



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

November 16, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of Commerce  
Charter Number 24497

813 Shades Creek Parkway, Suite 100, Birmingham, AL 35209

Office of the Comptroller of the Currency

3595 Grandview Parkway, Suite 655, Birmingham, AL 35243

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.

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

**The Lending Test is rated: Satisfactory.**

**The Community Development (CD) Test is rated: Satisfactory.**

- The loan-to-deposit (LTD) ratio is more than reasonable.
- The bank originates a majority of loans inside its assessment area.
- The distribution of loans to borrowers of different incomes shows reasonable penetration within the assessment areas.
- The geographic distribution of loans shows reasonable dispersion across the assessment areas.
- CD activities show adequate responsiveness to the needs in the assessment areas.

## **Scope of Examination**

We evaluated NBC as an Intermediate Small Bank under the CRA regulation, which includes a lending test and a community development test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The CD test evaluates the bank's community development lending, qualified investments, and CD services activities.

The scope of this evaluation included all loans subject to filing under the Home Mortgage Disclosure Act (HMDA). The evaluation period for HMDA loans includes all loans made from January 1, 2012 through June 30, 2015. The scope of the CD test included all activity that meets the definition of CD loans, investments, and services. The evaluation period for the CD loans, investments, and services includes all activities from November 15, 2012 through November 16, 2015.

The OCC performed a data integrity review in September 2015. We reviewed the accuracy of NBC's HMDA and CRA lending data. We also reviewed NBC's data collection, reporting, and monitoring processes. Based on our transactional testing, we deemed the loan data to be reliable, and that monitoring and reporting processes have not changed since the last examination and remain adequate.

## **Description of Institution**

NBC is a \$1.35 billion institution headquartered in Birmingham, AL. NBC is an interstate institution with 8 locations in Alabama serving Jefferson, Shelby, Madison, Lee, and Baldwin counties in Alabama; and 7 locations in Florida serving Seminole, Orange, Osceola, and Indian River counties. The bank provides its customers with a full range of deposit and lending products, including commercial real estate, residential mortgages, and consumer loans. NBC operates 13 automated teller machines. All offices are full service locations, and 10 of the 15 locations operate drive-thru facilities.

During the evaluation period, NBC opened one location and closed one location. Both locations were located in upper-income census tracts (CTs) in Huntsville, AL.

NBC is wholly-owned by National Commerce Corporation, a one-bank holding company also headquartered in Birmingham, AL.

NBC is primarily a commercial lender. The commercial portfolio represents 68 percent of the bank's total loan portfolio. At September 30, 2014, the bank's loan mix was as follows: commercial and industrial (17%), commercial real estate (41%), construction (10%), residential mortgage (18%), home equity lines of credit (11%) and all other (3%). Tier 1 capital was \$103 million at June 30, 2015.

The bank received a Satisfactory rating at the last CRA examination dated November 14, 2012. We did not identify any legal, financial, or other factors that would impede the bank from meeting the credit needs of the community

## **Selection of Areas for Full-Scope Review**

NBC has identified six AAs, four within the state of Alabama and two within the state of Florida. NBC's Alabama AAs consist of the Birmingham-Hoover MSA (Birmingham MSA AA), Huntsville MSA AA (Huntsville AA), Auburn-Opelika MSA (Lee County AA), and Baldwin County AA. NBC's Florida AAs consist of the Vero Beach AA and Orlando AA. NBC opened all seven of its Florida banking offices in 2014. Six of the seven offices opened in the fourth quarter 2014 as the result of an acquisition of another institution. Because the Florida offices have been operating under NBC for a short period, we did not analyze or include the Florida AAs in this Performance Evaluation. The majority of the bank's deposits and commercial lending are concentrated in the Birmingham AA and Huntsville AA. For this reason, we performed full-scope reviews of these AAs. We based our ratings primarily on the results of the full-scope areas.

## **Ratings**

The bank's **overall** rating is based on findings in each metropolitan statistical areas (MSA) reviewed. The overall rating takes into account the ratings in different MSAs by considering:

- The significance of the bank's activities in each MSA compared with the bank's overall activities.
- The lending opportunities in each MSA.
- The importance of the bank in providing loans to each MSA, particularly in light of the number of other institutions and the extent of their activities in each MSA.
- Demographic and economic conditions in each MSA.

