

LARGE BANK

PUBLIC DISCLOSURE

July 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Commerce
Charter Number: 13681**

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Memphis, Tennessee 38150**

**Office of the Comptroller of the Currency
Southeastern District
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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.

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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 **National Bank of Commerce, Memphis, Tennessee (NBC)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 6, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definition of Terms

The following are definitions of terms used throughout this public evaluation. The definitions are not the strict legal definitions contained in 12 CFR 25.12, but rather a synopsis of their meaning.

Assessment Area (AA) - The area defined by the bank. It is the geographical boundary where the bank's Community Reinvestment Act activities are evaluated.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash, accepting deposits or loan payments and transferring funds between accounts.

Community Development - The primary purpose of the loan, investment, or service is for (1) affordable housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing small businesses and farms that meet the size eligibility standards of 13 CFR 121.802(a)(2) or have gross annual revenues of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

Geography - A census tract or block numbering area.

Home Mortgage Disclosure Act (HMDA) Loan - A residential real estate loan (home purchase, home improvement, refinance or multi-family).

Low-, Moderate-, Middle-, and Upper-Income Geography - A low-income geography is one in which the median family income is less than 50% of the area median income, moderate-income is 50% to 79% of the area median family income, middle-income is 80% to 119% of the area median family income and upper-income is 120% or more of the area median family income.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties including large population centers and nearby communities that have a high degree of interaction.

Qualified Investment - A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business Loan - A commercial loan with an original loan amount of \$1 million or less.

Small Farm Loan - A farm loan with an original loan amount of \$500,000 or less.

INSTITUTION

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

The following table indicates the performance level of NBC with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	NATIONAL BANK OF COMMERCE		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory			
Low Satisfactory	X	X	X
Needs to Improve			
Substantial Noncompliance			

Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The following are the primary factors supporting NBC’s performance under the lending, investment and service tests.

- L NBC’s lending levels are adequate based upon the bank’s market conditions and opportunities. The geographic and borrower distributions are adequate based upon the demographic and economic conditions of the bank’s assessment areas. Also, a high percentage of HMDA and small business loans are within the bank’s assessment area. Community development loans totaled \$4.9 million which provided 218 units of affordable housing.
- L During this evaluation period, NBC made an adequate level of qualified community development investments. The bank’s qualified investments total \$1.03 million and specifically addresses some of the identified needs of the bank’s assessment area. However, the level of investments can be increased to more appropriately reflect the capacity of the bank, the needs of the community and the available opportunities.
- L Retail delivery systems are reasonable accessible to low- and moderate-income individuals through the bank’s grocery store branch network. Retail delivery

systems are readily accessible to middle- and upper-income geographies. The majority of the bank's branches and ATMs are located in middle- and upper-income geographies.

Description of Institution

As of March 31, 1998, National Bank of Commerce (NBC) reported total assets of \$3.4 billion. The composition of the bank's \$1.8 billion loan portfolio is 33% consumer, 25% commercial, 19% 1-4 family residential, 11% construction and development and 10% other real estate loans. Approximately 55% of the consumer loans consist of indirect installment loans. As of March 31, 1998, the bank's loan to deposit ratio was 81%. The average loan to deposit ratio for the past seven quarters is 85%. Since March 31, 1997, loans increased by 3%, deposits increased by 9% and assets increased by 10%. The bank also owns an insurance company, data processing and a broker dealer service institution.

NBC operates 35 banking offices in its three assessment areas. Of the 35 offices, 32 are located in the Memphis, Tennessee MSA, two in the Jackson, Tennessee MSA and one in Cleveland, Tennessee (non-MSA area). There are no legal or financial impediments that prevent the bank from meeting the credit needs of its assessment areas. NBC of Memphis received a Satisfactory Record of Meeting Community Credit Needs rating at the last CRA examination dated July 31, 1996.

NBC is a subsidiary of National Commerce Bancorporation (NCBC), a \$5 billion multi-bank holding company headquartered in Memphis, Tennessee. NCBC owns five banks although the majority of their assets are concentrated in the National Bank of Commerce, Memphis, Tennessee (NBC). As of March 31, 1998, NCBC had offices in Tennessee, Arkansas, Mississippi, North Carolina, Virginia and Georgia.

