

## **PUBLIC DISCLOSURE**

August 17, 2009

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Aliant Bank  
Alexander City, Alabama

RSSD ID Number: 861434

**FEDERAL RESERVE BANK OF ATLANTA  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

NOTE: This document is an evaluation of this 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. 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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**INSTITUTION RATING**

**INSTITUTION’S CRA RATING:** This institution is rated Satisfactory.

The following table indicates the performance level of Aliant Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Aliant Bank</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

\*\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

**Summary of Major Factors Supporting Rating:**

- Lending levels reflect a good responsiveness to assessment area credit needs.
- A substantial majority of home mortgage and small business loans were extended to borrowers located inside the assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes.
- The bank made a low level of community development loans.
- The bank makes limited use of innovative and flexible lending practices in serving assessment area credit needs.
- The bank has a significant level of qualified community development investments.
- Delivery systems are reasonably accessible throughout the assessment area.
- Banking services do not vary in a way that inconveniences its assessment area, particularly LMI geographies and/or LMI individuals.
- The bank provides an adequate level of community development services.

## INSTITUTION

### DESCRIPTION OF INSTITUTION

Aliant Bank, Alexander City, Alabama, is a community bank wholly-owned by Aliant Financial Corporation, a one-bank holding company, also located in Alexander City. Aliant Bank operates 15 banking offices, 14 ATMs, and one loan production office in central Alabama. The bank opened two branches during the review period. Total assets were \$982.7 million as of March 31, 2009.

Aliant Bank offers a wide range of traditional financial services and credit products through its branch network, and online banking and cash management services through its Internet web site, [www.aliantbank.com](http://www.aliantbank.com). The bank offers mortgage loans, home equity lines of credit, credit cards, personal loans, and various types of business loans.

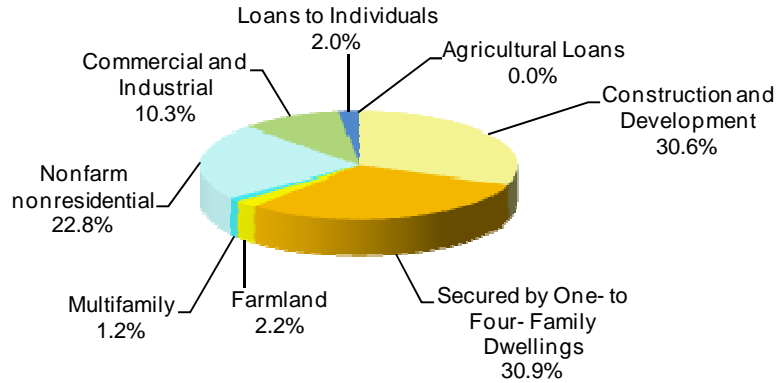
The following table and chart show the composition of the loan portfolio according to the Consolidated Reports of Condition and Income.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	3/31/2009		12/31/2008		12/31/2007	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	226,369	30.6%	237,759	31.7%	291,854	41.3%
Secured by One- to Four- Family Dwellings	228,537	30.9%	220,207	29.4%	186,596	26.4%
Other Real Estate: Farmland	16,027	2.2%	14,995	2.0%	394	0.1%
Multifamily	8,968	1.2%	8,984	1.2%	5,648	0.8%
Nonfarm nonresidential	168,724	22.8%	171,234	22.8%	126,295	17.9%
Commercial and Industrial	76,182	10.3%	80,046	10.7%	78,027	11.0%
Loans to Individuals	14,583	2.0%	16,943	2.3%	18,367	2.6%
Agricultural Loans	100	0.0%	65	0.0%	40	0.0%
<i>Total</i>	<i>\$739,490</i>	<i>100.00%</i>	<i>\$750,233</i>	<i>100.00%</i>	<i>\$707,221</i>	<i>100.00%</i>

\* 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 other category. Contra assets are also not included in this table.

The data in the preceding table shows that total loan balances increased by \$43 million (6.1 percent) as of December 31, 2008 from the previous year end, then decreased by 10.7 million (1.4 percent) as of March 31, 2009. The loan mix has remained consistent throughout the periods shown and indicates that the bank is primarily a commercial lender.

**Loan Portfolio  
as of  
3/31/2009**



The first table illustrates that the majority of loans in terms of dollars are residential one-to-four family loans. These loans include both owner-occupied residential mortgage loans and business purpose or investment loans secured by residential properties. Construction and development loans represented 30.6 percent of the loan portfolio, and nonfarm nonresidential (commercial real estate) loans followed at 22.8 percent. The chart above further illustrates the bank's commercial lending focus.

The bank is an SBA lender, although few SBA loans were originated during the review period. The bank has a mortgage division, Aliant Mortgage Services, that originates residential mortgage loans. These loans are not reflected in the loan portfolio figures above because the loans are sold on the secondary market shortly after closing. Mortgage loan specialists are located in each of the bank's assessment areas.

Aliant Bank's Birmingham assessment area expanded since the previous examination to include St. Clair County. For purposes of the CRA, Aliant Bank has defined the following three assessment areas.

- Montgomery assessment area, which consists of Elmore and Montgomery counties and is part of the Montgomery, Alabama MSA
- Birmingham assessment area, which consists of Jefferson, Shelby, and St. Clair counties and is part of the Birmingham-Hoover, Alabama MSA
- Tallapoosa assessment area, which consists of Coosa and Tallapoosa counties and is not part of an MSA

Aliant Bank complies with the requirements of the CRA. No known impediments exist that would restrict the bank from meeting the credit needs of its assessment areas. The bank received a satisfactory rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated August 13, 2007, under the large institution examination procedures.

**SCOPE OF EXAMINATION**

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, as well as the economic and demographic characteristics of its defined assessment areas. Aliant Bank was evaluated using the FFIEC Interagency CRA

Large Institution Examination Procedures. Under these procedures, ratings are based on three separate tests: lending, investments, and services, in light of community needs in its assessment areas and the capacity of the bank.

The examination review period covered HMDA-reportable and small business loans originated from January 1, 2007 through December 31, 2008. Qualified community development loans, investments, and service activities from August 13, 2007 through August 17, 2009 were reviewed. Additionally, information regarding community credit needs was obtained from three community contacts during the examination.

The bank's three assessment areas were reviewed using full-scope procedures. Performance in the Montgomery assessment area had greater influence on the overall rating based on higher lending volume and number of branches. Information presented here under the scope of examination pertains throughout the evaluation.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The bank's overall CRA rating is satisfactory. The rating is based on satisfactory ratings for the individual lending, investment, and service tests in the three assessment areas. The bank does an adequate job of serving the credit and community development needs of the residents and businesses throughout its assessment areas. 2000 census data, assessment area demographics, lending performance, unemployment levels, competition, performance context, and community development activities were used to form a conclusion about the rating.

**LENDING TEST**

The lending test is rated low satisfactory. The distribution of borrowers reflects adequate penetration among customers of different income levels and businesses of different sizes. The geographic distribution of loans reflects good penetration throughout the assessment areas. Lending levels reflect good responsiveness to assessment area credit needs in light of area competition. The bank made few community development loans during the review period.

**Lending Activity**

Lending levels reflect good responsiveness to assessment area credit needs. Aliant Bank originated 1,030 HMDA loans totaling \$202.2 million and 1,094 small business loans totaling \$163.8 million.

**Assessment Area Concentration**

A substantial majority of the bank's lending occurred inside its assessment areas. The table below shows, by product type, the number and percentage of loans that were located inside and outside of the bank's assessment areas.

**Lending Inside and Outside the Assessment Area**

Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	123	93.2	\$2,638	94.2	9	6.8	\$161	5.8
Home Purchase - Conventional	393	85.8	\$80,301	86.1	65	14.2	\$13,012	13.9
Multi-Family Housing	8	100.0	\$7,346	100.0	0	0.0	\$0	0.0
Refinancing	381	88.2	\$79,901	80.9	51	11.8	\$18,828	19.1
<b>Total HMDA related</b>	<b>905</b>	<b>87.9</b>	<b>\$170,186</b>	<b>84.2</b>	<b>125</b>	<b>12.1</b>	<b>\$32,001</b>	<b>15.8</b>
Small Business	1,013	92.6	\$150,329	91.8	81	7.4	\$13,469	8.2
<b>Total Small Bus. related</b>	<b>1,013</b>	<b>92.6</b>	<b>\$150,329</b>	<b>91.8</b>	<b>81</b>	<b>7.4</b>	<b>\$13,469</b>	<b>8.2</b>
<b>TOTAL LOANS</b>	<b>1,918</b>	<b>90.3</b>	<b>\$320,515</b>	<b>87.6</b>	<b>206</b>	<b>9.7</b>	<b>\$45,470</b>	<b>12.4</b>

As indicated by the table, 87.9 percent of the HMDA loans and 92.6 percent of small business loans were made to customers and businesses in the bank's assessment areas. Also, 84.2 percent and 91.8 percent of the HMDA and small business loan dollars, respectively, were inside the bank's assessment areas. This indicates the bank's willingness to originate loans that meet the credit needs of its assessment areas.

#### Geographic and Borrower Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. This conclusion was based upon the bank's performance in each assessment area considering performance context information and in comparison to available demographic and aggregate lending data.

The distribution of borrowers reflects adequate penetration among customers of different income levels and among businesses of different sizes. This conclusion was based upon the bank's performance in each assessment area considering performance context information and in comparison to available demographic and aggregate lending data.

#### Responsiveness to Credit Needs

Overall, the bank exhibits an adequate record of serving the credit needs of low-income individuals and areas and to small businesses.

#### Community Development Lending

The bank made a low level of community development loans. The bank continues to have a \$1 million commitment to the Alabama Multi-housing Loan Consortium (AMLC). The consortium provides funding for the construction and renovation of affordable multi-family housing throughout the state of Alabama. The bank funded 13 loans totaling \$382,095 under the AMLC line of credit in the Montgomery Assessment Area during the review period. No community development loans were made in the Birmingham or Tallapoosa assessment areas.

#### Use of Innovative or Flexible Lending Practices

The bank makes limited use of innovative or flexible lending practices. The bank offers FHA and VA loans, fixed and ARM loans, second home and investment property loans, refinance loans, and first time homebuyer with low down payment loans through its mortgage lending division, Aliant Mortgage Services. The bank originated two SBA loans totaling \$724,000 during the review period. The bank developed a home improvement credit product with affordable terms, the Avenue Home Improvement Loan Program.

#### INVESTMENT TEST

The investment test is rated high satisfactory. The bank made a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, and occasionally in a leadership position. Qualified investments totaled \$3.1 million. Of the \$3.1 million in investments, \$2.2 million were acquired since the previous examination and \$903,991 were prior period investments. The investments are composed of an equity investment used to finance the construction of low- to moderate-income housing projects throughout a broader regional area that includes the bank's assessment areas, a mutual fund that invests in CRA qualified investments, and a pool of funds that back loans made in LMI areas. Competition and limited investment opportunities appear to have hampered the bank's ability to engage in qualified investments for its individual assessment areas. The following table shows some of the bank's significant qualified investments.

