

PUBLIC DISCLOSURE

April 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Gulf Bank

06-01-1532

Orange Beach, Alabama

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

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.

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 Gulf Bank, Orange Beach, Alabama, prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of April 8, 1996. 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.

The bank has a high loan-to-deposit ratio, and a majority of the bank's loan originations are in its assessment area. Management has defined the bank's assessment area as the south-central end of Baldwin County, which includes only middle-income census tracts. Gulf Bank is primarily a commercial and consumer lender, and based on available resources, lending activities seem to reflect a reasonable penetration in all segments of the assessment area. 76 percent of the bank's commercial loan originations and 70 percent of its consumer loan originations were in the bank's assessment area. The bank is in compliance with all provisions of antidiscrimination laws and regulations, including fair lending and fair housing laws.

GENERAL INFORMATION (CONTINUED)

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

SMALL INSTITUTION ASSESSMENT CRITERIA	GULF BANK		
	PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio	X		
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

Gulf Bank is a wholly-owned subsidiary of Alabama National Bancorporation (ANB). Gulf Bank has two locations that include the main office in Orange Beach, Alabama and a branch in Foley, Alabama. The two offices serve the towns of Foley, Elberta, Gulf Shores, and Orange Beach, all of which are located in South Baldwin County between Mobile, Alabama and Pensacola, Florida. In June 1996, Gulf Bank plans to open an additional branch in Gulf Shores, Alabama. According to the December 31, 1995 Consolidated Reports of Condition and Income, the bank's total assets were \$48.5 million. The May 31, 1994 safety and soundness examination conducted by the Federal Reserve Bank of Atlanta identified no legal or financial impediments that would hinder the bank from meeting the credit needs of its assessment area.

Gulf Bank offers a wide variety of credit products to meet community credit needs, focusing primarily on commercial lending and consumer credit products and services. Although the bank's lending efforts are concentrated in commercial and consumer lending, the bank does not discourage other types of lending, including residential real estate financing. Management reviews the bank's credit products annually to determine their effectiveness in addressing the financial needs of the community. The bank offers the following types of credit:

- Commercial loans
- Consumer loans
- Residential real estate loans
- Home improvement loans
- Short-term construction loans

A review of the loan portfolio revealed that the bank generally offers and extends all types of credit listed.

DESCRIPTION OF INSTITUTION (CONTINUED)

According to the December 31, 1995 Consolidated Report of Condition and Income, the composition of the bank's loan portfolio was as follows:

LOAN PORTFOLIO MIX	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF PORTFOLIO
CONSTRUCTION & LAND DEVELOPMENT	\$6,547	19.7%
1- TO 4-FAMILY RESIDENTIAL	\$4,843	14.6%
MULTIFAMILY	\$1,370	4.1%
NONFARM NONRESIDENTIAL	\$4,901	14.7%
OTHER REAL ESTATE	\$ 292	.9%
COMMERCIAL & INDUSTRIAL	\$13,569	41.0%
LOANS TO INDIVIDUALS	\$1,642	5.0%
GROSS LOANS & LEASES	\$33,164	100%

As illustrated by the table above, a large percentage of the bank's loan portfolio consisted of commercial and consumer loans. Although the bank's major product lines are commercial and consumer lending, residential loans represent a large percentage of the bank's loan portfolio.

DESCRIPTION OF THE SOUTH-CENTRAL END OF BALDWIN COUNTY

Gulf Bank is located in Orange Beach, Alabama. The bank has defined its assessment area as the south-central end of Baldwin County.

The bank's assessment area contains five census tracts, all of which are middle-income tracts. Middle-income tracts are defined as tracts having a median family income between 80 and 119 percent of the median family income of the county. As of the 1990 Census, the median family income of south Baldwin County was \$27,647. Therefore, the median family incomes in these census tracts range from \$22,117 to \$33,176.

According to the Bureau of Labor & Statistics, the unemployment rate as of February 1996 for Alabama is 5.3 percent, which is favorable compared to Baldwin County's unemployment rate of 5.7 percent. Employment data based on 1992 county business patterns from the U.S. Census show 2,596 business establishments in Baldwin County. The service industry represents 32 percent of the total employment in the area, and the retail industry represents 31 percent. Of the 2,596 establishments, 2,519 (97 percent) are establishments with fewer than 50 employees.

According to economic market data, 7,539 housing units are in the bank's assessment area. 65.8 percent are owner-occupied, 16.7 percent are renter-occupied, and 17.5 percent are vacant units.

Two community contacts were made with citizens of Baldwin County. Both contacts stated that Orange Beach, Alabama and its surrounding cities are currently in a growth period. According to the contacts, all of the local financial institutions are willing to provide financial support for the growth and the development of the community. Since the area is a tourist attraction, there is a large demand for commercial real estate. The contacts also stated that the credit products and services offered by the local banks meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's average loan-to-deposit ratio for the four quarters ended December 31, 1995 was 79 percent. This average is above its peer loan-to-deposit ratio of 64 percent. Given the bank's size, resources, and current office facilities, the loan-to-deposit ratio exceeds the standards for satisfactory performance. Gulf Bank has found its niche in commercial and consumer lending, which contribute to its higher than average loan-to-deposit ratio when compared to its peers.

