



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Quantum National Bank
Charter Number: 22905

505 Peachtree Industrial Boulevard
Suwanee, GA 30024-0000

Office of the Comptroller of the Currency

GEORGIA (ATLANTA) 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 Lending Test is rated: Satisfactory.

- The loan-to-deposit ratio is more than reasonable.
- A substantial majority of the bank’s primary loan products are originated within the assessment area.
- Management’s lending to borrowers of different incomes is satisfactory and lending to businesses of different sizes is outstanding.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The Community Development Test is rated: Satisfactory.

Given the institution’s size and structure, Quantum National Bank (Quantum) provides adequate responsiveness to the community development (CD) needs of the communities served through CD lending, investments, and services.

Scope of Examination

This CRA Performance Evaluation is an assessment of Quantum’s ability to meet the credit needs of its community. Examiners conducted a full-scope review of the bank’s assessment area (AA), which encompasses five counties in the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area (MSA). The bank was evaluated utilizing the Intermediate Small Bank examination procedures focusing on lending and community development tests. The evaluation covered the period of June 2003 to June 2009.

Quantum offers traditional loan and deposit products with commercial loans comprising the majority of lending activities. Loan products include residential real estate, small business, and consumer credits. In addition, the bank offers loans through the Small Business Administration’s government guaranteed loan program. Home Mortgage Disclosure Act (HMDA) data was available for 2007 and 2008. As such, HMDA data was used for the residential real estate review. We sampled commercial loans to assess the bank’s business lending. As of June 30, 2009 the loan portfolio composition was as follows:

Loan Category	\$ (000s)	%
Commercial Loans	\$ 214,665	76%
Small Business Loans	14,377	5%
Real Estate Loans	49,390	18%
Consumer Loans	3,971	1%
Total	\$ 282,403	100%

There are no known legal or financial impediments that would hinder Quantum from meeting the credit needs of its assessment area. The bank received a “Satisfactory” CRA rating at its prior performance evaluation dated June 30, 2003.

Description of Institution

Quantum is a full-service community bank headquartered in Suwanee, Georgia. It is wholly-owned by Quantum Capital Corporation, a one bank holding company. At June 30, 2009, the bank had total assets of \$393 million. Net loans totaled \$279 million, representing 71% of total assets. Investments totaled \$34 million, or 9% of total assets. Total deposits were \$317 million with total equity capital of \$35 million.

In addition to the main office located in Suwanee, Quantum opened a branch office in Milton, Georgia in July 2006. Each office has a drive-through facility and an automated teller machine for customer convenience.

The bank operates in a highly competitive environment. In addition to competing with large national and regional financial institutions, the bank also competes with a variety of local institutions. The bank also faces competition for deposit and loan products from other non-bank entities, including mortgage loan brokers, finance companies, insurance companies, and money management firms.

Description of Assessment Area (AA)

The AA consists of all census tracts where branch offices are located and a substantial majority of the bank’s loans are originated.

Quantum’s AA includes all of Gwinnett, Fulton, Dekalb, Forsyth, and Clayton Counties. These counties are part of the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area (Atlanta MSA). The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

ATLANTA-SANDY SPRINGS-MARIETTA, GA MSA

The Atlanta MSA, which is the eighth-largest metropolitan area in the United States, consists of 28 counties. Atlanta is the capital and the largest city in the state of Georgia with a population of 537,545. The city itself ranks as the 33rd-largest in the United States. The Atlanta MSA has a population of 5,376,285 people. Since 2000, metro Atlanta has grown by over 1.1 million people, a 27% increase.

Employment in Metro Atlanta declined significantly as the MSA was significantly impacted by a severe economic downturn directly related to the depressed real estate market. Reports through June 2009 show that the Atlanta MSA experienced negative net job growth of 5.5%. One hundred and thirty-three thousand jobs were lost since June 2008. In June 2009, the unemployment rate in Atlanta was at a historic level of 10.1%.

Atlanta's dismal economy was fueled by a saturated commercial real estate market primarily consisting of residential construction and development funded by financial institutions. The outlook was further affected by a weak labor market. Currently, there is no oversupply of homes, but rather the demand for housing continues to be suppressed due to lack of consumer confidence, fear of job loss, and fear of falling home prices. Since 2007, the national economy was impacted by a dramatic increase in bank failures with Georgia having the highest number of failed banks. The collapse of Metro Atlanta's housing market and the increase in home foreclosures, coupled with the credit crisis, contributed to local bank failures.

