



PUBLIC DISCLOSURE

November 9, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Quantum National Bank
Charter Number 22905

505 Peachtree Industrial Boulevard
Suwanee, GA 30024

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

Quantum 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 local economic conditions in the assessment area.
- The bank originated a majority of its loans within its assessment area.
- The geographic distribution reflects excellent dispersion in the assessment area's low- and moderate-income census tracts.
- Quantum's community development performance demonstrates adequate responsiveness to the needs of the assessment area through community development loans, qualified investments, and community development services.

Scope of Examination

This Performance Evaluation is an assessment of Quantum National Bank's (Quantum) ability to meet the credit needs of its community. Quantum was evaluated using the Intermediate Small Bank evaluation procedures, which includes a lending test and a community development 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. The community development test evaluates a bank's responsiveness to community development needs in its AA through community development lending, qualified investments, and community development services.

The sampling period for the lending test covers the bank's performance from January 1, 2013 to September 30, 2015, as this timeframe is most representative of the bank's lending strategy since the last CRA examination. The evaluation period for the community development test covers bank activities from October 30, 2012 to November 9, 2015.

Quantum's primary loan products over the sampling period are business loans. Per reports provided by management, commercial real estate (CRE) and commercial and industrial (C&I) lending represents 74 percent of the total loans originated from January 1, 2013 to June 30, 2015. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA); however, home loan originations during the sampling period are not significant enough to be considered a primary loan product. We selected a random sample of 35 business loans to assess the bank's lending within its AA. We

took an additional sample that came to 50 business loans within the bank's AA to assess the borrower and geographic distribution of loans.

The following chart provides support for the selection of the bank's primary loan product:

Loan Originations by Loan Product January 1, 2013 through June 30, 2015				
Loan Type	#	%	\$(000)	%
Business Loans (CRE and C&I)	518	74.00%	\$322,389	86.50%
HMDA Loans (1-4 Family Residential and Multifamily)	135	19.29%	\$47,633	12.78%
Other Loans	47	6.71%	\$2,681	0.72%
Total	700	100.00%	\$372,703	100.00%

Description of Institution

Quantum is an intrastate community bank headquartered in Suwanee, GA. As of September 30, 2015, Quantum had total assets of \$365.5 million and tier-one capital of \$38 million. The bank is wholly owned by Quantum Capital Corp., a one-bank holding company. In addition to its main office in Suwanee, the bank has one branch in Milton, GA. Each location has a drive-through facility and a deposit taking automated teller machine (ATM) for customer convenience. The bank has not opened or closed any branches since the last CRA examination. A loan production office (LPO) is scheduled to open in late 2015 in the Buckhead area of Atlanta, GA. There have not been any significant changes to Quantum's corporate structure, including merger or acquisition activities.

Quantum offers traditional lending products with an emphasis in commercial real estate. The bank is a preferred lender through the Small Business Administration 7(a) and 504 loan programs. Consumer and retail lending services are available; however, the bank's activity in these areas is not significant. The bank offers traditional deposit products and services to businesses and consumers and provides access to accounts via online banking. Additionally, Quantum provides an array of cash management services to its business customers.

As of September 30, 2015, Quantum reported net loans of \$311.4 million and total deposits of \$317.9 million. Net loans represented 85 percent of total assets. Quantum's business plan continues to be focused towards commercial lending. The following chart provides a summary of the bank's loan mix:

Loan Portfolio Summary by Loan Product September 30, 2015		
Loan Category	\$(000)	%
Commercial Real Estate Loans	\$172,143	54.53%
Commercial and Industrial Loans	\$58,485	18.53%
1-4 Family Residential RE Loans	\$35,555	11.26%
Multifamily Loans	\$22,538	7.14%
1-4 Family Res. Construction Loans	\$13,043	4.13%
ADC Loans	\$10,263	3.25%
Other Loans	\$3,661	1.16%
Total Loans	\$315,688	100.00%

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

There are no legal or financial impediments that hinder the bank's ability to meet the credit needs of the community. Quantum received an overall "Outstanding" rating at its prior CRA examination dated October 29, 2012.

Description of Assessment Area(s)

Quantum has a single AA that consists of the following counties: Gwinnett, Fulton, DeKalb, Clayton, 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 557 census tracts; 84 low (15%), 139 moderate (25%), 143 middle (26%), and 186 upper-income tracts (33%). 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. As of July 2014, the MSA consists of 29 counties with an estimated population of 5.6 million, an increase from 5.3 million in 2010. Atlanta is the capital city of Georgia and located in Fulton County. The city of Atlanta ranks as the 39th largest city in the United States with a total population of 456,002 for July 2014.

