



## **PUBLIC DISCLOSURE**

January 25, 2016

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

The National Bank of Georgia  
Charter Number 23937

2234 West Broad Street, Athens, GA 30606

Office of the Comptroller of the Currency

Three 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 Community Development Test is rated: Satisfactory.**

The National Bank of Georgia is responsive to the credit needs of the community, including low- and moderate-income individuals in its assessment area. The major factors that support this rating include:

- The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition and assessment area credit needs.
- The bank originated a majority of its residential real estate and commercial loans within the assessment area.
- The distribution of loans represents a poor penetration among individuals of different income levels, but an excellent penetration of loans among businesses of different sizes.
- There is a reasonable dispersion of residential real estate loans and small business loans among census tracts of different income levels.
- The bank's community development performance demonstrates adequate responsiveness to the needs of the assessment area. There is a reasonable level of community development loans, services, and investments.

## **Scope of Examination**

This Performance Evaluation is an assessment of The National Bank of Georgia's (NBG) ability to meet the credit needs of its community. NBG was evaluated using the Intermediate Small Bank evaluation procedures, which includes a test for lending and community development. We tested the integrity of internal loan data and loans and investments that meet the definition of community development to ensure reliability. The data was determined to be reliable for purposes of evaluating the bank's CRA performance.

NBG's primary loan products over the evaluation period are residential real estate loans and business loans. To evaluate performance under the lending test, we reviewed home mortgage loans originated between January 1, 2013 and December 31, 2015. This information was derived from the bank's reported Home Mortgage Disclosure Act (HMDA) data. We also reviewed a sample of 30 small business loans originated during 2013, 2014, and 2015. In assessing performance with respect to the community development test, we evaluated the bank's loans, services, grants, donations, and investments that satisfied the definition of community development. The evaluation period for the community development test was October 1, 2012 through January 25, 2016.

## 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). The bank operates one other branch that is located in Gainesville, Georgia. As of December 31, 2015, NBG reported total assets of \$375 million and total equity capital of \$40 million. There were no changes in the bank's corporate structure during this evaluation period.

NBG offers a wide range of money and investment management services for commercial and residential clients. The bank provides savings, checking, individual retirement and money market accounts, and certificates of deposit. The bank also offers a variety of consumer, residential, and commercial loans. Additionally, NBG provides online financial calculators to help clients calculate monthly loan, tax, and interest payments. The following chart provides a summary of the bank's loan mix:

<b>Loan Portfolio Summary by Loan Product December 31, 2015</b>				
<b>Loan Category</b>	<b>\$(000)</b>	<b>% by Dollar</b>	<b>#</b>	<b>% by Number</b>
Total Home Loans (non-HELOC)	\$79,386	24.10	480	34.02
Total Consumer Loans (incl HELOC)	\$14,479	4.40	302	21.40
Total Business Loans	\$235,561	71.51	629	44.58
<b>Total Loans</b>	<b>\$329,426</b>	<b>100.00</b>	<b>1,411</b>	<b>100.00</b>

*Source: Consolidated Report of Condition and Income for National Bank of Georgia*

There are no legal or financial impediments that would hinder the bank's ability to meet the credit needs of the community. The bank was rated Satisfactory at its last CRA examination dated October 8, 2012.

## Description of Assessment Area(s)

NBG defines its assessment areas (AA) as Clarke and Oconee Counties (the Athens assessment area) and Hall County (the Gainesville assessment area). Both assessment areas are located within a Metropolitan Statistical Area (MSA). Clarke and Oconee Counties are part of the Athens-Clarke County Georgia MSA, and Hall County is in the Gainesville Georgia MSA. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies.

### **Athens Assessment Area (Athens AA)**

The city of Athens is the county seat of Clarke County, and Watkinsville is the county seat of Oconee County. There are 36 census tracts in the Athens AA, consisting of 8 low-income, 6

moderate-income, 10 middle-income, and 12 upper-income geographies. As of the 2010 US Census, 45.34 percent of the housing stock consisted of owner-occupied units and 39.24 percent were rental units. One-to-four family units made up 71.76 percent of the housing stock.

