



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 10, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Embassy National Bank
Charter Number 24679

1817 North Brown Road
Lawrenceville, GA 30043-0000

Office of the Comptroller of the Currency

Georgia Field Office
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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.

This performance rating is supported by the following:

- A reasonable loan-to-deposit ratio.
- A majority of the bank's loans were originated within the assessment area.
- A satisfactory record of lending to businesses of different sizes.
- A reasonable dispersion of loans throughout the assessment area.

SCOPE OF EXAMINATION

This CRA Performance Evaluation is an assessment of Embassy NB's (Embassy) ability to meet the credit needs of its community. Examiners conducted a full-scope review of the bank's assessment area, which encompasses four counties in the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area. The bank was evaluated utilizing the Small Bank examination procedures and covers the period from March 2007 through March 2010.

The bank offers a variety of traditional deposit and loan products with commercial real estate and construction as primary credit products. Loan products include real estate, small business, and consumer credits. In addition, the bank offers loans through the Small Business Administration's Government Guaranteed Loan Program. Home Mortgage Disclosure Act (HMDA) data was available for 2009 but residential real estate lending is not a major bank product. Therefore, we did not use HMDA data or residential loans to determine CRA performance. We sampled 20 commercial real estate loans to assess the level of lending to businesses of different sizes and the geographic dispersion of business lending in the assessment area. As of December 31, 2009, the loan portfolio composition was as follows:

Loan Portfolio Summary by Loan Product December 31, 2009	
Loan Category	% of Outstanding Dollars
Real Estate Loans	84.59%
Commercial Loans	12.50%
Home Loans	2.60%
Consumer Loans	<1%

There are no known legal or financial impediments that would hinder meeting the credit needs within the assessment area. This is Embassy's first CRA evaluation since the bank opened in March 2007.

DESCRIPTION OF INSTITUTION

Embassy is a full-service community bank headquartered in Lawrenceville, Georgia. It is wholly-owned by Embassy Bankshares, Inc., a one bank holding company. Embassy opened March 5, 2007. As of December 31, 2009, the bank had total assets of \$59.9 million. Net loans totaled \$44.5 million, representing 74 percent of total assets. Investments totaled \$6.7 million, or 11 percent of total assets. Deposits were \$50 million with total equity capital of \$7.8 million. The main office has a drive-through facility and an automated teller machine for customer convenience.

The bank operates in a highly competitive environment. 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. As of June 30, 2009, 94 banks operated in Embassy's assessment area (AA) with a total of 878 office locations. The bank's deposit market share in the AA was less than one percent.

DESCRIPTION OF ASSESSMENT AREA(S)

Embassy's assessment area (AA) consists of four counties in the Atlanta area including Gwinnett County, where the bank's main office is located. These counties are part of the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area (Atlanta MSA). The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low-moderate-income census tracts (CTs).

Atlanta-Sandy Springs-Marietta, GA MSA

The Atlanta MSA is considered the most populated metro area in the State of Georgia and the eighth-largest MSA in the United States. The MSA consists of 28 counties with an updated US Census 2008 population of 5,376,285. Atlanta ranks as the 33rd largest city in the United States. Since 2000, metro Atlanta has grown by over 1.1 million people, a 27 percent increase. Atlanta is the capital city of Georgia and located in Fulton County.

Employment in Metro Atlanta declined significantly as a result of the severe economic downturn, which negatively affected the real estate market and MSA. Reports through June 2009 show that the Atlanta MSA experienced negative net job growth of 5.5 percent. In the month of June 2008, 133,000 jobs were lost. In February 2010, the unemployment rate in Atlanta was 10.8 percent, above the Georgia state average of 10.5 percent and the national average at 9.7 percent.

Atlanta's economic struggles in 2008 and 2009 were fueled by a saturated commercial real estate market, primarily consisting of residential development and construction lending. The outlook was weakened by a depressed labor market. Currently, there is no oversupply of homes, but rather the demand for housing continues to be suppressed due to lack of consumer confidence, fear of job loss, and fear of falling home prices. Since 2007, the national economy was

negatively impacted by a dramatic increase in bank failures, with Georgia having the highest number of failed banks. The collapse of Metro Atlanta's housing market and the increase in home foreclosures, coupled with the credit crisis, contributed to local bank failures.

