

PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Chattahoochee National Bank
Charter # 23597

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NOTE: 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.

TABLE OF CONTENTS

General Information	1
Institution's CRA Rating	1
Description of Institution	2
Types of Loans Outstanding at June 30, 1999	2
Description of Assessment Area	3
Income Definitions	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	4
Loan-to-Deposit Ratio	4
Distribution of Credit	5
Lending in the Assessment Area	5
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	5
Lending to Borrowers in Different Geographies	6
Response to Consumer Complaints	6
Record of Compliance with Antidiscrimination Laws.	6

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act performance of **Chattahoochee National Bank**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 12, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The CRA rating for Chattahoochee National Bank (the “*bank*” or “*CNB*”) is based on the following factors:

- # a loan-to-deposit ratio that exceeds similarly situated banks in your assessment area,
- # the majority of lending being within the bank’s assessment area, and
- # adequate loan distribution to borrowers of different income levels and different size businesses.

DESCRIPTION OF INSTITUTION

Chattahoochee National Bank (CNB) is a \$31 million commercial banking institution that is wholly owned by CNB Holdings, Inc. The bank's financial condition, as of June 30, 1999, is characterized by total loans and leases of \$20 million and total deposits of \$21 million. Net loans comprise approximately 64% of total assets. The bank has been open for about 12 months and as expected, net income is negative. The main office is located at 7855 North Point Parkway, Alpharetta, Georgia. The bank has no other branches and does not have an automated teller machine (ATM). No legal impediments exist that should hinder the bank from meeting the credit needs of its assessment area. As a new bank, CNB is focusing on building a customer base within the community.

CNB offers traditional financial services focusing on commercial loans and business deposit accounts and services. The bank's principal niche is small business lending. The bank also offers residential mortgage loans, home equity loans, consumer loans, and consumer deposit accounts and services. The bank offers commercial equipment leasing services. The bank's gross loan portfolio, as of June 30, 1999, consisted of 92% commercial loans. A majority of these loans are small business loans. The bank's consumer loan portfolio is small and represents only 8% of the loan portfolio.

Types of Loans Outstanding at June 30, 1999

The following table details the composition of the bank's loan portfolio as of June 30, 1999.

Loan Type	Dollar Amount of Loans OS	Percent of Average Loans
Commercial	\$10,929	62%
Real Estate (Commercial)	3,700	21%
Construction	1,480	9%
Consumer Installment, Real Estate and HEL	1,473	8%
Total	\$17,582	100.00%

Table 1

CNB is primarily a commercial and small business lender. As of June 30, 1999, approximately 92% of outstanding loans were for commercial, commercial real estate, and construction purposes. The bank also

offers commercial leases. As of June 30, 1999, the bank had approximately \$2.6MM in leases. Approximately 85% of these leases are to small businesses and sole proprietorships.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes sections of Fulton and Forsyth Counties. This area contains a total of 21 census tracts, 20 in Fulton County and one in Forsyth County. The assessment area consists of four middle-income census tracts and 17 upper-income census tracts as designated by the U.S. Census Bureau. The assessment area does not include any low- or moderate-income census tracts and meets the requirements of the regulation. The area does not arbitrarily exclude any low- to moderate-income geographies. The assessment area is a part of the Atlanta Metropolitan Statistical Area (MSA) and includes the cities of Alpharetta and Roswell. Four community banks and several regional bank branches are located in the assessment area.

According to 1990 U.S. Census Bureau data, the population of the assessment area is 148,669. The north portion of Fulton County and Forsyth County are among the fastest growing areas within the Atlanta MSA. Growth is in both commercial and residential. According to the Greater North Fulton Chamber of Commerce (GNFCC), 20,000 new jobs have been created in the past five years. Major corporations in north Fulton include: AT&T, Allied, Kimberly Clarke, Digital Equipment, MCI, Siemens, and UPS. The small business community is also growing and thriving. Businesses with less than 50 employees make up nearly 81% of the area's job base, and 85% of the GNFCC membership base. Also, over 100 international companies are located in the Greater North Fulton area.

From 1980 to 1990, the population in Greater North Fulton County grew from 47,157 to 169,065. According to 1990 U.S. Census data, the average median housing price is \$163,936. However, with the fast pace growth and popularity of the area, GNFCC estimates housing costs from the mid-\$100,000 to over \$3,000,000. The average new home price in the city of Roswell is \$218,000.

The following table shows additional demographic information for the assessment area.