Description of Assessment Areas

NBC has three assessment areas which include portions of the Memphis, Tennessee and Jackson, Tennessee MSAs and a non-MSA area. The Memphis assessment area includes all of Shelby County and two census tracts in Fayette County. The Jackson assessment area consists of 16 census tracts in Madison County. The non-MSA area consists of 10 census tracts in Bradley County. There are 213 census tracts that make up the bank's assessment areas, of which, 22% are low-income, 23% are moderate-income, 23% are middle-income, 29% are upper-income and 3% are unpopulated.

Community credit needs were determined by contacting community groups and reviewing 1995 U.S. Department of Housing and Urban Development (HUD) Consolidated Strategies and Plan for Shelby County and Memphis. The HUD Consolidated Strategies and Plans are

comprehensive planning documents that identify community credit needs and community development opportunities. Since February 1998, we contacted ten community groups and held three separate community forums to discuss community development issues and opportunities. The types of community organizations contacted include community-based organizations, city officials, small business organizations and community development corporations.

Identified credit and community development needs and services include (1) rehabilitation of existing housing stock (1-4 family and multi-family), (2) increased availability of affordable housing (1-4 family and multi-family), (3) small business loans and (4) credit counseling (pre and post credit counseling).

The results of the community contacts indicate that the area banks have a lot of opportunities to make community development investments, including grants and donations, and loans within the Memphis MSA. Several non-profits that do small scale projects and programs are located in Memphis. However, the capacity and funding of these community groups are limited as public/private entities have not adequately provided technical or financial assistance to these groups to the extent needed. Also, the community groups are unable to provide the counseling programs to the extent demanded by their communities.

The assessment areas have a total population of 927 thousand and 241 thousand families. Approximately 23% of the families are low-income and 16% are moderate-income. Fifteen percent (15%) of the families in the assessment areas live below the poverty level. Demographic information regarding the bank’s assessment areas is detailed below. Table 1 details the distribution of geographies by income level within each assessment area. Table 2 details the number of families and their distribution by income level for each assessment area.

Table 1 Total Bank Distribution of Census Tracts by Income Level							
Assessment Area	Counties Included	# Low	# Moderate	# Middle	# Upper	# NA	Total
Memphis MSA	Shelby/Fayette	42	43	41	54	7	187
Jackson MSA	Madison	4	4	4	4	0	16

Table 1 Total Bank Distribution of Census Tracts by Income Level							
Non-MSA Areas	Bradley	0	2	5	3	0	10

Source: 1990 Census, U.S. Bureau of the Census

Table 2 Total Bank Distribution of Families by Income Level							
Assessment Area	1998 HUD Updated Median Family Income	# of Families	Low	Moderate	Middle	Upper	Total
Memphis MSA	\$45,000	215,767	23%	16%	19%	42%	100%
Jackson MSA	\$39,800	15,709	24%	19%	21%	36%	100%
Non-MSA Areas	\$34,500	9,780	21%	14%	21%	44%	100%

Source: 1990 Census, U.S. Bureau of the Census

NBC's largest presence is within the Memphis MSA. Approximately, 91% of the bank's branches and 99% of their loan originations and purchases are within this area. The economy in the Memphis MSA is relatively stable. The March 1998 unemployment rate was 4.1% which is lower than the state average of 4.8%. The major employer in the area is Federal Express Corporation which is headquartered in Memphis and employs more than 23 thousand people. Other significant employers include local school systems, universities and hospitals.

Competition within Shelby County is strong. Approximately 25 financial institutions have 223 branch offices within the county. In terms of deposits, NBC ranks third with a 17% market share behind First Tennessee Bank N. A. (32%) and Union Planters National Bank (24%).

Conclusions about Performance Tests

Scope of the Review

In assessing NBC's performance under the Community Reinvestment Act (CRA), we reviewed HMDA reportable loans, small business loans and community development loans and investments. The loan data contained in this evaluation is for 1996 and 1997. NBC chose not to provide consumer loan data.

For 1996 and 1997, NBC reported 1,239 small business loans (441 for 1996 and 798 for 1997) and no small farm loans in its assessment areas. We tested the bank's small business data during the examination to determine its accuracy. The error rate was excessive and we requested that NBC refile both their 1996 and 1997 small business data. The small business and farm data contained in this report is based on the revised numbers.

In evaluating community development loans, investments and services we relied on data from July 31, 1996 through June 30, 1998. Loan and investment files were reviewed to verify that they qualified for community development, as defined under the CRA regulation. We also reviewed the services provided by the bank to deliver its products.

