

PUBLIC DISCLOSURE

July 9, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Bank of Nashville
Nashville, Tennessee
RSSD ID NUMBER: 1407521**

**Federal Reserve Bank of Atlanta
1000 Peachtree Street, NE
Atlanta, Georgia 30309-4470**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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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DEFINITIONS

Income Definitions

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

Low-Income - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

Moderate- Income - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

Middle-Income - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

Upper-Income - An individual income, or median family income for geographies, that is 120 percent or more of the area median income.

N/A - An individual income, or median family income for geographies, that is 0 percent and no income data is provided.

Other Definitions

ATM - Automated Teller Machine
FDIC- Federal Deposit Insurance Corporation
HUD - Department of Housing and Urban Development
MSA - Metropolitan Statistical Area
NCC- Nashville Chamber of Commerce
REIS- Regional Economic Information System

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 **The Bank of Nashville** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **July 9, 2001**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

At 86.8 percent, the bank's average loan-to-deposit ratio since the previous examination exceeds the standards for satisfactory performance. A substantial majority of the bank's loans were originated within the bank's assessment area. Based on the sample of small business loans originated in the assessment area, lending to businesses of different revenue sizes is satisfactory considering the bank's strategic focus for small business lending. The geographic distribution of the small business loans is reasonable given assessment area demographics and characteristics, and the location of the bank's offices. The bank has received no CRA-related complaints since the previous examination.

DESCRIPTION OF INSTITUTION

The Bank of Nashville operates four branch offices and ten ATMs in Davidson, Sumner, and Williamson counties in Tennessee. The bank recently received regulatory approval to establish a fifth branch office in the Cool Springs area of Nashville, which is scheduled to open during the 3rd or 4th quarter 2001. The Bank of Nashville is a subsidiary of a one-bank holding company, Community Financial Group of Nashville, Nashville, Tennessee. The bank received a satisfactory rating at its previous CRA examination dated September 20, 1999. As of March 31, 2001, total assets were \$369.5 million, net loans totaled \$273.9 million, and total deposits represented \$289.6 million.

The Bank of Nashville is a full service community bank that offers a wide variety of credit products to meet community credit needs. These credit products include commercial, consumer, and real estate loans. The bank's business strategy focuses on providing credit products and services for small businesses. The majority of the bank's small business customers consist of professional associates, such as lawyers, certified professional accountants and engineers, and owner operated "mom and pop" businesses. The Bank of Nashville classifies a small business as an entity with revenues of five million dollars or less. In contrast, the Community Reinvestment Act classifies a small business as an entity with gross revenues of less than one million dollars.

The composition of the loan portfolio according to the March 31, 2001 Consolidated Reports of Condition and Income is as follows:

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	3/31/2001		12/31/2000		12/31/1999	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	\$22,632	8.6%	\$22,118	8.6%	\$19,778	10.2%
Secured by One- to Four- Family Dwellings	\$42,056	15.9%	\$38,958	15.2%	\$28,058	14.5%
Other Real Estate: Farmland	\$860	0.3%	\$464	0.2%	\$576	0.3%
Multifamily	\$2,403	0.9%	\$1,968	0.8%	\$2,635	1.4%
Nonfarm Nonresidential	\$98,780	37.3%	\$103,668	40.5%	\$71,549	37.1%
Commercial and Industrial	\$79,779	30.2%	\$71,757	28.0%	\$64,571	33.5%
Loans to Individuals	\$18,080	6.8%	\$17,159	6.7%	\$5,870	3.0%
Agricultural Loans	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total	\$264,590	100.0%	\$256,092	100.0%	\$193,037	100.0%

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any o

DESCRIPTION OF INSTITUTION (Continued)

As indicated by the table on the previous page, the bank's loan portfolio as of March 31, 2001 consists mostly of nonfarm nonresidential real estate loans in terms of total dollars. Commercial and industrial loans make up the second largest component of the loan portfolio by dollar amount and percentages. This is consistent with the bank's lending strategy, which is small business lending.

No known legal impediments exist that would prevent or restrain the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Overview

The Bank of Nashville's assessment area consists of Davidson, Sumner, and Williamson Counties, Tennessee. These three counties are located in the Nashville MSA, which is comprised of eight counties. The bank's assessment area encompasses 143 census tracts, which include 16 low-, 33 moderate-, 62 middle- and 30 upper-income census tracts, and 2 census tracts that are classified as "N/A". The Bank of Nashville has not arbitrarily excluded any low- or moderate-income census tracts from its assessment area.

Based on information obtained from the NCC, Davidson County's economic base is diverse and expanding, enjoying heavy outside investment and stable job growth. The county's strong pro-business attitude has enticed many major corporations to establish production facilities and corporate headquarters in the county. It is also described as a prime location for start-up businesses. Also, NCC information stated that Sumner County has a pro-business attitude, an abundance of land available for industrial development, progressive city governments, affordable housing, and affordable country living. The county is uniquely well positioned for continued business and industrial growth. Additionally, NCC information asserts that Williamson County provides many important advantages to businesses such as an excellent interstate road system, close proximity to Nashville International Airport, pro-business tax structure, and a highly skilled work force. Data from the NCC also indicated that because of the county's exceptional growth, economic vitality, and superior development potential, it has the attention of national business leaders.