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.

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.

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.

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.

Clayton County

Clayton County borders Fulton County and DeKalb County to the south. According to the updated 2014 US Census data, the county's population is 267,542, an increase from 259,424 in 2010. As of September 2015, the unemployment rate for Clayton County was 7.3 percent, a decrease from the 2010 average of 13.5 percent.

The primary industry in Clayton County is services. Top employers within the county include Delta Air Lines, Inc., Southern Regional Medical Center, Inc., Wal-Mart Associates, Inc., and Southwest Airlines Company.

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

Demographic Information for Quantum's AA						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% N/A
Geographies (Census Tracts)	557	15.08%	24.96%	25.67%	33.39%	0.90%
Population by Geography	2,852,730	10.13%	24.45%	30.47%	34.76%	0.20%
Owner-Occupied Housing by Geography	642,201	4.82%	19.26%	32.78%	43.14%	0.00%
Businesses by Geography	308,496	6.71%	19.90%	29.28%	43.97%	0.13%
Farms by Geography	4,243	5.66%	17.53%	34.34%	42.40%	0.07%
Family Distribution by Income Level	654,988	23.04%	16.51%	17.96%	42.49%	N/A
Household Distribution by Income Level	1,024,601	23.96%	17.10%	17.49%	41.45%	0.00%
Distribution of Low and Moderate Income Families throughout AA Geographies	259,030	18.13%	35.30%	29.17%	17.41%	0.00%
Census Median Family Income (MFI)	\$67,374					
HUD Adjusted MFI: 2015	\$70,700	Median Housing Value				\$231,546
HUD Adjusted MFI: 2014	\$70,100	Families Below the Poverty Level				10.70%
HUD Adjusted MFI: 2013	\$66,300	Unemployment Rate*				5.68%

Source: 2010 U.S. Census Data

*Sept. 2015 Average Unemployment Rate for AA Counties

Bank Competition

Quantum operates in a highly competitive market with competition from local community banks and large regional and multinational financial 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 66 banks operate within Quantum's AA with a total of 720 office locations. Large banks, including SunTrust Bank, Bank of America, and Wells Fargo, dominate the local deposit market with a combined market share of 72.5 percent. Quantum's deposit market share in the AA is less than one percent.

Community Contact

During the CRA evaluation process, we contacted a local organization that provides assistance to small businesses and a local government official that manages grant programs through the Department of Housing and Urban Development (HUD). The organization that provides assistance to small businesses indicated the need of providing financing to small businesses, especially start-up financing. According to the contact, banks are becoming more comfortable with start-up financing and other business financing needs given the improving local economy. As a result, small business financing needs are being actively met to a reasonable extent.

The government official within the community development division of HUD stated that low- and moderate-income (LMI) individuals need assistance with affordable home purchase and renovation financing. In particular, the need is for financing the purchase and renovation costs of affordable homes through the Federal Housing Administration (FHA) 203k loan program. Within Gwinnett County, many of the affordable homes do not meet HUD's Uniform Physical Condition Standards thus making it more difficult for LMI individuals and those with prior financial issues to obtain HUD's assistance and ultimately home financing. These FHA 203k loans will allow qualifying borrowers to obtain the necessary funds to purchase and renovate these homes. Additionally, the government official indicated the need of more homebuyer education programs through banks. The official stated that local financial institutions are doing everything they can to meet the local affordable housing needs.

Please refer to the bank's Public File for additional information.

Conclusions with Respect to Performance Tests

LENDING TEST

Quantum's performance under the lending test is Satisfactory. Quantum's loan-to-deposit ratio is more than reasonable. A majority of the bank's loans were originated inside the AA. In addition, the bank's geographic dispersion of loans in low- and moderate-income census tracts is excellent. Our sample disclosed that lending among

businesses of different sizes reflects poor penetration and needs to improve; however, it is also noted that Quantum is a Preferred SBA lender that participates in helping to meet the need for small business financing in the local area. Details regarding these findings are addressed below.