LENDING TEST

Lending Activity

NBC's lending levels are adequate based on the market conditions and opportunities. A significant portion of the bank's line of business is small business and HMDA lending. Home purchase and home improvement loans makes up the vast majority of the bank's HMDA lending. Small business, home purchase and home improvement loans were identified as credit needs of the community. NBC's lending levels reflect reasonable responsiveness to these identified credit needs. The number of small business and HMDA loans made by NBC during this evaluation period is reasonable for an institution of its size and available resources, but can be increased.

Assessment Area Concentration

During the evaluation period, NBC made 2,842 small business and HMDA loans in its assessment areas. Of this total, 1,772 were HMDA loans totaling \$129 million. This equates to approximately 880 loans per year. Approximately 40% of the HMDA loans were home purchase, 42% home improvement, and 18% refinance. In 1996, NBC made 853 HMDA loans totaling \$67 million compared to 919 totaling \$62 million for 1997 (an increase of 8%). Ninety (90%) of their HMDA loans were made within their assessment

areas.

During the same time frame, NBC made 1,070 small business loans totaling \$116 million. Small business loans decreased 10% from 1996 to 1997. In 1996, the bank made 560 small business loans totaling \$60 million compared to 510 loans in 1997 totaling \$56 million. During this evaluation period, 75% of the bank's small business loans were made within its assessment areas.

Small farm loans were not included in our analysis because the loan volume is insignificant. The bank made 12 small farm loans totaling \$1.4 million during 1996 and 1997.

Geographic Distribution

Based upon the number of loans made within the bank's assessment areas, NBC's distribution of small business and residential real estate loans reflect reasonable penetration in low- and moderate-income geographies. No conspicuous gaps in the bank's lending patterns were noted.

The bank's residential lending in low- and moderate-income geographies is reasonable. Twenty-eight percent (28%) of owner occupied units are in low- and moderate-income geographies. During this assessment period, NBC made 13% of its residential loans in these areas (3% in low and 10% in moderate-income geographies).

NBC's distribution of loans in low- and moderate-income geographies was significantly lower than the percentage of owner occupied units in these areas in all HMDA products. Some factors which affect the bank's ability to make HMDA loans in low- and moderate-income geographies are the percentage of owner-occupied units in these areas and the percentage of families living below the poverty level. Approximately 43% of the units in low- and moderate-income geographies are owner-occupied versus 62% in middle and upper-income. Also, 32% of the families in these geographies live below the poverty level.

<p align="center">Table 3 Total Bank Geographic Distribution Based on Number of Loans Originated</p>					
<p align="center">Tract Designation</p>	<p align="center">NBC's HMDA Lending</p>		<p align="center">Aggregate Market Lending</p>		<p align="center">% Owner Occupied Units</p>
	<p align="center">1996</p>	<p align="center">1997</p>	<p align="center">1996</p>	<p align="center">1997</p>	
<p align="center">Low-income</p>	<p align="center">3%</p>	<p align="center">3%</p>	<p align="center">4%</p>	<p align="center">5%</p>	<p align="center">8%</p>

<p style="text-align: center;">Table 3 Total Bank Geographic Distribution Based on Number of Loans Originated</p>					
Moderate-income	10%	11%	13%	14%	20%
Middle-income	16%	18%	22%	22%	29%
Upper-income	71%	68%	61%	59%	43%
Total	100%	100%	100%	100%	100%

Source of Data: FFIEC, 1996 and 1997 HMDA; 1990 Census, U.S. Bureau of Census

On a product basis, the bank's strongest performance was in home purchase loans during this evaluation period. Approximately 4% of home purchase loans were made in low-income geographies and 11% were in moderate-income geographies. NBC's weakest performance was in home improvement loans. Approximately 2% of home improvement loans were made in low-income geographies and 10% were in moderate-income geographies.

In 1996, NBC's HMDA market share in low- and moderate-income geographies was slightly lower than its overall market share. Market share can help to identify the bank's lending responsiveness to low- and moderate-income geographies and individuals. In low-income geographies, the bank's market share was 2.0% compared to 2.4% for its overall market share. The bank's market share in moderate-income geographies was 1.9% compared to 2.4% for its overall market share.

In 1997, the bank's HMDA market share in low- and moderate-income geographies was also lower than its overall market share. In low-income geographies, the bank's market share was 1.8% compared to its overall market share of 2.4%. In moderate-income geographies, the bank's market share was 1.9% compared to its overall market share of 2.4%.