We based the MSA/ state rating(s) on those areas that received full-scope reviews. Refer to the "Scope" section under each State Rating section for details regarding how we weighted the areas in arriving at the respective ratings.

## Conclusions with Respect to Performance Criteria

The bank's loan-to-deposit ratio is more than reasonable, and lending inside the assessment area reflects satisfactory performance. In addition, the bank's geographic distribution of loans is reasonable. The dispersion of loans by borrower income level or business revenues is also reasonable.

### Loan-to-Deposit Ratio

The bank's quarterly average loan-to-deposit (LTD) ratio during the review period is more than reasonable at 87.37 percent compared to a peer average of 78.65 percent. During the 13 quarters since the last CRA Examination, NBC's quarterly average LTD ranged from a low of 75.50 percent to a high of 94.80 percent.

We did not identify any similarly situated institutions that operate in the bank's primary market area. However, we did identify 16 peer banks of similar asset size that operate throughout the state of Alabama. The peer banks had assets between \$233 million and \$27 billion, with an average LTD ratio that ranged from a high of 82.84 percent to a low of 75.50 percent

### Lending in Assessment Area

As depicted in Table 1 below, NBC's lending in its AA reflects satisfactory performance. The bank made a majority of its loans to borrowers inside its AAs. Overall, 78.02 percent of the number of loans and 77.73 percent of the dollar amount of loans originated during this evaluation period were inside the bank's AAs. We made this assessment based on the entire loan portfolio rather than by assessment area.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,650	81.08	385	18.92	2,035	334,034	80.35	81,702	19.65	415,736
Home Improvement	13	72.22	5	27.78	18	1,920	86.10	310	13.90	2,230
Refinance	554	72.51	210	27.49	764	140,929	74.72	47,693	25.28	188,622
Small Business	679	75.87	216	24.13	895	148,452	75.00	49,478	25.00	197,930
Totals	2,896	78.02	816	21.98	3,712	625,335	77.73	179,183	22.27	804,518

*Source: Data reported under HMDA. Data collected by the bank.*

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

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

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

## State Rating

### State of Alabama

**CRA Rating for (Alabama): Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community Development test is rated: Satisfactory.**

### Description of the Institution's Operations in Alabama

NBC has 8 offices in the State of Alabama that are located within its 4 AAs: 3 offices are located in the Birmingham AA, 2 offices are located in the Huntsville AA, 1 office is in the Lee County AA, and 2 offices are in the Baldwin County AA. The narratives below include information on economic, demographic, and competitive factors that may have influenced the bank's performance with in its AAs.

#### Birmingham AA (Full Scope)

The Birmingham-Hoover MSA AA (Birmingham AA) is located in Central Alabama and consists of seven counties: Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby, and Walker. The bank's Birmingham AA consists of census tracts (CT) located in only two counties: Jefferson and Shelby. The geographic boundaries of the bank's Birmingham AA has not changed since the last CRA examination conducted in November 2012. This AA consists of 115 CTs: 81 in Jefferson County and 34 in Shelby County. The Jefferson County CTs consists of 13 (or 16%) low-income CTs, 17 (or 21%) moderate-income CTs, 17 (or 21%) middle-income CTs, and 34 (or 42%) upper-income CTs. The Shelby County CTs consist of 7 (or 20.6%) middle-income CTs and 27 (or 79.4%) upper-income CTs.

The Birmingham AA includes the city of Birmingham, which is the county seat of Jefferson County and the state of Alabama's most populated city. Jefferson County has a population of 658,466. The Birmingham AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) CTs.

Strong competition exists for financial services within the Birmingham AA. Based on June 30, 2015 FDIC deposit data, NBC's deposits in this AA totaled \$459 million. Of the 38 deposit-taking institutions within the bank's Birmingham AA, NBC ranked 11<sup>th</sup> with a market share of 1.47%. Competition includes a large nationwide institution and several regional banks. The top five competitors, in order of their deposit market share ranking, are Regions Bank, Compass Bank, Wells Fargo Bank, N.A., ServisFirst Bank, and Synovus Bank. These competitors control 76.82 percent of the deposit market share in the AA. The competition maintains 143 offices in the AA. As of June 30, 2015, NBC had three branches in the AA.