According to the U.S. Bureau of Labor Statistics, the average unemployment rates for the state of Georgia have steadily decreased in recent years from 7.2 percent in 2013, 6.6 percent in 2014, and 5.2 percent in 2015. For those same years, the average unemployment rates in the Athens-Clarke County, Georgia MSA were considerably lower than the state averages at 5.2 percent, 4.9 percent, and 4.8 percent, respectively. These percentages indicate that the Athens-Clarke County economy has remained fairly robust throughout the period under review when compared with the state of Georgia. Athens is home to the University of Georgia (UGA), a state-supported institution that is part of the University System of Georgia. Not only does UGA provide jobs in Athens and the surrounding areas, but it also has a significant impact on the local economy through student, visitor, and staff spending, as well as through the creation of new businesses through UGA sponsored programs. Statistics available through the Chamber of Commerce indicate the top three largest employers in the Athens-Clarke County Georgia MSA are the University of Georgia, the Athens Regional Medical Center, and the Athens-Clarke County Government.

NBG encounters substantial competition from other financial institutions and mortgage loan providers within its Athens AA. Besides NBG, a total of 16 FDIC-insured financial institutions operate 44 branches in the Athens AA. As of June 30, 2015, the top four banks based on total deposits in the Athens AA were Synovus Bank (\$830 million), Bank of America (\$491 million), SunTrust (\$465 million), and Wells Fargo (\$324 million). Of the 16 FDIC-insured financial institutions operating in the Athens AA, NBG ranked seventh in deposit market share.

### **Gainesville Assessment Area (Gainesville AA)**

The Gainesville Georgia MSA consists solely of Hall County. The city of Gainesville is the county seat of Hall County and is the largest municipality in the county. Gainesville is located approximately 55 miles from the center of Atlanta. There are 22 census tracts within this MSA consisting of 3 moderate-income, 16 middle-income, and 3 upper-income geographies. There are no low-income census tracts. As of the 2010 Census, 62.02 percent of the housing stock was owner-occupied and 27.9 percent were rental units. One-to-four family housing units make up 78.58 percent of Hall County's housing stock, with multi-family units and mobile homes at 10.41 percent and 10.95 percent, respectively.

Hall County's population of 179,684 (U.S. Census Bureau 2010) has grown steadily in the last 4 years. Between 2010 and 2014, the population increased by 6.2 percent compared with a state increase in population of 4.2 percent. The 2014 population of Hall County is 190,761. The Gainesville Georgia MSA is one of the top 50 fastest growing metropolitan areas in the United States. Other municipalities in the Gainesville Georgia MSA include Oakwood, Flowery Branch, Clermont, Lula, and Gainesville, as well as a part of Buford, Braselton, and Rest Haven.

The Gainesville Georgia MSA has a robust economy. The estimated median family income level in the MSA has increased from \$56,500 in 2013 to \$60,700 in 2015. According to the U.S. Census Bureau, personal incomes in the MSA have increased by 14 percent between 2010 and 2014. As of December 2015, the MSA's unemployment rate was 4.3 percent, which is lower than the state of Georgia's unemployment rate of 5.5 percent. Top employers in Hall County include the food processing plants Fields Farms and Pilgrim's Pride. Other top employers include the Northeast Georgia Medical Center, the Hall County Government, and the Hall County school system.

NBG encounters substantial competition from other financial institutions and mortgage loan providers within its Gainesville AA. Besides NBG, a total of 18 FDIC-insured financial institutions operate 48 branches in the AA. As of June 30, 2015, the top four banks based on total deposits in the Gainesville AA were Wells Fargo (\$544 million), Regions Bank (\$412 million), Branch Banking & Trust (\$402 million), and United Community Bank (\$351 million). Of the 18 FDIC-insured financial institutions operating in the Gainesville AA, NBG ranked 11<sup>th</sup> in deposit market share.