ALIAN BANK COMMUNITY DEVELOPMENT INVESTMENTS		
DESCRIPTION	AREA	AMOUNT
The Housing Enterprise of Central Alabama, LLC	Birmingham and Tuscaloosa	\$25,000.00
Community Capital Management Qualified CRA Investment Fund	Birmingham, Montgomery and broader areas	\$1,086,943.00
GNMA Pool	Birmingham, Montgomery and broader areas	\$1,992,048.09

The bank made limited use of innovative and/or complex investments to support community development initiatives; however, overall, the bank exhibited good responsiveness to credit and community development needs.

**SERVICE TEST**

The service test is rated low satisfactory. The bank’s branch delivery systems, including ATMs, telephone and online banking, and extended banking hours are reasonably accessible to the bank’s geographies and individuals of different income levels in its assessment areas. The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems in low- or moderate- income census tracts or to low- or moderate-income individuals. Two branches were opened in middle-income census tracts during the review period. Banking services, including business hours, do not vary in a way that inconveniences its assessment areas, particularly low- and moderate-income geographies and/or low- and moderate-income individuals.

The bank provides an adequate level of community development services. The bank’s staff used their financial expertise to provide community development services to community organizations. Please refer to the specific assessment areas for examples of the types of community development services in which the bank participates.

**Fair Lending Or Other Illegal Credit Practices Review**

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

**MONTGOMERY ASSESSMENT AREA  
 FULL SCOPE REVIEW**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MONTGOMERY MSA**

**Overview**

Performance was evaluated using full-scope examination procedures. The assessment area includes Montgomery and Elmore counties, which are part of the Montgomery, Alabama MSA. Montgomery is the state capital and the second largest city in Alabama. Seven of the bank’s total offices and five ATMs are located in the Montgomery Assessment Area, representing 46.7 percent of the total branch network. Of total lending, 26.1 percent of the HMDA loans and 57.6 percent of the small business loans by number, and 32.0 percent of HMDA loans and 60.7 percent of small business loans by dollar volume were originated in the assessment area during the review period.

Population Information

Census data from 2000 indicates that the population of the assessment area was 289,384 persons, which represented 83.5 percent of the population of the Montgomery MSA at 346,528, and 6.5 percent of population of the state of Alabama at 4,447,100 persons.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated 2007 and 2008 median family income. The following table shows the estimated median family incomes for 2007 and 2008 for the Montgomery MSA. It also provides a breakdown of the estimated annual incomes based on income level.

**Borrower Income Levels**  
**Montgomery MSA**

HUD Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2007</b>	<b>\$52,900</b>	0 - \$26,449	\$26,450 - \$42,319	\$42,320 - \$63,479	\$63,480 - & above
<b>2008</b>	<b>\$56,400</b>	0 - \$28,199	\$28,200 - \$45,119	\$45,120 - \$67,679	\$67,680 - & above

The HUD estimated median family income for the Montgomery MSA was \$52,900 in 2007 and \$56,400 in 2008. According to 2000 census data, there were 74,596 families in the assessment area. Of those families, 21.7 percent were low-income, 17.2 percent were moderate-income, 20.8 percent were middle-income, and 40.3 percent were upper-income. Of the total families, 12 percent had incomes below the poverty level.

Demographic Data by Census Tracts

Census data from 2000 indicates that of total tracts in this assessment area, 8 (11.9 percent) were low-income census tracts, 13 (19.4 percent) were moderate-income tracts, 31 (46.3 percent) were middle-income tracts, and 15 (22.4 percent) were upper-income tracts.

Housing Characteristics

In general, the housing market in the assessment area has followed the housing downturn that has become widespread across the nation. Lender foreclosure activity rates were high and increasing. Job growth has slowed, which has contributed to diminished levels of home purchases, refinances, and home improvement projects.

Census data from 2000 indicates that there were 121,170 housing units in the assessment area, 73,633 (60.8 percent) of which were owner-occupied. The median value of housing units was \$85,728, which was approximately 11.8 percent higher than the median housing value for the state of Alabama at \$76,700. The median age of housing in the assessment area was 26 years.

Employment Statistics

Regional Economic Information Systems (REIS) data from 2007 indicates that employment was primarily dependent on government agencies, healthcare, and retail trade. Major employers include the Maxwell-Gunter Air Force Base, the State of Alabama, Montgomery Public Schools, Baptist Health Systems, and Hyundai Motor Manufacturing Alabama, LLC.

As shown in the following table, unemployment rates increased sharply between 2007 and 2008. Increases in job losses negatively impacts loan production because fewer applicants can qualify for loans.

### Unemployment Rates

Assessment Area: Montgomery

Area	Years - Annualized	
	2007	2008
Elmore Co.	2.9%	4.6%
Montgomery Co.	3.6%	5.3%
Montgomery MSA	3.4%	5.2%
Alabama	3.5%	5.0%

Not Seasonally Adjusted

### Competition

This market is competitive because of numerous national, regional, and community banks seeking customers. According to the June 30, 2008 FDIC Summary of Deposits Report, there are 18 financial institutions operating 94 branch offices in the assessment area. Aliant Bank ranked 6<sup>th</sup> with a deposit market share of 5.2 percent (\$330.1 million) and had seven of the 94 offices. Competition does significantly impact the bank; however, the bank still serves credit needs of its assessment area.

### Community Contacts

Information was obtained from a community contact regarding local economic conditions and community credit needs as part of the CRA examination. The contact indicated that SBA lenders are not utilizing the America's Recovery Capital loan program, which is a temporary program designed to assist small businesses impacted by the recent recession. The contact also indicated that there is a need for micro-financing of small start-up businesses.

Assessment Area Demographics

The following table provides demographic information in the Montgomery Assessment Area that was used to analyze the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to specific parts of the analysis.

**Assessment Area Demographics**

Assessment Area: Montgomery

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	8	11.9	5,210	7.0	2,305	44.2	16,187	21.7
Moderate-income	13	19.4	12,042	16.1	2,879	23.9	12,816	17.2
Middle-income	31	46.3	34,580	46.4	3,255	9.4	15,523	20.8
Upper-income	15	22.4	22,764	30.5	540	2.4	30,070	40.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>67</b>	<b>100.0</b>	<b>74,596</b>	<b>100.0</b>	<b>8,979</b>	<b>12.0</b>	<b>74,596</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		#	%	%	#	%	#	%
Low-income	10,955	3,076	4.2	28.1	5,553	50.7	2,326	21.2
Moderate-income	19,920	11,002	14.9	55.2	6,507	32.7	2,411	12.1
Middle-income	53,459	35,060	47.6	65.6	13,798	25.8	4,601	8.6
Upper-income	36,836	24,495	33.3	66.5	9,314	25.3	3,027	8.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>121,170</b>	<b>73,633</b>	<b>100.0</b>	<b>60.8</b>	<b>35,172</b>	<b>29.0</b>	<b>12,365</b>	<b>10.2</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	1,648	13.4	1,335	12.3	197	19.0	116	27.7
Moderate-income	1,544	12.5	1,363	12.5	142	13.7	39	9.3
Middle-income	4,613	37.4	4,135	38.0	350	33.7	128	30.5
Upper-income	4,521	36.7	4,036	37.1	349	33.6	136	32.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>12,326</b>	<b>100.0</b>	<b>10,869</b>	<b>100.0</b>	<b>1,038</b>	<b>100.0</b>	<b>419</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.2</b>		<b>8.4</b>		<b>3.4</b>

Based on 2000 Census Information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

#### Overview

Of the total loans made inside the Montgomery assessment area, 28.8 percent were HMDA loans, and 71.2 percent were small business loans. For that reason, small business lending was weighted more heavily than HMDA lending when determining the bank's level of performance.

#### Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs. Of the 236 HMDA loans originated during the review period, 102 (43.2 percent) were home purchase loans, 96 (40.7 percent) refinance loans, 35 (14.8 percent) were home improvement loans, and three (1.3 percent) were multi-family loans. The 2007 market peer report showing the number of originations and purchases of HMDA loans indicates that Aliant Bank ranked 30<sup>th</sup> out of 294 reporters, with a market share of 0.82 percent. Based on originations only, Aliant Bank's market share increased to 1.2 percent. Countrywide Home Loans had the most loan originations at 19.3 percent of the market share.

The bank originated 583 small business loans totaling \$91.3 million in the assessment area. Market share data reports for 2007 indicate that Aliant Bank ranked 11<sup>th</sup> out of 56 reporters with a market share of 2.9 percent, by number, in the origination of small business loans. The largest market share of small business loans by a single reporting entity was American Express Bank, FSB at 23.4 percent.

#### Geographic Distribution of Loans

The overall geographic distribution of HMDA and small business loans reflects good penetration throughout the assessment area. For this analysis, the geographic distribution of HMDA and small business lending was compared with available demographic information. Performance context issues were also considered, as well as the performance of other banks for 2007. Aggregate lending data was not available for 2008.

**Geographic Distribution of HMDA Loans**

Assessment Area: Montgomery

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2007 & 2008					2007				
		Bank		Demographic			Bank		Aggregate		
		Count		\$ (000s)		Owner Occupied	Count		\$ (000s)		Count
		#	%	\$	%	%	#	%	%	%	%
HMDA TOTALS	Low	1	0.4%	\$91	0.2%	4.2%	0	0.0%	0.0%	1.1%	0.5%
	Moderate	21	8.9%	\$1,458	2.7%	14.9%	15	12.5%	4.1%	8.3%	3.7%
	Middle	120	50.8%	\$18,448	33.9%	47.6%	59	49.2%	39.8%	47.5%	40.6%
	Upper	94	39.8%	\$34,432	63.3%	33.3%	46	38.3%	56.1%	43.1%	55.3%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>		236	100.0%	\$54,429	100.0%	100.0%	120	100.0%	100.0%	100.0%
HOME PURCHASE	Low	1	1.0%	\$91	0.4%	4.2%	0	0.0%	0.0%	0.7%	0.4%
	Moderate	13	12.7%	\$1,089	4.9%	14.9%	11	19.0%	8.3%	7.3%	3.3%
	Middle	49	48.0%	\$3,662	16.6%	47.6%	23	39.7%	15.3%	46.6%	40.7%
	Upper	39	38.2%	\$17,212	78.0%	33.3%	24	41.4%	76.4%	45.4%	55.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>		102	100.0%	\$22,054	100.0%	100.0%	58	100.0%	100.0%	100.0%
REFINANCE	Low	0	0.0%	\$0	0.0%	4.2%	0	0.0%	0.0%	1.5%	0.6%
	Moderate	8	8.3%	\$369	1.4%	14.9%	4	8.5%	1.2%	9.1%	4.3%
	Middle	48	50.0%	\$12,191	46.6%	47.6%	26	55.3%	56.9%	48.3%	41.5%
	Upper	40	41.7%	\$13,607	52.0%	33.3%	17	36.2%	41.9%	41.1%	53.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>		96	100.0%	\$26,167	100.0%	100.0%	47	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	0	0.0%	\$0	0.0%	4.2%	0	0.0%	0.0%	2.4%	2.1%
	Moderate	0	0.0%	\$0	0.0%	14.9%	0	0.0%	0.0%	12.7%	9.4%
	Middle	22	62.9%	\$395	58.5%	47.6%	10	66.7%	58.4%	50.4%	39.1%
	Upper	13	37.1%	\$280	41.5%	33.3%	5	33.3%	41.6%	34.5%	49.4%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>		35	100.0%	\$675	100.0%	100.0%	15	100.0%	100.0%	100.0%
MULTI FAMILY						Multi-Family Units					
	Low	0	0.0%	\$0	0.0%	17.4%	0	0.0%	0.0%	6.3%	0.2%
	Moderate	0	0.0%	\$0	0.0%	13.5%	0	0.0%	0.0%	6.3%	1.4%
	Middle	1	33.3%	\$2,200	39.8%	32.9%	0	0.0%	0.0%	56.3%	33.7%
	Upper	2	66.7%	\$3,333	60.2%	36.3%	0	0.0%	0.0%	31.3%	64.7%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
<i>Total</i>		3	100.0%	\$5,533	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