In 1996, NBC's distribution of loans in low- and moderate-income geographies was below the aggregate market in all HMDA products. Aggregate market lending is total lending by all institutions in the market area. The HMDA product with the most significant variance was home improvement loans. NBC made 4% of its home improvement loans in low-income and 11% in moderate-income geographies. The aggregate market made 9% and 23% in these areas, respectively.

In 1997, the bank's performance improved in home purchase loans and exceeded the aggregate market. However, their distribution of home improvement loans was below the aggregate market. NBC made 2% and 9% of its home improvement loans in low-income and moderate-income geographies, respectively. The aggregate market made 9% and 23% in these areas, respectively.

NBC's distribution of small business loans in low- and moderate-income geographies is reasonable. Demographic information shows that 12% of the small businesses in the assessment area are located in low-income geographies and 15% are in moderate-income geographies. During this evaluation period, NBC made 10% of its small business loans in low-income geographies and 15% in moderate-income geographies.

<p align="center">Table 4 Total Bank Geographic Distribution Based on Number of Loans Originated</p>					
Tract Designation	NBC's Small Business Lending		Aggregate Market Lending		% of Businesses
	1996	1997	1996	1997	
Low-income	11%	9%	11%	10%	12%
Moderate-income	14%	15%	11%	13%	15%
Middle-income	22%	20%	26%	24%	28%
Upper-income	52%	55%	51%	53%	45%
Total	99%	99%	99%	100%	100%

Source: 1996 and 1997 CRA Data; 1990 Census, U.S. Bureau of the Census

Distribution by Borrower Characteristics

Of the loans made within the bank's assessment areas, NBC's distribution of HMDA loans to low-income borrowers is adequate when compared to local demographic data. During this evaluation period, NBC made 9% of their residential loans to low-income borrowers. Approximately 23% of the families in the assessment areas are low-income. Fifteen (15%) of the families in the assessment areas live below the poverty level. This factor had some impact on the bank's inability to make HMDA loans to low- and moderate-income individuals during this evaluation period.

The bank's lending to moderate-income borrowers is significantly better. NBC made 14% of its loans to moderate-income borrowers. This performance is slightly below the 16% of the families in the assessment area that are moderate-income.

Table 5
Total Bank
Distribution by Income Levels
Based on Number of Loans Originated

Income Level of Borrower	HMDA Loans		Aggregate Lending		% of Families
	1996	1997	1996	1997	
Low-income	8%	10%	7%	9%	23%
Moderate-income	13%	15%	14%	16%	16%
Middle-income	17%	17%	17%	17%	20%
Upper-income	61%	57%	36%	34%	41%
Total*	99%	99%	74%	76%	100%

*Distribution does not add to 100% due to unavailable or unclassified data.

Source: FFIEC, 1996 and 1997 HMDA Data; 1990 Census, U.S. Bureau of the Census

When viewed on a product basis, NBC's strongest performance was in home purchase lending to low- and moderate-income borrowers. The bank made 13% of their loans to low-income borrowers and 17% to moderate-income borrowers.

In terms of market share, the product with the most variance was home improvement loans. In 1996, NBC had an overall market share of 9% compared to a 6% market share to low- and moderate-income borrowers. In 1997, NBC had an overall market share of 14% in home improvement loans. However, their market share of home improvement loans to low- and moderate-income borrowers was 6%.

When comparing the bank's performance to the aggregate market, NBC's distribution of loans was consistent with the aggregate market. Refer to Table 5. The HMDA product with the most variance was refinance loans in 1996 and home improvement loans in 1997. In 1996, NBC made 3% of their refinance loans to low-income borrowers and 6% to moderate-income borrowers. The aggregate market made 8% and 13% of their loans to these borrowers, respectively. In 1997, NBC made 6% and 11% of their home improvement loans to low- and moderate-income individuals. The aggregate market made 19% and 21% to these individuals, respectively. However, it should be noted that NBC made a larger percentage of their home purchase loans to low- and moderate-income borrowers than the aggregate market in both 1996 and 1997.

NBC is meeting some of the credit needs in the assessment area by making loans to small

businesses (businesses with revenues less than \$1 million) and by making small loans to businesses. Approximately 68% of the businesses in the assessment areas have revenues less than \$1 million. During this evaluation period, NBC made 59% of their loans to small businesses. Approximately 46% of NBC's loans were small loans to small businesses.

