PUBLIC DISCLOSURE

July 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Alabama
06010953

Birmingham, 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 Bank of Alabama prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of July 17, 1997. 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.

A substantial majority of the loans sampled are within the institution's assessment area. The bank's average loan-to-deposit ratio is reasonable given the bank's size, competition, and assessment area credit needs. The geographic distribution of loans reflects an adequate dispersion throughout the bank's assessment area. Also, considering the demographics of the assessment area and the asset size of the bank, lending activities reflect a sufficient penetration of loans among individuals of different income levels and among businesses of different sizes. No CRA-related complaints were received since the previous examination. A review of the bank's loan policy and procedures found the bank to be in compliance with the substantive provisions of antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

Bank of Alabama is a wholly owned subsidiary of Financial Investors of the South, Inc., a one-bank holding company. Bank of Alabama has a bank office in Birmingham, Alabama, and one in Fultondale, Alabama. Total assets reported in the March 31, 1997 Consolidated Reports of Condition and Income were $107.6 million. No legal or financial impediments exist that would prevent the bank from meeting the credit needs of its assessment area. The bank received a satisfactory CRA rating at the previous examination as of July 17, 1995.

Bank of Alabama is primarily a business lender. A review of lending activity since the previous examination showed that the bank originated 205 commercial construction and development loans, 179 consumer loans, 138 real estate loans, 97 other loans, and 1 small farm loan. The composition of the loan portfolio according to the March 31, 1997 Consolidated Reports of Condition and Income is as follows:

LOAN TYPE	PERCENTAGE
Construction and development	20.9%
Secured by one- to four-family dwellings	20.8%
Other real estate:	
Farmland	0.1%
Multifamily	12.4%
Nonfarm nonresidential	11.8%
Commercial and industrial	19.0%
Loans to individuals	12.3%
All other	2.7%
TOTAL	100.0%

The above table shows that commercial loans, which include construction and development loans, make up approximately 39.9 percent of the total loans. Although the second largest concentration of loans is consumer loans, the total dollar volume is only 12.3 percent of total loans because of the relatively small dollar amount of each loan.

DESCRIPTION OF ASSESSMENT AREA: JEFFERSON COUNTY AND PART OF SHELBY COUNTY, ALABAMA

The assessment area is located entirely inside the Birmingham Metropolitan Statistical Area (MSA). The population of the assessment area is 83.3 percent of the MSA's population. 17.3 percent of the state's population resides in the assessment area. The demographics of the assessment area are similar to the MSA; therefore, the analysis compares the assessment area to state data.

Based on the 1990 Census, the largest percentage of families are upper-income families (41.9 percent). The distribution of families among all the income groups closely resembles the statewide distribution of families by income. 12.0 percent of the families in the assessment area have incomes below poverty level. For the state, 14.3 percent of the families are below the poverty level. The median family income in the assessment area is $32,819, which is greater than the state median family income of $28,688.

Approximately 62.4 percent of the persons over 16 years old are in the labor force, contrasted with 61.1 percent for the state. The leading industries in the MSA as of 1994 are services, retail trade, and government. The number of persons in the MSA employed by the service industry has increased 13.1 percent from 1990 to 1994 and retail trade employment has increased by 12.5 percent. Government employment increased by 4.3 percent. As of the 1990 Census, the unemployment rate was 6.2 percent, and the state unemployment rate was 6.8 percent. In comparison to the Bureau of Labor Statistics, the state's unemployment rate as of April 1997 had decreased to 4.4 percent with the preliminary rate for May 1997 at 4.8 percent. In addition, the preliminary unemployment rate of the entire MSA for May 1997 has remained at 2.8 percent since April.

The assessment area is made up of 159 census tracts of which 18 (11.3 percent) are low-income; 34 (21.4 percent) are moderate-income; 59 (37.1 percent) are middle-income; and 48 (30.2 percent) are upper-income. 68.7 percent of the population lives in the middle- and upper-income tracts. Most of the families residing in low-income tracts consist of low-income families (59.9 percent) and moderate-income families (36.3 percent). Most of the families residing in moderate-income tracts are low-income families (18.7 percent), moderate-income (23.5 percent), and middle-income families (18.5 percent). While middle-income families are the largest segment residing in middle-income tracts (25.4 percent), these tracts are more diverse with

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

20.9 percent moderate-income families, 16.8 percent upper-income families, and 11.4 percent low-income families. Most of the families residing in upper-income tracts are upper-income (67.3 percent) and middle-income (38.1 percent) families. Based on the information provided, moderate- and middle-income tracts have more families from all income groups. However, low-income tracts and upper-income tracts have higher percentages of families from the same income group.

