

PUBLIC DISCLOSURE

April 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Alabama Exchange Bank
06012010

Tuskegee, 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 Alabama Exchange Bank 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 Outstanding.

Alabama Exchange Bank has maintained a high loan-to-deposit ratio for the past five quarters. The bank originated a substantial majority of loans in its assessment area. The bank also extended loans to businesses of different sizes and borrowers of different income levels. Management has actively invested in low-income housing and economic development projects in Macon County. No evidence of discrimination or other illegal practices was noted during the evaluation.

GENERAL INFORMATION (CONTINUED)

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

SMALL INSTITUTION ASSESSMENT CRITERIA	ALABAMA EXCHANGE 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 have been received since the bank joined the Federal Reserve System.		

DESCRIPTION OF INSTITUTION

Alabama Exchange Bank is a subsidiary of Alabama National Bancorporation. Alabama Exchange Bank has no branch offices; however, the bank does have a subsidiary finance company, Tuskegee Loan Company. As of the December 31, 1995 Consolidated Reports of Condition and Income, the bank's assets totaled \$44.5 million. The December 11, 1995 safety and soundness examination conducted by the Alabama State Banking Department identified no legal or financial impediments that would hinder the bank from meeting the credit needs of the community.

Alabama Exchange Bank offers a wide variety of credit products to help meet the community's credit needs. The bank offers the following types of credit:

- C Real estate loans
- C Farm loans
- C Commercial loans
- C Home improvement loans
- C Consumer loans
- C Other types of loans needed by the community

The composition of the bank's loan portfolio as of December 31, 1995 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and land development	5.0
Secured by one- to four-family dwellings	40.8
Other real estate Farmland	3.4
Multifamily	2.3
Nonfarm nonresidential	15.8
Commercial and industrial loans	13.9
Loans to individuals	12.8
All other loans	6.0
Total Loans and Leases	100.0

DESCRIPTION OF INSTITUTION (CONTINUED)

As illustrated by the table above, management has originated each of the types of credit offered by the bank. Management has identified the major credit needs of the community as home purchase, home improvement, and instalment loans. The table above indicates that the bank is addressing the identified credit needs because 53.6 percent of its portfolio consists of these types of credits. For the period from January 1995 to March 1996, the bank made 432 instalment loans for \$1.1 million and 335 real estate loans for \$11.1 million. The real estate loans consisted of home purchase, home improvement, and refinances of home purchases. The instalment loans included secured and unsecured credit.

DESCRIPTION OF ALABAMA EXCHANGE BANK'S ASSESSMENT AREA

Alabama Exchange Bank defines its assessment area as Macon County. According to the 1990 census data, the bank's assessment area consists of 610.6 square miles. The city of Tuskegee is the only defined urban area. The census defines the rest of the county as rural. The rural areas include the communities of Shorter (unincorporated), Franklin, and Notasula. Ten block numbering areas (BNAs) constitute the assessment area. Five of the BNAs are inside the city limits of Tuskegee. The ten BNAs are 9814.00, 9815.00, 9816.00, 9817.00, 9818.00, 9819.00, 9820.00, 9821.00, 9822.00, and 9823.00. According to the 1990 census, the county's population was 24,928. 49.2 percent of the population reside in rural areas and 50.8 percent of the population reside in the city of Tuskegee. The 1980 census showed a slightly larger county population of 26,829.

According to 1990 census data, the median family income for the assessment area was \$20,100. Macon County ranks 60 out of 67 counties in terms of median family income. Of the 5,679 families in the assessment area, 32.5 percent are low-income, 16.4 percent are moderate-income, 17.8 percent are middle-income, and 33.4 percent are upper-income. The census data indicates 9,818 housing units in Macon County. Of the total housing units, 58.8 percent are owner-occupied, and 27.6 percent are rental properties. The median housing age is 17 years, and the median housing value is \$42,108.

Service organizations and government agencies dominate the employment market. Since 1990, the total number of jobs declined slightly. Although local government officials have tried to market the area in efforts to bring industry to the county, these efforts have not been successful.