The leading employment sectors in the Atlanta MSA are trade, transportation and utilities, professional and business services, and government. Metro Atlanta employs nearly 2.3 million people. Top corporate employers in the Atlanta MSA as of 2009 are Delta Airlines, Inc., Emory University, The Kroger Co., Wal-Mart Associates Inc., and Wellstar Health Systems, Inc.

The Atlanta MSA is also home to Hartsfield-Jackson International Airport. The airport is located on over 3,500 acres in parts of Fulton and Clayton Counties. In 2008, approximately 90 million passengers traveled through Hartsfield-Jackson International Airport.

Gwinnett County

Gwinnett County borders Fulton County to the east and it is one of the nation's fastest growing counties. Gwinnett County's 2008 estimated population was 789,499. As a part of the Atlanta MSA, the county has been negatively impacted by Atlanta's economic downturn. As of 2008, the estimated median household income was \$56,395 per year. As of February 2010, the unemployment rate for Gwinnett County was 9.9 percent, which was an increase from the 2008 average of 8.9 percent.

Trade, professional and business services, and leisure and hospitality are the county's largest employment sectors. The county's top employers are Gwinnett Hospital System Incorporated, Publix Supermarket Incorporated, Scientific-Atlanta, Inc., The Kroger Co., and Wal-Mart Associates Inc.

Fulton County

Fulton County, the most populated county in Georgia, is the core county of the Atlanta MSA. Fulton County suffered a severe decline in the economy depicted by a dramatic decrease in residential building permits. Despite the economic slowdown in Metro Atlanta, Fulton County's population surpassed the 1 million mark in 2008 - the first county in the state to achieve that milestone. The population increased 24.4 percent since 2000. The county seat is the city of Atlanta. As of February 2010, the unemployment rate was 11 percent, an increase from 2008 averages of 6.4 percent.

The primary industry in Fulton County is services. The five largest employers are Delta Air Lines., Georgia Institute of Technology, Georgia State University, IBM, and Turner Services Inc.

DeKalb County

DeKalb County borders Fulton County on the east and includes 10 percent of the city of Atlanta. The Center for Disease Control and Prevention is headquartered in DeKalb County. The estimated population for 2008 was 739,956, which is an 11 percent increase from 2000. As of February 2010, the unemployment rate for DeKalb County was 10.7 percent, an increase from 2008 averages of 6.4 percent.

The top five employers for DeKalb County include: Children’s Healthcare, DeKalb Medical Center Inc., Emory Healthcare Inc., Emory University, and The Kroger Co.

Cobb County

Cobb County borders Fulton County on the west. The U.S. Census Bureau ranks Cobb County as the most-educated in the state of Georgia and ranked 15th among all counties in the United States. This County is consistently ranked among the top 100 wealthiest counties in the United States. The 2008 estimated population was 698,158, a 15 percent increase from 2000. As of February 2010, the unemployment rate for Cobb County was 10.1 percent, an increase from 2008 averages of 5.6 percent.

The primary industry in Cobb Country is services. The five largest employers are Lockheed Martin Corp, Publix Super Market Inc, The Home Depot, Wal-Mart Associates Inc., and Wellstar Health System Inc.

Demographic and Economic Characteristics of Assessment Area	
<i>Source: CRA Wiz Report based on 2000 US Census</i>	
<i>Population</i>	
Number of Families	657,252
Number of Households	1,000,814
<i>Geographies</i>	
Number of Census Tracts	440
% Low-Income Census Tracts	15.45%
% Moderate-Income Census Tracts	22.50%
% Middle-Income Census Tracts	29.55%
% Upper-Income Census Tracts	32.50%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$58,537
2009 HUD-Adjusted MFI	\$71,700
<i>Economic Indicators</i>	
Unemployment Rate	3.07%
2000 Median Housing Value	\$164,103
% of Households Below Poverty Level	9.04%

