



Comptroller of the Currency
Administrator of National Banks

LARGE BANK

Public Disclosure

May 3, 1999

Community Reinvestment Act Performance Evaluation

**National Bank of Commerce of Birmingham
Charter Number: 18629**

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Birmingham AL 35203**

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NOTE: This evaluation is not, and should not 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 CRA performance of **National Bank of Commerce of Birmingham** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **May 3, 1999**. 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.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that

do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

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.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution’s CRA Rating: This institution is rated **“Satisfactory.”**

The following table indicates the performance level of **National Bank of Commerce of Birmingham** with respect to the Lending, Investment, and Service Tests:

Performance Levels	NBC of Birmingham Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- C NBC’s has demonstrated good responsiveness to small business lending. Lending to small businesses in both low and moderate income geographies is adequate. Lending to small businesses with revenues \$1 million or less is good. A high percentage of the bank’s small business loans are made in its AA. HMDA lending, particularly home purchase lending, is poor to both low income geographies and borrowers.
- C NBC’s level of qualified community development investments is significant. The dollar amount of these investments is good based on the asset size of the bank and its level of Tier 1 Capital. However, the types of investments are not necessarily innovative, complex, or responsive to an identified credit or community development need.
- C NBC’s delivery systems are reasonably accessible to different geographies and persons of different

income levels.

Description of Institution

National Bank of Commerce of Birmingham (NBC) is a \$767 million organization headquartered in Birmingham Alabama. NBC is owned by Alabama National Bancorporation, a \$1.6 billion multi-bank holding company that operates in Alabama, Georgia, and Florida. The holding company has more than 80% of its assets in Alabama. There are nine other community banks within the holding company and NBC of Birmingham serves as the lead bank within the organization. As of December 31, 1998, NBC had \$57 million in Tier 1 Capital representing 7.43% of total assets. NBC's percentage of total assets represented by net loans is 68%. The bank's business strategy is small business lending. According to the December 31, 1998 Call Report, the bank's \$528 million loan portfolio consisted of 58% commercial loans, 25% real estate loans, 3% consumer loans, and 14% other type loans. During this evaluation period, the holding company acquired six banks and purchased two local branches. The holding company's activities have not hindered NBC's capacity for community reinvestment.

Competition is very strong in the bank's assessment area (AA). The Birmingham MSA financial market is dominated by several branches of large multi-state and regional banks. NBC is one of eighteen in Jefferson County according to FDIC information dated June 30, 1998. More than 90% of the deposits for the Birmingham MSA are in Jefferson County. NBC ranks 8th in asset size in the Jefferson County market, 7th in Shelby County, and 4th in St. Clair County. NBC has 3.66% of the deposit market share for the three county areas where NBC has offices.

There are no known financial, legal, or other impediments that would impair the bank's ability to help meet the credit needs within its AA. NBC received a "Satisfactory" rating at its last Community Reinvestment (CRA) examination dated December 31, 1996.

Scope of the Evaluation

Evaluation Period/Products Evaluated

During this review, the lending test included a review of HMDA, small business, and small farm loan data for the calendar years 1997 and 1998. The HMDA data included home purchase, home improvement, and refinancing loan data for this evaluation period. For the Service and Investment Tests, the evaluation period covered data from January 1, 1997 to May 3, 1999.

Data Integrity

We verified the accuracy of the bank's 1997 and 1998 HMDA, small business and small farm loan data. We noted some errors, however, these errors were not significant and did not require the bank to refile any previously submitted data. Management corrected the errors prior to our examination. Also, we verified the accuracy of the bank's qualified investments, community development loans and community development services during this review. Accurate data was used in our evaluation.

Selection of Areas for Full-Scope Review

The bank has only one AA which includes portions of the Birmingham Alabama MSA. A full scope review was conducted of the bank's AA. All ratings were based on the one AA. See Table 1 in Appendix A for more information.