Commercial and consumer lending have been identified as the bank's major product lines. During the examination, a sample of 67 commercial loans and 66 consumer loans originated within the past six months were reviewed. The analysis provided information on the percentage of loans within the bank's assessment area, the distribution of loans among income levels of borrowers (the income analysis was performed only on approximately 70 percent of the commercial and consumer loans because applications for these types of loans were not required by the bank), and the distribution of loans by income levels of the census tracts. Based on the sample, 76 percent of the commercial loans and 70 percent of the consumer loans originated are in the bank's assessment area. The geographic distribution of the bank's lending indicates no arbitrary exclusion of any particular geography in its assessment area.

The analysis performed was limited since documentation on business revenues and the borrower's personal income was not provided for all consumer and commercial loans originated within the past six months. However, results of the sample seem to indicate that loans are generally available to borrowers of all income levels for commercial and consumer loans. Although the bank's assessment area is made up of only middle-income census tracts, the majority of consumer loans originated within its assessment area were extended to upper-income households. The upper-income households constitute 41.4 percent of the total number of households in the bank's assessment area. The total consumer loans originated among the upper-income borrowers represented 59 percent of the total number of loans and 82 percent of the total dollar amount. Although the low- and moderate-income households constitute 38 percent of total households in the bank's assessment area, the review showed that 29 percent of the number and 9 percent of the dollar amount of consumer loans were to low- and moderate-income borrowers.

Since the previous examination, the bank has not received any consumer complaints relating to its CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Management has developed and implemented loan policies and procedures for the types of credit the bank offers. The examination revealed no evidence of any practices intended to discourage individuals from applying for credit. A selected sample of loan application files was reviewed to determine the level of compliance with the requirements of the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

TO THE INSTITUTION EXAMINED:

THIS COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA. THE FOLLOWING ACTIONS MUST BE TAKEN TO FULFILL THE CRA'S REQUIREMENTS.

- C AT A MINIMUM, PLACE THE EVALUATION IN YOUR CRA PUBLIC FILE LOCATED AT YOUR HEAD OFFICE NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION.
- C PROVIDE A COPY OF THE EVALUATION TO THE PUBLIC UPON REQUEST (YOU ARE PERMITTED TO CHARGE A FEE NOT TO EXCEED THE COST OF REPRODUCTION AND MAILING IF APPLICABLE) NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THIS LETTER.
- C ADD THE FOLLOWING LANGUAGE TO YOUR CRA PUBLIC NOTICE THAT IS POSTED IN EACH OF YOUR OFFICES, NO LATER THAN 30 BUSINESS DAYS AFTER RECEIVING THE EVALUATION:

"YOU MAY OBTAIN THE PUBLIC SECTION OF OUR MOST RECENT CRA PERFORMANCE EVALUATION, WHICH WAS PREPARED BY THE FEDERAL RESERVE BANK OF ATLANTA, AT (YOUR MAIN OFFICE ADDRESS)."

FEDERAL RESERVE BANK OF ATLANTA

ASSISTANT VICE PRESIDENT

(Date)

CYNTHIA C. GOODWIN

(Title)

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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TO THE FEDERAL RESERVE BANK OF ATLANTA

A COPY OF THE COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PREPARED AS OF THE CLOSE OF BUSINESS APRIL 8, 1996, BY AN EXAMINER FOR THE FEDERAL RESERVE BANK OF ATLANTA HAS BEEN RECEIVED AND WILL BE MADE AVAILABLE TO THE PUBLIC IN THE MANNER STATED IN THE LETTER WHICH ACCOMPANIED THE EVALUATION.

(Signature of Authorized Officer)

(Title)

GULF BANK

(Name of Bank)

ORANGE BEACH, ALABAMA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Gulf Bank
Post Office Box 1400
Highway 182 East
Orange Beach, Alabama 36561-1400

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Gayle Askew using the guidelines established by the Federal Financial Institutions Examination Council. This evaluation was prepared in accordance with the Community Reinvestment Act (CRA), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, and must be made available to the public. The following actions must be taken to fulfill the CRA's requirements.

- C At a minimum, place the evaluation in your CRA public file located at your head office no later than 30 business days after receiving this letter.
- C Provide a copy of the evaluation to the public upon request (you are permitted to charge a fee not to exceed the cost of reproduction and mailing if applicable) no later than 30 business days after receiving this letter.
- C Add the following language to your CRA public notice that is posted in each of your offices, no later than 30 business days after receiving the evaluation:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Reserve Bank of Atlanta, at (your main office address)."

Please acknowledge receipt of this evaluation by signing and returning the attached blue form. The format and content of the evaluation should not be altered or abridged in any manner. You may wish to comment on this information detailing actions the bank has taken since the examination to meet its obligations under the CRA. Any written comments concerning the evaluation placed in the public file should also be forwarded to this office. If you believe any of the information included in the public evaluation is proprietary, please contact this Reserve Bank so that the appropriate action can be taken.

Board of Directors
Gulf Bank
Orange Beach, Alabama

Our Community Affairs staff is available to assist you in determining and responding to community credit needs. Please feel free to contact Mr. Courtney Dufries at (404) 589-7226. If you have any questions concerning this report or any other compliance matter, contact Ms. Gale Williams at (404) 589-7223.

Very truly yours,

Cynthia C. Goodwin

Enclosures

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Name of Bank: Gulf Bank

City and State: Orange Beach, Alabama

Date of Examination: April 8, 1996