The 2015 FFIEC Updated Median Family Income (MFI) is \$62,500. This represents a 0.48 percent decrease compared to the 2012 MFI of \$62,800. Birmingham AA families

living below the poverty level represent 8.63% of the population, based on 2010 census year data.

### Employment and Economic Factors

The economic condition of the AA has improved over the evaluation period. According to the U.S. Bureau of Labor Statistics, unemployment rates for the AA improved from 7.30% in January 2012 to 5.90% in June 2015. At June 2015, the Alabama and nationwide unemployment rates were 6.10% and 5.30%, respectively. A significant number of the AA's workforce are employed in the education and health services fields, with 48,357 employees as of December 2014. Beyond education and health services, the AA is home to several major industries, which include banking, retail, and utilities. The top five employers in the AA are the University of Alabama at Birmingham, Regions Bank, AT&T, St. Vincent's Hospital, and Children's Health System. These five companies employed 45,559 people as of year-end 2014.

### Community Contact

According to a Birmingham AA community contact, some of the important needs in the AA are increased banking products and services that meet the needs of LMI individuals, more credit-related products for existing small business, and helping nonprofit organizations build capacity to enable them to meet their objectives.

## **Huntsville AA (Full Scope)**

The Huntsville MSA (Huntsville AA) is located in northern Alabama and consists of two counties: Limestone and Madison. Athens is the Limestone County seat, but portions of the cities of Decatur, Huntsville, and Madison extend into the area. Madison County includes the cities of Huntsville, Madison, and New Hope. Huntsville is the county seat of Madison County, and is the fourth largest city in Alabama by population. According to the U.S. Census Bureau, the city of Huntsville and Madison County had estimated populations of 188,000 and 350,000, respectively. The delineation of NBC's Huntsville AA consists of CTs located only in Madison County. The AA includes all 73 CTs in Madison County, which consists of 10 (or 13.7%) low-income CTs, 17 (or 23.3%) moderate-income CTs, 23 (or 31.5%) middle-income CTs, and 23 (or 31.5%) upper-income CTs. The Huntsville AA meets the requirements of the regulation and does not arbitrarily exclude LMI CTs.

Competition for financial services in the Huntsville AA is high. Based on June 30, 2015 FDIC deposit data, NBC's deposits in this AA totaled \$189 million. Of the 30 deposit-taking institutions within the bank's Huntsville AA, NBC ranked 10<sup>th</sup> with a 2.69 percent market share. Competition includes a large nationwide institution and several regional banks. The top five competitors, in order of their ranking, are Regions Bank, Compass Bank, ServisFirst Bank, Wells Fargo Bank, N.A., and Branch Banking and Trust Services (BB&T). These competitors control 62.30 percent of the deposit market share in the AA. The competition maintains 47 offices in the AA. As of June 30, 2015, NBC had two branches in the AA.

The 2015 FFIEC Updated Median Family Income (MFI) is \$75,000. This represents a 4.60 percent increase compared to the 2012 MFI of \$71,700. Based on 2010 census data, 8.64% of Huntsville AA families live below the poverty level.

### Employment and Economic Factors

The economic condition of the AA has improved over the evaluation period. According to the U.S. Bureau of Labor Statistics, unemployment rates for the AA improved from 7.30% at January 2012 to 6.10% at June 2015. As of June 2015, the Alabama and nationwide unemployment rates were 6.10% and 5.30%, respectively. A significant number of the AA's workforce are employed in the fields of military, science/space technology, and health services. Beyond these fields, the AA is home to several major industries, which include education, banking, retail, and manufacturing. The top five employers in the AA are the U.S. Army/Redstone Arsenal, NASA/Marshall Space Flight Center, Huntsville Hospital, The Boeing Company, and Madison County School System. These five companies employed 49,941 persons as of August 2015.

### Community Contact

According to two community contacts in the Huntsville AA, some important needs in the AA include small business loans and financial literacy training for small business owners. There is opportunity for financing the construction and repair of affordable homes, in addition to financial literacy for LMI individuals.