	Loan Size			Sales Revenue		
	\$100,000 or less	\$100,001- 250,000	More than \$250,000	\$1 million or less	More than \$1 million	Unknown Revenues
# of Loans	792	145	133	633	413	24
Percentage of Loans	74%	14%	12%	59%	39%	2%
\$ Amount of Loans	26,332	25,221	64,801	58,867	56,644	843

The bank's 1996 small business lending performance was below demographic data but exceeded the performance of the aggregate market. NBC made 58% of its small business loans to small businesses which compare favorably to aggregate market lending of 56%. In 1997, NBC made 61% of their loans to small business compared to 52% for the aggregate market. However, the bank's lending performance was below demographic information in 1996 and 1997.

Innovative and/or Flexible Lending Practices

NBC makes use of flexible lending practices within its assessment area. The bank has two flexible loan programs. NBC offers an affordable mortgage program which allows up to 100% financing, a debt/income ratio of 41% and a down payment as low as \$500. In addition, the applicant can receive down payment assistance from the City of Memphis. The applicant must participate in a credit counseling program provided by a non-profit organization. During this evaluation period, 50 loans totaling \$2.5 million were made under this program. This product is available throughout the bank's assessment area.

NBC offers an All-in-One Home Loan which is a first mortgage refinance product. The product was introduced February 1998 and offers a loan to value ratio up to 110%, an amortization period up to 30 years, no application or origination fees, no required private mortgage insurance and a \$395 closing fee that can be financed into the loan. Since its

inception, 192 loans totaling \$17 million were made under this program. This product is available throughout the bank's assessment area.

The bank also offers a Special Home Improvement product. The product is only available at the bank's special Home Improvement Expos and features liberalized underwriting guidelines, a higher debt to income ratio, a higher loan to value and flexible credit history considerations. During the evaluation period, 52 loans were made under this program.

Community Development Loans

During the evaluation period, the bank made five qualified community development loans for \$4.9 million. All five loans promote community development by providing affordable housing to low- or moderate-income families or individuals. A total of 218 units were provided. All loans were made in the Memphis MSA. NBC's lending efforts are as follows:

- C During the third quarter of 1996, the bank originated a loan for \$3.7 million as a low-income housing tax credit renovation project. All 148 units in this multi-family apartment complex are dedicated to low- or moderate-income individuals.
- C During the fourth quarter of 1997, the bank granted a \$200 thousand revolving line of credit to a company to build pre-manufactured homes targeted toward low- or moderate-income individuals. The homes sell for \$34 - \$80 thousand. Nineteen homes were built during this evaluation period. The outstanding balance is \$75 thousand.
- C During the first quarter 1998, the bank increased a revolving line of credit by \$153 thousand. The line was used to purchase and rehabilitate properties for resell to low- or moderate-income individuals. Twenty-five homes were purchased and rehabilitated during this evaluation period. The outstanding balance is \$353 thousand.
- C During the second quarter of 1998, the bank granted a \$400 thousand revolving line of credit to two individuals to purchase and rehabilitate properties for resell to low- and moderate-income individuals. During this evaluation period, 16 homes were purchased and renovated under this line of credit. The outstanding balance is \$271 thousand.
- C Throughout the evaluation period, the bank granted several loans totaling \$464 thousand to a company to purchase and rehabilitate properties for resell to low- and moderate-income individuals. Eleven homes were purchased and rehabilitated during this evaluation period. The outstanding balance is \$117 thousand.

INVESTMENT TEST

Based on our community contacts, there is a need for qualified investments and/or grants/donations within the bank's assessment areas. NBC's has made an adequate level of qualified investments during this evaluation period which specifically addresses some of those needs of its assessment area. However, the level of investments can be increased to more appropriately reflect the capacity of the bank, the needs of the community and the available opportunities.

From June 1996 until July 1998 the bank made 14 investment and/or grants/donations totaling \$1.03 million to entities that support community development activities such as affordable housing and qualifying community services. Each investment directly benefited low- or moderate-income individuals or families.

One of the most significant investments include a commitment of \$500 thousand to a local university to establish a scholarship fund for low- or moderate-income students based on financial need. During the evaluation period \$100 thousand of the commitment was funded. The other significant investment involves a \$904 thousand equity investment in an apartment project eligible for low-income housing tax credits. The apartment project is targeting low- or moderate-income individuals. Other investments were small dollar amounts. All investments were made in the Memphis MSA.

SERVICE TEST

Retail Banking Services

NBC's retail delivery systems are readily accessible to individuals residing in middle- and upper-income geographies. Based upon surveys and customer count information presented by the bank, through a national grocery store chain, reasonable accessibility of retail delivery systems to low- and moderate-income geographies was achieved through the bank's grocery store branches.