Overall, the assessment area has been experiencing economic growth. This growth is illustrated by the increases in population and income. However, there was an increase in the unemployment rate since the previous examination. These factors are detailed further in the report.

Demographic Data by Census Tract

The table on the following page provides demographic information that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in the report as they apply to particular parts of the analysis.

DESCRIPTION OF ASSESSMENT AREA (Continued)

BANK OF NASHVILLE								
DEMOGRAPHICS								
2001 HUD Median Family Income: \$60,700	Tract Distribution		Families by Tract Income		Families Families < Poverty Level as a % of Families by Tract		Families by Family Income	
Income Categories	#	%	#	%	#	%	#	%
Low-Income	16	11.2%	9,389	5.1%	4,504	48.0%	37,060	20.0%
Moderate-Income	33	23.1%	32,981	17.8%	5,271	16.0%	31,734	17.1%
Middle-Income	62	43.4%	93,097	50.2%	5,395	5.8%	42,491	22.9%
Upper-Income	30	21.0%	49,895	26.9%	1,153	2.3%	74,077	40.0%
NA	2	1.4%	-	-	-	-	-	-
Total Assessment Area*	143	100.0%	185,362	100.0%	16,323	8.8%	185,362	100.0%
Housing Units by Tract	Housing Types by Tract							
			Owner-Occupied		Rental		Vacant	
	#	%	#	%	#	%	#	%
Low-Income	16,592	3,858	2.4%	23.3%	11,992	72.3%	1,969	11.9%
Moderate-Income	56,739	24,556	15.2%	43.3%	29,771	52.5%	5,632	9.9%
Middle-Income	152,400	81,502	50.4%	53.5%	65,514	43.0%	13,752	9.0%
Upper-Income	73,015	51,636	32.0%	70.7%	18,328	25.1%	5,085	7.0%
NA	-	-	-	-	-	-	-	-
Total Assessment Area*	298,746	161,552	100.0%	54.1%	125,605	42.0%	26,438	8.8%
	Total Businesses by Tract				Businesses by Tract and Revenue Size:			
	#		%		Under \$1 Million		Over \$1 Million	
	#	%	#	%	#	%	#	%
Low-Income	2,125	5.5%	1,704	5.2%	308	8.5%		
Moderate-Income	8,306	21.7%	6,938	21.2%	932	25.7%		
Middle-Income	17,408	45.4%	15,158	46.4%	1,458	40.2%		
Upper-Income	10,290	26.8%	8,891	27.2%	928	25.6%		
NA	234	0.6%	-	-	-	-		
Total Assessment Area**	38,363	100.0%	32,691	100.0%	3,626	100.0%		
	Percentage of Total Businesses:				85.2%		9.5%	

* Source: 1990 Census Data

** Source: 2000 Business Geodemographic Data; Under \$1million + Over \$1million will not equal total businesses due to revenue not reported.

Population

According to the 1990 U.S. Census, The Bank of Nashville's assessment area population was 695,086 persons. As of July 1, 1999, the total estimated assessment area population was 779,852, representing an increase of 12.2 percent. This increase, in contrast, aided in the entire Nashville MSA's population increase of 19 percent from 1990 to 1999 in which the population of the MSA grew from 985,026 persons to 1,171,755 persons.

Income Characteristics

As indicated in the table above, as of the 1990 Census, the assessment area contained 185,362 families. Low- and moderate-income families represented 5.1 percent and 17.8 percent of the assessment area's families, respectively. 8.8 percent of the families in the assessment area had incomes below the poverty level. According to HUD, the estimated 2001 median family income for the Nashville MSA, which includes the assessment area, was \$60,700.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Employment Statistics

A review of REIS data as of 1995 indicates that the services industry is the largest employer in the bank's assessment area. The next largest employers, based on NCC information, are the retail trade, manufacturing, and government industries. Major employers in the assessment area include Vanderbilt University and Medical Center, Saturn Corporation, and Gaylord Entertainment. According to REIS, from 1990 to 1995 the assessment area experienced an 11.9 percent increase in total full- and part-time employment, with the greatest increase (19.4 percent) occurring in the services industry. The following table displays the range of unemployment rates (not seasonally adjusted) from September 1999 through April 2001 for the three counties included in the bank's assessment area. As indicated in the table, Sumner County has experienced the most significant increase in the unemployment rate. The unemployment rates for Davidson and Williamson Counties have experienced a slight decrease from September 1999 to April 2001, which supports the NCC statement regarding these counties' economies having stable unemployment and growth.

