

PUBLIC DISCLOSURE

May 16, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Aliant Bank
200 Aliant Parkway
Alexander City, Alabama 35011-1237

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'S CRA 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			
Low Satisfactory	X	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.

Major factors contributing to this rating include:

- A substantial majority of Aliant Bank's loans were made inside the assessment areas;
- The bank has an adequate level of qualified community development investments and grants;
- 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's branch network is reasonably accessible to essentially all portions of the bank's assessment areas, given the bank's business focus;
- The bank provides a limited level of community development services.

INSTITUTION

DESCRIPTION OF INSTITUTION

Aliant Bank, headquartered in Alexander City, Alabama, is a community bank wholly owned by Aliant Financial Corporation, a one-bank holding company, also located in Alexander City. In November 2009, USAmeribancorp, Inc. acquired majority ownership in Aliant Financial Corporation; USAmeribancorp now has a 62 percent ownership position. Aliant Bank operates 15 banking offices, 14 ATMs, and 2 loan production offices in central Alabama. One of the loan production offices was opened during the review period.

Loan Portfolio

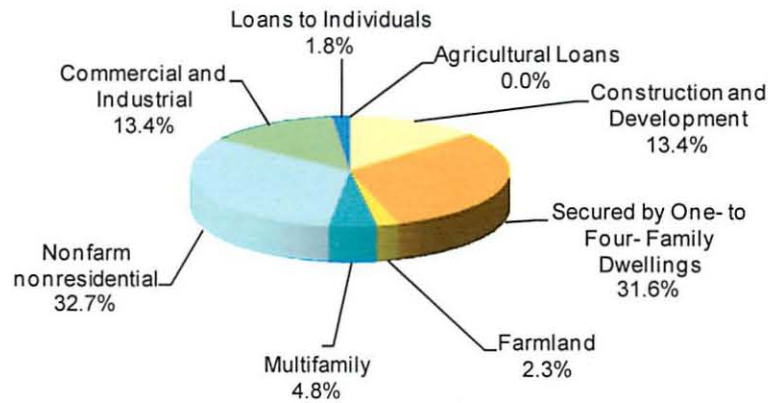
According to the March 31, 2011, Report of Condition (ROC), the bank's assets totaled \$960.9 million, a decrease of approximately \$21.9 million (2.3 percent) since the bank's last CRA evaluation conducted on May 16, 2009. During the same time period, total loans also decreased from \$744.2 million to \$673.1 million or 10.6 percent, while total deposits increased from \$742.6 million to \$754.8 million or 1.6 percent.

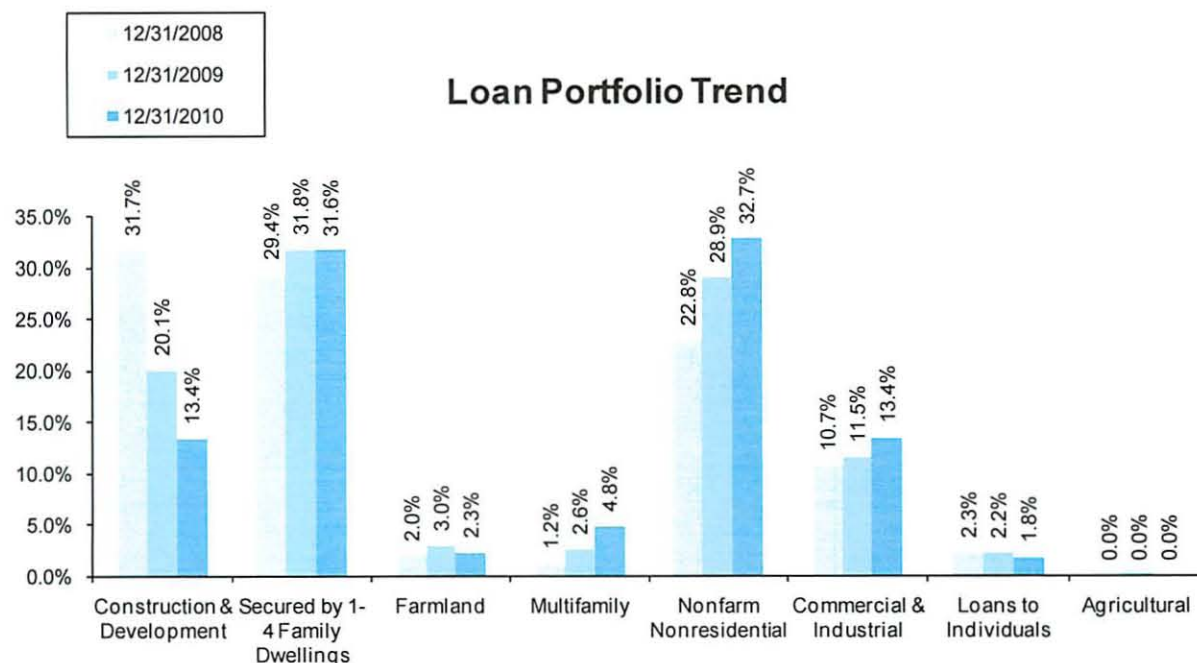
The following table and graphs show the composition of the bank's loan portfolio according to the year-end 2008 through 2010 Consolidated Reports of Condition and Income.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	12/31/2010		12/31/2009		12/31/2008	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	85,678	13.4%	134,800	20.1%	237,759	31.7%
Secured by One- to Four- Family Dwellings	202,127	31.6%	213,425	31.8%	220,207	29.4%
Other Real Estate: Farmland	14,735	2.3%	20,021	3.0%	14,995	2.0%
Multifamily	30,919	4.8%	17,623	2.6%	8,984	1.2%
Nonfarm nonresidential	208,986	32.7%	194,349	28.9%	171,234	22.8%
Commercial and Industrial	85,631	13.4%	77,109	11.5%	80,046	10.7%
Loans to Individuals	11,458	1.8%	14,710	2.2%	16,943	2.3%
Agricultural Loans	0	0.0%	89	0.0%	65	0.0%
Total	\$639,534	100.00%	\$672,126	100.00%	\$750,233	100.00%

* 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.

**Loan Portfolio
as of
12/31/2010**





The bank’s loan portfolio mix has changed somewhat since the previous CRA examination, with the most noteworthy change being the drop in construction and development lending. Construction and development lending accounted for 31.7 percent of the bank’s portfolio as of December 31, 2008; however, as a result of the economic downturn, this type of lending has decreased dramatically and as of year-end 2010 accounted for only 13.4 percent of the bank’s portfolio – a decrease of nearly 64 percent. As illustrated above, the bank’s loan portfolio consists largely of nonfarm nonresidential loans at 32.7 percent followed by consumer real estate loans secured by one- to four-family dwellings at 31.6 percent, as of December 31, 2010.

Credit Products

Aliant Bank offers a wide variety of credit products to meet community credit needs. The bank has a mortgage division, Aliant Mortgage Services, which originates residential mortgage loans. These loans are not reflected in the bank’s loan portfolio figures above because these loans are sold on the secondary market shortly after closing. Mortgage loan specialists are located in each of the bank’s assessment areas. Other credit products offered by the bank include equity lines of credit, consumer purpose loans, business loans, and farm loans.

For purposes of the CRA, Aliant Bank has defined three assessment areas, which are listed below.

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

Aliant Bank complies with the requirements of the CRA. No known legal 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 17, 2009, under the large bank 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 area. Under the CRA, Aliant Bank's total assets threshold qualifies the bank as an Intermediate Small Institution. However, the bank has elected to have its CRA performance evaluated using the FFIEC Interagency CRA Large Institution Examination Procedures, which includes three separate tests: lending, investments, and services, considering the community needs within its assessment areas and the lending capacity of the bank. An intermediate small institution is defined as an institution with at least \$280 million in assets as of December 31 of the prior two calendar years, and less than \$1.122 billion as of December 31 of either of the prior two calendar years.

The bank's three assessment areas were reviewed using full-scope procedures. The evaluation included an analysis of Home Mortgage Disclosure Act (HMDA) loans and small business loans originated from January 1, 2009 through December 31, 2010.