Community Contact

During the CRA evaluation process, examiners contacted organizations within the AA for information regarding local economic conditions and credit needs. One community contact stated that the community needs more funding for: downpayment assistance, start up for an IDA program, home improvement loans, pre- and post purchase counseling volunteers, and operating funds for non-profit organizations. Several area banks support the organization with funding and assistance. Another contact indicated that the needs of small businesses must be addressed. Financial institutions in the local area were noted as actively meeting the small business credit needs within the community. This bank offers mortgage products, including home improvement and home equity loans, but are meeting more of the commercial and small business needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Embassy’s overall performance under the lending test is satisfactory. This conclusion is based on the following: reasonable loan-to-deposit ratio, a majority of lending within the assessment area (AA), a reasonable penetration of loans to businesses of different sizes, and a reasonable geographic dispersion of business loans in the AA. Details regarding these findings are addressed below.

Loan-to-Deposit Ratio

Embassy’s quarterly average loan-to-deposit (LTD) ratio averaged 92 percent since it opened in March 2007 with a range of 34 percent to 130 percent. This ratio is reasonable in comparison to the 104 percent average ratio of nine similarly situated banks. The peer group banks are all headquartered in Embassy’s AA and have total assets as of December 2009 between \$54 million and \$143 million. Quarterly peer bank average LTD ratios ranged from a low of 82 percent to a high of 121 percent. Although Embassy's LTD ratio is lower than the average of the peer group, five of these banks opened for business after Embassy. New banks generally have quarterly LTD ratios in excess of 100 percent for several quarters after opening. Loans and deposits do not grow in tandem for new banks. This can skew a bank's LTD ratio for several quarters after a bank opens. Embassy's LTD ratio falls within the low and high average range and meets the standards for satisfactory performance.

Lending in Assessment Area

A majority of Embassy’s loans were made inside the AA and reflect a reasonable responsiveness to community credit needs. Seventy-five percent of all loans originated or purchased during the evaluation period were within the AA. By dollar volume, seventy-five percent were originated or purchased in the AA. The following table details lending in and out of the AA during our evaluation period.

Assessment Area Lending (Evaluation Period – March 2007 through March 2010)								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	%	\$000's	%	#	%	\$000's	%
All Loans	91	75%	\$38,340	75%	30	25%	\$12,574	25%

Source: Internal loan report

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

Lending to businesses of different sizes is reasonable and meets the standards for satisfactory performance. The percentage of small business loans by number made to businesses with

revenues less than \$1 million is in line with the percentage of small businesses in the AA. The dollar volume of loans to small businesses in the AA is reasonable. According to US Census data, 76 percent of businesses in the AA report revenues of less than \$1 million. Of the 20 business loans we sampled, 75 percent by number, and 64 percent by dollar volume were made to small businesses. The following table details lending to businesses during the evaluation period.

Borrower Distribution of Loans to Businesses in Assessment Area (Evaluation Period – March 2007 through March 2010)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76%	4%	20 %	100%
% of Bank Loans in AA by #	75%	25%	--	100%
% of Bank Loans in AA by \$	64%	36%	--	100%

Source: Internal Loan Reports & U.S Census

Geographic Distribution of Loans

Embassy’s geographic distribution of business lending is reasonable given the performance context. No loans in our sample of 20 business loans were extended within a low-income census tract (CT). However, the bank’s penetration in moderate-income CTs exceeded the number of businesses in moderate-income CTs. According to US Census data, 6 percent of businesses in the AA are in low-income CTs. However, Gwinnett County, where the bank’s only office is located, does not contain any low-income CTs. Over 90 percent of the low-income CTs are in Fulton County, where the city of Atlanta is located. The banking competition is very strong in central Atlanta with numerous potential financial options. The table below details business lending in the different income level CTs.

Geographic Distribution of Loans to Businesses in Assessment Area								
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	6%	0%	16%	20%	33%	45%	45%	35%

Responses to Complaints

There were no CRA-related complaints received by the bank or the OCC during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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