Loan-to-Deposit Ratio

Quantum’s net loan-to-deposit (LTD) ratio is more than reasonable given the bank’s size, financial condition, and local economic conditions within the AA. We evaluated the bank’s LTD ratio over 11 quarters from December 31, 2012 to June 30, 2015. During this period, the bank’s net loan-to-deposit ratio averaged 95.8 percent, with a quarterly low of 94.6 percent and a quarterly high of 98.1 percent. The bank’s net loan-to-deposit ratio compares favorably with other community banks of similar size and location. Quantum ranks second among a total of nine similarly situated banks within the AA. The average LTD ratio for peer banks was 78.1 percent, and ranged from a low of 61.9 percent to a high of 96.4 percent over the evaluation period.

Lending in Assessment Area

Quantum originated a majority of its business loans by number and dollar amount to borrowers within its AA. The following table details the bank’s lending inside and outside of the AA during the sampling period.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	23	65.71	12	34.29	35	\$14,157	57.03	\$10,667	42.97	\$24,824

Source: Loan Sample (35 CRE and C&I Loans)

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 71 percent. Based on our sample of 50 loans within the AA, the bank originated 46 percent by number and 36 percent by dollar volume in loans to these businesses. The percentage of loans originated to businesses with less than \$1 million is well below the demographic data and does not meet the standard for satisfactory performance.

The following table shows the distribution of business loans among businesses of different sizes in the bank’s AA.

Table 2 - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.07%	3.96%	24.97%	100%
% of Bank Loans in AA by #	46.00%	50.00%	4.00%	100%
% of Bank Loans in AA by \$	36.14%	61.98%	1.88%	100%

Source: Loan Sample (50 CRE and C&I Loans); Dunn and Bradstreet Data

Geographic Distribution of Loans

The bank’s geographic distribution of total business loans reflects excellent dispersion throughout census tracts of different income levels, including low- and moderate-income census tracts. Lending to businesses in low-income census tracts is excellent, given that business loans significantly exceed the percentage of businesses located within low-income census tracts throughout the AA. Lending to businesses in moderate-income census tracts is excellent, given that business loans significantly exceed the percentage of businesses located within moderate-income census tracts throughout the AA.

The following table details the bank’s lending performance compared to the percentage of businesses in each census tract.

Table 3 - Geographic Distribution of Loans to Businesses in 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	6.62	16.00	19.97	30.00	29.62	22.00	43.66	32.00

Source: Loan Sample (50 CRE and C&I Loans); Dunn and Bradstreet Data

Responses to Complaints

Quantum has not received any CRA related complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

Quantum’s performance under the community development (CD) test is Satisfactory. The bank demonstrates adequate responsiveness to the community development needs within its AA. The bank has conducted CD activities through an adequate mix of loans, investments, and services. Quantum’s level of CD activity is comparable to other financial institutions within its AA. Most all qualifying CD activities were located within Fulton and Gwinnett Counties, with some activities being provided to organizations serving and/or benefiting the entire metro Atlanta area. No CD activities were directly provided to organizations located in Clayton, DeKalb, or Forsyth Counties.

Number and Amount of Community Development Loans

Quantum demonstrates adequate responsiveness to community development needs through its lending activities. The bank originated five qualified community development loans totaling \$7.6 million or 19.8 percent of capital during the evaluation period. The bank's loans meet the criteria of affordable housing (including multifamily rental housing) for LMI individuals.

Number and Amount of Qualified Investments

Quantum demonstrates adequate responsiveness to community development needs through its investment activities. During the evaluation period, the bank made one qualified investment totaling \$1 million with a purpose of financing affordable housing for LMI individuals and families within the AA. Additionally, the bank continues to hold a prior period qualified investment that has a current book value of \$822 thousand.

During the evaluation period, the bank made \$24 thousand in qualifying donations to community service organizations within the AA.

Extent to Which the Bank Provides Community Development Services

Quantum and its employees have been involved in a limited number of community development services since the last CRA examination. The bank does not have any branches that are located in low- or moderate-income census tracts, tracts designated as underserved/distressed nonmetropolitan middle-income census tracts, or in major disaster areas. Over the evaluation period, three bank employees provided technical assistance on financial matters as Board members of qualifying community service organizations in Fulton and Gwinnett Counties. Four other bank employees served as mentors and provided financial education to Gwinnett County middle schoolers, in which participants developed budgets, made purchasing decisions, and other business management decisions through a mock business exercise.

Responsiveness to Community Development Needs

Based upon Quantum's overall level of CD activities within the AA and its operating environment and business strategy, the bank provides adequate responsiveness to identified needs.

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.