For the investments and services tests, the examination covered qualified community development investments and services from August 18, 2009 through May 16, 2011. The CRA defines a community development activity as having a primary purpose of providing any of the following: affordable housing or community services for low- or moderate-income (LMI) persons; economic development through the financing of small businesses; revitalizing or stabilizing LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies that benefit the assessment area or a larger statewide or regional area that includes the assessment area.

As part of the CRA evaluation, two community contacts were made with local community, governmental, or economic development representatives who are familiar with the economic and demographic characteristics as well as community development opportunities in the Montgomery and Tallapoosa Assessment Areas. Information obtained from these contacts was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contacts is included in the applicable section of the evaluation for each assessment area. Both contacts stated that there is a need for more small business lending within their respective areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Based on the bank's size and lending capacity and the percentage of loans extended in the assessment area, the overall rating of the institution for the lending test is 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 adequate responsiveness to assessment area credit needs in light of area competition. The bank made a low level of community development loans during the review period.

Overview

The level of HMDA and small business loan originations by both number and dollar amount was comparable. Because of the bank's asset size and the fact that it has office(s) located in a metropolitan statistical area (MSA), the bank is required to submit its residential real estate loan origination and application data annually, pursuant

to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). These loans are referred to as HMDA loans in this evaluation.

A small business loan is defined as a business loan with an original amount of \$1 million or less and typically is either secured by nonfarm or nonresidential real estate or classified as commercial loans. A small farm loan is defined as a farm loan with an original amount of \$500,000 or less and is either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs. Aliant Bank originated 700 HMDA loans totaling \$128.4 million in its assessment areas during the review period. Of the 700 HMDA loans, 120 (17 percent) were home purchase loans, 452 (65 percent) were home refinance loans, 125 (18 percent) were home improvement loans, and three (0.4 percent) were for multi-family housing. In addition, the bank originated 594 small business loans totaling \$137 million inside its assessment areas.

Assessment Area Concentration

The bank originated a substantial majority of the total loans to borrowers and businesses residing in or located within the bank's assessment area. The table below shows, by product type, the number and percentage of loans reviewed 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	125	95.4	\$1,296	97.1	6	4.6	\$39	2.9
Home Purchase - Conventional	120	85.1	\$24,422	88.5	21	14.9	\$3,182	11.5
Multi-Family Housing	3	60.0	\$6,410	50.0	2	40.0	\$6,400	50.0
Refinancing	452	85.0	\$96,320	81.0	80	15.0	\$22,638	19.0
Total HMDA related	700	86.5	\$128,448	79.9	109	13.5	\$32,259	20.1
Small Business	594	90.0	\$137,016	61.9	66	10.0	\$84,443	38.1
Total Small Bus. related	594	90.0	\$137,016	61.9	66	10.0	\$84,443	38.1
TOTAL LOANS	1,294	88.1	\$265,464	69.5	175	11.9	\$116,702	30.5

As indicated by the above table, 86.5 percent of the HMDA-reportable loans and 90 percent of small business loans were extended to borrowers and businesses residing within the bank's assessment areas. Also, 79.9 percent and 61.9 percent of the HMDA and small business loan dollars, respectively, were inside Aliant 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 HMDA and small business 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 analyses of HMDA and small business lending within each assessment area are discussed in detail later in this report.

The distribution of lending to borrowers reflects, given the product lines offered, adequate penetration among customers of different income levels and to 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. The analyses of HMDA and small business lending within each assessment area are discussed in detail later in this report.

Responsiveness to the Credit Needs of Low-Income Individuals and Very Small Businesses

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

Community Development Lending

The bank made a low level of community development loans. During the review period, Aliant Bank made two community development loans in the amounts of \$22,481 and \$4,898 in the Tallapoosa and Birmingham assessment areas, respectively, 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. No community development loans were made in the Montgomery assessment area. In addition, the bank funded \$72,613 in community development loans to the AMLC in two counties that were in counties outside of the bank's assessment area.

Use of Innovative or Flexible Lending Practices

The bank made little 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 loans, fixed and ARM loans, second home and investment property loans, refinance loans, and first time home buyer and low down payment loans. The bank is a certified SBA lender.

INVESTMENT TEST

The investment test is rated low satisfactory. The bank made an adequate level of qualified community development investments and grants, although rarely in a leadership position. Aliant Bank maintained three qualified investments totaling \$3 million from the previous examination. The investments are composed of an equity investment used to finance the construction of LMI 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. No new investments were acquired during the review period. The bank did not use innovative or complex investments to support community development initiatives; current conditions, along with competition appear to have limited the bank's ability to engage in qualified investments in its assessment areas.

SERVICE TEST

The service test is rated low satisfactory. Branch locations and alternative delivery systems such as ATMs, drive-thru banking facilities, telephone and online banking, and extended banking hours makes the bank's services 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 of branches has not adversely affected the accessibility of its delivery systems in LMI areas or to LMI individuals. No branches were opened or closed since the previous examination.

The bank provides a limited level of community development services, mostly through its bank officers and employees serving in various capacities on boards and committees for an assortment of community development organizations.

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.

METROPOLITAN AREA FULL-SCOPE REVIEW – MONTGOMERY MSA

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MONTGOMERY MSA

Overview

The assessment area includes Montgomery and Elmore counties, which are part of the Montgomery, Alabama MSA. Montgomery, the principal city in Montgomery County, is the state capital and is 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 Aliant Bank’s total branch network. 19.1 percent of the HMDA loans and 54.2 percent of the small business loans by number, and 20 percent of HMDA loans and 66.9 percent of small business loans by dollar volume were originated in the assessment area during the review period.

Population Information

2000 census data indicates that the assessment area population (289,384) represented about 83.5 percent of the Montgomery MSA’s population (346,528). The assessment area and the Montgomery MSA have experienced slight growth of approximately 4 percent since 2000, which is comparable to the growth seen in the state. The estimated 2009 population in the assessment area was 301,083 and the population in the MSA increased to 363,299¹.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated 2009 and 2010 median family income for the relevant area. The following table sets forth the estimated median family income for 2009 and 2010 for the Montgomery MSA. It also provides a breakdown of the estimated annual income based on income level.

**Borrower Income Levels
Montgomery MSA**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2009	\$57,700	0 - \$28,849	\$28,850 - \$46,159	\$46,160 - \$69,239	\$69,240 - & above
2010	\$59,200	0 - \$29,599	\$29,600 - \$47,359	\$47,360 - \$71,039	\$71,040 - & above

The 2009 HUD estimated median family income for the Montgomery MSA was \$57,700 and \$59,200 for 2010. According to 2000 census data, there were 74,596 families in the assessment area. Of the total families in the assessment area, 21.7 percent were low-income and 17.2 percent were moderate-income; 12 percent of the families lived below the poverty level.

¹ U.S. Census Bureau, 2005-2009 American Community Survey. Available from factfinder.census.gov. Accessed August 5, 2011

Demographic Data by Census Tracts

Census data from 2000 indicates that there were 8 (11.9 percent) low-income census tracts, 13 (19.4 percent) moderate-income tracts, 31 (46.3 percent) middle-income tracts, and 15 (22.4 percent) upper-income tracts in the assessment area. The following table provides demographic information in the Montgomery assessment area 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
Total Assessment Area	67	100.0	74,596	100.0	8,979	12.0	74,596	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
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
Total Assessment Area	121,170	73,633	100.0	60.8	35,172	29.0	12,365	10.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1,588	1,254	10.4	167	19.2	167	21.7	
Moderate-income	1,520	1,338	11.1	104	11.9	78	10.1	
Middle-income	5,363	4,818	40.0	309	35.4	236	30.6	
Upper-income	5,210	4,628	38.4	292	33.5	290	37.6	
Unknown-income	0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	13,681	12,038	100.0	872	100.0	771	100.0	
	Percentage of Total Businesses:			88.0		6.4	5.6	

Based on 2000 Census Information.

Housing Characteristics

The housing market in the assessment area has experienced the same challenges as the national housing market, though to a lesser degree than many regions. The relative housing market stability is credited to the state's ongoing economic development efforts and business expansion, as well as the fact that the region didn't experience the overbuilding of the housing market seen in other communities.²

Nonetheless, the housing market has seen a negative shift in the past few years. Home sales in Montgomery have slowed dramatically since a peak in 2006. Home prices have also declined, and according to the Alabama Center for Real Estate at the University of Alabama, median home prices fell to a low of \$120,900 in May 2011, representing more than a 25 percent decline from the peak prices in June 2008.³ Foreclosure is a concern in the assessment area, with 1.5 percent of all first lien mortgages in foreclosure in Elmore County in March 2011 and 1.75 percent of first lien mortgages in foreclosure in Montgomery County⁴.

