; and all other loans, including consumer- 14%.

DESCRIPTION OF ASSESSMENT AREA

Milton National Bank has chosen as its assessment area, 38 census tracts in the Atlanta, Georgia MSA which is identified as MSA 0520. The assessment area includes census tracts within a five-mile radius of the bank's main office and an area referred to as the "400 Corridor" which is approximately five to ten miles on either side of Georgia Highway 400, bordered on the South by Interstate 85 and on the north by the Forsyth county line. The bank's assessment area falls primarily in Fulton County, but also includes tracts in Cobb, Dekalb, Forsyth, and Gwinnett counties. No low- or moderate- income areas have been arbitrarily excluded.

Total population in the bank's assessment area was 281,076 in 1990. Racial composition was 92% White; 5% Black; 2% Asian; and 1% Hispanic.

The 1990 Census reports Median Family Income for the Atlanta MSA was \$41,047. This income statistic is used to determine Low, Moderate, Middle, and High income tracts within the bank's assessment area. Income definitions and distribution by tract and family within the assessment area are summarized below:

Income Designation	Percentage of MSA Median Family Income	Number of Tracts in Assessment Area	Percent of Families in Assessment Area
Low	Less than 50%	0	7.44%
Moderate	50 to 80%	1	10.30%
Middle	80 to 120%	4	16.04%
High	Greater than 120%	33	66.21%
TOTAL:		38	100.00%

According to the department of housing and urban development (HUD), 1996 median family income for the Atlanta MSA had risen to \$52,100. This income statistic was used to determine low and moderate income borrowers in evaluating the bank's performance in lending to borrowers of different income levels (see **Lending to Borrowers of Different Incomes** later in this report).

ATLANTA MSA 0520

The **Atlanta Metropolitan Statistical Area (MSA)**, is a twenty county area surrounding the city of Atlanta with a total of 504 census tracts. Metropolitan Atlanta is internationally recognized as the transportation, communication, industrial, and cultural center of the Southeastern U.S.. The Atlanta MSA has one of the strongest economies of any major urban area in the U.S.. Beginning as a railroad junction in the 1830's, Atlanta is now one of the world's major transportation centers. Due to its location and extensive transportation network, Atlanta

developed as a major distribution center for the Southeast. Distribution and associated industrial activities are gradually being transferred to other urban centers in the South, while Atlanta has evolved as a major provider of technological and financial support services.

The Atlanta MSA has a diverse industrial base which includes: manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Ninety percent (90%) of the Fortune 500 companies maintain regional offices in the Atlanta area. In addition, 98 of the nation's top industrial firms maintain some type of operational facility in metropolitan Atlanta. Foreign trade has played a significant role in the area's growth over the past two decades. More than 200 foreign firms have established their U.S. headquarters in Atlanta. Of these companies, 31 are foreign-based banks with offices in Atlanta.

NORTH FULTON

Milton National Bank's assessment area lies primarily in the area known as ***North Fulton*** which includes the cities of Roswell and Alpharetta. North Fulton is one of Atlanta's most sophisticated urban areas. The local business community includes national and international corporate giants such as AT&T, Kimberly Clarke, Siemens Energy & Automation, CibaVision, UPS, Herman Miller, and American Honda.

North Fulton's small business community is also growing and thriving. Small Businesses represent over 80% of the area's job base, and are the primary source of new job creation in the area.

Since its construction in 1965, Georgia 400, "The Golden Corridor" has been the key to North Fulton's population growth and economic development. The highway has been extended in recent years, and now links the North Fulton area directly to the Buckhead area and downtown Atlanta.