Ratings

The bank's overall rating is based on their performance in the Birmingham MSA. We performed a full scope review of this AA. There were no AAs which received a limited scope review. Home mortgage, small business, and community development loans were the primary areas of focus in assessing the bank's lending performance. The bank only made one farm loan during this evaluation period. Due to the business strategy of the NBC and the volume of commercial loans on the bank's books (58% of total loans), more weight was given to small business lending in arriving at the bank's overall lending performance. In terms of HMDA products, we placed more weight on home purchase loans. Home purchase loans are an identified need and they represent approximately 48% of the bank's HMDA reportable loans made during this evaluation period. Less consideration was given to home improvement and refinanced loans because these were not identified as credit needs. Also, home improvement loans made up a very small portion of the HMDA loans made during this evaluation period.

Other

During the evaluation, we contacted a representative from a local state organization. Also, we contacted a representative from the City of Birmingham CDC. Our contacts identified affordable housing (1-4 family) and small business financing as the most critical credit needs within the bank's AA. There are many community development investment opportunities within the bank's AA. These include opportunities for affordable housing, credit counseling agencies, and small business development.

Fair Lending Review

We performed a comparative file review of home purchase loans made between January 1, 1998 and December 31, 1998. Our review focused on determining whether race was a factor in the bank's underwriting decisions of residential home purchase loans. We compared 10 denied black applicants to 84 approved white applicants. Based on our sample, no violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

Conclusions with Respect to Performance Tests

Conclusions for Areas Receiving Full-Scope Reviews

Based on a full-scope review of the Birmingham AA, the bank's overall performance for the Lending test is rated Low Satisfactory. The bank demonstrated good responsiveness to small business lending. However, their distribution of home purchase loans to low- and moderate-income geographies and borrowers is poor. More weight was placed on home purchase loans than the other HMDA products because these loans made up 48% of the bank's total HMDA lending and affordable housing was identified as a credit need within the bank's AA.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

The bank's performance under the Lending Test is rated "Low Satisfactory." The bank's overall lending activity is adequate. This rating is based on the bank's level of small business, HMDA, and community development lending. It also considers the overall delineation of the AA and any conspicuous lending gaps within the delineated area. There were no unexplained conspicuous gaps in the bank's lending activity.

The bank's small business lending activity is good given its deposit market share and its responsiveness to the identified community credit needs. As of December 31, 1998, NBC had a 3.66% deposit market share in its AA. The bank's market share of 5.76% of small business loans in its AA exceeds its deposit share. During the evaluation period, small business loans were approximately 56% of the number of loans evaluated. The bank's overall market rank for small business lending is 8th. This rank is considered good given the highly competitive market in the Birmingham MSA. A high percentage of NBC's small business loans were made within its AA. Approximately 92% of the bank's small business loans were made within the bank's AA during this evaluation period.

Overall, the bank's HMDA lending is poor. During the evaluation period, HMDA loans were approximately 44% of the number of loans considered. Home purchase, home improvement, and refinancings were 48%, 7%, and 42% of the HMDA loans respectively. Multi-family HMDA loans were approximately 3% of the HMDA products. The bank ranks 17th overall within its AA for home purchase loans. NBC's home purchase overall market share is 1.9%, which is about half of the bank's deposit market share. NBC's overall market rank for home improvement lending was 13th. However, less consideration was given to these loans since they represented only 7% of all HMDA lending. The bank overall market rank for refinancing was 10th with an overall market share is 2.65%. The majority of the bank's refinanced loans were in middle and upper income geographies.

NBC's percentage of HMDA lending within the AA is adequate. Approximately 69% of the home purchase and 69% of the refinanced loans were within the bank's AA. Home improvement loans represented 80% of the loans within the bank's defined AA. It should be noted that NBC makes the credit decision for HMDA reportable loans for its affiliate banks. Therefore, approximately 20% of the NBC's HMDA reportable loans were outside its AA.

Distribution of Loans by Income Level of the Geography

Home Mortgage Loans

Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan origination.