Residential Real Estate (HMDA) Lending

The preceding table shows that HMDA lending in low-income tracts at 0.4 percent was less than the percentage of owner-occupied units in these tracts at 4.2 percent. HMDA lending in moderate-income tracts at 8.9 percent was less than the percentage of owner-occupied units in these tracts at 14.9 percent. The 2007 aggregate lending comparison indicates that the bank did not make any HMDA loans in low-income tracts. Demographic data suggests that opportunities may be limited because aggregate lending performance in low-income tracts was very low at 1.1 percent. The bank's percentage of lending in moderate-income tracts at 12.5 percent was much more favorable compared to the aggregate performance at only 8.3 percent.

**Geographic Distribution of Small Business Loans**

Assessment Area: Montgomery

Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
	2007 & 2008					2007				
	Bank		Demographics			Bank		Aggregate		
	Count		\$ (000s)		Small Businesses	Count		\$ (000s)		
#	%	\$	%	%	#	%	%	Count	\$ (000s)	
Low	97	16.6%	\$31,941	35.0%	12.3%	54	16.9%	37.5%	10.6%	16.2%
Moderate	60	10.3%	\$9,047	9.9%	12.5%	36	11.3%	9.5%	9.1%	9.3%
Middle	168	28.8%	\$19,067	20.9%	38.0%	94	29.5%	18.1%	33.5%	25.0%
Upper	258	44.3%	\$31,239	34.2%	37.1%	135	42.3%	34.8%	44.8%	48.6%
Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
<i>Total</i>	<i>583</i>	<i>100.0%</i>	<i>\$91,294</i>	<i>100.0%</i>	<i>100.0%</i>	<i>319</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

Small Business Lending

The preceding table shows that small business lending in low-income tracts at 16.6 percent was greater than the percentage of small businesses located in these tracts at 12.3 percent; however, lending in moderate-income tracts at 10.3 percent was slightly under the percentage of small businesses located in moderate-income geographies at 12.5 percent. The 2007 aggregate lending comparison indicates that the bank's small business lending was much more favorable than aggregate peer. Small business lending in low- and moderate-income tracts at 16.9 percent and 11.3 percent was greater than aggregate performance at 10.6 percent and 9.1 percent, respectively.

Distribution by Borrower Profile

The overall distribution of loans by borrower income and business size reflects adequate penetration among customers of different income levels and businesses of different sizes. For this analysis, the distribution of HMDA lending across borrower income levels and small business lending across business revenue sizes was compared with available demographic information. Performance context issues were also considered, as well as the performance of other banks for 2007. Aggregate lending data was not available for 2008.

**Borrower Distribution of HMDA Loans**

Assessment Area: Montgomery

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2007 & 2008					2007				
		Bank		\$ (000s)		Demographics Families by Family Income %	Bank		Aggregate		
		Count					Count	\$ (000s)	Count	\$ (000s)	
#	%	\$	%		#	%	%	%	%		
HMDA TOTALS	Low	14	5.9%	\$519	1.0%	21.7%	5	4.2%	0.3%	6.7%	2.9%
	Moderate	16	6.8%	\$881	1.6%	17.2%	7	5.8%	1.6%	18.3%	11.4%
	Middle	25	10.6%	\$2,612	4.8%	20.8%	14	11.7%	6.1%	22.3%	17.3%
	Upper	96	40.7%	\$23,113	42.5%	40.3%	49	40.8%	43.7%	41.3%	51.5%
	Unknown	85	36.0%	\$27,304	50.2%	0.0%	45	37.5%	48.3%	11.3%	16.9%
	<i>Total</i>	236	100.0%	\$54,429	100.0%	100.0%	120	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	5	4.9%	186	0.8%	21.7%	2	3.4%	0.7%	7.5%	3.7%
	Moderate	5	4.9%	289	1.3%	17.2%	3	5.2%	2.0%	19.4%	13.3%
	Middle	6	5.9%	966	4.4%	20.8%	5	8.6%	7.4%	22.9%	19.7%
	Upper	40	39.2%	14,448	65.5%	40.3%	23	39.7%	68.6%	39.8%	53.8%
	Unknown	46	45.1%	6,165	28.0%	0.0%	25	43.1%	21.4%	10.4%	9.5%
	<i>Total</i>	102	100.0%	22,054	100.0%	100.0%	58	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	4	4.2%	323	1.2%	21.7%	0	0.0%	0.0%	5.0%	2.3%
	Moderate	7	7.3%	578	2.2%	17.2%	4	8.5%	1.4%	16.4%	10.1%
	Middle	11	11.5%	1,555	5.9%	20.8%	5	10.6%	4.9%	21.4%	16.2%
	Upper	39	40.6%	8,110	31.0%	40.3%	18	38.3%	25.3%	43.8%	56.0%
	Unknown	35	36.5%	15,601	59.6%	0.0%	20	42.6%	68.4%	13.5%	15.5%
	<i>Total</i>	96	100.0%	26,167	100.0%	100.0%	47	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	5	14.3%	10	1.5%	21.7%	3	20.0%	2.0%	10.7%	4.0%
	Moderate	4	11.4%	14	2.1%	17.2%	0	0.0%	0.0%	21.4%	16.0%
	Middle	8	22.9%	91	13.5%	20.8%	4	26.7%	22.0%	24.0%	20.6%
	Upper	17	48.6%	555	82.2%	40.3%	8	53.3%	76.0%	40.3%	55.1%
	Unknown	1	2.9%	5	0.7%	0.0%	0	0.0%	0.0%	3.6%	4.4%
	<i>Total</i>	35	100.0%	675	100.0%	100.0%	15	100.0%	100.0%	100.0%	100.0%
MULTI FAMILY	Low	0	0.0%	0	0.0%	21.7%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	0	0.0%	0	0.0%	17.2%	0	0.0%	0.0%	0.0%	0.0%
	Middle	0	0.0%	0	0.0%	20.8%	0	0.0%	0.0%	0.0%	0.0%
	Upper	0	0.0%	0	0.0%	40.3%	0	0.0%	0.0%	0.0%	0.0%
	Unknown	3	100.0%	5,533	100.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
	<i>Total</i>	3	100.0%	5,533	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

**Residential Real Estate (HMDA) Lending**

The preceding table shows the bank's level of mortgage lending to low- and moderate-income borrowers at 5.9 percent and 6.8 percent, respectively was significantly less than the percentage of low- and moderate-income families, at 21.7 percent and 17.2 percent, respectively. It should be noted that 53.4 percent of the bank's HMDA loans are business purpose loans where the proceeds were used to purchase or rehabilitate non-owner-occupied dwellings for rental. A review of HMDA loans by product type showed that the bank's lending to low- and moderate-income borrowers was below the demographic figure, although stronger comparatively for home improvement loans. The 2007 aggregate lending comparison indicates the bank's HMDA lending to low-income borrowers at 4.2 percent was less than the aggregate at 6.7 percent. HMDA lending to moderate-income borrowers at 5.8 percent was significantly less than the aggregate at 18.3 percent.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Montgomery

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison 2007 & 2008					Bank & Aggregate Lending Comparison 2007				
		Bank				Demographics Total Businesses %	Bank			Aggregate	
		Count		\$ (000s)			Count	\$ (000s)	Count	\$ (000s)	
#	%	\$	%		#	%	%	%	%		
BUSINESS REVENUE	\$1million or Less	356	61.1%	\$38,044	41.7%	88.2%	202	63.3%	43.7%	32.6%	31.8%
	Over \$1 Million	227	38.9%	\$53,250	58.3%	8.4%	*-	-	-	-	-
	<i>Total where Rev is available</i>	583	100.0%	\$91,294	100.0%	96.6%	-	-	-	-	-
	Rev. Not Known	0	0.0%	\$0	0.0%	3.4%	-	-	-	-	-
	<i>Total</i>	583	100.0%	\$91,294	100.0%	100.0%	-	-	-	-	-
LOAN SIZE	\$100,000 or Less	378	64.8%	\$14,879	16.3%		216	67.7%	18.0%	90.6%	27.9%
	\$100,001 - \$250,000	94	16.1%	\$16,214	17.8%		46	14.4%	17.7%	4.7%	18.7%
	\$250,000 - \$1 Million	111	19.0%	\$60,201	65.9%		57	17.9%	64.2%	4.7%	53.4%
	<i>Total</i>	583	100.0%	\$91,294	100.0%		319	100.0%	100.0%	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	262	73.6%	\$9,254	24.3%		-	-	-	-	-
	\$100,001 - \$250,000	52	14.6%	\$8,888	23.4%		-	-	-	-	-
	\$250,000 - \$1 Million	42	11.8%	\$19,902	52.3%		-	-	-	-	-
	<i>Total</i>	356	100.0%	\$38,044	100.0%		-	-	-	-	-

\* Aggregate data is unavailable for loans to businesses with revenue over \$1 million or revenue unknown, and for loan size by revenue category. Originations & Purchases

Small Business Lending

The preceding table shows that of the 583 small business loans, 356 (61.1 percent) were originated to businesses with gross annual revenues of \$1 million or less, which is less than the percentage of businesses in the Montgomery MSA that are considered small businesses at 88.2 percent. Two hundred and sixty-two loans (64.8 percent) were in amounts of \$100,000 or less, which typically represent loan amounts requested by small businesses. The 2007 aggregate lending comparison indicates the bank’s small business lending at 63.3 percent far exceeded aggregate performance at 32.6 percent.

Responsiveness to Credit Needs

Overall, the bank exhibited an adequate record of serving the credit needs of low- and moderate-income individuals and areas and to small businesses.

Community Development Lending

The bank made a low level of community development loans in the Montgomery Assessment Area. The bank continues to participate in the Alabama Multifamily Loan Consortium. The consortium provides funding for the construction of low- and moderate-income apartments and housing complexes across Alabama. The bank participated in 13 loans totaling \$382,095 during the review period.