2000 census data indicates that there were 121,170 housing units in the assessment area, of which 73,633 (60.8 percent) 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, which indicates there may be a need for home improvement loans.

The housing affordability ratio for the assessment area is 42. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. By comparison, the affordability ratio for the Montgomery MSA and the state of Alabama is 44.

Employment and Economic Conditions

Montgomery is the capital of Alabama, and therefore, employment is heavily dependent on government agencies. Other significant industries include retail trade, manufacturing, and healthcare⁵; however, the Montgomery area economy is fairly diverse. The largest employer is the Maxwell Air Force Base, which employs over 12,000 people. It is estimated that the economic impact of the air force base on the local economy is over \$1.5 billion annually⁶. The region was also fortunate to attract the Hyundai Motor Manufacturing plant, which opened in 2005. This plant has brought many well-paying jobs to the region, employing about 2,650 and producing over 300,000 cars in 2010.⁷ Additional auto suppliers have followed Hyundai to Montgomery, and the city's Korean population has increased to more than 3,000, creating a new Korean culture in the city.

Montgomery also has a significant health care sector and is home to Baptist Health Systems, which employs over 4,300⁸. In addition to these major employers, small businesses play an important role in the region's economy.

² Montgomery Area Chamber of Commerce. Available at: <http://www.montgomerychamber.com/Page.aspx?pid=1508>. Accessed on August 5, 2011.

³ Alabama Center for Real Estate, University of Alabama. Montgomery Residential Report, June 2011. Available at: http://acre.cba.ua.edu/store/store_files/Montgomery_Res_June_Report-664.pdf

⁴ Federal Reserve Bank of Atlanta, Mortgage Delinquency and Foreclosure Trends. Available at: <http://www.frbatlanta.org/pubs/mdft/>. Accessed on August 5, 2011.

⁵ 2008 Regional Economic Information Systems.

⁶ Montgomery Business Journal, "Maxwell Air Force Base-Gunter Annex's economic impact tops \$1.5 billion a year." Montgomery Business Journal, February 2010. Accessed August 5, 2011.

⁷ The New York Times, "Hyundai's Swift Growth Lift's Alabama's Economy." New York Times, February 19, 2011. Accessed August 4, 2011.

⁸ Montgomery Area Chamber of Commerce. Available at: www.montgomerychamber.com. Accessed on August 5, 2011.

The region has been impacted by the national economic down turn, and unemployment has increased significantly since 2007. However, as shown in the following table, unemployment in the assessment area has remained below the state average. The declining economic conditions presents challenges for both businesses and households in the region, and will negatively impact loan production due to lower demand and fewer creditworthy borrowers.

Unemployment Rates
Assessment Area: Montgomery

Area	2009	2010*
Elmore Co.	8.7	8.9
Montgomery Co.	9.6	9.8
Montgomery MSA	9.6	9.6
Alabama	9.7	9.5

Not Seasonally Adjusted

*2010 - Preliminary annual figure

Competition

The market is competitive due to the wide range of financial institutions seeking banking customers in the assessment area. According to the June 30, 2010 FDIC Summary of Deposits Report, there are 20 financial institutions operating 92 branch offices in the assessment area. Aliant Bank ranked 5th with a deposit market share of 7.4 percent (\$389.9 million) and 7 of the 92 offices. Competition is a significant factor and has had an impact on the bank; however, the bank has continued to serve the credit needs of its assessment area.

Community Contacts and Community Development Opportunities

One community contact in the region indicated that there is a specific need for increased credit options for area home builders. Credit for homebuilders in the Southeast and nationwide has diminished significantly in the past few years due to the housing crisis. The Federal Reserve Bank of Atlanta conducts a quarterly small business credit survey, and while there are some indications that credit standards have eased, homebuilders continue to face significant challenges.⁹ The community contact also indicated that rural areas are suffering more with respect to the tightening of credit because of the limited number of institutions in those areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overview

Of the total loans made inside the Montgomery assessment area, 29.4 percent were HMDA loans, and 70.6 percent were small business loans, by number. By dollar volume, small business lending at 78.1 percent of total lending, also exceeded HMDA lending. For that reason, small business lending was weighted more heavily than HMDA lending when determining the bank's level of performance.

⁹ Federal Reserve Bank of Atlanta Small Business Survey, 2010-2011. Available at: <http://www.frbatlanta.org/research/smallbusiness/sbresearch/>. Accessed on August 8, 2011.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs. Of the 134 HMDA loans originated during the review period, 26 (19.4 percent) were home purchase loans, 70 (52.2 percent) were refinance loans, 35 (26.1 percent) were home improvement loans, and 3 (2.2 percent) were multi-family loans. The 2009 market peer report showing the number of originations and purchases of HMDA loans indicates that Aliant Bank ranked 27th out of 269 reporters, with a market share of 0.6 percent. Based on originations only, Aliant Bank's market share increased to 1.1 percent. Regions Bank had the most loan originations with 12.6 percent of the market share.

The bank originated 322 small business loans totaling \$91.6 million in the assessment area. Market share data reports for 2009 indicate that Aliant Bank ranked 10th out of 49 reporters with a market share of 2.6 percent, by number, in the origination of small business loans. The largest market share of small business loans by a single reporting entity was GE Money Bank at 37.2 percent.

Geographic Distribution of Loans

Based on the following analysis, the overall geographic distribution of Aliant Bank's HMDA and small business loans reflects good dispersion throughout the Montgomery assessment area and does not reveal any unexplained gaps in lending patterns. The analysis included a comparison of the bank's geographic distribution of small business and HMDA lending to available demographic information. In addition, performance context issues such as the bank's business strategies, information from community contacts, and aggregate lending data were considered. Aggregate lending data was not available for 2010.

Residential Real Estate (HMDA) Lending

The geographic distribution of HMDA loans reflects good penetration throughout the assessment area. The following table shows the geographic distribution of Aliant Bank's HMDA-reportable loans for 2009 and 2010 within the Montgomery Assessment Area and also includes a comparison of the bank's 2009 HMDA lending to the aggregate HMDA lenders within the assessment area. The HMDA aggregate lenders' data are the combined total of lending activity reported by all lenders subject to the HMDA in the assessment area.

Although the bank's performance in low-income tracts was generally below the percentage of owner-occupied housing units in low-income tracts (with the exception of home improvement loans), its performance was comparable, or in some cases, exceeded the performance of the aggregate lenders. Only 4.2 percent of owner-occupied housing units are located in low-income tracts, limiting lending opportunities in these communities.

In moderate-income tracts, the bank's percentage of lending was generally comparable to the percentage of owner-occupied housing units in these tracts. Again, home improvement lending in moderate-income tracts far exceeded the percentage of owner-occupied housing units, indicating the bank's willingness to make loans in all parts of its assessment area. The bank's lending in moderate-income tracts also exceeded the aggregate lenders' performance in all loan categories – in many cases by a significant margin. Lending in moderate- and upper-income tracts generally exceeded the percentage of owner-occupied housing in these tracts.