The leading employment sectors in the Atlanta MSA are trade, transportation and utilities; professional and business services; and government. Metro Atlanta employs over 2.4 million people. Top corporate employers in the Atlanta MSA are Delta Airlines, AT&T, Emory University, Cox Enterprises, United Parcel Service, and Wellstar Health Systems.

The Atlanta MSA is also home to the world's busiest airport, Hartsfield-Jackson International Airport. The airport is located on over 3,500 acres in parts of Fulton and Clayton Counties. In 2008, approximately 90 million passengers traveled through Hartsfield-Jackson International Airport.

GWINNETT COUNTY

Gwinnett County, located in northern Georgia, is one of the nation's fastest growing counties. Gwinnett County's 2008 estimated population was 789,499 residents. The county has; however, been impacted by Atlanta's economic downturn. As of 2008, the estimated median household income was \$56,395 per year. Annual averages for 2008 showed Gwinnett County's unemployment rate at 8.9%.

Trade, professional and business services, and leisure and hospitality are the county's largest employers. The county's top employers are Gwinnett County Public Schools, Gwinnett County Government, Gwinnett Hospital System Incorporated, Publix Supermarket Incorporated, and Wal-Mart Associates Incorporated.

FULTON COUNTY

Fulton County, the most populous county in Georgia, is the core county of the Atlanta MSA. Fulton County suffered a severe decline in the economy depicted by a dramatic decrease in residential building permits. Despite the economic slowdown in Metro Atlanta, Fulton County population surpassed the 1 million mark in 2008 – the first county in the state to achieve that milestone. The population increased 24.4% since 2000. The county seat is the city of Atlanta. As of 2008, the median household income was \$58,052. Annual averages for 2008 showed Fulton County's unemployment rate at 6.4%.

The primary industry in Fulton County is services. The five largest employers are Delta Air Lines Incorporated, Georgia Institute of Technology, Georgia State University, IBM, and Turner Services Incorporated.

DEKALB COUNTY

Dekalb County, bordered by Fulton County, includes 10% of Atlanta. In 2008, Dekalb County was noted as being the second most affluent county in the state. The estimated population for 2008 was 739,956, an 11% increase from 2000. The median household income was \$51,753 in 2007.

Annual averages for 2008 show Dekalb County's unemployment rate at 6.3%. The top five employers for Dekalb County are Children's Healthcare of Atlanta, Dekalb Medical Center Incorporated, Emory Healthcare Incorporated, Emory University, and The Kroger Company.

FORSYTH COUNTY

Forsyth County, located 40 miles north of Atlanta, is ranked as the sixth fastest-growing county in the nation with a 6.3% growth rate. Based on updated 2008 U.S. Census data, the total population increased 5.8% from 2007 to 168,060. In 2008, Forbes named Forsyth County the wealthiest county in Georgia. The median household income was \$84,815. Recent job growth is negative, decreasing by 4.10% since 2007. Annual averages for 2008 showed Forsyth County's unemployment rate at 5.8%.

The largest employer in Forsyth County is the Forsyth County School District. Other leading employers are Koch Foods of Cumming LLC, Kroger Company, Northside Hospital Incorporated, Scientific Games International Incorporated, and Tyson Poultry Incorporated.

CLAYTON COUNTY

Clayton County, a suburban county located south of downtown Atlanta, is the fifth most populous county in Georgia. Although the second smallest county in miles, according to the US Census, Clayton County has a population estimated at 273,718. The population increased 15.7% annually between 2000 and 2008 as Atlanta's sprawl stretched outward. In 2008, the median household income was \$43,674. Based on the 2000 census, just 38% of residents worked inside the county, nearly the same percentage that worked in adjacent Fulton County. Given this level of dependence, the local economy's health is closely tied to that of the Atlanta MSA and impacted by negative job growth.

Leading industries in the county include transportation, public utility, service, retail and trade. The largest employers are AirTran Airways, Delta Airlines, Gate Gourmet, Inc., Southern Regional Medical Center, and Wal-Mart.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	587,191
Number of Households	890,099
Geographies	
Number of Census Tracts	399
% Low-Income Census Tracts	17.04
% Moderate-Income Census Tracts	26.82
% Middle-Income Census Tracts	27.82
% Upper-Income Census Tracts	28.32
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$ 58,537
2008 HUD-Adjusted MFI	\$ 69,200
Economic Indicators	
Unemployment Rate June 2009	10.1%
2000 Median Housing Value	\$ 161,949
% of Households Below Poverty Level	10%

Community Contact

During the CRA evaluation, it is customary for examiners to contact organizations within the assessment area for information regarding local economic conditions and credit needs. The community contact stated that community credit needs are somewhat met by local institutions; however, the contact indicated that the needs of small business must be addressed. Financial institutions in the local area were noted as actively meeting the small business credit needs of the community. The challenge lies in finding qualified homeowners in this tightened credit market. There is a need for affordable rental opportunities given the current real estate environment.