## **Community Contact**

During our examination, we obtained information from a non-profit housing organization about local economic conditions and community credit needs. Through our contact, we found that the primary credit needs in the Athens community are small business, residential mortgage loans, and loans to finance the construction and renovation of affordable housing. Banks in the area provide a wide variety of lending products, including Small Business Administration loans and mortgages to low- and moderate-income individuals.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

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

Full-scope reviews were conducted for both the Athens AA and the Gainesville AA. The bank's performance in the Athens AA area was given more weight, since there was more lending activity in the Athens AA compared to the Gainesville AA during the evaluation period. For 2013, 2014, and 2015 combined, NBG originated 821 home loans in the Athens AA, but only 74 home loans in the Gainesville AA. Also, based on a sample of 30 business loans from 2013, 2014, and 2015, only one loan was in the Gainesville AA. With respect to deposits, the bank has a much higher concentration in the Athens AA (\$212 million), than in the Gainesville AA (\$90 million). Information on deposits is as of June 30, 2015.

All criteria of the lending test are documented below:

### Loan-to-Deposit Ratio

NBG’s average loan-to-deposit (LTD) ratio is more than reasonable, and demonstrates the bank’s commitment to lend within its assessment area. The average LTD ratio was calculated by averaging the bank’s LTD ratios over the past eleven business quarters ending September 30, 2015. During this period, the bank’s loan-to-deposit ratio averaged 104.64 percent, with a quarterly low of 99.78 percent and a quarterly high of 111.61 percent. There are 33 competitor banks in the bank’s assessment areas, with a combined 92 branch offices. Among the competitor banks, 15 are much larger than NBG with respect to branch networks, total deposits, and asset size. There are three similarly situated banks within the assessment areas. Over the same review period, the similarly situated banks have a combined average LTD ratio of 69.40 percent, which is significantly lower than NBG’s average LTD ratio.

### Lending in Assessment Area

NBG originated a majority of its business loans by number and dollar amount to borrowers within its AA. For the period reviewed, 76 percent of the loans number, and 52 percent of the loans by dollar were originated within the bank’s assessment areas. The following table reflects the home mortgage and small business loans originated inside and outside of the assessment area by number and dollar amount.

Table 1 - Lending in the Athens AA and Gainesville AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Purchase	375	77.32	110	22.68	485	87	78.97	22	20.18	109
Home Improvement	35	68.63	16	31.37	51	6	85.71	1	14.29	7
Refinance	498	75.45	162	24.55	660	128	79.01	34	20.99	162
Small Business	25	83.33	5	16.67	30	6,857	51.38	6,488	48.62	13,345
<b>Totals</b>	<b>933</b>	<b>76.10</b>	<b>293</b>	<b>23.90</b>	<b>1,226</b>	<b>7,078</b>	<b>51.96</b>	<b>6,545</b>	<b>48.04</b>	<b>13,623</b>

Source: 2013, 2014, and 2015 HMDA data; Sample of Small Business loans.

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

In conducting the analysis of lending to borrowers of different incomes and businesses of different sizes, lending in the Athens AA was weighted more heavily than lending in the Gainesville AA. Overall, the distribution of loans among borrowers of different income levels is poor given the bank’s performance context. However, the distribution of loans among businesses of different sizes is excellent.

**Residential Real Estate**

Athens AA

We analyzed residential real estate lending using borrower income compared to the median family income (MFI) levels based on the U.S Census Bureau. The updated MFI figures were \$58,400 for 2013, \$55,500 for 2014, and \$56,600 for 2015 in the Athens-Clark County Georgia MSA. Approximately 23.75 percent of the families in this AA live below the poverty level.

The distribution of home loans reflects a poor penetration among borrowers of different income levels. NBG’s percentage of lending to low- and moderate-income borrowers is low in relation to the demographics of the AA and needs to improve. The bank’s performance is shown in the following table:

<b>Table 2A - Borrower Distribution of Residential Real Estate Loans in the Athens AA</b>								
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	23.77	1.45	14.94	7.25	17.48	10.14	43.80	55.36
Home Improvement	23.77	2.94	14.94	8.82	17.48	5.88	43.80	64.71
Refinance	23.77	4.63	14.94	6.39	17.48	9.25	43.80	57.05

Source: HMDA data reported for 2013, 2014, and 2015; U.S. Census data; Income not Available for about 24% of Loans.