Use of Innovative or Flexible Lending Practices

The bank makes limited use of innovative or flexible lending practices in serving assessment area credit needs., The bank offers FHA and VA loans, fixed and ARM loans, second home and investment property loans, refinance loans, and first time home buyer and low down payment loans through its mortgage lending division, Aliant Mortgage Services. There is a mortgage loan specialist located in the Montgomery Assessment Area. The bank is a certified SBA lender. The bank also developed a home improvement credit product with affordable terms, the Avenue Home Improvement Loan Program.

**INVESTMENT TEST**

The bank made a significant level of qualified CD investments and grants, particularly those not provided by private investors, occasionally in a leadership position. The bank made limited use of innovative or complex investments to support CD initiatives. Total investments consisted of bank-wide investments that covered a broader area that included the assessment area. Specifically, the Community Capital Management CRA Qualified Investment fund and the GNMA security collateralized by properties located in low- and moderate-income areas referred to earlier in this evaluation. The bank exhibited good responsiveness to credit and community development needs through its investment activities.

**SERVICE TEST**

**Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to the bank’s geographies and to individuals of different income levels. The distribution of the bank’s branches by census tract income level was compared to the distribution of households residing in the assessment areas. The following table shows the distribution of branches and households.

**Geographic Distribution of Branches and ATMs**

Assessment Area: Montgomery

Tract Income Levels	Branches					ATMs		Demographics			
	Total Branches		Extended Hours	Saturday Hours	Drive Thru	Deposit Taking	Cash-Only	Census Tracts		Households	Total Businesses
	#	%	#	#	#	#	#	#	%	%	%
Low	1	14.3%	1	0	1	0	0	8	11.9%	7.9%	12.3%
Moderate	0	0.0%	0	0	0	0	0	13	19.4%	16.2%	12.5%
Middle	1	14.3%	1	0	1	0	1	31	46.3%	44.9%	38.0%
Upper	5	71.4%	5	3	5	0	4	15	22.4%	31.0%	37.1%
Unknown	0	0.0%	0	0	0	0	0	0	0.0%	0.0%	0.0%
<i>Total</i>	7	100.0%	7	3	7	0	5	67	100.0%	100.0%	100.0%

Of the seven branches located in the assessment area, one branch is located in a low-income tract. Additionally, two branches in upper-income tracts are adjacent to moderate income tracts. Alternative systems for delivering retail-banking services include ATMs, Internet banking, and banking by telephone.

**Changes In Branch Locations**

The bank did not open or close any branches in the Montgomery assessment area during the review period. Consequently, the bank’s record of opening or closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals.

**Reasonableness of Business Hours and Services**

Banking services and hours of operations do not vary in a way that inconveniences portions of the assessment area, particularly LMI geographies or LMI individuals. Along with its range of deposit account products, the bank offers an affordable basic checking account that has no monthly maintenance charges. The bank offers various cash management services for its small business owner customers that can be accessed online through the Aliant Bank Internet web site

Community Development Services

The bank provides an adequate level of community development services in the Montgomery assessment area. Officers and employees have used their financial expertise to provide financial services that benefit residents in the assessment area. The following table lists some of the most significant activities during the review period.

COMMUNITY DEVELOPMENT SERVICES Montgomery Assessment Area	
TYPE OF ORGANIZATION	SERVICE
Three elementary schools	Bank employees taught savings education classes at schools attended by LMI students (greater than 50 percent eligible for free lunch program).
Two elementary schools	Nine bank employees taught savings education classes at two different schools on National Teach Children to Save Day. These schools are attended by LMI students (greater than 50 percent eligible for free lunch program).
First time and affordable home buyer seminars	Bank employees were presenters and speakers at these seminars.
Multi-family loan consortium	A bank employee serves as a board member of this organization that provides long-term financing for affordable multi-family housing development and rehabilitation.
Affordable housing community development corporation	A bank employee serves as a board member of this organization targeting affordable housing and job creation.

**BIRMINGHAM-HOOVER ASSESSMENT AREA  
 FULL SCOPE REVIEW**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BIRMINGHAM-HOOVER MSA**

Overview

Performance was evaluated using full-scope examination procedures. The assessment area includes Jefferson, Shelby, and St. Clair counties, which are part of the Birmingham-Hoover, Alabama MSA. The assessment area expanded into St. Clair County since the previous examination where a new branch is located. Birmingham is the largest city in Alabama. The assessment area is located in the north central portion of Alabama. Five of the bank’s total offices and five ATMs are located in the Birmingham Assessment Area, representing 33.3 percent of the total branch network. Of total lending, 38.0 percent of the HMDA loans and 26.8 percent of the small business loans by number, and 41 percent of HMDA loans and 33.7 percent of small business loans by dollar volume were originated in the assessment area during the review period.

Population Information

Census data from 2000 indicates that the population of the assessment area was 870,082 persons, which represented 82.7 percent of the population of the Birmingham-Hoover MSA at 1,052,238, and 19.6 percent of the population of the state of Alabama at 4,447,100 persons.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated 2007 and 2008 median family income. The following table shows the estimated median family incomes for 2007 and 2008, for the Birmingham-Hoover MSA. It also provides a breakdown of the estimated annual incomes based on income level.

**Borrower Income Levels  
Birmingham MSA**

HUD Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2007</b>	<b>\$55,500</b>	0 - \$27,749	\$27,750 - \$44,399	\$44,400 - \$66,599	\$66,600 - & above
<b>2008</b>	<b>\$59,100</b>	0 - \$29,549	\$29,550 - \$47,279	\$47,280 - \$70,919	\$70,920 - & above

The HUD estimated median family income for the Birmingham MSA was \$55,500 in 2007 and \$59,100 in 2008. According to 2000 census data, there were 236,597 families in the assessment area. Of those families, 20.5 percent were low-income, 16.5 percent were moderate-income, 20 percent were middle-income, and 43 percent were upper-income. Of the total families, 10.3 percent had incomes below the poverty level.

Demographic Data by Census Tracts

Census data from 2000 indicates that of total tracts in this assessment area, 16 (8.5 percent) were low-income census tracts, 46 (24.5 percent) were moderate-income tracts, 66 (35.1 percent) were middle-income tracts, and 60 (31.9 percent) were upper-income tracts.

Housing Characteristics

In general, the housing market in the assessment area has followed the housing downturn that has become widespread across the nation. Lender foreclosure activity rates were high and increasing. Job growth has slowed contributing to diminished levels of home purchases, refinances, and home improvement projects.

Census data from 2000 indicates that there were 374,767 housing units in the assessment area, 239,408 (63.9 percent) of which were owner-occupied. The median value of housing units was \$94,826, which was approximately 23.6 percent greater than the median housing value for the state of Alabama at \$76,700. The median age of housing in the assessment area was 28 years.

Employment Statistics

REIS data from 2007 indicates that employment was primarily dependent on government agencies, retail trade, construction, manufacturing, health care and social services.

As shown in the following table, unemployment rates increased significantly in 2008 compared to 2007. Increase in job losses negatively impacts loan production because fewer applicants can qualify for loans.

### Unemployment Rates

Assessment Area: Birmingham

Area	Years - Annualized	
	2007	2008
Jefferson	3.4%	4.8%
St. Clair	3.0%	4.5%
Shelby	2.4%	3.3%
Birmingham MSA	3.1%	4.5%
Alabama	3.5%	5.0%

Not Seasonally Adjusted

#### Competition

The market is highly competitive because of numerous national, regional, and community banks seeking customers. According to the June 30, 2008 FDIC Summary of Deposits Report, there are 41 financial institutions operating 308 branch offices in the assessment area. Aliant Bank ranked 19<sup>th</sup> with a deposit market share of 0.65 percent (144.7 million) and has four of the 308 offices. Competition does significantly impact the bank; however, the bank still serves credit needs of the assessment area.

#### Community Contacts

Information was obtained from a community contact regarding local economic conditions and community credit needs as part of the CRA examination. The contact considers financial institutions to be visible and of great help to the community. The contact indicated financial institutions were instrumental in financing the building of additional classroom facilities at a community college to be used for workforce development.

Assessment Area Demographics

The following table provides demographic information in the Birmingham assessment area that was used to analyze the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to specific parts of the analysis.

**Assessment Area Demographics**

Assessment Area: Birmingham

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	16	8.5	12,468	5.3	5,203	41.7	48,581	20.5
Moderate-income	46	24.5	46,037	19.5	9,514	20.7	39,091	16.5
Middle-income	66	35.1	89,461	37.8	7,313	8.2	47,241	20.0
Upper-income	60	31.9	88,631	37.5	2,281	2.6	101,684	43.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>188</b>	<b>100.0</b>	<b>236,597</b>	<b>100.0</b>	<b>24,311</b>	<b>10.3</b>	<b>236,597</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		#	%	%	#	%	#	%
Low-income	25,276	6,654	2.8	26.3	14,136	55.9	4,486	17.7
Moderate-income	80,182	41,564	17.4	51.8	29,582	36.9	9,036	11.3
Middle-income	140,244	94,782	39.6	67.6	33,185	23.7	12,277	8.8
Upper-income	129,065	96,408	40.3	74.7	25,728	19.9	6,929	5.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>374,767</b>	<b>239,408</b>	<b>100.0</b>	<b>63.9</b>	<b>102,631</b>	<b>27.4</b>	<b>32,728</b>	<b>8.7</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	4,990	12.3	4,258	11.8	599	17.5	133	12.2
Moderate-income	5,820	14.3	5,195	14.3	447	13.1	178	16.3
Middle-income	12,973	31.9	11,640	32.1	935	27.3	398	36.5
Upper-income	16,943	41.6	15,118	41.7	1,443	42.1	382	35.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>40,726</b>	<b>100.0</b>	<b>36,211</b>	<b>100.0</b>	<b>3,424</b>	<b>100.0</b>	<b>1,091</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.9</b>		<b>8.4</b>		<b>2.7</b>

Based on 2000 Census Information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

#### Overview

Of the total loans made inside the Birmingham Assessment Area, 55.9 percent were HMDA loans, and 44.1 percent were small business loans. Consequently HMDA loans were weighted more heavily when determining the overall bank's performance.

#### Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs. Of the 344 HMDA loans originated during the review period, 196 (57 percent) were home purchase loans, 132 (38.4 percent) were refinance loans, 12 (3.5 percent) were home improvement loans, and four (1.2 percent) were multi-family loans. The 2007 market peer report showing the number of originations and purchases of HMDA loans indicates that Aliant Bank ranked 62<sup>nd</sup> out of 448 reporters, with a market share of 0.25 percent. Based on originations only, Aliant Bank's market share increased to 0.38 percent. Countrywide Home Loans had the most loan originations with a market share of 4.9 percent.

Aliant Bank originated 271 small business loans totaling \$50.7 million in the assessment area. Market share data reports for 2007 indicate that Aliant Bank ranked 23<sup>rd</sup> out of 87 reporters with a market share of 0.3 percent, by number, in the origination of small business loans. The largest market share of small business loans by a single reporting entity was American Express Bank, FSB with a market share of 25.0 percent.