Geographic Distribution of HMDA Loans

Assessment Area: Montgomery

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2009 & 2010					2009				
		Bank		Demographic			Bank		Aggregate		
		Count		\$ (000s)		Owner Occupied	Count		\$ (000s)		Count
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	2	1.5%	\$12	0.0%	4.2%	1	1.3%	0.0%	0.6%	0.2%
	Moderate	17	12.7%	\$673	2.6%	14.9%	9	11.4%	2.5%	5.0%	2.1%
	Middle	54	40.3%	\$5,232	20.4%	47.6%	32	40.5%	22.0%	43.1%	38.0%
	Upper	61	45.5%	\$19,755	77.0%	33.3%	37	46.8%	75.4%	51.3%	59.7%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>134</i>	<i>100.0%</i>	<i>\$25,672</i>	<i>100.0%</i>	<i>100.0%</i>	<i>79</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
HOME PURCHASE	Low	0	0.0%	\$0	0.0%	4.2%	0	0.0%	0.0%	0.4%	0.2%
	Moderate	3	11.5%	\$234	3.1%	14.9%	3	16.7%	3.9%	6.1%	2.9%
	Middle	7	26.9%	\$486	6.5%	47.6%	5	27.8%	6.2%	44.5%	38.7%
	Upper	16	61.5%	\$6,715	90.3%	33.3%	10	55.6%	89.9%	49.0%	58.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>26</i>	<i>100.0%</i>	<i>\$7,435</i>	<i>100.0%</i>	<i>100.0%</i>	<i>18</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%	4.2%	0	0.0%	0.0%	0.6%	0.2%
	Moderate	6	8.6%	\$297	2.6%	14.9%	2	5.0%	0.7%	4.2%	1.8%
	Middle	28	40.0%	\$4,107	36.4%	47.6%	15	37.5%	29.6%	41.8%	36.4%
	Upper	36	51.4%	\$6,864	60.9%	33.3%	23	57.5%	69.8%	53.4%	61.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>70</i>	<i>100.0%</i>	<i>\$11,268</i>	<i>100.0%</i>	<i>100.0%</i>	<i>40</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
HOME IMPROVEMENT	Low	2	5.7%	\$12	2.1%	4.2%	1	5.0%	1.2%	1.9%	0.3%
	Moderate	8	22.9%	\$142	25.4%	14.9%	4	20.0%	15.5%	10.4%	8.0%
	Middle	18	51.4%	\$339	60.6%	47.6%	11	55.0%	73.1%	56.7%	45.2%
	Upper	7	20.0%	\$66	11.8%	33.3%	4	20.0%	10.2%	31.1%	46.5%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	<i>Total</i>	<i>35</i>	<i>100.0%</i>	<i>\$559</i>	<i>100.0%</i>	<i>100.0%</i>	<i>20</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%	17.4%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	0	0.0%	\$0	0.0%	13.5%	0	0.0%	0.0%	0.0%	0.0%
	Middle	1	33.3%	\$300	4.7%	32.9%	1	100.0%	100.0%	80.0%	75.2%
	Upper	2	66.7%	\$6,110	95.3%	36.3%	0	0.0%	0.0%	20.0%	24.8%
	Unknown	0	0.0%	\$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>\$6,410</i>	<i>100.0%</i>	<i>100.0%</i>	<i>1</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	

Originations & Purchases

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. This was based on the bank's performance compared to demographics as well as to the performance of the aggregate lenders.

The following table shows the geographic distribution of small business loans as a percentage of the total number of loans by type within the Montgomery assessment area and also includes a comparison of the bank's small business lending to the aggregate lenders within the assessment area. The CRA aggregate lenders' data are the combined total of lending activity reported by all lenders subject to the CRA loan data reporting requirements for 2009 in the assessment area.

Geographic Distribution of Small Business Loans

Assessment Area: Montgomery

Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
	2009 & 2010					2009				
	Bank		Demographics			Bank		Aggregate		
	Count	\$ (000s)		Small Businesses	Count	\$ (000s)	Count	\$ (000s)		
#	%	\$	%	%	#	%	%	%	%	
Low	55	17.1%	\$42,219	46.1%	10.4%	13	7.8%	11.5%	12.6%	14.5%
Moderate	36	11.2%	\$5,395	5.9%	11.1%	19	11.4%	7.3%	9.8%	7.6%
Middle	110	34.2%	\$17,366	19.0%	40.0%	62	37.1%	24.1%	33.8%	28.0%
Upper	121	37.6%	\$26,628	29.1%	38.4%	73	43.7%	57.1%	42.1%	49.4%
Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
<i>Total</i>	<i>322</i>	<i>100.0%</i>	<i>\$91,608</i>	<i>100.0%</i>	<i>100.0%</i>	<i>167</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases

Compared to demographic information, small business lending in low-income tracts exceeded the percentage of small businesses located in these tracts; lending in moderate-income tracts was comparable with demographic information. The majority of lending occurred in middle- and upper-income tracts, which is reasonable given the majority of small businesses are located in these tracts. The bank's lending performance overall was commensurate with the aggregate lenders' performance. As with Aliant Bank, the majority of the aggregate lending occurred in middle- and upper-income tracts.

Distribution by Borrower Profile

The overall distribution of loans by borrower income and business revenue size reflects good 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 in 2009.

Residential Real Estate (HMDA) Lending

HMDA lending by borrower income in the Montgomery assessment area is considered adequate when compared to the demographic characteristics of the community as well as to the performance of aggregate HMDA lenders within the assessment area.

With the exception of home improvement loans, the bank's lending to LMI borrowers was below the demographic percentages of LMI families in the assessment area. By loan product, the bank's lending to LMI borrowers was less than the aggregate lenders' performance; however, lending to low-income borrowers, overall, exceeded the aggregate performance.

The following table shows the distribution of the bank's HMDA-reportable loans by the income level of the borrowers.

Borrower Distribution of HMDA Loans

Assessment Area: Montgomery

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2009 & 2010					2009				
		Bank		Demographics			Bank		Aggregate		
		Count	\$ (000s)	Families by Family Income	Count	\$ (000s)	Count	\$ (000s)	Count	\$ (000s)	
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	12	9.0%	\$305	1.2%	21.7%	8	10.1%	1.3%	6.9%	3.3%
	Moderate	12	9.0%	\$456	1.8%	17.2%	4	5.1%	1.0%	17.5%	11.9%
	Middle	22	16.4%	\$2,438	9.5%	20.8%	13	16.5%	14.5%	19.4%	16.2%
	Upper	57	42.5%	\$13,002	50.6%	40.3%	37	46.8%	68.9%	35.5%	47.2%
	Unknown	31	23.1%	\$9,471	36.9%	0.0%	17	21.5%	14.4%	20.6%	21.4%
	Total	134	100.0%	\$25,672	100.0%	100.0%	79	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	1	3.8%	83	1.1%	21.7%	0	0.0%	0.0%	10.7%	5.8%
	Moderate	1	3.8%	150	2.0%	17.2%	0	0.0%	0.0%	24.8%	19.0%
	Middle	4	15.4%	332	4.5%	20.8%	3	16.7%	5.0%	21.6%	21.2%
	Upper	16	61.5%	6,334	85.2%	40.3%	12	66.7%	88.2%	28.6%	42.7%
	Unknown	4	15.4%	536	7.2%	0.0%	3	16.7%	6.7%	14.3%	11.4%
	Total	26	100.0%	7,435	100.0%	100.0%	18	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	4	5.7%	181	1.6%	21.7%	3	7.5%	2.1%	4.5%	2.2%
	Moderate	3	4.3%	209	1.9%	17.2%	2	5.0%	1.8%	13.6%	8.9%
	Middle	11	15.7%	2,065	18.3%	20.8%	8	20.0%	24.5%	18.0%	14.4%
	Upper	30	42.9%	6,397	56.8%	40.3%	16	40.0%	55.0%	39.4%	50.8%
	Unknown	22	31.4%	2,416	21.4%	0.0%	11	27.5%	16.7%	24.6%	23.7%
	Total	70	100.0%	11,268	100.0%	100.0%	40	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	7	20.0%	41	7.3%	21.7%	5	25.0%	7.3%	18.3%	6.0%
	Moderate	8	22.9%	97	17.4%	17.2%	2	10.0%	2.9%	22.9%	19.5%
	Middle	7	20.0%	41	7.3%	20.8%	2	10.0%	2.2%	27.0%	24.3%
	Upper	11	31.4%	271	48.5%	40.3%	9	45.0%	61.3%	28.9%	47.1%
	Unknown	2	5.7%	109	19.5%	0.0%	2	10.0%	26.4%	3.0%	3.2%
	Total	35	100.0%	559	100.0%	100.0%	20	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%	6,410	100.0%	0.0%	1	100.0%	100.0%	100.0%	100.0%
	Total	3	100.0%	6,410	100.0%	100.0%	1	100.0%	100.0%	100.0%	100.0%

Originations & Purchases

Small Business Lending

Small business lending by revenue size is considered good when compared to demographic information and the aggregate performance in the Montgomery assessment area.