Gainesville AA

We analyzed residential real estate lending using borrower income compared to the median family income (MFI) levels based on the U.S Census Bureau. The updated MFI figures were \$56,500 for 2013, \$56,100 for 2014, and \$60,700 for 2015 in the Gainesville, Georgia MSA. Approximately 13.05 percent of the families in this AA live below the poverty level.

The distribution of home loans reflects a poor penetration among borrowers of different income levels. NBG did not make any home loans to low-income borrowers during the evaluation period. For moderate-income families, the bank’s performance for home purchase loans is near to the demographic comparator. However, the volume of home improvement and home refinance loan originations is low when compared to the demographics of the AA. The bank’s performance is shown in the following table:

<b>Table 2B - Borrower Distribution of Residential Real Estate Loans in the Gainesville AA</b>								
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	21.29	0.00	18.29	13.33	20.07	6.67	40.35	50.00
Home Improvement	21.29	0.00	18.29	0.00	20.07	100.00	40.35	0.00
Refinance	21.29	0.00	18.29	9.09	20.07	18.18	40.35	40.91

Source: HMDA data reported for 2013, 2014, and 2015. U.S. Census data; Income not Available for about 30% of the loans

### Small Business Loans

#### Athens AA

The sampled loans reflect an excellent distribution of lending to businesses with gross annual revenues less than \$1 million. The bank’s volume of small business lending exceeds the AA’s percentage of businesses that reported gross annual revenues of \$1 million or less. Specifically, 97 percent of the bank’s loans by number were made to businesses with gross annual revenues of less than \$1 million. In addition, 96 percent of the loans by dollar amount were made to businesses with gross annual revenues less than \$1 million. The bank’s performance is shown in the following table:

<b>Table 2C - Borrower Distribution of Loans to Businesses in the Athens AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.13	3.78	20.09	100.00
% of Bank Loans in AA by Number	96.55	3.45	0.00	100.00
% of Bank Loans in AA by Dollar	95.59	4.41	0.00	100.00

Source: Sample of 30 Small Business loans; Dunn and Bradstreet data.

#### Gainesville AA

The sampled loans reflect an excellent distribution of lending to businesses with gross annual revenues less than \$1 million. The bank’s small business lending exceeds the AA’s percentage of businesses that reported gross annual revenues of \$1 million or less. Specifically, 100 percent of the loans by number and dollar amount were made to businesses with gross annual revenues of less than \$1 million. The bank’s performance is shown in the following table:

<b>Table 2D - Borrower Distribution of Loans to Businesses in the Gainesville AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.06	4.63	16.31	100.00
% of Bank Loans in AA by #	100.00	0.00	0.00	100.00
% of Bank Loans in AA by \$	100.00	0.00	0.00	100.00

Source: Sample of 30 Small Business loans; Dunn and Bradstreet data.

### Geographic Distribution of Loans

The overall geographic distribution of lending meets the standards for satisfactory performance. The geographic distribution analysis that follows depicts an excellent penetration of residential real estate lending throughout the bank’s AAs. There is a reasonable penetration of small business lending throughout the bank’s AAs.

### Residential Real Estate

This analysis compares the percentage of home loan originations in census tracts of different income levels to the percentage of owner-occupied housing units (OOHUs) located within those areas.

#### Athens AA

NBG’s record of residential real estate lending reflects an excellent dispersion of loans in low-income census tracts and a reasonable dispersion of loans in moderate-income census tracts. The bank’s performance is shown in the following table:

<b>Table 3A - Geographic Distribution of Residential Real Estate Loans in the Athens AA</b>								
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	6.78	13.91	9.43	7.83	33.75	29.28	50.04	48.98
Home Improvement	6.78	32.35	9.43	11.76	33.75	14.71	50.04	41.18
Refinance	6.78	22.25	9.43	7.93	33.75	22.47	50.04	47.35

Source: HMDA data for 2013, 2014, and 2015; U.S. Census data.

Gainesville AA

NBG’s record reflects an excellent dispersion of home mortgage loans in moderate-income census tracts. There are no low-income census tracts in the Gainesville AA. The analysis presented in the following table reflects the adequacy of dispersion of home lending among census tracts of different income levels within the Gainesville AA.