#### Geographic Distribution of Loans

The overall geographic distribution of HMDA and small business loans reflects adequate penetration throughout the assessment area. For this analysis, the geographic distribution of HMDA and small business lending was compared with available demographic information. Performance context issues were also considered, as well as the performance of other banks for 2007. Aggregate lending data was not available for 2008.

**Geographic Distribution of HMDA Loans**

Assessment Area: Birmingham

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2007 & 2008					2007				
		Bank				Demographic Owner Occupied %	Bank			Aggregate	
		Count		\$ (000s)			Count		\$ (000s)		Count
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	5	1.5%	\$346	0.5%	2.8%	3	2.3%	0.5%	1.8%	1.2%
	Moderate	44	12.8%	\$3,807	5.4%	17.4%	23	17.4%	6.5%	10.8%	5.6%
	Middle	142	41.3%	\$26,300	37.6%	39.6%	48	36.4%	37.7%	40.1%	34.0%
	Upper	153	44.5%	\$39,415	56.4%	40.3%	58	43.9%	55.3%	47.3%	59.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>344</i>	<i>100.0%</i>	<i>\$69,868</i>	<i>100.0%</i>	<i>100.0%</i>	<i>132</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
HOME PURCHASE	Low	4	2.0%	\$336	0.9%	2.8%	3	2.9%	0.7%	1.8%	1.2%
	Moderate	24	12.2%	\$1,640	4.2%	17.4%	21	20.6%	7.2%	8.3%	4.2%
	Middle	78	39.8%	\$15,828	40.6%	39.6%	35	34.3%	44.1%	40.6%	35.1%
	Upper	90	45.9%	\$21,202	54.4%	40.3%	43	42.2%	47.9%	49.4%	59.4%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>196</i>	<i>100.0%</i>	<i>\$39,006</i>	<i>100.0%</i>	<i>100.0%</i>	<i>102</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
REFINANCE	Low	0	0.0%	\$0	0.0%	2.8%	0	0.0%	0.0%	1.8%	0.8%
	Moderate	16	12.1%	\$1,589	5.5%	17.4%	2	7.4%	5.2%	13.5%	6.6%
	Middle	54	40.9%	\$9,478	33.1%	39.6%	11	40.7%	22.3%	38.9%	33.1%
	Upper	62	47.0%	\$17,603	61.4%	40.3%	14	51.9%	72.6%	45.8%	59.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>132</i>	<i>100.0%</i>	<i>\$28,670</i>	<i>100.0%</i>	<i>100.0%</i>	<i>27</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
HOME IMPROVEMENT	Low	1	8.3%	\$10	1.0%	2.8%	0	0.0%	0.0%	1.9%	1.2%
	Moderate	2	16.7%	\$15	1.5%	17.4%	0	0.0%	0.0%	15.3%	12.1%
	Middle	8	66.7%	\$394	38.3%	39.6%	2	66.7%	4.2%	45.4%	39.8%
	Upper	1	8.3%	\$610	59.3%	40.3%	1	33.3%	95.8%	37.5%	47.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>12</i>	<i>100.0%</i>	<i>\$1,029</i>	<i>100.0%</i>	<i>100.0%</i>	<i>3</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
MULTI FAMILY					Multi-Family Units						
	Low	0	0.0%	\$0	0.0%	15.0%	0	0.0%	0.0%	19.0%	7.8%
	Moderate	2	50.0%	\$563	48.4%	22.4%	0	0.0%	0.0%	38.1%	16.5%
	Middle	2	50.0%	\$600	51.6%	30.7%	0	0.0%	0.0%	25.0%	17.9%
	Upper	0	0.0%	\$0	0.0%	31.9%	0	0.0%	0.0%	17.9%	57.7%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
<i>Total</i>	<i>4</i>	<i>100.0%</i>	<i>\$1,163</i>	<i>100.0%</i>	<i>100.0%</i>	<i>0</i>	<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>	<i>100.0%</i>	

Originations & Purchases

Residential Real Estate (HMDA) Lending

The preceding table shows that HMDA lending in low-income tracts at 1.5 percent was less than the percentage of owner-occupied units in these tracts at 2.8 percent. HMDA lending in moderate-income tracts at 12.8 percent was less than owner-occupied units in these tracts at 17.4 percent. The 2007 aggregate lending comparison indicates that the bank's lending in low-income tracts was minimal, three loans or 2.3 percent; however, aggregate lending performance was also very low at 1.8 percent. The bank's percentage of lending at 17.4 percent in moderate-income tracts far exceeded aggregate performance at only 10.8 percent.

**Geographic Distribution of Small Business Loans**

Assessment Area: Birmingham

Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison					
	2007 & 2008					2007					
	Bank		Demographics			Bank		Aggregate			
	Count		\$ (000s)		Small Businesses	Count		\$ (000s)			
#	%	\$	%	%	#	%	%	Count	\$ (000s)	%	%
Low	30	11.1%	\$5,457	10.8%	11.8%	18	14.4%	12.5%	8.3%	13.8%	
Moderate	7	2.6%	\$1,909	3.8%	14.3%	5	4.0%	6.3%	9.1%	10.2%	
Middle	80	29.5%	\$16,199	32.0%	32.1%	29	23.2%	28.8%	29.2%	23.7%	
Upper	154	56.8%	\$27,108	53.5%	41.7%	73	58.4%	52.5%	51.1%	51.2%	
Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%	
<i>Total</i>	271	100.0%	\$50,673	100.0%	100.0%	125	100.0%	100.0%	100.0%	100.0%	

Originations & Purchases

Small Business Lending

The preceding table shows that small business lending in low-income tracts at 11.1 percent was consistent with the percentage of small businesses located in these tracts at 11.8 percent; however, lending in moderate-income tracts at 2.6 percent was well below the percentage of small businesses located in moderate-income geographies at 14.3 percent. The 2007 aggregate lending comparison indicates that the bank's small business lending in low-income tracts at 14.4 percent far exceeded aggregate performance at 8.3 percent. In moderate-income tracts, the bank's small business lending at 4.0 percent was low compared to aggregate performance at 9.1 percent.

Distribution by Borrower Profile

The overall distribution of loans by borrower income and business size reflects adequate penetration among customers of different income levels and businesses of different sizes. For this analysis, the distribution of HMDA lending across borrower income levels and small business lending across business revenue sizes was compared with available demographic information. Performance context issues were also considered, as well as the performance of other banks for 2007. Aggregate lending data was not available for 2008.

**Borrower Distribution of HMDA Loans**

Assessment Area: Birmingham

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2007 & 2008					2007				
		Bank		Demographics			Bank		Aggregate		
		Count		\$ (000s)		Families by Family Income	Count		\$ (000s)		Count
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	9	2.6%	\$683	1.0%	20.5%	3	2.3%	0.6%	6.3%	3.0%
	Moderate	40	11.6%	\$4,628	6.6%	16.5%	14	10.6%	5.8%	17.8%	11.6%
	Middle	58	16.9%	\$8,042	11.5%	20.0%	19	14.4%	7.8%	22.3%	18.2%
	Upper	182	52.9%	\$38,799	55.5%	43.0%	61	46.2%	39.6%	41.8%	53.3%
	Unknown	55	16.0%	\$17,716	25.4%	0.0%	35	26.5%	46.2%	11.8%	14.0%
	<i>Total</i>	344	100.0%	\$69,868	100.0%	100.0%	132	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	7	3.6%	538	1.4%	20.5%	3	2.9%	0.8%	6.2%	3.2%
	Moderate	25	12.8%	2,859	7.3%	16.5%	11	10.8%	5.8%	19.0%	13.1%
	Middle	37	18.9%	4,979	12.8%	20.0%	17	16.7%	10.1%	22.2%	19.2%
	Upper	102	52.0%	21,689	55.6%	43.0%	49	48.0%	42.8%	41.2%	53.6%
	Unknown	25	12.8%	8,941	22.9%	0.0%	22	21.6%	40.5%	11.3%	11.0%
	<i>Total</i>	196	100.0%	39,006	100.0%	100.0%	102	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	2	1.5%	145	0.5%	20.5%	0	0.0%	0.0%	6.0%	2.8%
	Moderate	13	9.8%	1,749	6.1%	16.5%	3	11.1%	6.6%	15.8%	10.1%
	Middle	20	15.2%	3,059	10.7%	20.0%	2	7.4%	1.9%	22.1%	17.6%
	Upper	73	55.3%	16,791	58.6%	43.0%	10	37.0%	33.4%	42.9%	56.2%
	Unknown	24	18.2%	6,926	24.2%	0.0%	12	44.4%	58.1%	13.2%	13.3%
	<i>Total</i>	132	100.0%	28,670	100.0%	100.0%	27	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	0	0.0%	0	0.0%	20.5%	0	0.0%	0.0%	9.8%	4.7%
	Moderate	2	16.7%	20	1.9%	16.5%	0	0.0%	0.0%	21.8%	14.7%
	Middle	1	8.3%	4	0.4%	20.0%	0	0.0%	0.0%	25.8%	24.2%
	Upper	7	58.3%	319	31.0%	43.0%	2	66.7%	4.2%	40.6%	53.8%
	Unknown	2	16.7%	686	66.7%	0.0%	1	33.3%	95.8%	2.0%	2.6%
	<i>Total</i>	12	100.0%	1,029	100.0%	100.0%	3	100.0%	100.0%	100.0%	100.0%
MULTI FAMILY	Low	0	0.0%	0	0.0%	20.5%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	0	0.0%	0	0.0%	16.5%	0	0.0%	0.0%	0.0%	0.0%
	Middle	0	0.0%	0	0.0%	20.0%	0	0.0%	0.0%	0.0%	0.0%
	Upper	0	0.0%	0	0.0%	43.0%	0	0.0%	0.0%	0.0%	0.0%
	Unknown	4	100.0%	1,163	100.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
	<i>Total</i>	4	100.0%	1,163	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

**Residential Real Estate (HMDA) Lending**

The preceding table shows that for 55 (16.0 percent) of the HMDA loans income was not reportable. Of the 289 loans where borrowers reported income, the bank's level of mortgage lending to low-income borrowers at 3.1 percent was significantly less than the percentage of low-income families. Mortgage lending to moderate-income borrowers who reported income at 13.8 percent was less than the percentage of moderate-income families at 16.5 percent. It should be noted that 34.3 percent of the bank's HMDA loans are business purpose loans where the proceeds were used to purchase or rehabilitate non-owner-occupied dwellings for rental. A review of HMDA loans by product type showed that the bank's lending to low- and moderate-income borrowers was below the demographic figure, although home improvement lending to moderate-income borrowers was considerably better. The 2007 aggregate lending comparison indicates the bank's HMDA lending to low-income borrowers at 2.3 percent was less than the aggregate at 6.3 percent, and lending to moderate-income borrowers at 10.6 percent was less than the aggregate at 17.8 percent.

