



Comptroller of the Currency
Administrator of National Banks

SMALL
BANK

PUBLIC DISCLOSURE

April 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Quantum National Bank
Charter Number 22905
505 Peachtree Industrial Boulevard
Suwanee, Georgia 30124**

Office of the Comptroller of the Currency

**Southeastern District
Georgia Field Office
1117 Perimeter Center West, Suite W-401
Atlanta, Georgia 30338-5417**

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.

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 (CRA) performance of **Quantum National Bank (QNB)**, Suwanee, Georgia prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 13, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a **MSA**. These areas are determined by the U. S. Census Bureau in an attempt to group homogeneous populations. A **CT** has defined boundaries per ten year census and an average population of 4,000.

Median Family Income (MFI) - The median income as determined by the U. S. Census Bureau. This amount is based on estimates developed by the Department of Housing and Urban Development and is updated annually.

Low-Income - Income levels which are less than 50% of the **MFI** of the **MSA**.

Moderate-Income - Income levels which are less than 80% of the **MFI** of the **MSA**.

Middle-Income - Income levels which are less than 120% of the **MFI** of the **MSA**.

Upper-Income - Income levels which are 120% or greater of the **MFI** of the **MSA**.

Community Reinvestment Act (CRA) - This statute requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2901 and 12 CFR 25 as amended, respectively.

Home Mortgage Disclosure Act (HMDA) - This statute requires certain mortgage lenders that do business or have banking offices in a **MSA** to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of applicant(s), the amount of loan requested and its disposition (e.g. made, denied, or withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase and home improvement, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2801 and 12 CFR 203 as amended, respectively.

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory Record of Meeting Community Credit Needs.**”

QNB’s performance rating is supported by the following:

- a reasonable loan-to-deposit ratio;
- a satisfactory record of lending within the assessment area;
- a satisfactory record of lending to borrowers of different incomes and to businesses of different sizes; and,
- a reasonable distribution of loans by geography.

The following table indicates the performance level of **Quantum National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Quantum National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

QNB is a local and wholly-owned independent community bank of Quantum Capital Corporation, a one bank holding company chartered in December 1995. The bank has one location in Suwanee, Georgia which is located in the northern section of Gwinnett County. The main office is located at 505 Peachtree Industrial Boulevard. The bank has total assets of \$37 million with a loan portfolio approximating \$22 million as of December 31, 1997. Lending activity is centered in consumer loans (8%), non-farm and non-residential loans (33%), real estate construction and development loans (28%), and commercial and industrial loans (31%). Total deposits in the bank approximate \$32 million with capital accounts aggregating \$5 million.

The bank offers a variety of traditional deposit and loan products with small business and real estate lending being its primary credit products. Real estate loans consist of construction, acquisition, mortgage and development purposes. In addition, the bank offers loans through the government guaranteed loan program known as the Small Business Administration. The bank also operates one automated teller machine at its main location for customer convenience. There

are not any financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area. The last CRA examination of QNB was conducted as of December 10, 1996, at which time a Satisfactory rating was received.

DESCRIPTION OF ASSESSMENT AREA

QNB's assessment area meets the technical requirements of the Act and does not arbitrarily exclude low and moderate income census areas. The assessment area is part of the greater Atlanta Metropolitan Statistical Area (MSA).

The defined assessment area is comprised of Gwinnett, Fulton, Dekalb, Clayton and Forsyth counties. According to the 1990 United States Census, the population of this defined area is approximately 1.8 million people. The census median family income for the assessment area is \$41,047. The Department of Housing and Urban Development's (HUD) *updated* median family income estimate for the Atlanta MSA is \$53,100.

ATLANTA MSA - The Atlanta Metropolitan Statistical Area is a twenty-county area surrounding the city of Atlanta with 504 census tracts. Metro Atlanta is internationally recognized as the transportation, communication, industrial, and cultural center of the Southeastern United States. The Atlanta MSA has one of the strongest economies of any major urban area. Due to its location and extensive transportation network, Atlanta has developed as a major distribution center for the Southeast. Distribution and associated industrial activities are gradually being transferred to other urban centers in the South, while Atlanta has evolved as a major provider of technological and financial support services.

The Atlanta MSA has a diverse industrial base that includes: manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Ninety percent of the Fortune 500 companies maintain regional offices in the Atlanta area. In addition, ninety-eight of the nation's top industrial firms maintain some type of operational facility in metro Atlanta. Foreign trade has played a significant role in the area's growth over the last two decades. More than 200 foreign firms have established their U.S. headquarters in Atlanta. Of these companies, thirty-one are foreign-based banks with offices in Atlanta.

FULTON COUNTY - Fulton County is one of the largest counties in the Atlanta MSA and one of the most sophisticated and diversified communities in the southeastern United States. The local business community includes national and international corporate giants such as Coca Cola, Delta Airlines, AT&T, Kimberly Clarke, Siemens Energy & Automation, CibaVision, UPS, Herman Miller, and American Honda. Fulton County's small business community is also growing and thriving. Small businesses represent 80 percent of the area's job base, and are the primary source of new job creation.

GWINNETT COUNTY - Quantum National Bank's business is primarily conducted in Gwinnett County. Gwinnett County has been one of the fastest growing counties in the United States. As a result, several major domestic and foreign companies have located their manufacturing and distribution centers in the county. Gwinnett is home to over 450 high-tech companies including more than 250 international firms. Major industry employers include Lucent Technologies, PROMINA Gwinnett Health System, and Motorola Energy Products Division. The Gwinnett County Public School system is the largest employer in the county. Unemployment for the county is 3.2 percent and has been lower than those of the state and national averages for several years.