NBC's geographic distribution of HMDA lending is poor. The majority of NBC's HMDA loans were in middle and upper income geographies. NBC's percentage of home purchase loans in low income geographies is well below the percentage of owner-occupied units in these geographies. The bank's market share for low income geographies is also below its overall market share. One factor which could hamper the bank's ability to make HMDA loans in low income census tracts is the low percentage of owner-occupied units located in these geographies. In low income geographies, only 32% of the units are owner-occupied. More than 56% of the units in low income geographies are rental. Loans to moderate income geographies for home purchase loans are well below the percentage of owner-occupied housing units within the AA's moderate income geographies. The bank's moderate income market share of 1.78% for home purchase loans is comparable to its overall market share of 1.91%.

Home improvement loans made to low income geographies exceed the percentage of owner-occupied units in these geographies. Also, the bank's low income market share for home improvement loans exceed its overall market share. Home improvement loans to moderate income geographies equals the percentage of owner-occupied units in moderate income geographies. The bank's moderate income market share for home improvement of 1.27% is comparable to its overall market share of 1.36%. Home improvement lending comprises only 7% of the total HMDA lending during this evaluation period and less consideration was given to these loans in arriving at the bank overall lending rating.

Less consideration also was given to refinanced loans because refinancing was not identified as a credit need within the bank's AA. Refinanced loans to low income geographies are below the percentage of owner-occupied units in these geographies. The bank's low income market share of 2.13% for refinanced loans is below its overall market share of 2.65%. Refinanced loans to moderate income geographies are below the percentage of owner-occupied units in these geographies. The bank's moderate income market share for refinanced loans is below its overall market share. This

performance is adequate considering the bank's overall market rank.

Small Business Loans

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.

NBC's geographical distribution of small business loans is adequate. Small business loans in low income geographies are below the percentage of businesses in low income geographies. The bank's low income market share is below its overall market share. Small business loans made in moderate income geographies are also slightly below the percentage of businesses in moderate income geographies. However, the bank's moderate income market share exceeds its overall market share.

Small Farm Loans

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.

NBC made only one farm loan during this evaluation period. Therefore, small farm loan data was not material in number or dollar and was not analyzed. Tables were provided only to show the number of farms in the area.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.

HMDA lending to low income borrowers is poor. The majority of the bank's HMDA loans were made to middle and upper income borrowers. Home purchase loans made to low income borrowers are well below the percentage of low income families in the bank's AA. The bank's low income market share for home purchase loans is below their overall market share. This can partially be explained by the number of families that are below the poverty level who have more difficulty qualifying for home purchase loans. Approximately 12% of the families in the bank's AA live below the poverty level. Loans to moderate income individuals are slightly below the percentage of moderate income families in the bank's AA. NBC's moderate income market share for home purchase loans is below the bank's overall market share for home purchase loans.

Overall, home improvement lending to low- and moderate-income borrowers is adequate. Loans to

low income borrowers are below the percentage of low income families in the bank's AA. The bank's low income market share is less than its overall market share. Home improvement loans to moderate income borrowers exceed the percentage of moderate income families in the bank's AA. NBC's moderate income market share is slightly below its overall market share. NBC's home improvement loans did not represent a significant portion of HMDA loans made during this evaluation period.

Although refinanced loans made up approximately 43% of the total HMDA reportable loans made during this evaluation period, less consideration was given in arriving at the overall lending test rating. Refinanced loans were not identified as a major credit need during this evaluation. Loans to low income borrowers were below the percentage of low income families. The bank's low income market share is below its overall market share. Loans to moderate income borrowers were also below the percentage of moderate income families in these categories. NBC's moderate income market share for refinanced loans was below its overall market share.