Aliant Bank extended 322 small business loans within the Montgomery assessment area of which 50 percent were to businesses with reported revenues of \$1 million or less, which is less than the percentage of small businesses within the assessment area at 88 percent; however, the majority of these loans, or 65.8 percent, were in amounts of \$100,000 or less. Loan amounts of \$100,000 or less typically represent loan amounts requested by small businesses. Overall, 83.2 percent of small business lending was in loan amounts of \$250,000 or less, again indicating a willingness to lend to small businesses. The 2009 aggregate lending comparison indicates the bank's lending to small businesses at 58.7 percent surpassed the aggregate at 20.5 percent.

The following table shows, by loan size, the number and dollar volume of small business loans originated by Aliant Bank.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Montgomery

Business Revenue & Loan Size	Bank Lending & Demographic Data Comparison 2009 & 2010					Bank & Aggregate Lending Comparison 2009					
	Bank		\$ (000s)		Demographics	Bank		Aggregate			
	Count	%	\$	%	Total Businesses	Count	\$ (000s)	Count	\$ (000s)	%	
	#	%	\$	%	%	#	%	%	%	%	
BUSINESS REVENUE	\$1million or Less	161	50.0%	\$33,552	36.6%	88.0%	98	58.7%	61.5%	20.5%	37.9%
	Over \$1 Million	161	50.0%	\$58,056	63.4%	6.4%	0	-	-	-	-
	<i>Total where Rev is available</i>	322	100.0%	\$91,608	100.0%	94.4%	-	-	-	-	-
	Rev. Not Known	0	0.0%	\$0	0.0%	5.6%	-	-	-	-	-
	Total	322	100.0%	\$91,608	100.0%	100.0%	-	-	-	-	-
LOAN SIZE	\$100,000 or Less	188	58.4%	\$7,462	8.1%		108	64.7%	13.8%	90.3%	28.0%
	\$100,001 - \$250,000	53	16.5%	\$8,736	9.5%		29	17.4%	15.8%	5.0%	19.1%
	\$250,000 - \$1 Million	65	20.2%	\$36,433	39.8%		28	16.8%	46.3%	4.7%	52.9%
	Total	322	100.0%	\$91,608	100.0%		167	100.0%	100.0%	100.0%	100.0%
	LOAN SIZE Rev \$1M or Less	\$100,000 or Less	106	65.8%	\$4,004	11.9%		-	-	-	-
\$100,001 - \$250,000		28	17.4%	\$4,311	12.8%		-	-	-	-	-
\$250,000 - \$1 Million		22	13.7%	\$10,410	31.0%		-	-	-	-	-
Total		161	100.0%	\$33,552	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

Responsiveness to Credit Needs

Overall, Aliant Bank exhibited a good record of serving the credit needs of low-income individuals, areas and very small businesses.

Community Development Lending

Since the previous examination, the bank did not originate any qualified community development loans in and around its assessment area.

Use of Innovative or Flexible Lending Practices

The bank makes little 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 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 Montgomery Assessment Area. The bank is a certified SBA lender.

INVESTMENT TEST

The bank made an adequate level of qualified community development investments and grants, although rarely in a leadership position. The bank did not use innovative or complex investments to support community development initiatives. Total investments consisted of bank-wide investments that covered a broader area that included the assessment area. Specifically, those investments included the Community Capital Management CRA Qualified Investment Fund and the GNMA security collateralized by properties located in low- and moderate-income areas, which were referred to earlier in this evaluation.

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 businesses and households residing in the assessment area. The table below shows the distribution of branches and households.

Geographic Distribution of Branches and ATMs

Assessment Area: Montgomery

Tract Income Levels	Branches					ATMs				Demographics			
	Total Branches		Exended Hours #	Weekend Hours #	Drive Thru #	Open #	Closed #	Deposit Taking #	Cash-Only #	Census Tracts		Households %	Total Businesses %
	#	%								#	%		
Low	1	14.3%	1	0	1	0	0	0	0	8	11.9%	7.9%	11.6%
Moderate	0	0.0%	0	0	0	0	0	0	0	13	19.4%	16.2%	11.8%
Middle	1	14.3%	1	0	1	0	0	0	1	31	46.3%	44.9%	39.2%
Upper	5	71.4%	5	3	5	0	0	0	4	15	22.4%	31.0%	38.1%
Unknown	0	0.0%	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
<i>Total</i>	7	100.0%	7	3	7	0	0	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. This branch is also reasonably accessible to a cluster of moderate-income tracts. There are also two branches in upper-income tracts that are adjacent to two additional moderate-income tracts. Alternative systems for delivering retail-banking services include ATMs, Internet banking, and banking by telephone.

Changes In Branch Locations

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

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 provided few, if any, community development service in the Montgomery assessment area.

METROPOLITAN AREA FULL-SCOPE REVIEW – BIRMINGHAM MSA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BIRMINGHAM MSA

Overview

The assessment area includes Jefferson, Shelby, and St. Claire counties, which are part of the Birmingham, Alabama MSA. Birmingham is the largest city in the state of Alabama. Five of the bank's total offices and five ATMs are located in the Birmingham assessment area, representing 33.3 percent of Aliant Bank's total branch network. 57.9 percent of the HMDA loans and 29.8 percent of the small business loans by number, and 61.3 percent of HMDA loans and 26.6 percent of small business loans by dollar volume were originated in the assessment area during the review period.

Population Information

2000 census data indicates that the assessment area population (870,082) represented about 83 percent of the Birmingham MSA’s population (1,052,238). The assessment area experienced faster growth than both the MSA and the state between 2000 and 2009. The estimated population of the assessment area in 2009 was 922,793 representing about 6.1 percent growth since 2000, while the population of the MSA grew by approximately 5.7 percent to 1,112,213 and the state grew by about 4.2 percent to 4,633,360.¹⁰

The city of Birmingham, the largest city in the state, experienced a population decline of over 5 percent between 2000 and 2009, indicating that much of the population growth in the region is occurring in new, suburban jurisdictions. Much of this population shift has been driven by “white flight” and the city of Birmingham is now majority black or African American.¹¹

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s (HUD) estimated 2009 and 2010 median family income for the relevant area. The following table sets forth the estimated median family income for 2009 and 2010 for the Birmingham MSA. It also provides a breakdown of the estimated annual income based on income level.

**Borrower Income Levels
Birmingham MSA**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2009	\$60,900	0 - \$30,449	\$30,450 - \$48,719	\$48,720 - \$73,079	\$73,080 - & above
2010	\$61,700	0 - \$30,849	\$30,850 - \$49,359	\$49,360 - \$74,039	\$74,040 - & above

Demographic Data by Census Tracts

2000 census data indicates that there were 16 (8.5 percent) low-income census tracts, 46 (24.5 percent) moderate-income tracts, 66 (35.1 percent) middle-income tracts, and 60 (31.9 percent) upper-income tracts in the assessment area. The following table provides demographic information in the Birmingham assessment area 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.

¹⁰ U.S. Census Bureau, 2005-2009 American Community Survey. Available from factfinder.census.gov. Accessed August 5, 2011.

¹¹ U.S. Census Bureau, 2005-2009 American Community Survey. Available from factfinder.census.gov. Accessed August 5, 2011.

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
Total Assessment Area	188	100.0	236,597	100.0	24,311	10.3	236,597	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
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
Total Assessment Area	374,767	239,408	100.0	63.9	102,631	27.4	32,728	8.7
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	4,663	10.3	3,813	9.5	531	17.8	319	14.4
Moderate-income	5,835	12.9	5,146	12.9	395	13.2	294	13.3
Middle-income	15,138	33.5	13,578	33.9	839	28.1	721	32.5
Upper-income	19,581	43.3	17,481	43.7	1,217	40.8	883	39.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	45,217	100.0	40,018	100.0	2,982	100.0	2,217	100.0
	Percentage of Total Businesses:			88.5		6.6		4.9

Based on 2000 Census Information.

Housing Characteristics

The housing market in the assessment area has experienced many of the challenges seen nationwide as result of the economic downturn. Declining housing prices, rising unemployment rates and increasing foreclosures have all contributed to the housing concerns facing the region and have impacted home purchase, refinancing and home improvement lending. Most of the new growth that has occurred or is projected to occur will be outside the city of Birmingham in newer jurisdictions and the unincorporated counties throughout the assessment area¹².