DEKALB COUNTY - Dekalb County is the second largest populated county in the state. The county is positioned immediately east of Atlanta and is considered the hub of the metro region. Unemployment in the county was 4.8 percent as of 1995, and the county is home to over 20,000 businesses. The community is active in small business development and has enjoyed significant growth in international business.

FORSYTH COUNTY - Forsyth County is the fastest growing county in the nation. The population of 44,083 by 1997 and has been projected to be over 110,000 by the year 2000. The area's housing market has boomed because of a growing population. Over 150 subdivisions have been developed with an average price for single family home being approximately \$158,000. Retail trade and service organizations are the primary industries in the county although manufacturing companies are the largest employers of local residents. Unemployment in the county is low at 2.8 percent.

COMMUNITY CONTACTS - As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs. Based on information provided by the Gwinnett County Community Development Block Grant Program and the Gwinnett Housing Resource Partnership, Inc., the primary need in the area is affordable mortgage programs for low and moderate income families.

The following table highlights the demographic composition of the bank's assessment area.

Type of Census Tract	Number of Census Tracts	Percentage of Total Number of Census Tracts	Number of Households in Census Tracts	Percentage of Households in Census Tracts
Low	59	19%	59,043	9%
Moderate	60	19%	111,526	17%
Middle	104	33%	285,629	42%
Upper	90	29%	218,587	32%
NA	1	0%	0	0%

One census tract does not have an assigned income characteristic. This type of tract typically has very little residential development due to the industrial nature of the area or the area is unsuitable for residential development. In addition to QNB, area competition for financial services is keen and includes several multi-national and regional banks, local community banks, savings banks, and credit unions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**LOAN-TO-DEPOSIT RATIO**

QNB's loan-to-deposit ratio is reasonable in view of the community's credit needs, demand for credit, and keen competition among area financial institutions. The bank's average loan-to-deposit ratio over the last four quarters is 68 percent as compared to peer averages for the same period of 74 percent. The bank's current loan-to-deposit ratio is 65 percent.

LENDING IN THE ASSESSMENT AREA

A majority of the bank's loans is within its defined assessment area. An analysis of a sample of 89 new loans originating between July 1, 1997 through December 31, 1997 reveals that a majority of loans is granted within the assessment area (AA) and is detailed as follows:

Lending In the Assessment Area				
	# of Loans	%	\$ of Loans ('000)	%
Inside AA	66	74	8,731	76
Outside AA	23	26	2,757	24
Totals	89	100	11,488	100

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

Lending to borrowers of different incomes is satisfactory. We sampled a total of thirty-two consumer purpose loans to determine the income levels of borrowers. As the following table indicates, QNB's lending to borrowers of low and moderate income levels is satisfactory with about twenty-eight percent to LMI borrowers. This compares favorably to thirty-eight percent of families at those levels in the bank's assessment area. Distribution at other income levels is also reasonable.

Distribution of Loans by Borrower Income Level in Assessment Area			
Income Level	% Families in Assessment Area	# of Loans	% of Loans
Low Income	21%	5	15%
Moderate Income	17%	4	13%
Middle Income	23%	7	22%
Upper Income	39%	16	50%
Total	100%	32	100%

Overall, the bank's lending volume regarding loans to small businesses is good. Based on our review, most business loans are to local businesses having annual revenues less than \$1 million. The analysis of our sample of small business loans disclosed that 44 loans or 79 percent of the sample were extensions to businesses having annual revenues of less than \$1 million. In addition, another 12 loans or 21% were granted to businesses having annual revenues over \$1 million. The bank considers its primary market to be small businesses and commercial customers and, as a result, has targeted its marketing efforts to reach those customers.

GEOGRAPHIC DISTRIBUTION OF LOANS

There is a reasonable distribution of loans extended within the assessment area. The following table reflects the distribution of all types of loans within the bank's assessment area by income designation of census tract.

Geographic Analysis of Loans Originating Between July 1, 1997 and December 31, 1997			
Type Of Census Tract	Number of Loans Within the Type of Census Tract	Dollar Amount of Loans Within the Type of Census Tract	Households Within the Type of Census Tract
Low Income	0%	0%	9%
Moderate Income	9%	11%	17%
Middle Income	40%	45%	42%
Upper Income	22%	21%	32%
Not Geocoded	29%	23%	

The table above reflects a reasonable distribution given the geographic size of the bank's

assessment area which comprises 314 census tracts. The sample analysis disclosed that QNB has originated 11 percent in dollar volume of loans in moderate income census tracts; 45 percent in middle income census tracts; and, 21 percent in upper income census tracts of the five county assessment area. This distribution is considered reasonable and consistent with the location of the bank's office and limited resources. While no loans were found to be extended in low census tracts, twenty-four accounts or approximately \$2.4 million in loans could not be properly geocoded because of post office box addresses or newly developed streets. Census tract information was not available for these customers. A conspicuous gap of no loans being made in a low income census tract is evident, the number of loans that could not be geocoded has mitigated our concern at this time.

RESPONSE TO CONSUMER COMPLAINTS

QNB has not received any consumer complaints since the last CRA examination.

SUMMARY

The bank is in substantial compliance with the technical aspects of anti-discrimination laws. No violations of fair lending laws were detected. Loan applications are solicited from all segments of the community and income levels. The dispersion of loans throughout the assessment area is reasonable. Satisfactory policies and procedures have been adopted and are in place.

The loan to deposit ratio, lending in the assessment area, lending to borrower's of different incomes and businesses of different sizes, and the geographic distribution of loans are satisfactory in view of the bank's financial and human resources and limited years of operation.