Most (75.4 percent) of the housing units in all tract income categories are one- to four-family units. However, low-income tracts have fewer one- to four-family units. Low-income tracts have more multifamily units (34.0 percent) than any other tract income group.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending in the Assessment Area

Lending in the assessment area exceeds the standards of satisfactory performance. 112 loans were analyzed to evaluate the bank's lending performance in its assessment area. The loan analysis included 64 business loans and 48 consumer loans. Of the 64 business loans, 60 (94 percent) were made to businesses in the assessment area. Of the 48 consumer loans, 44 (92 percent) were made to borrowers in the assessment area. A substantial majority of business and consumer loans are in the bank's assessment area.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio of 80.0 percent is reasonable given the size of the institution, the high concentration of competitors, and the credit needs of the assessment area. Of the 17 competitors, 3 financial institutions were closest in total asset size, number of branches, and composition of loans. Bank of Alabama and 2 of the 3 competitors have shown a steady increase in loan and deposit growth for the last eight quarters. The bank's average loan-to-deposit ratio ranked second highest to the loan-to-deposit ratios of the three competitors at 52.7 percent, 64.5 percent, and 87.5 percent.

Geographic Distribution of Loans

The 60 business and 44 consumer loans in the assessment area are reasonably dispersed in each census tract income category.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

LOAN DISTRIBUTION BY CENSUS TRACTS					
CENSUS TRACT TYPE	PERCENTAGE OF CENSUS TRACTS IN ASSESSMENT AREA	TOTAL NUMBER OF CONSUMER LOANS	PERCENTAGE OF TOTAL CONSUMER LOANS	TOTAL NUMBER OF BUSINESS LOANS	PERCENTAGE OF TOTAL BUSINESS LOANS
Low	11	2	4	7	12
Moderate	22	3	7	5	8
Middle	37	22	50	12	20
Upper	30	17	39	36	60

The distribution of consumer loans in upper-income tracts exceeds the percentage of upper-income tracts in the assessment area. However, the percentage of consumer loans in low-income tracts is less than half (4 percent compared to 11 percent) of the tract income group; in moderate-income tracts, less than one-third (7 percent as compared to 22 percent); and in middle-income tracts, 1.4 times greater (50 percent compared to 37 percent). 12 percent of the business loans were located in low-income tracts which closely reflects the percentage of low-income tracts in the assessment area at 11 percent. The distribution of business loans in middle- and moderate-income tracts is less than the percentage of that tract group in the assessment area. The distribution of business loans in upper-income tracts is greater than the percentage of upper-income tracts. Although the loan distribution does not match the percentage of tracts in each income group, the loan distribution reflects an adequate dispersion throughout the assessment area.

The bank offices are located in middle- and upper-income census tracts. The bank's locations influence customer access. According to management, the bank ranked 6th out of 22 banks in the volume of Small Business Administration (SBA) loans it made in 1996, which totaled $5.0 million. The bank assisted other banks in packaging and marketing an additional $1.5 million in SBA loans. Also, the bank placed low-income housing tax credits on 8 projects totaling 259 units of low-income housing with total project costs of $13.4 million. These tax credits arise when low-income housing units are constructed. The bank's involvement contributes to increasing housing units for low-income families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Of the 60 business loans in the assessment area, 58 loans were analyzed using business revenue and two loans were analyzed using borrower income.

SMALL BUSINESS BORROWERS				
LOAN AMOUNT	TOTAL NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS	TOTAL AMOUNT OF LOANS	PERCENTAGE OF TOTAL LOANS
$100,000 or less	26	57	$602,000	41
$100,000 to $250,000	3	38	$537,000	38
$250,000 to $1 million	1	25	$361,000	24
TOTAL	30	52	$1,500,000	34

30 of the 58 loans (52 percent) were made to small businesses[1]. The table does not depict the two loans based on borrower income. Both loans were made to borrowers in the upper-income group. One loan was less than $100,000 and the other loan was greater than $250,000. The loan distribution made to borrowers of different incomes was compared to families in the total population.

BORROWERS OF DIFFERENT INCOMES					
INCOME LEVEL	PERCENTAGE OF FAMILIES IN CENSUS TRACTS	TOTAL NUMBER OF LOANS	PERCENTAGE OF TOTAL LOANS	TOTAL AMOUNT OF LOANS	PERCENTAGE OF TOTAL LOANS
Low	22	3	7	$24,000	2
Moderate	16	4	9	$12,000	1
Middle	20	14	32	$243,000	24
Upper	42	23	52	$756,000	73

[1]A small business has gross annual revenues of $1 million or less.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

The percentage of total loans to moderate-income groups, although less than the percentage of moderate-income families in the assessment area, is reasonable. However, the loans to low-income borrowers are less than the percentage of low-income families in the assessment area, and the loans to middle- and upper-income borrowers are greater than the percentage of those income groups in the assessment area. The overall distribution of borrowers reflects satisfactory penetration among individuals of different income levels and businesses of different sizes given the demographics of the assessment area.

Complaints

No complaints relating to CRA performance have been filed against the bank since the previous examination.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were noted. Personnel involved in the lending process have good knowledge of fair lending issues and how they relate to credit applications and the evaluation process. Through periodic employee training, the bank's policy on fair treatment of all customers has been communicated from senior management to all staff members.