



PUBLIC DISCLOSURE

October 12, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Embassy National Bank
Charter Number 24679

1817 North Brown Road
Lawrenceville, GA 30043

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

Embassy National Bank is responsive to the credit needs of the community, including low- and moderate-income individuals in its assessment area (AA). The following factors support this conclusion:

- The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs...
- The bank originated a majority of its loans within its assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Lending to borrowers in low- and moderate-income tracts exceeds the characteristics of the assessment area.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of Embassy National Bank's (Embassy) ability to meet the credit needs of its community. Embassy was evaluated using the Small Bank examination procedures, which includes a lending test. The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area (AA) through its lending activities. This evaluation covered the period from January 1, 2013 to September 30, 2015.

Business loans are the bank's primary loan products, with a heavy concentration in commercial real estate and construction lending. Home Mortgage Disclosure Act (HMDA) data was available, but residential real estate lending is not a major loan product. Therefore, we did not use HMDA data or residential loans to determine CRA performance. We sampled 26 commercial loans and 24 residential construction and redevelopment loans originated during the evaluation period. The following table provides support for the selection of the bank's primary loan products:

Loan Originations by Loan Product January 1, 2013 through September 30, 2015				
Loan Type	#	%	\$(000)	%
Commercial Loans (CRE and C&I)	73	49.66%	\$63,165	73.24%
Residential Construction and Redevelopment Loans to Builders and Investors	71	48.30%	\$19,206	22.27%
Other Loans	3	2.04%	\$3,873	4.49%
Total	147	2.04%	\$86,244	4.49%

Source: Bank Internal Loan Reports

There are no legal or financial impediments that hinder the bank’s ability to meet the credit needs of its AA. Embassy received a “Satisfactory” rating at its last CRA examination dated March 10, 2010.

DESCRIPTION OF INSTITUTION

Embassy is an intrastate community bank headquartered in Lawrenceville, Gwinnett County, Georgia. The bank is wholly owned by Embassy Bancshares, Inc., a one-bank holding company. Embassy opened in March 2007 and continues to operate out of its main office with no additional branch locations. The main office has a drive-through facility and an automated teller machine (ATM) for customer convenience. The bank offers traditional deposit services to businesses and consumers and provides access to accounts via online banking.

Embassy offers traditional lending products and services, with a primary focus on hotel and convenience store lending. The bank offers loans through the Small Business Administration’s Government Guaranteed Loan Program, and is a preferred lender through the Small Business Administration 7(a) and 504 programs. Consumer and retail lending services are available; however, this type of lending activity is minimal due to the high level of competition from other institutions in the bank’s market.

As of June 30, 2015, Embassy had total assets of \$77 million and Tier 1 Capital of \$9 million. Net loans totaled \$59 million, representing 76 percent of total assets. Deposits were \$67 million. The following table provides a summary of the bank’s loan mix:

Loan Portfolio Summary by Loan Product June 30, 2015		
Loan Category	\$(000)	%
Commercial Loans (CRE and C&I)	\$55,094	90.97%
Residential Construction Loans	\$3,694	6.10%
Other Residential Loans	\$1,031	1.70%
ADC Loans	\$687	1.13%
Consumer Loans	\$56	0.09%
Total Loans	\$60,562	100.00%

Source: Consolidated Report of Condition and Income for Embassy National Bank

DESCRIPTION OF ASSESSMENT AREA(S)

Embassy has a single AA that consists of the following counties: Fulton, Gwinnett, DeKalb, Cobb, and Forsyth. All counties are contiguous and included within the Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area (Atlanta MSA). The AA is comprised of 627 census

tracts: 79 low-income (13%), 137 moderate-income (22%), 165 middle-income (26%), and 242 upper-income (39%). There were four census tracts with information not available. The bank's AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

Atlanta-Sandy Springs-Roswell, GA MSA

The Atlanta MSA is the most populated metro area in Georgia and the ninth-largest MSA in the United States. The MSA consists of 29 counties with an updated 2014 US Census population of 5.6 million, an increase from 5.3 million in 2010. The city of Atlanta ranks as the 39th largest city in the United States with a total population of 456,002. Atlanta is the capital city of Georgia and located in Fulton County.

Employment in the Atlanta MSA declined significantly as a result of the severe economic downturn. The unemployment rate reached a high average of 10.6 percent in 2010. However, the rate has significantly improved to 5.5 percent as of August 2015. The current unemployment rate for the Atlanta MSA is slightly above the national average of 5.1 percent and slightly below the Georgia state average of 5.9 percent. Data for August 2015 shows that the Atlanta MSA experienced net job growth of 2.6 percent year-over-year, which ranks fifth out of the 12 largest MSAs.