Small Business Loans

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

NBC's lending to small businesses (businesses with gross revenues of \$1 million or less) is good. The bank's market share to small businesses substantially exceeds their overall market share to all businesses. During this evaluation period, NBC made 63% of their business loans to small businesses. This performance is below the demographic data which shows that 87% of businesses in the AA have revenues of \$1 million or less. However, NBC's performance is good relative to other bank's in the AA. During 1997, all other financial reporters in the market made 53% of their loans to businesses with revenues of \$1 million or less. Approximately 74% of NBC's small business loans were in the amount of \$100,000 or less. The bank's performance reflects its overall emphasis on small business lending and indicates the bank's responsiveness to making small loans to businesses.

Small Farm Loans

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.

Small farm loans were not material in number or dollar and were not analyzed.

Community Development Lending

The bank's level of community development lending is adequate based on the available community development opportunities within the bank's AA. NBC made eight community development loans totaling approximately \$914 thousand. These loans are not particularly flexible or innovative in nature, but do provide funding for affordable housing and small businesses which have been identified as significant credit needs within the Birmingham MSA. Examples of some of NBC's community development lending include:

- C **\$326,000 - Tarver Consulting and Development Co., Inc.** This is NBC's portion of funds that were used to purchase and develop 60 subdivision lots. Tarver Construction Company, Inc. is participating in the City of Birmingham HOME Investment Partnership Program. This company will build affordable homes with sales prices from \$43,500 to \$54,000 for low- and moderate income families. In order to make the units affordable to low and moderate income families, the City of Birmingham takes a second mortgage on the property with no repayment requirements. The second mortgage amount may be used for additional down payment requirements, closing cost, an interest rate write down or any other allowable costs. NBC funded 5 loans in 1997 totaling \$162,700.
- C **\$222,000 - Todd Paden Realty and Appraisals, Inc.** Proceeds of this loan were used to purchase and repair 19 rental duplexes located in Bessemer, a moderate income census tract in the bank's AA. This loan is not secured by the rental properties. These rental units will serve primarily low- and moderate persons.
- C **\$168,000 - Birmingham Community Development Corporation (CDC).** Proceeds of this loan were used by the CDC to fund loan commitments. The CDC provides funding to small businesses to promote economic development.
- C **\$5,000 - Birmingham Business Resource Center (CDC)- Micro Loan Program.** This represents NBC's prorated share of deposits in a Community Development Corporation (CDC). The CDC's loan pool is used to help fund economic development by financing start-up and undercapitalized small businesses with equipment purchases, working capital, bridge financing and other purchases.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated High Satisfactory. Based on our full-scope review, the bank's performance in the Birmingham MSA is good. NBC's level of qualified community development investments is significant and shows good responsiveness to identified credit and community development needs within the AA.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

During this evaluation period, NBC's level of qualified community development investments totaled \$6.9 million. The dollar amount of these investments is good given the bank's asset size and its investment opportunities in the AA. However, the types of investments are not necessarily innovative, complex, or specific to identified community credit or development needs. These investments consist of three general obligation bond issues where proceeds were used to promote community development in low- and moderate income areas for low and moderate income individuals.

In addition, the bank made small grants and donations to 35 different community development organizations totaling \$80,501. These organizations primarily provide community services targeted to low- or moderate-income persons. Examples of qualified investment include:

C \$3,540,000 - City of Birmingham General Obligation Bond - Birmingham Public Schools.

This represents NBC's portion of a \$14,175,000 bond issue where proceeds were used to purchase computers for seven new schools located in low- and moderate-income geographies within the bank's AA. The majority of the students attending these schools are from low- and moderate-income families.

C \$2,090,000 - Special Care Facilities Financing Authority of the City of Birmingham-Children's Hospital General Obligation Bond Issue.

This represents NBC's investment in a \$25,000,000 bond issue that was underwritten in the bank's Investment Department. The proceeds of this issue were used to construct a new facility and renovate exiting facilities, including an emergency care and radiology department. Children's Hospital is the predominant provider of pediatric care for low income and indigent children. Medicaid provides more than 50% of the patient care gross revenues.

C \$1,220,000 - City of Birmingham General Obligation Bond -Birmingham Public Schools.