<b>Table 3B - Geographic Distribution of Residential Real Estate Loans in the Gainesville AA</b>								
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	0.00	0.00	15.51	16.67	55.52	66.67	28.97	16.66
Home Improvement	0.00	0.00	15.51	0.00	55.52	100.00	28.97	0.00
Refinance	0.00	0.00	15.51	15.91	55.52	47.73	28.97	36.36

Source: HMDA data for 2013, 2014, and 2015; U.S. Census data.

**Small Business Loans**

This analysis compares the bank’s lending in census tracts of different income levels to the percentage of small businesses located in those areas.

Athens AA

The following table presents an analysis of NBG’s small business lending in census tracts of different income levels. Information in the table reflects a reasonable penetration of small business lending in both low-income and moderate-income census tracts when compared to the percentage of businesses located in those census tracts.

<b>Table 3C - Geographic Distribution of Loans to Businesses in the Athens AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans
Small Business	18.07	13.79	11.66	6.90	25.75	20.69	44.51	58.62

Source: Sample of 30 Small Business loans; Dunn & Bradstreet data.

Gainesville AA

The following table presents an analysis of NBG’s small business lending in census tracts of different income levels. Information in the table reflects an excellent penetration of small business lending in moderate-income census tracts.

<b>Table 3D - Geographic Distribution of Loans to Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans	% of AA Business	% of Number of Loans
Small Business	0.00	0.00	29.97	100.00	46.65	0.00	23.38	0.00

*Source: Sample of 30 Small Business loans; Dunn & Bradstreet data.*

**Responses to Complaints**

NBG has not received any complaints during this evaluation period directly related to CRA performance.

**COMMUNITY DEVELOPMENT TEST**

NBG’s performance with respect to the community development test is rated Satisfactory. The bank’s level of community development activity reflects adequate responsiveness to the needs of low- and moderate-income individuals and communities within its assessment areas. The bank operates two full service branch offices and offers a full range of deposit and lending services at each office. The bank has originated a good level of community development loans, and has made adequate investments and donations that satisfy low- and moderate-income needs.

**Number and Amount of Community Development Loans**

Athens AA

Since October 2012, the bank originated/renewed 66 community development loans in the Athens AA totaling approximately \$22 million. This lending activity primarily consisted of loans that provide affordable housing in the AA, including decent housing for UGA students. The bank made loans to finance the purchase/construction/renovation of single-family homes and multi-family apartments. Most of these projects were completed in conjunction with affordable housing programs through state, municipal and community organizations.

Gainesville AA

NBG made three community development loans totaling approximately \$6.2 million during the evaluation period. These loans supported affordable housing in the AA through the purchase and renovation of rental units.

**Number and Amount of Qualified Investments**

Athens AA

NBG made 36 qualified investments totaling approximately \$25 thousand to organizations that provide community services to low- and moderate-income individuals during the evaluation period. These organizations provide services targeting low- and moderate-income persons in the AA to include homeless shelters, programs for at-risk youth, and skills training programs.

In addition, throughout most of the review period NBG had a \$90 thousand outstanding investment in low-income Housing Tax Credits, which provide for the development of low- and moderate-income housing in the AA.

Gainesville AA

NBG made 25 qualified investments totaling approximately \$23 thousand to organizations that provide community services to low- and moderate-income individuals during the evaluation period. These organizations provide services targeting low- and moderate-income persons in the AA to include youth programs and skills training programs.

**Extent to Which the Bank Provides Community Development Services**

NBG's services are responsive to the needs of low- and moderate- income persons in the community. Banking services include a free checking account that has no monthly service charge, no minimum balance required and no per check charges, and a savings account with a low minimum opening deposit. The bank's branch network also ensures accessibility to low- and moderate-income persons in the community. All of the bank's locations are full service, and include ATM and drive-through facilities. In addition, bank officers and employees provide financial expertise to a number of organizations that address low- and moderate-income needs of the AA. These include:

- Providing financial and fund raising expertise to charities benefiting victims of domestic violence.
- Participating in programs that teach money management strategies to youth.

### **Responsiveness to Community Development Needs**

The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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