As noted in Table 7, the majority of the bank's branches are located in upper-income geographies. NBC has no branches in low-income geographies. The bank has 4 branches (11%) in moderate-income geographies, one of which is located in the Baptist Medical Center and two are in either in a national grocery store chain or retail outlet. Low- and moderate-income geographies comprise 45% of all geographies in the assessment areas. Thirty-seven (37%) percent of the population live in low- or moderate-income geographies.

Of the 35 full-service branches within its assessment areas, 20 branches are located in a national grocery store chain or retail outlet. The most recent information provided by bank management included a survey conducted by the national grocery store chain between 1993 - 1995 showing that a majority of the population who visit the grocery store live within a 3 mile radius. The surveys are performed when the stores first open and periodically thereafter. Of the 4 branches located in moderate-income geographies, two border low-income geographies and two border moderate-income geographies. In addition, three branches located in middle- or upper-income geographies border low- or moderate-income geographies. Bank management also provided reasonable information which showed people of lower income do have access to financial services at the grocery store branches. Information provided through the grocery store chain showed that on a monthly basis approximately 14 thousand lower income persons have access to the bank's financial services. However, all persons may not use the bank's financial services.

Tract Designation	% of Population	% of Census Tracts	# of Full Service Branches	% of Branches
Low-income	14%	22%	0	0%
Moderate-income	23%	23%	4	11%
Middle-income	27%	23%	9	26%
Upper-income	35%	29%	22	63%
N/A	1%	3%	0	0%
Total	100%	100%	35	100%

Branch closings did not have an adverse effect on low- and moderate-income geographies. During the evaluation period, NBC closed five branches; one branch was in a moderate-income, two were in middle-income and two in upper-income geographies. The branch

located in the moderate- income census tract was sold to a local bank. NBC opened eight new branches during this evaluation period. Of the eight branches, one was in a moderate-income, four in middle-income and three in upper-income geographies.

Branching hours are reasonable and designed to meet the needs of the specific communities where the branches are located. Twenty-three branches are open on Saturdays from 10:00am to 4:00pm, two of which are located in moderate-income geographies. Both branches located in moderate-income geographies border low-income geographies. The bank's branches located in grocery stores have weekday hours from 10:00am to 7:00pm. Traditional branches are open weekdays from 8:30am to 4:00pm, except on Fridays when they are open until 6:00pm.

The bank offers the traditional line of banking products and services at all its branches. One checking account (Simply Checking) is considered affordable for low- and moderate-income customers. This account is available to all customers and offers a low minimum balance requirement of \$100, unlimited check card use, ATM withdrawals and a \$4 monthly maintenance fee. Customers can avoid the monthly maintenance fee if they chose to bank electronically through the use of the bank's ATM network and automated loan and checking systems instead of using bank tellers.

Community Development Services

Nine NBC employees serve on the board or committee of seven community development organizations which help provide community development services. Many of these activities involve extending technical or managerial assistance. Also, NBC employees partnered with two community development organizations and presented seven credit counseling workshops during this evaluation period. Two hundred ninety-two individuals attended the workshops. The bank also provided free marketing materials, supplies and credit reports to these groups.

Fair Lending Review

Our concurrent fair lending examination did not detect any evidence of discriminatory or other illegal credit practices.

Metropolitan Statistical Area 4920 - Memphis, Tennessee - Arkansas - Mississippi

NBC's lending performance in the Memphis MSA mirrors that of the bank's overall activities. In fact, the Memphis MSA accounts for 99% of NBC's lending activity and 91% of their branches. In the Memphis MSA, NBC has 32 branch offices. Of these offices, none are located in low-income geographies, 4 (13%) are in moderate-income geographies, 8 (25%) are in middle-income geographies and 20 (62%) are upper-income geographies. Low- and moderate-income geographies comprise 45% of all geographies in the assessment area. Approximately 38% of the population lives in low- or moderate-income geographies.

Metropolitan Statistical Area 3580 - Jackson, Tennessee

NBC's lending performance in the Jackson MSA is considered insignificant relative to the bank's overall activities. The bank's lending activities in the Jackson MSA accounts for less than 1% of NBC's lending performance. During this evaluation period, NBC made 11 HMDA loans and 19 small business loans in the Jackson MSA. NBC has two branches in the MSA; one is located in a middle-income geography and one in an upper-income geography.