## **Lee County AA (Limited Scope)**

The Auburn-Opelika MSA (Lee County AA) is located on the east central border of Alabama and consists of all 27 CTs located in Lee County. The AA includes 3 (or 11.1%) low-income CTs, 4 (or 14.8%) moderate-income CTs, 15 (or 55.6%) middle-income CTs, and 5 (or 18.5%) upper-income CTs. Lee County's population totals more than 140,000. The city of Opelika is the county seat, and Auburn is the county's largest city. The Lee County AA meets the requirements of the regulation and does not arbitrarily exclude LMI CTs.

Competition for financial services in the Lee County AA is high. Based on June 30, 2015 FDIC deposit data, NBC's deposits in this AA totaled \$90 million. Of the 17 deposit-taking institutions within the bank's Lee County AA, NBC ranked 9<sup>th</sup> with a 3.96% market share. Competition includes a large nationwide institution and several regional banks. The top five competitors, in order of their ranking, are AuburnBank, Compass Bank, Regions Bank, Wells Fargo Bank, N.A., and BancorpSouth Bank. These competitors control 65.92 percent of the deposit market share in the AA. The competition maintains 20 offices in the AA. As of June 30, 2015, NBC had 1 branch in the AA.

The 2015 FFIEC Updated Median Family Income (MFI) is \$67,600. This represents a 10.10 percent increase compared to the 2012 MFI of \$61,400. Lee County AA families living below the poverty level totaled 10.99 percent of the AA population, based on 2010 census year data.

*Employment and Economic Factors*

The economic condition of the AA has improved over the evaluation period. According to the U.S. Bureau of Labor Statistics, unemployment rates in the AA improved from 7.10% at January 2012 to 5.80% at June 2015. At June 2015, the Alabama and nationwide unemployment rates were 6.10% and 5.30%, respectively. A significant number of the AA's workforce are employed in the fields of education and health services. Beyond these fields, the AA is home to several major industries, which include retail and manufacturing. The top five employers in the AA are Auburn University, East Alabama Medical Center, Lee County School System, Auburn City Schools, and Wal-Mart Super Centers. These five companies employed 11,870 individuals as of April 2015.

**Baldwin County AA (Limited Scope)**

The Baldwin County AA is located on the southwestern boarder of Alabama and consists of a portion of the Daphne-Fairhope, AL MSA. The AA covers the southern half of Baldwin County and consists of 25 CTs. The AA includes no (or 0.0%) low-income CTs, 3 (or 12.0%) moderate-income CTs, 16 (or 64.0%) middle-income CTs, and 6 (or 24.0%) upper-income CTs. Baldwin County's population has grown to over 182,000. Bay Minette is the county seat. The Baldwin County AA meets the requirements of the regulation and does not arbitrarily exclude LMI CTs.

Competition for financial services in the Baldwin County AA is high. Based on June 30, 2015 FDIC deposit data, NBC's deposits in this AA totaled \$86 million. Of the 20 deposit-taking institutions within the Baldwin County AA, NBC ranked 10<sup>th</sup> with a 2.22 percent market share. Competition includes a large nationwide institution and several regional banks. The top five competitors, in order of their ranking, are Regions Bank, Wells Fargo Bank, N.A., Compass Bank, PNC Bank N.A., and Centennial Bank. These competitors control 66.5 percent of the deposit market share in the AA. The competition maintains 41 offices in the AA. At June 30, 2015, NBC had 2 branches in the AA.

The 2015 FFIEC Updated Median Family Income (MFI) is \$60,000. Baldwin County AA families living below the poverty level represent 10.0% of the AA population, based on 2010 census year data.

*Employment and Economic Factors*

The economic condition of the AA has improved over the evaluation period. According to the U.S. Bureau of Labor Statistics, unemployment rates for the AA improved from 8.4 percent at January 2012 to 5.5 percent at June 2015. As of June 2015, the Alabama and nationwide the unemployment rates were 6.1% and 5.3%, respectively. A significant number of the AA's workforce are employed in the fields of education, health services, and retail. Beyond these fields, the AA is home to the science/space technology industry. The top five employers in the AA are the Baldwin County Board of Education, Wal-Mart Super Centers, Thomas Hospital, UTC Aerospace Systems, and South Baldwin Regional Medical Center. These five companies employed 7,128 individuals as of June 2015.