Conclusions with Respect to Performance Tests

LENDING TEST

Overall, lending performance is satisfactory given the bank's size, financial condition, and ability to meet the credit needs of its assessment area.

Loan-to-Deposit Ratio

The bank's quarterly loan-to-deposit (LTD) ratio averaged 96% since June 2003 and compares favorably to the 83% average ratio of eight similarly-situated banks. This ratio ranged from 88% to 101%. Quarterly peer bank averages ranged from a low of 76% to a high of 91%. The bank's LTD is strong and exceeds the standards for satisfactory performance.

Lending in Assessment Area

Lending in the assessment area is good with a substantial majority of loans originated inside of the assessment area.

Table 1 - Lending in Quantum NB AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$	%	
Home Purchase	62	91	6	9	68	9,246	91	912	9	10,158
Home Refinance	38	86	6	14	44	6,577	82	1,407	18	7,984
Business Loans	14	70	6	30	20	5,814	43	7,598	57	13,412
Totals	114	86	18	14	132	21,637	69	9,917	31	31,554

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

Lending to borrowers of different incomes is reasonable for home refinance. The percentage of lending to low- and moderate-income families is; however, modest in comparison with the demographics for home purchase loans. The less than satisfactory performance is due to significant deterioration in the Atlanta real estate causing changes in the underwriting standards used to qualify for conventional mortgages. This was further impacted by many consumers no longer in the market for these types of loans. The AA’s high household poverty rate and unemployment rate, each at 10%, also represent mitigating factors.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Quantum NB AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% 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
Home Purchase	21%	2%	17%	7%	21%	20%	41%	70%
Home Refi	21%	10%	17%	20%	21%	30%	41%	40%

Lending to businesses of different sizes is excellent. The percentage of small business loans by number and dollar amount made to businesses with revenues less than \$1 million exceeds the percentage of small businesses in the AA.

Table 2A - Borrower Distribution of Loans to Businesses in Quantum NB AA			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Total
% of AA Businesses	64%	4%	68%*
% of Bank Loans in AA by #	70%	30%	100%
% of Bank Loans in AA by \$	72%	28%	100%

Source: Loan sample; Dunn and Bradstreet data. * 32% of AA businesses did not report revenue data.

Geographic Distribution of Loans

The bank’s geographic distribution of residential loans reflects excellent dispersion throughout census tracts of different income levels.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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	% of Number of Loans
Home Purchase	4%	24%	18%	39%	34%	26%	44%	11%
Home Refinance	4%	16%	18%	39%	34%	24%	44%	21%

The distribution of business loans reflects reasonable dispersion throughout the four census tract income levels.

Table 3A - Geographic Distribution of Loans to Businesses in Assessment Area								
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
Business	7%	5%	18%	15%	30%	25%	45%	55%

Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period.

COMMUNITY DEVELOPMENT (CD) TEST

The level of loans, investments, and services supported an overall satisfactory performance compared to other peer banks and despite ample amounts of CD opportunities that exist in the bank’s entire AA. Investments compared to peer were adequate. Service activity was generally adequate but concentrated in Gwinnett County. The bank indicated this was mainly because their staff did not have time to travel to do service activities beyond the location of their offices situated in North Fulton and Gwinnett Counties.

Number and Amount of Community Development Loans

Quantum has a high level of CD loans at \$9,116,932 or 26.34% of Risk-Based Capital (RBC). Although performance was high compared to peer, virtually all of the 34 loans, except two loans in DeKalb and one in Forsyth, were made in Fulton County. There was no CD loan activity in Gwinnett or Clayton counties despite the CD lending need in these counties.

Number and Amount of Qualified Investments

The bank had an adequate level of CD investments with \$996,912 or 2.88% of RBC. Four of the eight investments were CD's in minority institutions. All of these institutions serve the Atlanta MSA. Four other small grants/donations served Gwinnett, Dekalb, and Fulton Counties.

Extent to Which the Bank Provides Community Development Services

The bank has been involved in limited activities that qualify for CRA credit. The activities were primarily in Gwinnett County with the exception of one service activity in Dekalb County.

Responsiveness to Community Development Needs

In light of available opportunities, the bank's performance demonstrates an adequate responsiveness to the community development needs of its assessment area. This is primarily noted through the bank's origination of community development loans.

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.