The leading employment sectors in the Atlanta MSA are professional and business services, education and health services, and leisure and hospitality. Top employers in the area include Delta Air Lines, Inc., Emory Healthcare, Inc., AT&T Services, Inc., WellStar Health Systems, Inc., United Parcel Service, Inc., and Northside Hospital.

Fulton County

Fulton County, the most populated county in Georgia, is the core county of the Atlanta MSA. The county seat is the city of Atlanta. Population for the county increased from 920,581 in 2010 to 996,319 in 2014. As of August 2015, the unemployment rate is 5.9 percent, a decline from the 2010 average of 10.5 percent.

The primary industry in Fulton County is services. Top employers include Delta Air Lines, Inc., AT&T Services, Inc., Georgia Institute of Technology, Northside Hospital, and The Coca-Cola Company.

Gwinnett County

Gwinnett County borders Fulton County and DeKalb County to the east and was one of the top 100 fastest growing counties from 2013 to 2014. According to the updated 2014 US Census data, Gwinnett County's population is 877,922, an increase from 805,321 in 2010. As of August 2015, the unemployment rate for Gwinnett County is 5.2 percent, which is a decline from the 2010 average of 9.2 percent.

The primary industry in Gwinnett County is services. Top employers for the county include Gwinnett Hospital System, Inc., Publix Super Markets, Inc., NCR Corp., The Kroger Company, and Wal-Mart Associates, Inc.

DeKalb County

DeKalb County borders Fulton County on the east and includes roughly 10 percent of the city of Atlanta. According to the updated 2014 US Census data, the county's population is 722,161, an increase from 691,893 in 2010. As of August 2015, the unemployment rate for DeKalb County was 6.0 percent, a decrease from the 2010 average of 10.8 percent.

The primary industry in DeKalb County is services. Top employers within the county include Children's Healthcare of Atlanta, Emory Healthcare, Inc., Emory University, State Farm Mutual Auto Insurance Company, and The Kroger Company.

Cobb County

Cobb County borders Fulton County to the west. According to the updated 2014 US Census data, the county's population is 730,981, up from 688,078 in 2010. The county's unemployment rate was 5.1 percent for August 2015, a decline from the 2010 average of 9.3 percent.

The primary industry in Cobb County is services. Top employers for the county include Lockheed Martin Corp., Publix Super Markets, Inc., Kennesaw State University, Wal-Mart Associates, Inc., and Wellstar Health System, Inc.

Forsyth County

Forsyth County borders Fulton County on the northeast side and is the wealthiest county in Georgia. It is also in the top 10 list of fastest growing counties in the nation from 2013 to 2014. According to the updated 2014 US Census data, the county's population is 204,302, an increase from 175,511 in 2010. As of August 2015, the unemployment rate for Forsyth County was 4.5 percent, a decrease from 2010 averages of 8.0 percent.

The primary industry in Forsyth County is services. Top employers within the county include Northside Hospital, Tyson Poultry, Inc., Koch Foods of Cumming, LLC, Scientific Games Products, Inc., and Healthport Technologies, LLC.

The following table reflects key demographic and economic characteristics of the bank's AA based on 2010 Census Bureau data.

Demographic Information for the Embassy's AA						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% N/A
Geographies (Census Tracts)	627	12.60%	21.85%	26.32%	38.60%	0.64%
Population by Geography	3,281,384	8.30%	21.30%	30.27%	39.95%	0.17%
Owner-Occupied Housing by Geography	769,719	3.81%	15.57%	31.68%	48.94%	0.00%
Businesses by Geography	364,452	5.37%	18.32%	29.40%	46.87%	0.04%
Farms by Geography	5,243	4.29%	16.19%	32.81%	46.71%	0.00%
Family Distribution by Income Level	771,511	21.16%	15.63%	17.80%	45.40%	N/A
Household Distribution by Income Level	1,194,796	22.54%	16.24%	17.29%	43.91%	0.00%
Distribution of Low and Moderate Income Families throughout AA Geographies	283,871	15.70%	32.24%	30.30%	21.77%	0.00%
Census Median Family Income (MFI)	\$67,374					
HUD Adjusted MFI: 2015	\$70,700	Median Housing Value				\$236,478
HUD Adjusted MFI: 2014	\$70,100	Families Below the Poverty Level				9.79%
HUD Adjusted MFI: 2013	\$66,300	Unemployment Rate				6.06%

Source: 2010 US Census

Bank Competition

Embassy operates in a highly competitive market. In addition to competing with large national and regional financial institutions, the bank competes with a variety of local institutions. There is also competition for deposit and loan products from other non-bank entities, including mortgage loan brokers, finance companies, insurance companies, and money management firms. The Federal Deposit Insurance Corporation's Deposit Market Share Report for June 30, 2015, indicates 72 banks operate within Embassy's AA with a total of 869 office locations. Large banks, including SunTrust Bank, Bank of America, and Wells Fargo, dominate the local deposit market with a combined market share of 71 percent. Embassy's deposit market share in the AA is less than one percent.