County	Unemployment Rate as of September 1999	Lowest Unemployment Rate	Highest Unemployment Rate	Current Unemployment Rate as of April 2001
Davidson	3.1 %	2.5 % (August 2000)	3.3% (May 2000)	2.6%
Sumner	2.5%	2.2% (December 1999)	5.1% (March 2000)	4.8%
Williamson	2.0%	1.6% (May 2000)	2.1% (November 2000)	1.8%

Business Size Characteristics

The demographic table on page 5 of this report provides key demographic business data by census tracts within the assessment area. The Dun & Bradstreet information for 2000 illustrates that 85.2 percent of the businesses in the bank's assessment area had total gross revenues less than \$1 million and therefore, were considered to be small businesses. The majority of the small businesses are located in middle- and upper-income census tracts. However, a moderate level of small businesses are located in low- and moderate-income census tracts, which would indicate on the surface that some lending opportunities exist in these tracts.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Competition

The Bank of Nashville is located in a highly competitive market due to the significant presence of banks in this market, local area population, and the economic growth currently being experienced in the assessment area. The competition comes mainly from FDIC – insured institutions with branch offices located in the assessment area. Many of these banks are statewide, multi-regional, or national banks. However, local competition does not seem to adversely affect the bank’s ability to serve the credit needs of its assessment area.

Community Contacts

As a part of the CRA examination, information was obtained from two members of the community regarding local economic conditions and community credit needs. One of the contacts was highly pleased with the performance of the local financial institutions and the business alliances that had been developed within the community. However, the other contact stated that banks should target more minorities in their small business lending initiatives because it is very hard for minorities to obtain financing as business owners due to the high rates of interest that banks charge.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

The Bank of Nashville's average loan-to-deposit (LTD) ratio exceeds the standards for satisfactory performance. Based on information from the bank's Consolidated Reports of Condition and Income, the bank's average LTD ratio for the six quarters ending December 31, 2000 was 86.8 percent. The bank's LTD ratio has fluctuated since the previous examination between a low of 75.8 percent as of September 30, 1999 and a high of 94.6 percent as of December 31, 2000. As of March 31, 2001, the bank's LTD ratio was 94.6 percent.

Assessment Area Concentration

The Bank of Nashville's lending in the assessment area exceeds the standards for satisfactory performance. A sample of 144 small business loans originated since the previous performance evaluation was analyzed to determine the extent of the bank's lending inside the assessment area. As illustrated in the following table, a substantial majority of the small business loans sampled by number and dollar volume were originated within the assessment area.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA				
Small Business	IN			
	Number	Percent	\$ (000s)	Percent
<i>Total In</i>	122	84.7%	\$14,961,179	80.4%
	OUT			
	Number	Percent	\$ (000s)	Percent
<i>Total Out</i>	22	15.3%	\$3,636,910	19.6%
	TOTAL			
	Number		\$ (000s)	
<i>Total</i>	144		\$18,598,089	

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Lending to Businesses of Different Sizes

The Bank of Nashville’s record of lending to businesses of different sizes is considered commensurate with the business demographics of the bank’s assessment area and meets the standards for satisfactory performance. 119 of the 122 small business loans originated in the bank’s assessment area reported business revenue. Of the 119 small business loans, 82 loans or 68.9 percent were originated to businesses with gross annual revenues of less than \$1 million. 59.4 percent of the total dollar volume of the small business loans sampled were to small businesses. As noted earlier, 85.2 percent of the businesses in the MSA are considered to be small businesses. The reader is reminded that the bank’s definition of a small business is an entity with gross annual revenues of \$5 million or less, whereas the CRA regulation defines a small business as an entity with gross annual revenues of \$1 million or less.

SMALL BUSINESS LOANS by Business Revenue and Loan Size				
Business Revenue:	Number	Percent	\$(000)s	Percent
\$1 Million or Less	82	68.9%	\$8,302,893	59.4%
Over \$1 Million	37	31.1%	\$5,682,753	40.6%
Not Available	0	0.0%	\$0	0.0%
Loan Size:				
\$100,000 or Less	80	67.2%	\$3,022,859	21.6%
\$100,001 - \$250,000	23	19.3%	\$4,055,103	29.0%
\$250,001 - \$1 Million	16	13.4%	\$6,907,684	49.4%
<i>Total</i>	<i>119</i>	<i>100.0%</i>	<i>\$13,985,646</i>	<i>100.0%</i>

Geographic Distribution of Loans

The geographic distribution of the small business loans originated in the bank’s assessment area meets the standards for satisfactory performance. The 122 small business loans originated in the bank’s assessment area were analyzed to determine the distribution of loans by census tract.

The table on the following page demonstrates that the bank originated 3.3 percent of its small business loans in low-income census tracts and 23.8 percent of its small business loans in moderate-income census tracts. The lending percentages in low- and moderate-income census tracts are comparable to the percentages of small businesses in low- and moderate-income census tracts. As shown in the demographic table on page 5, the majority of businesses in the bank’s assessment area are located in the middle- and upper-income census tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Geographic Distribution (Continued)

GEOGRAPHIC DISTRIBUTION		
Tract Income Level	Small Business	
	#	%
Low-Income	4	3.3%
Moderate-Income	29	23.8%
Middle-Income	35	28.7%
Upper-Income	54	44.3%
<i>Total Assessment Area</i>	<i>122</i>	<i>100.0%</i>

Complaints

No CRA-related complaints have been received since the previous examination.

Compliance with Antidiscrimination Laws and Regulations

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of the bank policies and procedures.