This represents NBC's portion of a \$31,000,000 bond issue where proceeds were used to construct seven new schools located in low- and moderate income geographies within the bank's AA. The majority of the students attending these schools are from low- and moderate-income families.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated Low Satisfactory. Based on a full-scope review, the bank's performance in the Birmingham MSA is adequate. NBC's delivery systems are reasonably accessible to all segments of the community, including low and moderate income geographies and individuals, and their level of community development services is adequate.

Retail Banking Services

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.

NBC's retail banking services are adequate. Only one branch was closed during the assessment period and it was in an upper income tract. The closing of this branch did not adversely affect the accessibility of the bank's delivery systems. The one branch closed was replaced by a branch in a middle income tract which was more accessible and larger than the previous branch. All branches are open on Saturday either with full lobby services or drive up facilities except the Main Office and the University Branch. The hours of operation at these branches do not vary in a way that inconveniences the bank's AA, particularly low- and moderate-income geographies and persons. The main office is located in a low income tract in downtown Birmingham which is primarily commercial with very little traffic on Saturday. The University branch is located in a moderate income tract near the University of Alabama Hospital. There is very little traffic in this area on Saturday. Lending officers are available at all branches. Services and hours are approximately the same at all branches.

The distribution of the bank's branches is reasonably accessible to geographies and individuals of different income levels. The locations of the branches in the bank's AA do not significantly vary from the population distribution within the AA. NBC only has one (6%) branch located in a low income geography which is located in downtown Birmingham. Approximately 10% of the population in the AA reside in low income geographies. Nineteen (19%) of the bank's branches are located in moderate income geographies which is slightly below the 23% of the population which reside in moderate income

geographies.

The availability and effectiveness of alternative delivery services are limited. NBC has 17 cash dispensing ATMs. Eleven of the ATMS are free-standing and are located in convenience stores within the bank's AA. Three of the bank's free-standing ATMs are located outside the bank's AA. The ATMs located outside the AA are in a chain of convenience stores that have locations both in Birmingham and within a 50-mile radius of Birmingham. Table 13 only show the bank's full-service (deposit-taking and cash dispensing) ATMs that are located within the bank's AA.

Community Development Services

The bank has provided an adequate level of community development services. This level is considered adequate both in the number of services provided and the number of low and moderate income individuals served. Services included providing financial services to a variety of community development organizations primarily through board memberships. Following is a description of some of the community development services provided in the bank's AA:

- C **Seminars** - During this evaluation period, several loan officers from the bank conducted 12 seminars at local churches and community centers. These seminars focused primarily on home ownership and credit counseling. The purpose of these seminars was to inform community members on how to get or obtain credit.
- C **Operation New Birmingham** - An executive officer of the bank serves on the Executive Committee of this organization and provides financial planning to promote community development. This organization's mission it to renovate, repair and find small business buyers for commercial property as part of the Birmingham Downtown Revitalization Plan.
- C **Urban Development Group** - A financial consultant and board member of NBC is on the board of this nonprofit organization. This group is an entrepreneurial community-based organization that has targeted the urban communities for improvement. Services include providing business plans, accounting, and consulting to small businesses.
- C **Alacom** - A loan officer of NBC serves as a board member and on the loan committee of this organization. Alacom is an approved Small Business Administration (SBA) lender.
- C **Birmingham Community Development Corporation** - A senior loan officer of NBC serves on the board and loan committee of this organization. This CDC primarily provides financing for small businesses.

- C **Housing Plus Program** - This is a partnership with the University of Alabama Urban Affairs Department, Fannie Mae, and local banks. This program focuses on providing loans to low- and moderate-income individuals in the West End and Titusville areas of Birmingham for affordable housing. These areas are located in low income geographies within the bank's AA and are part of the Birmingham Enterprise Zone. A senior loan officer from NBC serves on the loan committee of this organization that approves applicants for loans.

- C **Metropolitan Development Board** - The President of NBC serves on the Board of this organization whose primary focus is to exclusively work to promote and foster the development of new small businesses in the metro area including downtown and low- and moderate-income areas throughout metropolitan Birmingham.