Income Designation	Number of census tracts in Assessment Area	Population of Families in Assessment Area	Percent of Families in Assessment Area
Low	0	3,109	7.69%
Moderate	0	4,880	12.07%
Middle	4	7,181	17.75%

Income Designation	Number of census tracts in Assessment Area	Population of Families in Assessment Area	Percent of Families in Assessment Area
High	17	25,276	62.49%
Total	21	40,446	100.00%

Table 2

As a new bank, CNB is still building a customer base which can account for mismatches in loan penetration to borrowers of different income levels and businesses of different sizes. Overall, the assessment area is highly prosperous with less than 2% unemployment. Also, only 4% of the number of households are below the poverty level and less than 2% receive public assistance.

As a part of our CRA evaluation we contacted a representative of the Greater North Fulton Chamber of Commerce. We determined that credit needs include commercial loans and services, commercial real estate loans, and small business loans. These types of loans and services are available through several financial institutions in CNB's assessment area.

Income Definitions

The Atlanta MSA median family income is used as the area median income. The 1990 U.S. Census Atlanta MSA median family income was \$41,047. The 1999 updated median family income is \$59,900.

Low-income - an individual income, or median family income for geographies, that is less than 50 percent of the area median income.

Moderate-Income - an individual income, or median family income for geographies, that is at least 50 percent and less than 80 percent of the area median income.

Middle-Income - an individual income, or median family income for geographies, that is at least 80 percent and less than 120 percent of the area median income.

Upper-Income - an individual income, or median family income for geographies, that is 120 percent or more of the area median income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank has been in operation for one year. Only three quarters of information on the bank's average loan-to-deposit ratio are available. As of March 31, 1999, the bank's quarterly average loan-to-deposit ratio is 93.50% compared with the average loan-to-deposit ratio of 68.75% for the four other independent community banks in the assessment area. CNB's loan-to-deposit ratio indicates that the bank is doing an excellent job of extending loans, particularly given its short time in operations.

DISTRIBUTION OF CREDIT

Lending levels reflect general responsiveness to the business credit needs of the community. To determine lending inside and outside the bank's assessment area, we used internal bank documentation that shows loan dollars outstanding for all loans originated since the bank opened in July 1998. We sampled 18 commercial loans and 15 consumer loans within the assessment area to determine lending to borrowers of different income levels and businesses of different sizes. Our sample of 33 loans represents about 48% of all loans in the assessment area. Our conclusions are based on the above-mentioned information.

LENDING IN THE ASSESSMENT AREA

CNB extended a majority of loans within its assessment area. As of June 30, 1999, 65.71% of the number of loans and 68.26% of the dollar volume of outstanding loans were within the bank's assessment area. A majority of the loans are commercial loans and a substantial number are small business loans with an original amount of less than \$1,000,000. CNB's lending in the assessment area is considered good, given the age of the bank.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The average dollar size of outstanding commercial purpose loans in the bank's assessment area as of June 30, 1999 is \$212,904. The average dollar size of outstanding consumer purpose loans in the bank's assessment area is \$61,000.

Lending to businesses of different sizes is adequate. For purposes of the Community Reinvestment Act, small businesses are defined as those with gross annual revenues less than \$1 million. Our sample indicated that 56% of the commercial loans in the assessment area are to small businesses.

The distribution of loans to borrowers with different incomes is very good compared with the demographics of the assessment area and the performance context of the bank. About 8% of families in the assessment area are low-income and 13% of the consumer loans sampled were made to low-income families. About 12% of families in the assessment area are moderate-income and 20% of the loans sampled were to moderate-income families. Also, 18% of families are middle-income and 13% of the loans sampled were to middle-income families. About 62% of families are upper-income and 54% of the

loans sampled were to upper-income families.

LENDING TO BORROWERS IN DIFFERENT GEOGRAPHIES

The bank's assessment area has no low- to moderate-income census tracts. Therefore, there are too few geographic distinctions within the assessment area to perform a meaningful analysis. As of June 30, 1999, CNB has loans outstanding in 16 of the 21 census tracts in the assessment area.

RESPONSE TO CONSUMER COMPLAINTS

CNB has not received any CRA-related complaints since opening in July 1998.

RECORD OF COMPLIANCE WITH ANTIDISCRIMINATION LAWS.

We conducted a concurrent compliance and fair lending examination. The scope of the fair lending examination included a sample of ten consumer loan products focusing on the bank's compliance with the Equal Credit Opportunity Act. We did not find any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws. The bank has instituted fair lending policies, procedures, and training programs.