## **SCOPE OF EVALUATION IN ALABAMA**

The evaluation period for HMDA loans includes all loans made from January 1, 2012 through June 30, 2015. We reviewed CD activities from November 15, 2012 through November 16, 2015. During the evaluation period, NBC's primary loan product was business loans. Residential mortgage loans were included in the evaluation of total lending in and out of the AA, and volumes were sufficient to warrant borrower and geographic analysis for this evaluation. Based on deposit market-share and loan volume, the Birmingham AA and Huntsville AA both received full-scope reviews. The Birmingham AA received the most weight in final ratings because this AA had the largest percent of the bank's deposits and loan volume. The Baldwin County AA and Lee County AA were reviewed using limited-scope procedures.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ALABAMA**

The bank's performance under the lending test in the State of Alabama is Satisfactory.

- The penetration of loans by borrower income level is reasonable.
- The geographic distribution of loans is also reasonable.
- The bank demonstrated adequate responsiveness to meeting the CD needs of the community through CD loans and services.

## **LENDING TEST**

The bank's performance under the lending test in the State of Alabama is Satisfactory. Lending to borrowers of different incomes showed reasonable penetration. The geographic distribution of loans showed reasonable dispersion.

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

Borrower distribution of loans in the full-scope AAs is reasonable. The level of penetration for home purchase loans to LMI borrowers ranged from "well below the demographic comparator" to "exceeds the demographic comparator." The level of penetration for home improvement loans to LMI borrowers was significantly below the AA's demographic comparator. The level of penetration for home refinance loans to LMI borrowers ranged from "significantly below the demographic comparator" to "exceeds the demographic comparator." The borrower distribution of small loans to businesses in the AA was below or very near to the demographic comparators.

### **Birmingham MSA**

The bank's lending to LMI borrowers in the AA shows reasonable penetration. The level of home purchase lending to low-income borrowers is well-below the percent of families in the AA. The level of home purchase lending to moderate-income borrowers is near to the percent of families in the AA. The level of home improvement lending to LMI borrowers is significantly below the percent of families in the AA. The level of refinance lending to low-income borrowers is significantly below the percent of families

in the AA. The level of refinance lending to moderate-income borrowers is well below the percent of families in the AA.

Given the performance context, the fact that home purchase loans were the bank’s primary loan mortgage product during this period, and the high level of competition in the AA, NBC’s performance is reasonable.

Refer to table 2 for the facts and data used to evaluate the borrower distribution of the bank’s home mortgage loans.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	19.62	4.66	14.88	12.19	17.05	19.71	48.45	62.01
Home Improvement	19.62	0.00	14.88	0.00	17.05	25.00	48.45	0.00
Refinancing	19.62	1.74	14.88	5.23	17.05	9.88	48.45	79.65

Source: Data reported under HMDA. Data collected by the bank.

The borrower distribution of small loans to businesses in the AA is reasonable. The percentage of small loans to small businesses (businesses with gross annual revenue of \$1 million or less) is below the percentage of small businesses in the AA. However, the elevated level of competition in the AA impedes the bank’s ability to make small business loans.

Refer to table 2A for the facts and data to evaluate the borrower distribution of the small loans to small businesses.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	73.16	7.53	19.31	100%
% of Bank Loans in AA by #	46.90	51.30	1.80	100%
% of Bank Loans in AA by \$	37.50	60.50	1.90	100%

Source: Data reported under HMDA. Data collected by the bank.

## Huntsville AA

The bank’s lending to LMI borrowers in the AA shows reasonable penetration. The level of home purchase lending to low-income borrowers is well below the percent of families in the AA. The level of home purchase lending to moderate-income borrowers exceeds the percent of families in the AA. The level of home improvement lending to LMI borrowers is significantly below the percent of families in the AA. The level of home refinance lending to low-income borrowers is well below the percent of families in the AA. However, the level of home refinance lending to moderate-income borrowers exceeds the percent of families in the AA. Given the performance context, the high

level of competition in the AA, and the fact that home purchase loans were the bank's primary mortgage loan product during the evaluation period, the bank's lending performance in the AA is reasonable.

Refer to table 2 for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	21.67	8.20	15.51	21.48	18.30	18.36	44.52	41.02
Home Improvement	21.67	0.00	15.51	0.00	18.30	0.00	44.52	25.00
Refinancing	21.67	5.94	15.51	17.82	18.30	12.87	44.52	52.48

Source: Data reported under HMDA. Data collected by the bank.