Community Contact

During the examination, contact was made with a local organization that focuses on providing assistance to small businesses. The purpose of the contact was to get a better understanding of the local economic conditions and credit needs. The contact indicated that there are opportunities for banks to provide financing to small businesses, especially start-up financing. According to the contact, banks are becoming more comfortable with start-up financing given the improving local economy. As a result, small business start-up needs are being actively met to a reasonable extent by financial institutions in the local area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Embassy's overall performance under the lending test is Satisfactory. This conclusion is based on the following: a more than reasonable loan-to-deposit ratio, a majority of lending within the AA, and an excellent geographic dispersion of business loans in the AA. Lending among businesses of different sizes reflects poor penetration compared to the AA demographics. However, income information was unavailable for some of the loans in our sample. Details regarding these findings are addressed below.

Loan-to-Deposit Ratio

Embassy's average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The average LTD ratio was calculated by averaging the bank's LTD ratios over the last 22 quarters ending June 30, 2015. During this period, the bank's quarterly LTD ratio averaged 82.7 percent, with a low of 75.7 percent and a high of 97.6 percent. The bank's average LTD ratio compares favorably with other community banks of similar size and location. Embassy ranks second among a total of eight similarly situated banks within the AA. These similarly situated banks have a combined average LTD ratio of 68.5 percent, with a low of 59.4 percent and a high of 86.2 percent over the same evaluation period.

Lending in Assessment Area

A majority of Embassy's loans were originated inside the AA. For the period reviewed, 62 percent of the loans by number and 52 percent by dollar volume were originated within the bank's AA. The following table details the bank's lending inside and outside of the AA during the evaluation period.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
CRE and C&I	32	43.84	41	56.16	73	25,599	40.53	37,566	59.47	63,165
Residential Construction and Redevelopment	57	80.28	14	19.72	71	16,785	87.39	2,421	12.61	19,206
Totals	89	61.81	55	38.19	144	42,384	51.46	39,987	48.54	82,371

Source: Bank Internal Loan Reports

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

The bank's distribution of loans to businesses of different sizes reflects poor penetration compared to area demographics. The percentage of businesses with annual revenues less than \$1

million within the AA is 80 percent. Based on our sample of loans within the AA, the bank originated 54 percent by number and 48 percent by dollar volume to these businesses. Although performance is lower than the demographic comparator, 18 percent of our sample by number and 21 percent of our sample by dollar had unknown income information. These loans were primarily Small Business Administration loans where revenues were projected or based on previous ownership. Reviews of the loan files indicate past and projected revenues were mostly under \$1 million. In addition, 80 percent of our loan sample had loan commitment amounts under \$1 million. The following table shows the distribution of business loans among businesses of different sizes in the bank’s AA.

Table 2A - Borrower Distribution of Loans to Businesses in All Combined Counties AA				
Business Revenues (or Sales)	% ≤ \$1,000,000	% > \$1,000,000	% Unavailable/ Unknown	% Total
% of AA Businesses	80.01	4.13	15.86	100.00
% of Bank Loans in AA by #	54.00	28.00	18.00	100.00
% of Bank Loans in AA by \$	48.50	30.33	21.17	100.00

Source: Loan Sample; Dunn and Bradstreet Data

Geographic Distribution of Loans

The bank’s geographic distribution of business loans reflects excellent dispersion throughout census tracts of different income levels. Business loan originations in low-income tracts far exceed the characteristics of the AA and shows excellent dispersion. The actual percentage for lending in low-income tracts indicates 16 percent, while the AA indicates 5 percent. Loan officers originated 38 percent of business loans in moderate-income tracts, which also reflects excellent dispersion. The following table details the bank’s lending performance compared to the percentage of businesses in each census tract.

Table 3A - Geographic Distribution of Loans to Businesses in All Combined Counties AA								
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 Loans	5.37	11.54	18.32	50.00	29.40	23.08	46.87	15.38
Other Loan Data	5.37	20.83	18.32	25.00	29.40	20.83	46.87	33.33
Total Business Loans	5.37	16.00	18.32	38.00	29.40	22.00	46.87	24.00

Source: Loan Sample; Dunn and Bradstreet Data

Responses to Complaints

Embassy has not received any CRA-related complaints since the previous performance evaluation.

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.