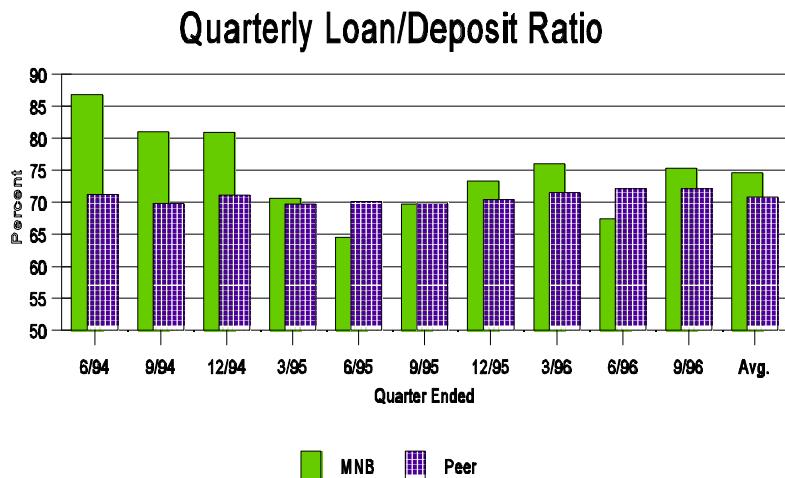
COMMUNITY CONTACTS

As part of our examination, we reviewed community contact information obtained by other OCC examiners and another regulatory agency regarding local economic conditions, and community credit needs. Organizations contacted included the Atlanta Project (Fulton County) and Northside Realty. Based on information provided by these contacts, bank management, and our knowledge of the community, we believe the primary credit need in the assessment area, which Milton National Bank can reasonably provide, is small business lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The loan-to-deposit ratios maintained by Milton National Bank during the assessment period are *Satisfactory*. Our conclusion was based on a comparison of ratios maintained by Milton to the average ratios of thirty-eight other banks of similar size (assets between \$50 and \$150 million) located in the Atlanta MSA (i.e. "Peer" banks). The bank's ten-quarter average loan-to-deposit ratio of 75 percent was above the 71 percent peer group average. As the graph below indicates, MNB's loan-to-deposit ratio exceeded the peer group average during seven of the ten quarters in the assessment period including the most recent quarter ending 9/30/96.



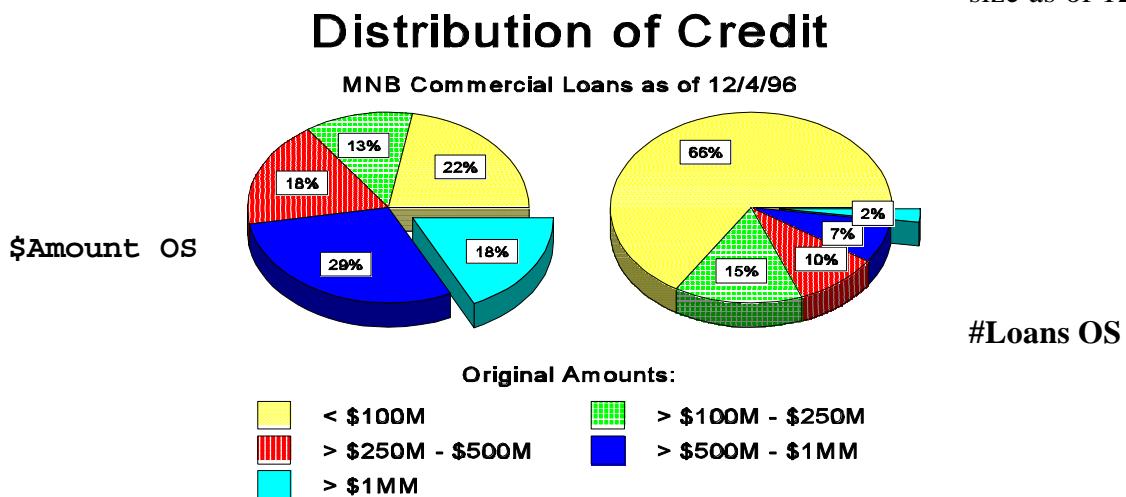
Lending in Assessment Area

Milton National Bank has a *Satisfactory* record of lending within its assessment area. The bank's CRA Officer periodically produces a report which analyzes the geographic distribution of all of the bank's outstanding loans. The bank's most recent geocoding report dated 8/31/96 showed that 405 of 443 total loans outstanding had been geocoded. Seventy-nine percent (79%) of the coded loans and 75% of the dollar amount of loans outstanding were to borrowers within the assessment area. We reviewed and validated the bank's analysis as part of our review. The table below details MNB's record of lending in the assessment area:

Geocoded Loans	Number	Percentage	Dollars (000s)	Percentage
INSIDE Assessment Area	282	77%	\$54,143	74%
OUTSIDE Assessment Area	85	23%	19,279	26%
TOTAL	367	100%	\$73,422	100%

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

The bank's distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different incomes and businesses of different sizes. As noted above, Milton National Bank is primarily a small business lender. During our CRA evaluation, the bank produced a report as of 12/4/96 which broke down its commercial loan portfolio in accordance with Call Report Instructions which define Small Business Loans as "business loans with original amounts of \$1,000,000 or less". The bank's report showed that only 5 of the 225 commercial loans outstanding as of 12/4/96 were in an original amount of more than \$1 million. In other words 98% of the bank's outstanding loans were small business loans, and the vast majority of these (149, or 66% of the total) were loans of \$100,000 or less. The charts below illustrate the distributions of commercial loans and outstanding loan amounts according to loan size as of 12/4/96:

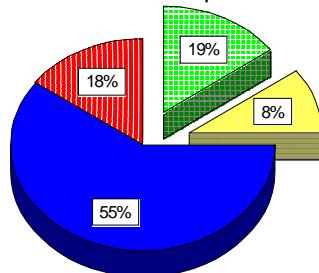


In addition, the bank had \$6.5 million in SBA-guaranteed loans outstanding as of 12/1/96 which are not included in the figures above. The original amounts of all of these loans were less than \$1 million. Based on the above distribution of commercial loans, we concluded the bank has done a good job of lending to businesses of different sizes, particularly small businesses which the bank has targeted.

Our assessment of MNB's lending patterns to individuals of different income levels was based on a sample of twenty consumer loans made between 11/95 and 10/96. Incomes of these borrowers were compared to the 1996 median family income for the Atlanta MSA (\$52,100) published by the Department of Housing and Urban Development (HUD) which was discussed in the **Description of Assessment Area** section of this report. The dispersion of these borrowers among the four income groups was reasonable given the demographic characteristics of the assessment area. The chart below illustrates the distribution of these consumer loans:

Distribution of Credit

MNB Consumer Loan Sample 11/95-10/96



Borrowers' Income:



Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As the table below indicates, the geographical distribution of the bank's outstanding loans as of 8/31/96 is consistent with the percentage of families in tracts of varying incomes. While 89% of the families in the assessment area reside in high-income census tracts, only 84% of the bank's loans and 81% of the outstanding dollar amount of loans were extended to borrowers in high-income census tracts. Above-average lending activity in the bank's four middle-income tracts accounts for the nominal difference. Only 9% of the assessment area's families reside in middle-income census tracts, however 15% of the bank's loans and 17% of its outstanding loan amounts were extended to borrowers in middle-income tracts.

Percentage of Families by Income Level of Tract	Outstanding Loans		Outstanding Loan Amounts	
	#	%	\$ (000s)	%
Low - 0%	0	0%	\$ 0	0%
Moderate - 2%	2	1%	\$ 940	1%
Middle - 9%	55	15%	\$ 12,715	17%
High - 89%	310	84%	\$ 59,767	81%

Response to Consumer Complaints

There have been no complaints relative to the bank's CRA performance during the evaluation period.

Record of Compliance with Antidiscrimination Laws

A fair lending examination was performed in conjunction with our CRA review. No violations of the substantive provisions of antidiscrimination laws and regulations were noted during that examination.