- C **Housing, Finance and Counseling Committee** - This committee is part of the University of Birmingham (UAB) Urban Affairs Department. A senior loan officer provides home ownership counseling to prospective low- and moderate-income home buyers.

- C **The City of Bessemer Housing Rehab Loan Program** - This organization makes loans to low income persons to rehabilitate homes in low income areas in Bessemer as part of the City's Revitalization Plan. NBC provides free loan servicing to this organization.

- C **Birmingham Business Assistance Network (BBAN)** - This is an organization that serves as an incubator for new start-up small businesses. Services provided include office space, clerical assistance, and financing. A board member and senior loan officer serves on the Board of this organization.

NBC offers a service that is considered innovative and designed with home buyers in mind. That product is the 24 month Homebuyer's Certificate of Deposit (HBCD). A customer can open the HBCD with as little as \$100 and may add to the account at any time in increments of \$25. Within 24 months, the customer can withdraw the funds without a penalty when used toward the purchase of a home. If the home is financed through NBC, the bank will discount closing costs by \$150.

There are several other community development organizations with which the bank maintains ongoing contact and provides financial related expertise to these organizations.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “Full-Scope”) and those that received a less comprehensive review (designated by the term “Limited-Scope”).

Time Period Reviewed	Lending Test: January 1, 1997 to December 31, 1998 Investment Test: January 1, 1997 to May 3, 1999 Service Test: January 1, 1997 to May 3, 1999	
Financial Institution		Products Reviewed
National Bank of Commerce of Birmingham(NBC) Birmingham Alabama		Small Business/Small Farm Data HMDA - Purchases, Home Improvements, and Refinancings
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>[Instructions: Provide only if affiliate products are reviewed.]</i> (Name of Affiliate (Abbreviation))	Affiliates Not Reviewed	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Birmingham MSA #1000	Full Scope	Only 157 of the 189 census tracts in the MSA were included in the AA.

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Birmingham MSA	23-24
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Birmingham MSA #1000

Demographic Information for Full-Scope Area: Birmingham MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	157	11.5%	22.9%	32.5%	33.1%	0.00%
Population by Geography	687,792	10.1%	23.4%	30.9%	35.6%	0.00%
Owner-Occupied Housing by Geography	288,264	5.4%	21.1%	33.4%	40.1%	0.00%
Businesses by Geography	25,647	11.8%	22.2%	23.6%	42.3%	0.00%
Farms by Geography	347	3.1%	14.7%	24.7%	57.3%	0.00%
Family Distribution by Income Level	187,257	21.7%	16.2%	20.1%	41.9%	0.00%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	71,179	18.9%	34.1%	31.2%	15.9%	0.00%
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$32,038 = \$44,000 = 15.7%	Median Housing Value Unemployment Rate (December, 1998)		=\$66,279 = 2.2%		

Source: 1990 U.S. Census and 1998 HUD updated MFI.

The Birmingham MSA is experiencing significant growth, particularly in the Shelby County area. Within the Birmingham MSA, traditional dependence on iron and steel has given way to a diversified economy made up of health care, banking, insurance, and service industry businesses. Service industries employ 82% of the work force with 9% of all Birmingham workers employed by health care. Manufacturing employed 11% of the work force and is concentrated in durable goods, primarily metals. The three major employers in the area are governmental entities with the University of Alabama (UAB) Hospital being the largest employer with 15,800 employees. As of December 1998, the Birmingham MSA's unemployment rate of 2.2% was lower than the State of Alabama's unemployment rate of 4.1%.

The City of Birmingham administers a state enterprise zone that includes much of the city's industrially zoned land. Qualifying businesses within this zone may receive state tax credits for jobs created by expanding or relocating into the zone. Within the enterprise zone, the city of Birmingham has identified a need to provide housing assistance to low and very low income individuals by upgrading affordable housing and providing opportunities for first-time home buyers. Community groups, UAB, The United States Department of Housing and Urban Development (HUD), and local financial institutions are all working to upgrade affordable housing and expand business opportunities in the Birmingham Enterprise Zone.