Home sales in Birmingham in June 2011 declined by almost 50 percent compared to peak sales in 2006, according to the Alabama Center for Real Estate at the University of Alabama.¹³ Median home prices have also declined, and the median home price fell to a low of \$154,245 in June 2011, representing a 9.3 percent decline from peak prices in June 2006. Foreclosure is a concern in the assessment area, particularly in Jefferson County, which consistently has one of the higher foreclosure rates in the state. As of March 2011, 1.92 percent of all first lien mortgages in Jefferson County, 1.46 percent of first lien mortgages in Shelby County, and 1.7 percent of all first lien mortgages in St. Clair County were in foreclosure.¹⁴

2000 census data indicates that there were 374,767 housing units in the assessment area, of which 239,408 (63.9 percent) was owner-occupied. The median value of housing units was \$94,826, which was approximately 23.6 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 28 years, which indicates there may be a need for home improvement loans.

The affordability ratio for the assessment area is 40. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. Homes in the assessment area are less affordable overall than the Birmingham MSA and the state of Alabama, with affordability ratios of 43 and 44, respectively.

Employment and Economic Conditions

Birmingham was historically an industrial city, dominated by the steel industry. However, the economy in the Birmingham MSA has become much more diverse, and manufacturing now accounts for just 7.1 percent of total employment. The service sector now accounts for the largest share of total employment in the MSA, with a strong health care sector, as well as retail trade, transportation and distribution and construction. Government agencies are also a significant source of employment in the region. Finally, despite changes in the financial services landscape, Birmingham remains one of the financial centers in the Southeast.¹⁵ Major employers in the region include the University of Alabama at Birmingham, Regions Bank, BellSouth, Baptist Health System, Inc., the City of Birmingham and the Birmingham and Jefferson County Boards of Education.

The assessment area has been impacted by the national economic downturn, and the region has seen significant job loss in the past few years. However, it appears that the unemployment picture has started to stabilize. As shown in the following table, unemployment rate for the three county assessment area as well as the Birmingham MSA remained about the same between 2009 and 2010.

¹² Alabama Center for Real Estate, University of Alabama. Greater Birmingham Area New Construction Reports. June 2011. http://acre.cba.ua.edu/store/store_files/Bham-669.pdf. Accessed August 8, 2011.

¹³ Alabama Center for Real Estate, University of Alabama. Birmingham Residential Report, June 2011. Available at: http://acre.cba.ua.edu/store/store_files/BHam_Res_June_Report-661.pdf. Accessed August 8, 2011.

¹⁴ Federal Reserve Bank of Atlanta, Mortgage Delinquency and Foreclosure Trends. Available at: <http://www.frbatlanta.org/pubs/mdft/>. Accessed on August 5, 2011.

¹⁵ Center for Business and Economic Research, Culverhouse College of Commerce, the University of Alabama. Alabama Economic Outlook, Birmingham-Hoover, Metro 2010 and 2011. Available at: http://cber.cba.ua.edu/almetro_arch.html. Accessed on August 8, 2011.

Unemployment Rates
Assessment Area: Birmingham

Area	2009	2010*
Jefferson Co.	9.8	9.9
St. Clair Co.	10.0	9.8
Shelby Co.	7.1	7.4
Birmingham MSA	9.4	9.5
Alabama	9.7	9.5

Not Seasonally Adjusted

*2010 - Preliminary annual figure

Jefferson County has been impacted by political and financial turmoil in the past several years. A major county tax that provided about 25 percent of the county's operating revenue was declared unconstitutional, forcing layoffs and changes in county services. In addition, the county faces \$3.2 billion in debt for repairs to the sewer system. These issues together have forced a significant fiscal crisis for the county, including the possibility of bankruptcy, and until they are resolved, the fiscal condition of the county remains in question.¹⁶

Competition

The market is competitive due to the numerous national, regional, and community banks in the assessment area. According to the June 30, 2010 FDIC Summary of Deposits Report, there are 40 financial institutions operating 298 branch offices in the assessment area. Aliant Bank ranked 21st with a deposit market share of 0.5 percent (\$130 million) and 5 of the 298 offices. Competition is a significant factor and has had an impact on the bank; however, the bank has continued to serve the credit needs of its assessment area.

Community Contacts and Community Development Opportunities

Access to small business credit is an important need in the assessment area. The Federal Reserve Bank of Atlanta Community and Economic Development Department held several forums in Birmingham in 2009 and 2010 with local small business lenders and technical assistance providers to learn more about the small business environment in the region. Meeting participants felt that there was a significant gap in the credit market for loans under \$100,000. These loans are not getting done by large financial institutions and there are limited alternatives available. There is also a need for more technical assistance for small business owners, and alternative financing providers. One important source of alternative financing for small businesses are community development financial institutions (CDFIs). The state of Alabama has a number credit unions that have become certified CDFIs but only one CDFI that focuses specifically on small business. The Birmingham MSA has recently adopted "Blueprint Birmingham," which is a regional economic development strategy that includes a specific focus on supporting small and minority-owned businesses in the region.¹⁷

Neighborhood stabilization and addressing the foreclosure problems are also priority matters for the region. In 2009, the city of Birmingham received about \$2.9 million from the US Department of Housing and Urban Development as part of the Neighborhood Stabilization Program (NSP). These funds are available to support several neighborhood stabilization activities, and Birmingham has chosen to focus on the acquisition and rehabilitation of foreclosed properties in communities particularly hard hit by foreclosure. Homes that are sold

¹⁶ New York Times "Debt Crisis? Bankruptcy Fears? See Jefferson County, Ala." New York Times, July 29, 2011.

¹⁷ Birmingham Business Alliance, "Blueprint Birmingham". Available at:

http://blueprintbirmingham.com/bpb/Blueprint_Birmingham_Communication_Plan.pdf. Accessed on August 8, 2011.

through this program will be available to homeowners earning up to 115 percent of median family income, and access to first mortgage financing is an important component associated with the success of the program.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overview

Of the total loans made inside the Birmingham Assessment Area, 69.6 percent were HMDA loans, and 30.4 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 405 HMDA loans originated during the review period, 72 (17.8 percent) were home purchase loans, 290 (71.6 percent) refinance loans, and 43 (10.6 percent) were home improvement loans. The 2009 market peer report showing the number of originations and purchases of HMDA loans indicates that Aliant Bank ranked 48th out of 421 reporters, with a market share of 0.3 percent. Based on originations only, Aliant Bank's market share increased to 0.6 percent. Wells Fargo Bank, NA had the most loan originations with 10.8 percent of the market share.

The bank originated 177 small business loans totaling \$35 million in the assessment area. Market share data reports for 2009 indicate that Aliant Bank ranked 20th out of 76 reporters with a market share of 0.4 percent, by number, in the origination of small business loans. The largest market share of small business loans by a single reporting entity was GE Money Bank at 34.6 percent.

Geographic Distribution of Loans

Based on the following analysis, the overall geographic distribution of Aliant Bank's HMDA and small business loans reflects adequate dispersion throughout the Birmingham Assessment Area and does not reveal any unexplained gaps in lending patterns. The analysis included a comparison of the bank's geographic distribution of HMDA and small business lending to available demographic information. In addition, performance context issues were considered in the overall analysis.

Residential Real Estate (HMDA) Lending

The geographic distribution of HMDA loans reflects good penetration throughout the assessment area. The following table shows the geographic distribution of Aliant Bank's HMDA-reportable loans for 2009 and 2010 within the Birmingham assessment area and also includes a comparison of the bank's 2009 HMDA lending to the aggregate HMDA lenders within the assessment area. The HMDA aggregate lenders' data are the combined total of lending activity reported by all lenders subject to the HMDA in the assessment area.

With the exception of home improvement loans, the bank's performance in LMI tracts was generally below the percentage of owner-occupied housing units in these tracts; however lending in LMI tracts met or exceeded the aggregate performance for all loan types. With only 2.8 percent and 17.4 percent of owner-occupied housing units located in LMI tracts respectively, it appears that lending opportunities may have been limited. Overall lending in middle-income tracts was less than the percentage of owner-occupied housing, while lending in upper-income tracts was greater than the percentage of owner-occupied housing.