During the CRA evaluation, two outside contacts were made to discuss the Macon County area. The individuals contacted represented the interests and perceptions of government and private individuals. Their primary concerns for the area were economic development and housing. The contacts stated that the financial institutions in this county are to be commended for their involvement with local small business and community development projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the 1995 Consolidated Reports of Condition and Income, the bank's average loan-to-deposit ratio for the four quarters ended December 31, 1995 was 79 percent. The peer loan-to-deposit ratio for the same period was 84 percent. The bank's peer includes only one other financial institution. For the first quarter of 1996, the bank's loan-to-deposit ratio was 80 percent. The bank's consistently strong loan-to-deposit ratio is considered to be more than reasonable given the bank's capacity to lend, the demographics and economic factors present, and the lending opportunities available in the assessment area.

During the evaluation, 62 real estate loans and 57 instalment loans were geocoded and analyzed to determine the percentage of loans the bank originated within its assessment area. The analysis revealed that 50 (81 percent) of the real estate loans and 49 (86 percent) of the instalment loans were extended to individuals residing in the assessment area. The analysis also revealed that \$1,833,978 (80 percent) of the total dollar volume of real estate loans and \$127,266 (78 percent) of the total dollar volume of instalment loans were extended to individuals living in the bank's assessment area. The high number and dollar amount of loans extended within the assessment area indicates that the bank has more than satisfactory performance in this category.

The distribution of the loan sample by the income of the borrowers was also analyzed. The analysis compared the loan sample to the 1990 census income data for the assessment area. The analysis indicated that the bank's distribution of loans by borrower income is somewhat comparable to the income demographics of the assessment area. The following table details the distribution by the income level of the borrower:

INCOME LEVEL	MEDIAN FAMILY INCOME DISTRIBUTION LEVEL	PERCENT OF FAMILIES WITHIN INCOME LEVEL	INSTALMENT LOANS		REAL ESTATE LOANS	
			No. of Loans	% of Total	No. of Loans	% of Total
Low	Less than 50	32.5	21	44%	2	4%
Moderate	50 - less than 80	16.4	12	25%	9	18%
Middle	80 - less than 120	17.8	12	25%	10	20%
Upper	120 and above	33.3	3	6%	29	58%
Total			48	100%	50	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Alabama Exchange Bank has a relatively limited demand from low-income families for real estate loans because of the availability of programs better suited to meet the needs of low-, income borrowers. These programs include the Department of Rural Economic and Community Development, VA, and FHA guaranteed loans that are currently not offered by the bank. Additionally, the quantity of instalment loans to upper-income families is low because upper-income families have access to other lending alternatives, such as creditcards or revolving lines of credit.

The results of the analysis of the loan distribution by borrower income indicates that the bank has significantly addressed the credit needs of individuals of all income levels.

In addition to analyzing the loan distribution by the income level of the borrower, an analysis of the distribution of loans by the income level of the BNAs was performed. Loans have been extended in all of the BNAs in the assessment area. Of the ten BNAs in the bank's community, one is defined as low-income, four are defined as moderate-income, and five are defined as middle-income. No upper-income BNAs are located in Macon County. The analysis revealed that 73 percent of the instalment loans and 80 percent of the real estate loans are in the middle-income BNAs. 23 percent of the instalment and 16 percent of the real estate loans are in the moderate-income BNAs. 4 percent of the instalment and 4 percent of the real estate loans are in the low-income BNA. This BNA is the 4,700 acres of Tuskegee University. Overall, the bank's loan distribution by BNA is adequate.

Management actively reinvests in the community. Since 1994, the bank has extended \$1.3 million to a local nonprofit organization for the construction of residential housing for low-income borrowers. In addition, the bank has extended \$191,000 to a businessman who has renovated two houses for an alternative living arrangement for adults who need special assistance.

No evidence of discrimination or other illegal credit practices were noted during the examination. The bank solicits credit applications from all segments of its assessment area. There were no complaints in the public CRA file of the bank or with this Federal Reserve Bank.

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)

ALABAMA EXCHANGE BANK

(Name of Bank)

TUSKEGEE, ALABAMA

(Location)

FEDERAL RESERVE BANK OF ATLANTA

Cynthia C. Goodwin
ASSISTANT VICE PRESIDENT

Board of Directors
Alabama Exchange Bank
102 West Northside Street
Tuskegee, Alabama 36083

Dear Board Members:

Enclosed is the bank's Community Reinvestment Act Performance Evaluation prepared by Federal Reserve Examiner Duwane M. Morgan 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 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.

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: Alabama Exchange Bank

City and State: Tuskegee, Alabama

Date of Examination: April 8, 1996