The borrower distribution of small loans to businesses in the AA is excellent. The percentage of small loans to small businesses (businesses with gross annual revenue of \$1 million or less) was very near to the percentage of small businesses in the AA.

Refer to table 2A for the facts and data used to evaluate the borrower distribution of the bank's small loans to small businesses.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	77.04	5.12	17.84	100%
% of Bank Loans in AA by #	75.60	20.50	3.90	100%
% of Bank Loans in AA by \$	70.10	25.30	4.60	100%

Source: Data reported under HMDA. Data collected by the bank.

## Conclusions for Areas Receiving Limited Scope Reviews:

Based on limited-scope reviews, the bank's performance for borrower distribution of residential real estate loans and loans to small businesses in the limited scope AAs was consistent with the performance in the full-scope AAs. We considered the performance context, the limited number of offices compared to competing institutions, and the low level of deposit-taking activity in these AAs when compared to competitors.

## Geographic Distribution of Loans

The geographic distribution of loans in the limited-scope AAs show reasonable dispersion. The level of dispersion for home purchase loans to LMI borrowers ranged from "below the demographic comparator" to "exceeds the demographic comparator."

The level of dispersion for home improvement loans to LMI borrowers ranged from “significantly below the demographic comparator” to “exceeds the demographic comparator.” The level of dispersion for home refinance loans to LMI borrowers ranged from “significantly below the demographic comparator” to “near to the demographic comparator.” The geographic distribution of small loans to businesses in the AA ranged from “below” to “exceeded” the demographic comparators.

### Birmingham MSA

The bank’s lending to LMI geographies in the AA shows reasonable penetration. The level of home purchase lending in low-income geographies is well-below the percent of families in the AA. The level of home purchase lending to moderate-income geographies is near to the percent of families in the AA. The level of home improvement lending to low- income geographies is significantly below the percent of families in the AA. The level of home improvement lending to moderate-income geographies exceeds the percent of families in the AA. The level of refinance lending to LMI geographies is significantly below the percent of families in the AA. Given the performance context, and the fact that the Birmingham MSA has a high level of competition, the bank’s performance is reasonable in this AA.

Refer to table 3 for the facts and data to used evaluate the geographic distribution of the bank’s home mortgage loan originations.

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 Purchasing	6.96	1.79	12.15	10.04	18.24	13.62	62.65	74.55
Home Improvement	6.96	0.00	12.15	50.00	18.24	50.00	62.65	0.00
Refinancing	6.96	0.00	12.15	1.74	18.24	7.56	62.65	90.70

Source: Data reported under HMDA. Data collected by the bank.

The geographic distribution of small loans to businesses in the AA is reasonable. The percentage of small loans made in low-income geographies significantly exceeds the percentage of businesses in those geographies. The percentage of small business loans in moderate-income geographies is below the percentage of businesses in those geographies.

Refer to table 3A for the facts and data used to evaluate the geographic distribution of the bank’s small loans to small businesses.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	10.86	13.20	19.75	12.30	18.25	23.20	51.14	51.30

Source: Data reported under HMDA. Data collected by the bank.

## Huntsville AA

The bank’s lending to LMI geographies in the AA shows reasonable dispersion. The level of home purchase lending in low-income geographies is near to the percent of owner-occupied housing in those areas. The level of home purchase lending in moderate-income geographies exceeds the percent of owner-occupied housing in those areas. The level of home improvement lending in low-income geographies is significantly below the percent of owner-occupied housing in those areas. However, the level of home improvement lending in moderate-income geographies exceeds the percent of owner-occupied housing in those areas. The level of home refinance lending in low-income geographies is near to the percent of owner-occupied housing in those areas. The level of home refinance lending in moderate-income geographies is below the percent of owner-occupied housing in those areas.

Refer to table 3 for the facts and data used to evaluate the geographic distribution of the bank’s home mortgage loan originations.

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 Purchasing	4.23	2.34	16.18	18.36	37.55	31.25	42.04	48.05
Home Improvement	4.23	0.00	16.18	25.00	37.55	25.00	42.04	50.00
Refinancing	4.23	2.97	16.18	7.92	37.55	28.71	42.04	60.40

Source: Data reported under HMDA. Data collected by the bank.