Geographic Distribution of HMDA Loans

Assessment Area: Birmingham

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2009 & 2010					2009				
		Bank		Demographic			Bank			Aggregate	
		Count		S (000s)		Owner Occupied	Count		S (000s)	Count	S (000s)
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	4	1.0%	\$64	0.1%	2.8%	3	1.9%	0.2%	0.7%	0.7%
	Moderate	35	8.6%	\$640	0.8%	17.4%	16	10.1%	1.6%	5.3%	2.6%
	Middle	109	26.9%	\$18,401	23.4%	39.6%	50	31.4%	24.0%	36.7%	29.8%
	Upper	257	63.5%	\$59,623	75.7%	40.3%	90	56.6%	74.2%	57.3%	67.0%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Total	405	100.0%	\$78,728	100.0%	100.0%	159	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	2	2.8%	\$44	0.3%	2.8%	2	8.7%	1.1%	0.8%	0.5%
	Moderate	4	5.6%	\$167	1.2%	17.4%	4	17.4%	4.0%	5.5%	2.7%
	Middle	20	27.8%	\$3,406	23.7%	39.6%	8	34.8%	45.8%	40.2%	33.6%
	Upper	46	63.9%	\$10,743	74.8%	40.3%	9	39.1%	49.1%	53.5%	63.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Total	72	100.0%	\$14,360	100.0%	100.0%	23	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	0	0.0%	\$0	0.0%	2.8%	0	0.0%	0.0%	0.7%	0.4%
	Moderate	5	1.7%	\$264	0.4%	17.4%	5	4.2%	1.0%	5.0%	2.4%
	Middle	75	25.9%	\$14,884	23.3%	39.6%	34	28.6%	20.5%	34.5%	28.0%
	Upper	210	72.4%	\$48,767	76.3%	40.3%	80	67.2%	78.4%	59.8%	69.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Total	290	100.0%	\$63,915	100.0%	100.0%	119	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	2	4.7%	\$20	4.4%	2.8%	1	5.9%	4.7%	1.4%	0.7%
	Moderate	26	60.5%	\$209	46.1%	17.4%	7	41.2%	18.4%	10.6%	5.7%
	Middle	14	32.6%	\$111	24.5%	39.6%	8	47.1%	23.6%	50.5%	39.8%
	Upper	1	2.3%	\$113	24.9%	40.3%	1	5.9%	53.3%	37.5%	53.8%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Total	43	100.0%	\$453	100.0%	100.0%	17	100.0%	100.0%	100.0%	100.0%
MULTI FAMILY					Multi-Family Units						
	Low	0	0.0%	\$0	0.0%	15.0%	0	0.0%	0.0%	13.2%	14.9%
	Moderate	0	0.0%	\$0	0.0%	22.4%	0	0.0%	0.0%	26.4%	6.4%
	Middle	0	0.0%	\$0	0.0%	30.7%	0	0.0%	0.0%	37.7%	31.2%
	Upper	0	0.0%	\$0	0.0%	31.9%	0	0.0%	0.0%	22.6%	47.4%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Total	0	0.0%	\$0	0.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%	

Originations & Purchases

Small Business Lending

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. This was based on the bank's performance compared to demographics as well as to the performance of the aggregate lenders.

The following table shows the geographic distribution of small business loans as a percentage of the total number of loans by type within Aliant Bank's Birmingham assessment area and also includes a comparison of the bank's small business lending to the aggregate lenders within the assessment area. The CRA aggregate lenders' data are the combined total of lending activity reported by all lenders subject to CRA loan data reporting requirements in the assessment area.

Geographic Distribution of Small Business Loans

Assessment Area: Birmingham

Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
	2009 & 2010					2009				
	Bank		Demographics			Bank			Aggregate	
	Count	\$ (000s)	Small Businesses	Count	\$ (000s)	Count	\$ (000s)	Count	\$ (000s)	
#	%	\$	%	%	#	%	%	%	%	
Low	10	5.6%	\$7,846	22.4%	9.5%	3	3.3%	28.4%	9.2%	15.4%
Moderate	5	2.8%	\$1,551	4.4%	12.9%	4	4.3%	6.7%	10.0%	8.8%
Middle	45	25.4%	\$6,311	18.0%	33.9%	27	29.3%	12.2%	29.0%	23.7%
Upper	117	66.1%	\$19,321	55.2%	43.7%	58	63.0%	52.7%	50.2%	51.5%
Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Total	177	100.0%	\$35,029	100.0%	100.0%	92	100.0%	100.0%	100.0%	100.0%

Originations & Purchases

Compared to demographic information, small business lending in LMI tracts was less than the percentage of small businesses located in these tracts. The bank's lending performance in LMI tracts was also less than the performance of the aggregate lenders. The majority of lending occurred in middle- and upper-income tracts, which is reasonable given the majority of small businesses are located in these tracts. As with Aliant Bank, the majority of the aggregate lending occurred in middle- and upper-income tracts.

Distribution by Borrower Profile

The overall distribution of loans by borrower income and business size reflects poor 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 2009.

Residential Real Estate (HMDA) Lending

HMDA lending by borrower income in the Birmingham assessment area is considered poor when compared to the demographic characteristics of the community as well as to the performance of aggregate HMDA lenders within the assessment area.

With the exception of home improvement loans, the bank's lending to LMI borrowers was less than the demographic percentages of LMI families in the assessment area. The bank's lending to LMI borrowers was also less than the aggregate lenders' performance. Generally, lending to middle-income borrowers was commensurate with demographic data, while lending to upper-income borrowers in general exceeded their percentage of the assessment area population.

The following table shows the distribution of the bank's HMDA-reportable loans by the income level of the borrowers.

Borrower Distribution of HMDA Loans

Assessment Area: Birmingham

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2009 & 2010					2009				
		Bank		Demographics		Families by Family Income %	Bank		Aggregate		
		Count	\$ (000s)	Count	\$ (000s)		Count	\$ (000s)	Count	\$ (000s)	%
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	26	6.4%	\$1,315	1.7%	20.5%	10	6.3%	1.7%	6.8%	3.4%
	Moderate	48	11.9%	\$4,809	6.1%	16.5%	15	9.4%	5.0%	17.1%	11.7%
	Middle	79	19.5%	\$11,783	15.0%	20.0%	34	21.4%	17.6%	21.3%	18.4%
	Upper	217	53.6%	\$51,358	65.2%	43.0%	82	51.6%	64.1%	38.3%	50.5%
	Unknown	35	8.6%	\$9,463	12.0%	0.0%	18	11.3%	11.6%	16.5%	16.1%
	Total	405	100.0%	\$78,728	100.0%	100.0%	159	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	3	4.2%	300	2.1%	20.5%	0	0.0%	0.0%	10.1%	5.7%
	Moderate	9	12.5%	1,109	7.7%	16.5%	1	4.3%	0.2%	24.2%	18.9%
	Middle	15	20.8%	2,342	16.3%	20.0%	6	26.1%	20.9%	22.3%	21.5%
	Upper	38	52.8%	9,459	65.9%	43.0%	11	47.8%	61.2%	29.1%	43.0%
	Unknown	7	9.7%	1,150	8.0%	0.0%	5	21.7%	17.7%	14.3%	10.9%
	Total	72	100.0%	14,360	100.0%	100.0%	23	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	8	2.8%	914	1.4%	20.5%	3	2.5%	1.8%	4.9%	2.5%
	Moderate	26	9.0%	3,621	5.7%	16.5%	9	7.6%	5.7%	13.5%	8.9%
	Middle	58	20.0%	9,403	14.7%	20.0%	25	21.0%	17.1%	20.7%	17.4%
	Upper	175	60.3%	41,745	65.3%	43.0%	69	58.0%	64.7%	43.0%	55.0%
	Unknown	23	7.9%	8,232	12.9%	0.0%	13	10.9%	10.7%	17.9%	16.2%
	Total	290	100.0%	63,915	100.0%	100.0%	119	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	15	34.9%	101	22.3%	20.5%	7	41.2%	24.5%	14.8%	5.7%
	Moderate	13	30.2%	79	17.4%	16.5%	5	29.4%	12.3%	19.8%	12.3%
	Middle	6	14.0%	38	8.4%	20.0%	3	17.6%	9.0%	25.6%	25.3%
	Upper	4	9.3%	154	34.0%	43.0%	2	11.8%	54.2%	34.1%	50.7%
	Unknown	5	11.6%	81	17.9%	0.0%	0	0.0%	0.0%	5.6%	5.9%
	Total	43	100.0%	453	100.0%	100.0%	17	100.0%	100.0%	100.0%	100.0%
MULTIFAMILY	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	0	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
	Total	0	0.0%	0	0.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

Small Business Lending

Small business lending by revenue size is considered adequate when compared to demographic information and the aggregate performance in the Birmingham Assessment Area.