NBC is one of eighteen banks with branches within the Birmingham MSA, according to FDIC information dated June 30, 1998. Competition is very strong in the bank's assessment area. Three of the nation's top 50 banks are headquartered in Jefferson County. As a Southern banking center, Birmingham is ranked second, outranked only by Charlotte, North Carolina. The four largest multi-state regional banks in Birmingham had 22% of the HMDA market share and 52% of the small business market share in 1997. During 1997 in NBC's AA, 233 financial institutions made HMDA loans and 71 financial institutions made small business loans. NBC ranks 8th in the asset size in the Jefferson County market, 7th in Shelby County, and 4th in St. Clair County. NBC has 3.66% of the deposit market share for the 3 county area where it has offices.

NBC delineated its AA as 157 of the 189 census tracts with the Birmingham MSA. The bank's AA includes the southern portion of Jefferson County, northern Shelby County, and all of St. Clair County. NBC's AA was delineated based on the location of the bank's branches and where a substantial majority of its loans are originated. Also, the northern half of Jefferson County was excluded primarily due to the natural geographical boundaries which make this area difficult to reach. NBC's AA does not arbitrarily exclude low- or moderate-income geographies and complies with the regulation. The bank's AA has 18 low-income and 36 moderate-income tracts. NBC operates exclusively in the Birmingham MSA with 16 branch offices in St. Clair, Shelby, and Jefferson counties.

NBC lends primarily within its AA. Approximately 92% of all small business loans and 70% of all HMDA loans were originated within the bank's AA. A significant portion of the HMDA lending outside the area is attributable to affiliate banks. NBC offers various types of mortgage loans and makes the credit decision on home loans that are not offered by its affiliates.

During this examination, we contacted two local city and state representatives. Both contacts stated that there is a critical need for affordable housing and small business financing. We also identified several affordable housing opportunities including single and multi-family affordable housing. Also, there are several opportunities for small business community development lending.

Appendix C: Tables of Performance Data

Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (<\$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (<\$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage

distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations** - See Table 7.
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations** - See Table 7.
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (<\$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (<\$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.
- Table 13. Distribution of Branch and ATM Delivery System** - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

Table 1. Lending Volume

LENDING VOLUME													State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998	
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area				
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)					
Full-Scope:																
Birmingham	100%	893	124,175	1,139	115,350	1	282	8	914	2,041	240,721	100.00%				

Table 2. Geographic Distribution of Home Purchase Loan Originations

Geographic Distribution: HOME PURCHASE													State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998	
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Birmingham	5.40%	.70%	21.05%	5.85%	33.43%	27.63%	40.12%	65.82%	17	1.91	0.82	1.78	1.69	2.06	427	100%

(*) Based on 1997 Aggregate HMDA Data only.

Table 3. Geographic Distribution of Home Improvement Loan Originations

Geographic Distribution: HOME IMPROVEMENT																State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998					
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans								
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Birmingham	5.40%	6.15%	21.05%	20.00%	33.43%	49.23%	40.12%	24.62%	13	1.36	1.94	1.27	1.89	0.91	65	100%							

(*) Based on 1997 Aggregate HMDA Data only.

Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations

Geographic Distribution: HOME MORTGAGE REFINANCE																State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998					
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans								
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Birmingham	5.40%	2.34%	21.05%	9.87%	33.43%	38.44%	40.12%	49.35%	10	2.65	2.13	1.63	3.88	2.25	385	100%							

(*) Based on 1997 Aggregate HMDA Data only.

Table 5. Geographic Distribution of Small Business Loan Originations

Geographic Distribution: SMALL BUSINESS																State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998					
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans								
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Birmingham	11.81%	8.96%	22.21%	18.88%	23.64%	23.00%	42.34%	49.17%	8	5.76	4.02	6.10	5.62	6.16	1,139	100%							

(*) Based on 1997 Aggregate Small Business Data only.

