

PUBLIC DISCLOSURE

April 10, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Unity National Bank
Charter # 23560**

**950 Joe Frank Harris Parkway, SE
P.O. Box 200308
Cartersville, Georgia 30120**

**Office of the Comptroller of the Currency
Georgia Field Office
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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 **Unity National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 10, 2000**. 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**.

Major factors contributing to the bank's rating are as follows:

- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance.
- A majority of the bank's lending is done in their assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

The following table indicates the performance level of **Unity National Bank** with respect to each of the five performance criteria. These ratings are based on the bank's performance since it opened for business on November 30, 1998.

<i>Small Institution Assessment Criteria</i>	<i>Unity National Bank Performance Levels</i>		
	<i>Exceeds Standards for Satisfactory Performance</i>	<i>Meets Standards for Satisfactory Performance</i>	<i>Does Not Meet Standards for Satisfactory Performance</i>
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 have been received by Unity National Bank since they opened.		

DESCRIPTION OF INSTITUTION

Unity National Bank (Unity) is a \$58 million "de novo" full service community bank 100% owned by Unity Holdings, Inc., a one-bank holding company. Unity Holdings, Inc. is located

in Cartersville, Georgia. As of year-end 1999, the company had total assets of \$7.2 million, which were comprised of cash and the company's 100% investment in Unity. The company has no significant subsidiaries or affiliates other than Unity.

The bank operates out of two primary locations with the main office located in Cartersville, Georgia. The second office is located in Adairsville, Georgia, and is also a full-service branch. The bank also has a separate Loan Production Office (LPO) that is also located in Calhoun. The LPO specializes in single family residential real estate loans. While most of the originations are sold to third party investors, the bank does book some into their own loan portfolio.

Unity opened November 30, 1998 and is the only locally chartered national bank in Bartow County. Competition within the assessment area is heavy; 10 other banks (five state chartered and five federally chartered) maintain a total of 15 offices within Bartow County. Unity offers traditional financial services such as commercial, residential mortgage, consumer installment, home equity, and credit card lending.

The bank offers a variety of traditional deposits and loan products with small business and consumer loans being its primary credit products. As of March 31, 2000, the bank's \$38 million loan portfolio represented 66.4% of total assets. Deposits totaled \$50 million with capital accounts equaling \$7.3 million. Lending activity is centered in consumer loans (22%), residential loans (15%), non-farm and non-residential loans (35%), real estate construction and development loans (14%) and commercial and industrial loans (14%). The bank owns two ATM machines located at each full-service branch and they also provide all bank customers with free access to the Intercept Surcharge-Free Network. In this network approximately 33 ATM locations are available to customers within Cartersville and surrounding communities. No known legal impediments exist that would restrain Unity from meeting the credit needs of its assessment area.

Because the bank was recently chartered in November 1998, this is the bank's first CRA examination.

DESCRIPTION OF ASSESSMENT AREA

Unity's assessment area meets the technical requirements of the Act and does not arbitrarily exclude low and moderate-income census areas. In fact, there are no low or high-income census tracts in Bartow County and of the total tracts 90% are moderate-income with the remaining 10% being middle-income.

Unity has delineated all of Bartow County as its assessment area (AA), which is part of the Atlanta Metropolitan Statistical Area (MSA). Of the 10 block numbering areas (BNA's) in the

County, nine are designated moderate income and one is designated middle income. According to the 1990 United States Census, the population of this defined area is approximately 55 thousand. The census weighted average median family income for Bartow County is \$31,374, which was the amount used in the geographic and income analyses. Twelve percent of the bank's AA is below the poverty level. The median family housing value in the AA is \$62,417 and 66% of the housing units are owner occupied.

Bartow County – Cartersville, Bartow County, Georgia is located on US Interstate 75, approximately 45 minutes north of downtown Atlanta, Georgia and one hour south of Chattanooga, Tennessee. The population of Bartow County is 67 million and the city of Cartersville is 14 million. The overall population is expected to increase to over 70 million by 2003, as more people from Atlanta suburbs tend to migrate north.

Bartow County has diverse industries and the economy has been healthy. Several businesses have moved to the county's many industrial parks due to its close proximity to Atlanta and I-75, a major highway in the Southeast. Major industries include manufacturing, medical, retail, and energy. Large employers include; Shaw industries, Thrall car, Anheuser-Busch, Goodyear, and First Brands Corporation (plastic film). The most recent unemployment rate as of December 1999 was 3.1% for Cartersville with the rate for Bartow County only slightly higher at 3.4%.

A large segment of growth is occurring in residential real estate. Because the county's location is reasonably close to northern Atlanta suburbs, it is primarily a starter-home market. The community is attracting a lot of first time homebuyers because the homes are more affordable with average prices in the \$70 to \$120 thousand dollar range.

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

<i>Type of Census Tract</i>	<i>Census Tracts (#)</i>	<i>Total Number of Census Tracts (%)</i>	<i>Households in Census Tracts (#)</i>	<i>Households in Census Tracts (%)</i>
Low	0	0%	0	0%
Moderate	9	90%	18,478	92%
Middle	1	10%	1,576	8%
Upper	0	0%	0	0%

In addition to Unity, area competition for financial services is keen and includes branches of multi-national and regional banks such as SunTrust, SouthTrust, Regions Bank and Wachovia. Also, local community banks such as Bartow County Bank, The Bank of Adairsville, and

Peoples First National Bank afford community residents alternatives for meeting their particular banking needs.