The geographic distribution of small loans to businesses in the AA is reasonable. The percentage of small loans made in low-income geographies significantly exceeds the percentage of businesses in those geographies. The percentage of small loans made in moderate-income geographies is below the percentage of businesses in those geographies.

Refer to table 3A for the facts and data used to evaluate the geographic distribution of the bank’s small loans to small businesses.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	11.56	17.90	21.19	12.50	30.94	23.70	36.31	45.90

Source: Data reported under HMDA. Data collected by the bank.

**Conclusions for Areas Receiving Limited Scope Reviews:**

Based on limited-scope reviews, the bank’s geographic distribution of residential real estate loans and loans to small businesses in the limited scope AAs was consistent with the performance in the full-scope AAs. In making this determination, we considered the performance context, the bank’s limited number of offices, and the low level of deposit-taking activity in these AAs when compared to competition.

**Responses to Complaints**

The bank has not received any CRA-related complaints since the previous CRA examination.

**COMMUNITY DEVELOPMENT TEST**

The bank’s performance under the Community Development (CD) Test is rated Satisfactory.

NBC demonstrated adequate responsiveness to meeting the CD needs of the community. This is evidenced by its participation, and sometimes leadership roles, on various committees and boards that provide affordable housing or community services to LMI individuals, or that provide economic development to the community.

The bank has demonstrated a commitment to the community by financing CD organizations that operate in the area.

When considering NBC’s financial resources, competition, and economic challenges in the LMI areas of its largest market, the bank’s CD performance demonstrates adequate responsiveness to CD needs in its AAs through a combination of CD loans, investments, and services.

**Number and Amount of Community Development Loans**

Qualified CD loans are those that meet the CD definition in the CRA regulation and do not include loans considered under the Lending Test. NBC originated numerous small business loans supporting economic growth and job retention in its AAs; however, we evaluated these loans under the Lending Test.

**Birmingham AA**

NBC’s performance in extending CD loans is satisfactory. During the evaluation period, the bank generated 12 CD loans totaling \$3 million in the Birmingham AA. This includes new and renewed loans for affordable housing, the provision of social services targeted to LMI persons, loans for programs that finance small businesses, and loans for initiatives to revitalize and stabilize LMI areas within the community. Some examples of significant CD lending activities are summarized below.

- A \$936 thousand working line of credit to a faith-based organization that provides community development services targeted to LMI individuals; and
- Three lines of credit totaling \$800 thousand to a local nonprofit organization that provides LMI children a quality education in neighborhoods targeted for revitalization.

**Huntsville AA**

NBC’s performance in extending CD loans in the Huntsville AA is satisfactory. The bank originated 19 CD loans, totaling \$16 million, within the AA during the evaluation period. These loans supported economic development, with emphasis on small disadvantaged businesses and permanent job creation in LMI areas, affordable housing, revitalization and stabilization of LMI areas, and community services to LMI individuals.

The SBA 504 program is a financing tool for small businesses that promotes economic development and permanent job creation. The program accomplishes this by providing small businesses with long-term, fixed-rate financing for the acquisition of major fixed assets for expansion and modernization. NBC’s community development lending activity within the SBA 504 program reflects good responsiveness to community credit needs, as evidenced in the below chart.

<b>SBA 504 Loans</b>	<b>Number</b>	<b>Amount</b>
Bank’s MSA	3	\$3,040,786
Non MSA	2	\$ 330,219
<b>Total</b>	<b>5</b>	<b>\$3,371,005</b>

**Statewide Loan**

In addition to the CD loans originated within its AAs, NBC originated an affordable housing loan totaling \$1 million to the Alabama Multifamily Consortium, a multifamily loan consortium that provides permanent mortgages for multifamily use. The program benefits a statewide area that includes the bank’s assessment areas. Since its

inception in 1996, the statewide multifamily loan consortium has created 4,750 low-income housing units. NBC's loan directly benefits the Birmingham AA by providing affordable rental units to LMI individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the CD Lending Tests in the Baldwin County and Lee County AAs is consistent with the bank's performance in the Birmingham and Huntsville full-scope AAs.