Table 6. Geographic Distribution of Small Farm Loan Originations

Geographic Distribution: SMALL FARM																State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998					
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans								
	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans	% of Farms	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Birmingham	3.17%	0%	14.70%	100%	24.78%	0%	57.35%	0%	0.0	0.0	0.0	0.0	0.0	0.0	1	100%							

(*) Based on 1997 Aggregate Small Farm Data only.

Table 7. Borrower Distribution of Home Purchase Loan Originations

Borrower Distribution: HMDA HOME PURCHASE																	State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998				
MSA/ Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans								
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Birmingham	21.72%	5.00%	16.29%	13.81%	20.10%	23.81%	41.88%	57.38%	17	1.91	0.90	1.27	1.90	2.35	427	100%							

(*) As a percentage of loans with borrower income information available. No information was available for 1.6% of loans originated by NBC.

(**) Based on 1997 Aggregate HMDA Data only.

Table 8. Borrower Distribution of Home Improvement Loan Originations

Borrower Distribution: HOME IMPROVEMENT																	State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998				
MSA/ Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans								
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total							
Full-Scope:																							
Birmingham	21.72%	12.50%	16.29%	23.21%	20.10%	25.00%	41.88%	39.29%	13	1.36	0.91	1.28	0.76	1.45	65	100%							

(*) As a percentage of loans with borrower income information available. No information was available for 13.8% of loans originated by NBC.

(**) Based on 1997 Aggregate HMDA Data only.

Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations

Borrower Distribution: HOME MORTGAGE REFINANCE																	State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998			
MSA/ Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans							
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total						
Full-Scope:																						
Birmingham	21.72%	6.18%	16.29%	8.99%	20.10%	15.45%	41.88%	69.38%	10	2.65	1.73	1.45	1.70	3.52	385	100%						

(*) As a percentage of loans with borrower income information available. No information was available for 7.5% of loans originated by NBC.

(**) Based on 1997 Aggregate HMDA Data only.

Table 10. Borrower Distribution of Small Business Loan Originations

Borrower Distribution: SMALL BUSINESS												State: Alabama		Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998			
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans								
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size						
Full-Scope:																	
Birmingham	87%	63%	53%	74%	15%	11%	5.76	7.53	1,139	100%	\$101						

(*) As a percentage of businesses with known revenues.

(**) As a percentage of loans with revenue information available. No information was available for 8.0% of loans originated by NBC.

(***) The market consists of all other Small Business reporters in BANK's assessment area and is based on 1997 Aggregate Small Business Data only.

(****) Based on 1997 Aggregate Small Business Data only.

Table 11. Borrower Distribution of Small Farm Loan Originations

Borrower Distribution: SMALL FARM			State: Alabama			Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998					
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Birmingham	97%	100%	91%	0%	0%	100%	0.00	0.00	1	100%	\$282

(*) As a percentage of farms with known revenues.

(**) As a percentage of loans with revenue information available.

(***) The market consists of all other Small Farm reporters in NBC's assessment area and is based on 1997 Aggregate Small Farm Data only.

(****) Based on 1997 Aggregate Small Farm Data only.

Table 12. Qualified Investments

QUALIFIED INVESTMENTS			State: Alabama			Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998					
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments				
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s		
Full-Scope:											
Birmingham	0	0	\$0	38	6,896	100%	38	6,896	100%		

(*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(**) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

Table 13. Distribution of Branch and ATM Delivery System

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM														State: Alabama				Evaluation Period: JANUARY 1, 1997 TO DECEMBER 31, 1998			
MSA/Assessment Area:	Deposits	Branches						ATMs						Population							
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography							
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp				
Full-Scope:																					
Birmingham	100%	16	100%	6%	19%	50%	25%	0	0%	0%	0%	0%	0%	10%	23%	31%	36%				