Community Contacts - During our examination, we interviewed a community contact to discuss the credit needs of low and moderate-income persons and small businesses within Bartow County. While the contact indicated that credit needs were generally being served, he pointed out the need for affordable housing. The contact also indicated that the largest needs for low-income persons are secured credit cards, debit cards, and pre-paid services (such as for electricity and phone services) where people can begin to establish credit. In the small business arena, the contact indicated that the greatest needs were for SBA lending and merchant services for smaller home-based businesses, particularly for those businesses with moderate incomes. Overall, there is an abundance of needs that can be further targeted in the bank's local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

Unity's loan-to-deposit ratio exceeds the standards for satisfactory performance in view of the community's credit needs, demand for credit, and significant competition among area financial institutions. It compares very favorably to the bank's peer group, which consists of two local community banks chartered and operated primarily in Bartow County, Bartow County Bank and the Bank of Adairsville. The bank's average loan-to-deposit ratio over the last six quarters since the bank opened has been 92%. This compares very favorably to the bank's peer group, which reflected a range of 45% to 70% with an average loan-to-deposit ratio over the same time period of 63%.

The bank's current loan-to-deposit ratio as of March 2000 is 78% which is significantly higher than Bartow County's and the Bank of Adairsville's ratios of 53% and 64% respectively at year-end 1999.

Lending in the Assessment Area:

A majority of Unity's lending occurs within their assessment area. An analysis of a sample of 116 new loans originating during the month of March 2000 reveals that a majority of loans is granted within the assessment area (AA), as detailed below:

<i>Lending In the Assessment Area</i>				
	# of loans	%	\$ of loans (000)	%
Inside AA	100	86%	\$3,371	64%
Outside AA	16	14%	\$1,922	36%
Totals	116	100%	\$5,293	100%

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

Lending to borrowers of different incomes is satisfactory. The bank's primary product lines are consumer, residential, and small business loans. We sampled a total of 76 consumer loans made during the month of March 2000 in order to determine the income levels of the borrowers. As the following table indicates, Unity's overall lending to borrowers of low and moderate-income levels is satisfactory in view of the demographics of the assessment area. Lending to moderate-income borrowers is reasonable with 30% of the number of loans and 21% of the dollar volume compared to 26% of the families in the moderate-income level.

<i>Distribution of Loans by Borrower Income Level in Assessment Area</i>				
<i>Income Level</i>	<i>% Families in Assessment Area</i>	<i>% of Loans by Number</i>	<i>% of Loans by Dollar</i>	<i>Average Loan (\$'000)</i>
Low	28%	12%	3%	\$ 3,575
Moderate	26%	30%	21%	\$10,428
Middle	25%	29%	23%	\$12,128
Upper	21%	29%	53%	\$27,448
Total	100%	100%	100%	

As the above chart indicates, overall lending to low-income levels is lower than corresponding family percentages. The percentage of loans by number is reasonable given that an additional 12% of the assessment area is below the poverty level. However, the percentage of dollar volume lending is much lower and on the surface, compares unfavorably to the level of low-income families in the bank's assessment area. Given that the amount of each individual loan is substantially smaller than the average loan for other income levels, it is reasonable to assume that the dollar volume percentage will be lower overall. Also, it is reasonable to assume that the high poverty level prevents a portion of the low-income individuals from qualifying under traditional underwriting standards.

Unity is a denovo bank, open a little over a year. As a result of being a new bank,

management's primary focus during the last 16 months has been on developing market share and generating enough loan business to become financially profitable. As a result, there haven't been any direct marketing efforts targeted at specific groups. Since the bank's operations have stabilized, management has promised to increase their marketing focus on low-income persons and meeting their credit needs. They have also committed to performing an annual self-assessment to ensure adequate penetration to low-income persons.

The distribution of lending at other income levels is reasonable given demographic makeup of the AA.

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.

An analysis of our sample of small business loans originated during the month of March 2000 revealed that 15 loans or 63% of the dollar volume were loans to businesses having annual revenues of less than \$1 million. In addition, nine loans totaling \$730 thousand were granted to businesses having revenues greater than \$1 million.

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.

<i>Geographic Analysis of Loans by Percentage Originating Between March 1, 2000 and March 31, 2000</i>			
<i>Type Of Census Tract</i>	<i># of Loans Within the Type of Census Tract</i>	<i>\$ Amount of Loans Within the Type of Census Tract</i>	<i>Families Within the Type of Census Tract</i>
Moderate Income	88%	88%	91%
Middle Income	12%	12%	9%
Total	100%	100%	100%

The sample analysis disclosed that Unity originated \$2.978 million or 88% in dollar volume of loans in moderate-income census tracts and \$393 thousand or 12% in middle-income census tracts in the AA. This distribution is reasonable given the geographic size of the bank's assessment area and the percentage of families within each type of census tract. It is also reasonable based on the location of the bank's offices and their financial and human resources.

The bank's AA is comprised of 10 census tracts. During the month of March 2000, which was

the time period used for analyzing new lending activity, the bank had good penetration in all but one census tract. While there were no new loans made in this census tract during the month of March 2000, three percent of the bank's total loan portfolio (both in number and percent of total loans) includes loans originated in this census tract. Also, a large portion of the census tract consists of downtown Cartersville and several other commercial, industrial, and retail areas.

Response to Consumer Complaints

Unity has not received any CRA-related complaints since it opened for business in November 1998. The current examination is the bank's first CRA examination. Management has implemented an adequate compliant monitoring process to handle future complaints.

Record of Compliance with Anti-discrimination Laws

We conducted a concurrent compliance and fair lending examination. The scope of our fair lending examination included evaluating approved automobile loans for a male control group versus a prohibited basis group of female denials. We did not identify any discriminatory lending practices or violations of the substantive provisions of federal anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, Fair Housing Act, and the Fair Housing Home Loan Data System Regulation. The bank has instituted appropriate fair lending policies, procedures, and training programs.

Summary

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 human and financial resources.