**Small Business Loans by Business Revenue & Loan Size**

Assessment Area: Birmingham

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison 2007 & 2008					Bank & Aggregate Lending Comparison 2007				
		Bank				Demographics Total Businesses %	Bank			Aggregate	
		Count		\$ (000s)			Count	\$ (000s)		Count	\$ (000s)
#	%	\$	%		#	%	%	%	%		
BUSINESS REVENUE	\$1million or Less	152	56.1%	\$31,014	61.2%	88.9%	78	62.4%	61.2%	31.0%	29.6%
	Over \$1 Million	119	43.9%	\$19,659	38.8%	8.4%	*-	-	-	-	-
	<i>Total where Rev is available</i>	271	100.0%	\$50,673	100.0%	97.3%	-	-	-	-	-
	Rev. Not Known	0	0.0%	\$0	0.0%	2.7%	-	-	-	-	-
	<i>Total</i>	271	100.0%	\$50,673	100.0%	100.0%	-	-	-	-	-
LOAN SIZE	\$100,000 or Less	145	53.5%	\$5,705	11.3%		61	48.8%	10.7%	92.3%	31.1%
	\$100,001 - \$250,000	65	24.0%	\$11,013	21.7%		29	23.2%	18.9%	3.7%	16.3%
	\$250,000 - \$1 Million	61	22.5%	\$33,955	67.0%		35	28.0%	70.5%	4.0%	52.6%
	<i>Total</i>	271	100.0%	\$50,673	100.0%		125	100.0%	100.0%	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	72	47.4%	\$2,830	9.1%		-	-	-	-	-
	\$100,001 - \$250,000	41	27.0%	\$7,180	23.2%		-	-	-	-	-
	\$250,000 - \$1 Million	39	25.7%	\$21,004	67.7%		-	-	-	-	-
	<i>Total</i>	152	100.0%	\$31,014	100.0%		-	-	-	-	-

\* Aggregate data is unavailable for loans to businesses with revenue over \$1 million or revenue unknown, and for loan size by revenue category. Originations & Purchases

Small Business Lending

The preceding table shows of the 271 small business loans, 152 (56.1 percent) were to businesses with gross annual revenues of \$1 million or less, which is less than the percentage of businesses in the Birmingham MSA that are considered small businesses at 88.9 percent. 145 loans (53.5 percent) were in amount of \$100,000 or less, which typically represent loan amounts requested by small businesses. The 2007 aggregate lending comparison indicates the bank’s small business lending at 62.4 percent far exceeded aggregate performance at 31.0 percent.

Responsiveness to Credit Needs

Overall, the bank exhibited an adequate record of serving the credit needs of low-income individuals and areas and to small businesses.

Community Development Lending

The bank made no community development loans during the review period in the Birmingham Assessment Area.

Use of Innovative or Flexible Lending Practices

The bank makes limited use of innovative or flexible lending practices in serving assessment area credit needs. Through its mortgage lending division, Aliant Mortgage Services, the bank offers FHA and VA loans, fixed and ARM loans, second home and investment property loans, refinance loans, and first time home buyer and low down payment loans. There is a mortgage loan specialist located in the Birmingham Assessment Area. The bank is a certified SBA lender. The bank began offering a low cost home improvement loan product targeted to LMI areas in Birmingham during 2008. The bank also developed a home improvement credit product with affordable terms, the Avenue Home Improvement Loan Program.

**INVESTMENT TEST**

The bank made a significant level of qualified CD investments and grants, particularly those not provided by private investors, occasionally in a leadership position. The bank made occasional use of innovative or complex investments to support CD initiatives. The investments consisted of larger bank-wide investments that directly benefited the assessment area. Specifically, the Community Capital Management CRA Qualified Investment fund, a GNMA security collateralized by properties located in low- and moderate-income areas, and an equity investment used to finance LMI housing projects, as referred to earlier in this evaluation. The bank exhibited good responsiveness to credit and community development needs through its investment activities.

**SERVICE TEST**

**Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to the bank’s geographies and to individuals of different income levels. The distribution of the bank’s branches by census tract income level was compared to the distribution of households residing in the assessment areas. The table below shows the distribution of branches and households. In addition to these branches, the bank has a loan production office in a moderate-income tract in Birmingham.

**Geographic Distribution of Branches and ATMs**

Assessment Area: Birmingham

Tract Income Levels	Branches					ATMs		Demographics			
	Total Branches		Extended Hours	Saturday Hours	Drive Thru	Deposit Taking	Cash-Only	Census Tracts		Households	Total Businesses
	#	%	#	#	#	#	#	#	%	%	%
Low	0	0.0%	0	0	0	0	0	16	8.5%	6.1%	11.8%
Moderate	0	0.0%	0	0	0	0	0	46	24.5%	20.8%	14.3%
Middle	2	40.0%	2	1	2	0	2	66	35.1%	37.4%	32.1%
Upper	3	60.0%	3	1	3	0	3	60	31.9%	35.7%	41.7%
Unknown	0	0.0%	0	0	0	0	0	0	0.0%	0.0%	0.0%
<i>Total</i>	<i>5</i>	<i>100.0%</i>	<i>5</i>	<i>2</i>	<i>5</i>	<i>0</i>	<i>5</i>	<i>188</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Of the five branches located in the assessment area, none are located in low- or moderate-income census tracts. However, one is in close proximity to a cluster of low-income tracts and one is close to a large moderate-income tract. Alternative systems for delivering retail-banking services include ATMs, Internet banking, and banking by telephone.

**Changes in Branch Locations**

The bank opened a permanent location for its Pell City Branch (St. Clair County) and opened its Gardendale Branch (Jefferson County) during the review period. Both of these branches are located in middle-income tracts. The bank’s record of opening or closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals.

**Reasonableness of Business Hours and Services in Meeting Assessment Area(s) Needs**

Banking services and hours of operations do not vary in a way that inconveniences portions of the assessment area, including LMI geographies or LMI individuals. Along with its range of deposit account products, the bank offers an affordable basic checking account that has no monthly maintenance charges. For its small business owner customers, the bank offers various cash management services that can be accessed online through the Aliant Bank Internet web site.

Community Development Services

The bank provides an adequate level of community development services in the Birmingham assessment area. Officers and employees have used their financial expertise to provide financial services that benefit residents in the assessment area. The following table lists some of the most significant activities during the review period.

COMMUNITY DEVELOPMENT SERVICES Birmingham Assessment Area	
TYPE OF ORGANIZATION	SERVICE
One middle school, three elementary schools	Bank employees taught savings education classes at four different schools attended by LMI students (greater than 50 percent eligible for free lunch program).
Three elementary schools	16 bank employees taught savings education classes at three different schools on National Teach Children to Save Day. These schools are attended by LMI students (greater than 50 percent eligible for free lunch program).
Homeownership counseling center	Bank employees led the budget and credit sessions of this organization's home buyer seminar on six occasions.
Birmingham realtors	Two bank employees gave a presentation covering budget and credit for home buyer assistance to 30 realtors.
Income tax preparation	Bank employees prepared income tax forms for LMI persons, free of charge.
St. Clair County Fair – affordable housing booth	Bank employees manned a booth that was dedicated to providing informative information for first-time home buyers.

**TALLAPOOSA ASSESSMENT AREA  
 FULL SCOPE REVIEW**

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE TALLAPOOSA ASSESSMENT AREA**

Overview

Performance was evaluated using full-scope examination procedures. The assessment area includes Tallapoosa and Coosa counties in Alabama, which are not part of an MSA. The bank is headquartered in Alexander City, in Tallapoosa County. Coosa County is adjacent to Tallapoosa County. This assessment area is located in east central Alabama. Three of the bank's total offices and four ATMs are located in the Tallapoosa assessment area, representing 20.0 percent of the total branch network. Of the bank's total lending, 35.9 percent of the HMDA loans and 15.7 percent of the small business loans by number, and 27.0 percent of the HMDA loans and 5.6 percent of the small business loans by dollar volume were originated in this assessment area during the review period.

Population Information

2000 census data indicates that the population of the assessment area was 53,677 persons, which represented 1.2 percent of the population of the state of Alabama at 4,447,100 persons.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development's (HUD) estimated 2007 and 2008 median family income. The following table shows the estimated median family incomes for 2007 and 2008, for the state of Alabama's non-metropolitan areas, which include the Tallapoosa assessment area. It also provides a breakdown of the estimated annual incomes based on income level.

**Borrower Income Levels**  
**Alabama State Non-Metro**

HUD Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
<b>2007</b>	<b>\$42,800</b>	0 - \$21,399	\$21,400 - \$34,239	\$34,240 - \$51,359	\$51,360 - & above
<b>2008</b>	<b>\$45,400</b>	0 - \$22,699	\$22,700 - \$36,319	\$36,320 - \$54,479	\$54,480 - & above

The HUD estimated median family income for non-MSA areas was \$42,800 in 2007 and \$45,400 for 2008. According to 2000 census data, there were 15,293 families in the assessment area. Of those families, 20.1 percent were low-income, 17.6 percent were moderate-income, 20.9 percent were middle-income, and 41.3 percent were upper-income. Of the total families, 13.1 percent had incomes below the poverty level.

Demographic Data by Census Tracts

Census data from 2000 indicates that of total tracts in the assessment area, there were no low-income census tracts. Two (16.7 percent) were moderate-income tracts, eight (66.7 percent) were middle-income tracts, and two (16.7 percent) were upper-income tracts. Of the eight middle-income tracts, two are considered underserved middle-income tracts.

Housing Characteristics and Affordability

In general, the housing market in the assessment area has followed the housing downturn that has become widespread across the nation. Lender foreclosure activity rates were high and increasing. Job growth has slowed contributing to diminished levels of home purchases, refinances, and lower demand for home improvement projects.

Census data from 2000 indicates that there were 26,652 housing units in the assessment area, 16,686 (62.6 percent) of which were owner-occupied. The median value of housing units was \$62,242, which was approximately 2.7 percent less than the median housing value for all nonmetropolitan areas in Alabama at \$63,922. The median age of housing in the assessment area was 26 years

Employment Statistics

REIS data from 2007 indicates that employment was primarily dependent on retail trade, manufacturing, and government agencies. Some of the major employers in the assessment area are S1 Alabama, LLC (motor vehicle parts manufacturer), Wal-Mart Stores, Incorporated, Alabama Department of Transportation, Russell Hospital Corporation, and Amtech, LLC (electronic component manufacturer). Russell Corporation, once the area's major employer, has been closing operations in Alexander City.

As shown in the following table, unemployment rates were significantly higher in 2008 compared to 2007. Increase in job losses negatively impacts loan production because fewer applicants can qualify for loans.

### Unemployment Rates

Assessment Area: Tallapoosa

Area	Years - Annualized	
	2007	2008
Coosa Co.	5.1%	7.4%
Tallapoosa Co.	4.7%	6.5%
Alabama	3.5%	5.0%

Not Seasonally Adjusted

#### Competition

The market is competitive because of national, regional, and community banks seeking customers. According to the June 30, 2008 FDIC Summary of Deposits Report, there are six financial institutions operating 11 branch offices in the assessment area. Aliant Bank ranked first with a deposit market share of 45.4 percent (\$261.3 million) and three of the seven offices.