### **Number and Amount of Qualified Investments**

Investments, deposits, membership shares, or grants that have CD as their primary purpose, are defined as "qualifying investments" in the CRA regulation. Investments support community services that target LMI families and individuals.

Considering the needs and opportunities in its AAs, NBC's performance meets satisfactory standards. In assessing the Bank's performance, we considered the opportunities for CD investments in the Bank's AAs, as well as NBC's financial and human resources. Bank staff is not knowledgeable on more complex investments such as low-income housing tax credits, and competition in the market has not supported the opportunity for CD investment participations with other lenders.

### **Birmingham AA**

The level of qualified CD investments had a positive impact on investment performance in the Birmingham AA. During the review period, the Bank provided 42 qualified investments/donations totaling over \$1.28 million. During the review period, management purchased a \$1.2 million mortgage-backed security (MBS) in June 2013. The MBS is comprised of seven properties located in the Birmingham AA with 100 percent of the borrowers being LMI individuals. Over \$82 thousand consists of donations to various CD organizations. A substantial majority of these donations helped provide services, such as economic development in LMI areas, and shelter, education, and health care to LMI individuals. The donations were responsive to the needs of local CD organizations that provide these critical services to LMI individuals. A community contact stated that many of the nonprofit organizations are struggling to build capacity and could benefit from bank assistance to develop and strengthen their organizations. Of the total donations, over \$30 thousand helped provide financial education and first time homebuyer training to LMI individuals, which is also an identified need in the Bank's AA.

### **Huntsville AA**

Considering the needs and opportunities in its AAs, NBC's performance meets satisfactory standards in the Huntsville AA. During the evaluation period, the Bank made 17 grants/donations totaling \$16 thousand to eight various CD organizations. A substantial majority of these donations helped provide services, such as food,

education, job training, health care, financial education and homebuyer assistance to LMI individuals and small business development. The donations were responsive to the needs of local CD organizations that provide these critical services to LMI individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the CD Investment Tests in the Baldwin County and Lee County AAs is consistent with the bank's performance in the Birmingham and Huntsville full-scope AAs.

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

#### **Birmingham AA**

NBC's participation in community development services is satisfactory. In addition to the numerous deposit and loan products offered, bank employees were involved with 13 CD organizations by providing financial services, resulting in 49 financial education workshops that benefited LMI individuals and economic development.

#### **Huntsville AA**

NBC's participation in community development services is satisfactory. In addition to the numerous deposit and loan products offered, bank employees were involved with 16 CD services that benefited organizations related to community services for LMI individuals and economic development.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the CD Service Tests in the Baldwin County and Lee County AAs is consistent with the bank's performance in the Birmingham and Huntsville full-scope AAs.

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

The volume and responsiveness of NBC to the CD needs as a whole is excellent. We placed more emphasis on performance in the larger markets, the full scope AAs. The bank is aware of and responsive to affordable housing and economic development needs in its AAs primarily through its lending and investment performance. Community contacts ranked affordable housing and economic development as the most pressing needs in the LMI areas. In addition, NBC has been a long-time U.S. Small Business Administration (SBA) lender, offering loans using the SBA 8 (a) Loan Program and the Certified Development Company/SBA504 Loan Program.

The bank has allocated dollars and manpower resources to achieve those goals through it's:

- CD loans and investments;
- banking products to assist LMI and first-time home buyers;
- banking product to assist LMI homeowners with home improvements in a neighborhood targeted for revitalization;
- financial support of non-profit CD organizations through cash donations;
- active participation and leadership in providing financial education in partnership with organizations whose purpose includes community services and economic development through job retention and creation;
- participation in the Federal Home Loan Bank of Alabama Affordable Housing Partnership (AHP) grant programs to facilitate affordable housing; and
- participation in the Alabama Multifamily Loan Consortium that provides permanent mortgages for multifamily housing statewide.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that we reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (01/01/12 to 06/30/15) Community Development Test: (11/15/12 to 11/16/16)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
(National Bank of Commerce (NBC) Birmingham, AL)	Residential Mortgage: For all Performance Criteria  Business Loans: For all Performance Criteria	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Affiliate products reviewed</i>  N/A		N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
(State of Alabama) Birmingham MSA AA Huntsville MSA AA Lee County AA Baldwin County AA	Full-scope Full-scope Limited-scope Limited-scope	None