#### Community Contacts

Information was obtained from a community contact regarding local economic conditions and community credit needs as part of the CRA examination. The contact suggested home improvement loans as a credit need in the community. For example, homeowners may not qualify for weatherization assistance because of faulty roofs. The contact said that local banks could provide home improvement loans for roof repairs to meet this particular credit need.

Assessment Area Demographics

The following table provides demographic information in the Tallapoosa assessment area that was used to analyze the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to specific parts of the analysis.

**Assessment Area Demographics**

Assessment Area: Tallapoosa

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,077	20.1
Moderate-income	2	16.7	1,737	11.4	347	20.0	2,694	17.6
Middle-income	8	66.7	9,498	62.1	1,317	13.9	3,200	20.9
Upper-income	2	16.7	4,058	26.5	345	8.5	6,322	41.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>12</b>	<b>100.0</b>	<b>15,293</b>	<b>100.0</b>	<b>2,009</b>	<b>13.1</b>	<b>15,293</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	2,848	1,914	11.5	67.2	530	18.6	404	14.2
Middle-income	15,587	10,246	61.4	65.7	2,946	18.9	2,395	15.4
Upper-income	8,217	4,526	27.1	55.1	1,176	14.3	2,515	30.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>26,652</b>	<b>16,686</b>	<b>100.0</b>	<b>62.6</b>	<b>4,652</b>	<b>17.5</b>	<b>5,314</b>	<b>19.9</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	80	4.9	68	4.6	8	9.3	4	6.3
Middle-income	826	50.4	751	50.4	42	48.8	33	51.6
Upper-income	733	44.7	670	45.0	36	41.9	27	42.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,639</b>	<b>100.0</b>	<b>1,489</b>	<b>100.0</b>	<b>86</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>90.8</b>		<b>5.2</b>		<b>3.9</b>

Based on 2000 Census Information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

#### Overview

Of the total loans made inside the Tallapoosa Assessment Area, 67.1 percent were HMDA loans, and 32.9 percent were small business loans. For that reason, HMDA lending was weighted more heavily than small business lending when determining the bank's level of performance.

#### Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs. Of the 325 HMDA loans, 95 (29.2 percent) were home purchase loans, 153 (47.1 percent) were refinance loans 76 (23.4 percent) were home improvement loans, and one (0.3 percent) was a multifamily loan. The 2007 market peer report showing the number of originations and purchases of HMDA loans indicates that Aliant Bank ranked 3<sup>rd</sup> out of 178 reporters, with a market share of 7.6 percent. Based on originations only, Aliant Bank had the most loan originations at 10 percent of the market share.

The bank originated 159 small business loans in the assessment area. Market share data reports for 2007 indicate that Aliant Bank ranked 6<sup>th</sup> out of 32 reporters with a market share of 6.0 percent, by number, in the origination of small business loans. The largest market share of small business loans by a single reporting entity was American Express Bank FSB at 21.0 percent.

#### Geographic Distribution of Loans

The overall geographic distribution of HMDA and small business loans reflects adequate penetration throughout the assessment area. For this analysis, the geographic distribution of HMDA and small business lending was compared with available demographic information. Performance context issues were also considered, as well as the performance of other banks for 2007. Aggregate lending data was not available for 2008.

**Geographic Distribution of HMDA Loans**

Assessment Area: Tallapoosa

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2007 & 2008					2007				
		Bank		Demographic			Bank		Aggregate		
		Count		\$ (000s)		Owner Occupied	Count		\$ (000s)		Count
		#	%	\$	%	%	#	%	%	%	%
HMDA TOTALS	Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	7	2.2%	\$327	0.7%	11.5%	4	2.4%	0.8%	5.0%	2.2%
	Middle	178	54.8%	\$18,288	39.9%	61.4%	94	55.3%	39.9%	52.8%	38.4%
	Upper	140	43.1%	\$27,274	59.4%	27.1%	72	42.4%	59.3%	42.2%	59.3%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.1%
	<i>Total</i>		325	100.0%	\$45,889	100.0%	100.0%	170	100.0%	100.0%	100.0%
HOME PURCHASE	Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	3	3.2%	\$142	0.7%	11.5%	2	3.4%	1.1%	3.1%	1.4%
	Middle	40	42.1%	\$6,209	32.3%	61.4%	28	47.5%	39.6%	52.2%	38.5%
	Upper	52	54.7%	\$12,890	67.0%	27.1%	29	49.2%	59.3%	44.7%	60.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>		95	100.0%	\$19,241	100.0%	100.0%	59	100.0%	100.0%	100.0%
REFINANCE	Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	3	2.0%	\$130	0.5%	11.5%	2	2.8%	0.6%	5.7%	2.7%
	Middle	81	52.9%	\$10,800	43.1%	61.4%	36	50.0%	38.8%	50.4%	38.5%
	Upper	69	45.1%	\$14,134	56.4%	27.1%	34	47.2%	60.7%	43.7%	58.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.1%	0.1%
	<i>Total</i>		153	100.0%	\$25,064	100.0%	100.0%	72	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	1	1.3%	\$55	5.9%	11.5%	0	0.0%	0.0%	8.3%	6.9%
	Middle	56	73.7%	\$629	67.3%	61.4%	30	76.9%	82.2%	67.0%	48.9%
	Upper	19	25.0%	\$250	26.8%	27.1%	9	23.1%	17.8%	24.8%	44.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>		76	100.0%	\$934	100.0%	100.0%	39	100.0%	100.0%	100.0%
MULTI FAMILY						Multi-Family Units					
	Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	0	0.0%	\$0	0.0%	1.8%	0	0.0%	0.0%	0.0%	0.0%
	Middle	1	100.0%	\$650	100.0%	52.8%	0	0.0%	0.0%	33.3%	4.3%
	Upper	0	0.0%	\$0	0.0%	45.4%	0	0.0%	0.0%	66.7%	95.7%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
<i>Total</i>		1	100.0%	\$650	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

Residential Real Estate (HMDA) Lending

The preceding table shows that HMDA lending in moderate-income tracts at 2.2 percent was significantly less than the percentage of owner-occupied units in these tracts at 11.5 percent. The bank originated 178 loans in middle-income tracts. A review of HMDA by product type showed that the bank's lending in moderate-income tracts was significantly below demographic figures, although lending levels were strong in middle-income tracts, particularly for home improvement loans. The 2007 aggregate lending comparison indicates that the bank's percentage of lending in moderate-income tracts at 2.4 percent was less than aggregate lending performance at 5.0 percent. It should be noted that in 2007 and 2008, 28.6 percent of the bank's HMDA loan originations in the Tallapoosa area were secured by non-owner occupied real estate. Therefore, the percentage of owner occupied properties in each tract type may not be a perfect benchmark to compare the bank's lending to.

HMDA Lending in Underserved Middle-Income Census Tracts

Of the 178 HMDA loans in middle-income tracts, 20 loans (11.2 percent) were originated in underserved middle-income census tracts. Of the 20 loans, three were home purchase loans, 11 were refinance loans, five were home improvement loans, and one was a multi-family dwelling loan.

**Geographic Distribution of Small Business Loans**

Assessment Area: Tallapoosa

Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
	2007 & 2008					2007				
	Bank		Demographics			Bank		Aggregate		
	Count		\$ (000s)		Small Businesses	Count		\$ (000s)		
#	%	\$	%	%	#	%	%	%	%	
Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	12	7.5%	\$1,438	17.2%	4.6%	8	9.9%	24.0%	4.6%	6.2%
Middle	72	45.3%	\$3,851	46.1%	50.4%	38	46.9%	45.0%	44.9%	48.7%
Upper	75	47.2%	\$3,073	36.7%	45.0%	35	43.2%	31.1%	46.7%	43.5%
Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
<i>Total</i>	<i>159</i>	<i>100.0%</i>	<i>\$8,362</i>	<i>100.0%</i>	<i>100.0%</i>	<i>81</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

Small Business Lending

The preceding table shows that small business lending in moderate-income tracts at 7.5 percent was greater than the percentage of small businesses located in these tracts at 4.6 percent. The 2007 aggregate lending comparison indicates that the bank's small business lending in moderate-income tracts at 9.9 percent was greater than aggregate performance at 6.2 percent.

Distribution by Borrower Profile

The overall distribution of loans by borrower income and business size reflects adequate penetration among customers of different income levels and businesses of different sizes. For this analysis, the distribution of HMDA lending across borrower income levels and small business lending across business revenue sizes was compared with available demographic information. Performance context issues were also considered, as well as the performance of other banks for 2007. Aggregate lending data was not available for 2008.

**Borrower Distribution of HMDA Loans**

Assessment Area: Tallapoosa

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2007 & 2008					2007				
		Bank		Demographics			Bank		Aggregate		
		Count	\$ (000s)	Families by Family Income	Count	\$ (000s)	Count	\$ (000s)			
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	16	4.9%	\$571	1.2%	20.1%	11	6.5%	1.9%	4.0%	1.2%
	Moderate	39	12.0%	\$1,362	3.0%	17.6%	21	12.4%	2.7%	14.2%	5.7%
	Middle	70	21.5%	\$4,947	10.8%	20.9%	34	20.0%	9.5%	18.0%	9.2%
	Upper	174	53.5%	\$32,623	71.1%	41.3%	89	52.4%	71.3%	54.6%	72.4%
	Unknown	26	8.0%	\$6,386	13.9%	0.0%	15	8.8%	14.5%	9.2%	11.5%
	<i>Total</i>	325	100.0%	\$45,889	100.0%	100.0%	170	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	1	1.1%	47	0.2%	20.1%	1	1.7%	0.5%	2.5%	0.9%
	Moderate	8	8.4%	430	2.2%	17.6%	6	10.2%	3.0%	14.2%	5.9%
	Middle	15	15.8%	1,431	7.4%	20.9%	11	18.6%	10.4%	16.8%	9.1%
	Upper	64	67.4%	14,759	76.7%	41.3%	36	61.0%	73.7%	57.0%	74.8%
	Unknown	7	7.4%	2,574	13.4%	0.0%	5	8.5%	12.5%	9.4%	9.4%
	<i>Total</i>	95	100.0%	19,241	100.0%	100.0%	59	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	6	3.9%	482	1.9%	20.1%	3	4.2%	2.9%	3.5%	1.2%
	Moderate	11	7.2%	796	3.2%	17.6%	6	8.3%	2.3%	12.4%	5.3%
	Middle	33	21.6%	3,310	13.2%	20.9%	11	15.3%	8.6%	17.7%	9.0%
	Upper	89	58.2%	17,422	69.5%	41.3%	45	62.5%	70.6%	56.4%	72.8%
	Unknown	14	9.2%	3,054	12.2%	0.0%	7	9.7%	15.7%	10.0%	11.6%
	<i>Total</i>	153	100.0%	25,064	100.0%	100.0%	72	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	9	11.8%	42	4.5%	20.1%	7	17.9%	8.3%	12.6%	5.1%
	Moderate	20	26.3%	136	14.6%	17.6%	9	23.1%	10.9%	23.5%	13.2%
	Middle	22	28.9%	206	22.1%	20.9%	12	30.8%	18.5%	24.3%	19.3%
	Upper	21	27.6%	442	47.3%	41.3%	8	20.5%	37.8%	37.0%	56.4%
	Unknown	4	5.3%	108	11.6%	0.0%	3	7.7%	24.5%	2.6%	6.0%
	<i>Total</i>	76	100.0%	934	100.0%	100.0%	39	100.0%	100.0%	100.0%	100.0%
MULTI FAMILY	Low	0	0.0%	0	0.0%	20.1%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	0	0.0%	0	0.0%	17.6%	0	0.0%	0.0%	0.0%	0.0%
	Middle	0	0.0%	0	0.0%	20.9%	0	0.0%	0.0%	0.0%	0.0%
	Upper	0	0.0%	0	0.0%	41.3%	0	0.0%	0.0%	0.0%	0.0%
	Unknown	1	100.0%	650	100.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
	<i>Total</i>	1	100.0%	650	100.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

Residential Real Estate (HMDA) Lending

The preceding table shows that for 26 (8.0 percent) of the HMDA loans income was not reportable. Of the 299 loans where borrowers reported income, the bank's level of mortgage lending to low-income borrowers at 5.4 percent was significantly less than the percentage of low-income families at 20.1 percent. Mortgage lending to moderate-income borrowers at 12.0 percent was less than the percentage of moderate-income families at 17.6 percent. It should be noted that 28.6 percent of the bank's HMDA loans are business purpose loans where the proceeds were used to purchase or rehabilitate non-owner-occupied dwellings for rental. A review of HMDA loans by product type showed that the bank's lending to low- and moderate-income borrowers was below the demographic figure, although stronger comparatively for home improvement loans, a credit need identified by a community contact. The 2007 aggregate lending comparison indicates the bank's HMDA lending to low-income borrowers at 6.5 percent was greater than the aggregate at 4.0 percent, and lending to moderate-income borrowers at 12.4 percent was less than the aggregate at 14.2 percent.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Tallapoosa

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison 2007 & 2008					Bank & Aggregate Lending Comparison 2007				
		Bank				Demographics Total Businesses %	Bank			Aggregate	
		Count		\$ (000s)			Count	\$ (000s)		Count	\$ (000s)
#	%	\$	%	%	#	%	%	%	%		
BUSINESS REVENUE	\$1million or Less	135	84.9%	\$6,525	78.0%	90.8%	71	87.7%	77.9%	34.7%	41.3%
	Over \$1 Million	24	15.1%	\$1,837	22.0%	5.2%	*-	-	-	-	-
	<i>Total where Rev is available</i>	159	100.0%	\$8,362	100.0%	96.1%	-	-	-	-	-
	Rev. Not Known	0	0.0%	\$0	0.0%	3.9%	-	-	-	-	-
	<i>Total</i>	159	100.0%	\$8,362	100.0%	100.0%	-	-	-	-	-
LOAN SIZE	\$100,000 or Less	136	85.5%	\$3,595	43.0%		69	85.2%	38.9%	92.8%	32.5%
	\$100,001 - \$250,000	20	12.6%	\$3,383	40.5%		10	12.3%	36.3%	3.9%	19.6%
	\$250,000 \$1 Million	3	1.9%	\$1,384	16.6%		2	2.5%	24.8%	3.2%	47.9%
	<i>Total</i>	159	100.0%	\$8,362	100.0%		81	100.0%	100.0%	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	120	88.9%	\$3,009	46.1%		-	-	-	-	-
	\$100,001 - \$250,000	12	8.9%	\$2,132	32.7%		-	-	-	-	-
	\$250,000 \$1 Million	3	2.2%	\$1,384	21.2%		-	-	-	-	-
	<i>Total</i>	135	100.0%	\$6,525	100.0%		-	-	-	-	-

\* Aggregate data is unavailable for loans to businesses with revenue over \$1 million or revenue unknown, and for loan size by revenue category. Originations & Purchases

Small Business Lending

The preceding table shows of the 159 small business loans, 135 (84.9 percent) were originated to businesses with gross annual revenues of \$1 million or less, which is less than the percentage of businesses in the assessment area that are considered small businesses at 90.8 percent. 136 loans (85.5 percent) were in amounts of \$100,000 or less, which typically represent loan amounts requested by small businesses. The 2007 aggregate lending comparison indicates that the bank’s small business lending at 87.7 percent far exceeded aggregate performance at 34.7 percent.

Responsiveness to Credit Needs

Overall, the bank exhibited an adequate record of serving the credit needs of low-income individuals and areas, including distressed areas, and to small businesses.

Community Development Lending

The bank made no community development loans in the Tallapoosa Assessment Area during the review period.

Use of Innovative or Flexible Lending Practices

The bank makes limited use of innovative or flexible lending practices in serving assessment area credit needs. Through its mortgage lending division, Aliant Mortgage Services, the bank offers FHA and VA loans, fixed and ARM loans, second home and investment property loans, refinance loans, and first time home buyer and low down payment loans. There is a mortgage loan specialist located in the Tallapoosa Assessment Area. The bank is a certified SBA lender. The bank also developed a home improvement credit product with affordable terms, the Avenue Home Improvement Loan Program.

INVESTMENT TEST

The bank made a significant level of qualified CD investments and grants, particularly those not provided by private investors, occasionally in a leadership position. The bank made occasional use of innovative or complex investments to support CD initiatives. Specifically, the larger bank-wide investment in the Community Capital Management CRA Qualified Investment fund and an equity investment used to finance LMI housing projects

referred to earlier in this evaluation. The bank exhibited good responsiveness to credit and community development needs through its investment activities.

**SERVICE TEST**

**Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to the bank’s geographies and individuals of different income levels. The distribution of the bank’s branches by census tract income level was compared to the distribution of households residing in the assessment areas. The following table shows the distribution of branches and households.

**Geographic Distribution of Branches and ATMs**

**Assessment Area: Tallapoosa**

Tract Income Levels	Branches					ATMs		Demographics			
	Total Branches		Extended Hours	Saturday Hours	Drive Thru	Deposit Taking	Cash-Only	Census Tracts		Households	Total Businesses
	#	%	#	#	#	#	#	#	%	%	%
Low	0	0.0%	0	0	0	0	0	0	0.0%	0.0%	0.0%
Moderate	0	0.0%	0	0	0	0	0	2	16.7%	11.4%	4.6%
Middle	2	66.7%	0	2	2	0	2	8	66.7%	61.9%	50.4%
Upper	1	33.3%	0	0	1	0	2	2	16.7%	26.6%	45.0%
Unknown	0	0.0%	0	0	0	0	0	0	0.0%	0.0%	0.0%
<i>Total</i>	<i>3</i>	<i>100.0%</i>	<i>0</i>	<i>2</i>	<i>3</i>	<i>0</i>	<i>4</i>	<i>12</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Two of the branches and three ATMs are in proximity to moderate-income tract 9610.00, which is in Coosa County near the Tallapoosa County line. These bank facilities are also very close to an underserved middle-income tract in Coosa County. Alternative systems for delivering retail-banking services include ATMs, Internet banking, and banking by telephone.

**Changes In Branch Locations**

The bank did not open or close any branches in the Tallapoosa Assessment Area during the review period. Consequently, the bank’s record of opening or closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals.

**Reasonableness of Business Hours and Services**

Banking services and hours of operations do not vary in a way that inconveniences portions of the assessment area, particularly LMI geographies or LMI individuals. Along with its range of deposit account products, the bank offers an affordable basic checking account that has no monthly maintenance charges. The bank offers various cash management services for its small business owner customers that can be accessed online through the Aliant Bank Internet web site.

Community Development Services

The bank provides a relatively high level of community development services in the Tallapoosa assessment area. Officers and employees have used their financial expertise to provide financial services that benefit residents in the assessment area. The following table lists some of the most significant activities during the review period.

<b>COMMUNITY DEVELOPMENT SERVICES</b>	
<b>Tallapoosa Assessment Area</b>	
TYPE OF ORGANIZATION	SERVICE
Two elementary and one high school	Bank employees taught savings education classes at two elementary schools and an investment class at a high school attended by LMI students (greater than 50 percent eligible for free lunch program).
Three elementary schools	Seven bank employees taught savings education classes at three different schools on National Teach Children to Save Day. These schools are attended by LMI students (greater than 50 percent eligible for free lunch program).
Alexander City housing savings account program	The bank developed a savings account that benefits LMI individuals that reside in housing in Alexander City Housing Authority.
Alexander City Housing Authority	Two employees taught a money smart class to Alexander City Housing Authority renters. The program is designed to help LMI individuals prepare for home ownership.
Affordable home buyer education	Three employees provided a home buyer seminar in a church located in Coosa County in an underserved middle-income area.

**APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>			
January 1, 2007 to December 31, 2008 – HMDA-reportable and small business loans			
August 13, 2007 through August 17, 2009 – Community development loan, investment, and service activities.			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Aliant Bank, Alexander City, Alabama		Small Business Loans HMDA Loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
First Montgomery Insurance Agency	Subsidiary	None	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Montgomery (MSA #33860)	Full-Scope Exam Procedures Used	None	None
Birmingham (MSA #13820)	Full-Scope Exam Procedures Used	<ul style="list-style-type: none"> <li>• Pell City</li> <li>• Alabaster</li> </ul>	None
Tallapoosa (Non-MSA) <ul style="list-style-type: none"> <li>• Coosa County</li> <li>• Tallapoosa County</li> </ul>	Full Scope Exam Procedures Used	None	None

## APPENDIX B – DEFINITIONS AND GENERAL INFORMATION

### Definitions

ATM -	Automated Teller Machine
CDC -	Community Development Corporation
CDFI -	Community Development Financial Institution
CRA -	Community Reinvestment Act (Regulation BB)
FDIC -	Federal Deposit Insurance Corporation
FFIEC -	Federal Financial Institutions Examination Council
HMDA -	Home Mortgage Disclosure Act (Regulation C)
HUD -	Department of Housing and Urban Development
LMI -	Low- and Moderate-Income
LTD -	Loan-to-Deposit
LTV -	Loan-to-Value Ratio
MD -	Metropolitan Division
MSA -	Metropolitan Statistical Area
OMB -	Office of Management and Budget
REIS -	Regional Economic Information System
SBA -	Small Business Administration
USDA -	United States Department of Agriculture

### Rounding Convention

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

**APPENDIX B – DEFINITIONS AND GENERAL INFORMATION (Continued)**

**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 CRA performance of **Aliant Bank** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **August 17, 2009**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

## APPENDIX C- GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- I. Low-or moderate-income geographies;
- II. Designated disaster areas; or
- III. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

## APPENDIX C – GLOSSARY (Continued)

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

## APPENDIX C – GLOSSARY (Continued)

**Multi-family:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.