The following table shows, by loan size, the number and dollar volume of small business loans originated by Aliant Bank.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Birmingham

Business Revenue & Loan Size	Bank Lending & Demographic Data Comparison 2009 & 2010					Bank & Aggregate Lending Comparison 2009					
	Bank		Demographics		Total Businesses	Bank		Aggregate			
	Count	\$ (000s)	%	%		Count	\$ (000s)	Count	\$ (000s)		
	#	%	\$	%	%	#	%	%	%	%	
BUSINESS REVENUE	\$1million or Less	76	42.9%	\$12,327	35.2%	88.5%	43	46.7%	39.0%	19.9%	30.6%
	Over \$1 Million	101	57.1%	\$22,702	64.8%	6.6%	*-	-	-	-	-
	<i>Total where Rev is available</i>	177	100.0%	\$35,029	100.0%	95.1%	-	-	-	-	-
	Rev. Not Known	0	0.0%	\$0	0.0%	4.9%	-	-	-	-	-
	Total	177	100.0%	\$35,029	100.0%	100.0%	-	-	-	-	-
LOAN SIZE	\$100,000 or Less	123	69.5%	\$4,753	13.6%		61	66.3%	10.8%	91.9%	32.4%
	\$100,001 - \$250,000	24	13.6%	\$4,252	12.1%		13	14.1%	9.9%	3.8%	15.6%
	\$250,000 - \$1 Million	24	13.6%	\$12,993	37.1%		13	14.1%	28.0%	4.3%	52.0%
	Total	177	100.0%	\$35,029	100.0%		92	100.0%	100.0%	100.0%	100.0%
LOAN SIZE Rev \$1 Mil or Less	\$100,000 or Less	57	75.0%	\$2,377	19.3%		-	-	-	-	-
	\$100,001 - \$250,000	8	10.5%	\$1,631	13.2%		-	-	-	-	-
	\$250,000 - \$1 Million	8	10.5%	\$4,069	33.0%		-	-	-	-	-
	Total	76	100.0%	\$12,327	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

Aliant Bank extended 177 small business loans within the Birmingham Assessment Area, of which 42.9 percent were to businesses with reported revenues of \$1 million or less, which is less than the percentage of small businesses within the assessment area at 88.5 percent. The majority of the 177 small business loans, or 75 percent, were in amounts of \$100,000 or less which typically represents loan amounts requested by small businesses. Overall, 85.5 percent of small business lending was in loan amounts of \$250,000 or less, indicating a willingness to lend to small businesses. The 2009 aggregate lending comparison indicates the bank's lending to small businesses at 46.7 percent well surpassed the aggregate at 19.9 percent.

Responsiveness to Credit Needs

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

Community Development Lending

The bank made few, if any, community development loans in the Birmingham assessment area during the review period. Since the previous examination, the bank originated one qualified community development loan around in its assessment area totaling \$22,481 to the Alabama Multifamily Consortium. The consortium provides funding for the construction of low- and moderate-income apartments and housing complexes across Alabama.

Use of Innovative or Flexible Lending Practices

The bank makes little 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 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.

INVESTMENT TEST

The bank made an adequate level of qualified community development investments and grants, although rarely in a leadership position. The bank did not use innovative or complex investments to support community development initiatives. Total investments consisted of bank-wide investments that covered a broader area that included the assessment area and one investment directly made to the assessment area. Specifically, those investments included the Community Capital Management CRA Qualified Investment Fund and the GNMA security collateralized by properties located in LMI areas, which were referred to earlier in this evaluation. The direct investment to the assessment area included the Housing Enterprise of Central Alabama, which provides loans to qualified private and non-profit developers to increase the supply of safe single family for-sale or rental housing for LMI families.

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 area. 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	Weekend Hours	Drive Thru	Open	Closed	Deposit Taking	Cash-Only	Census Tracts		Households	Total Businesses
	#	%	#	#	#	#	#	#	#	#	%	%	%
Low	0	0.0%	0	0	0	0	0	0	0	16	8.5%	6.1%	10.3%
Moderate	0	0.0%	0	0	0	0	0	0	0	46	24.5%	20.8%	11.8%
Middle	2	40.0%	2	0	2	0	0	0	2	66	35.1%	37.4%	33.5%
Upper	3	60.0%	3	0	3	0	0	0	3	60	31.9%	35.7%	43.3%
Unknown	0	0.0%	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%
Total	5	100.0%	5	0	5	0	0	0	5	188	100.0%	100.0%	100.0%

Of the five branches located in the assessment area, none are located in low- or moderate-income census tracts. However, one branch in an upper-income tract is in close proximity to a cluster of low-income tracts, and another in a middle-income tract is reasonably accessible 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’s record of opening or closing branches has not adversely affected the accessibility of the bank’s services, particularly to low- and moderate-income individuals and geographies. Aliant Bank did not open or close any branches in the Birmingham Assessment Area during the review period.

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, 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 limited level of community development services in the Birmingham assessment area. Officers and employees used their financial expertise to provide financial services that benefit residents in the assessment area.

NONMETROPOLITAN STATEWIDE AREA FULL-SCOPE REVIEW - TALLAPOOSA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE TALLAPOOSA ASSESSMENT AREA

Overview

The assessment area includes Coosa and Tallapoosa counties in Alabama, which are not part of an MSA. The bank's headquarters are located 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 percent of Aliant Bank's total branch network. 23 percent of the HMDA loans and 16 percent of the small business loans by number, and 18.7 percent of HMDA loans and 7.6 percent of small business loans by dollar volume were originated in the 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 state of Alabama's population of 4,447,100 persons. The two counties in the assessment area have experienced population decline since 2000. Between 2000 and 2009, the population in Tallapoosa County declined by 1.7 percent to 40,778 and the population in Coosa County fell by 11.7 percent to 10,777. The rate of population loss in Coosa County is one of the fastest in the state.¹⁸

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development's (HUD) estimated 2009 and 2010 median family income for the relevant area. The following table sets forth the estimated median family income for 2009 and 2010 for the Tallapoosa Assessment Area. It also provides a breakdown of the estimated annual income based on income level.

Borrower Income Levels
Alabama State Non-metro

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2009	\$46,800	0 - \$23,399	\$23,400 - \$37,439	\$37,440 - \$56,159	\$56,160 - & above
2010	\$47,600	0 - \$23,799	\$23,800 - \$38,079	\$38,080 - \$57,119	\$57,120 - & above

The HUD estimated median family income for the Tallapoosa Assessment Area in 2009 was \$46,800 and \$47,600 for 2010. 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.

¹⁸ U.S. Census Bureau, 2005-2009 American Community Survey. Available from factfinder.census.gov. (Accessed August 5, 2011).

Demographic Data by Census Tracts

2000 census data indicates that the assessment area contained no low-income census tracts. There were, however, 2 (16.7 percent) moderate-income tracts, 8 (66.7 percent) middle-income tracts, and 2 (16.7 percent) upper-income tracts in the assessment area.

The following table provides demographic information in the Tallapoosa Assessment Area 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
Total Assessment Area	12	100.0	15,293	100.0	2,009	13.1	15,293	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
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
Total Assessment Area	26,652	16,686	100.0	62.6	4,652	17.5	5,314	19.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	106	5.2	91	4.9	8	11.3	7	8.0
Middle-income	1,050	51.9	977	52.4	35	49.3	38	43.2
Upper-income	868	42.9	797	42.7	28	39.4	43	48.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,024	100.0	1,865	100.0	71	100.0	88	100.0
	Percentage of Total Businesses:			92.1		3.5		4.3

Based on 2000 Census Information.

Housing Characteristics

2000 census data indicates that there were 26,652 housing units in the assessment area, of which 16,686 (62.6 percent) were owner-occupied. The median value of housing units was \$62,242, which was approximately 23.2 percent lower than the median housing value for the state of Alabama at \$76,700. By 2009, the median housing value in Tallapoosa County had increased by almost 20 percent to \$73,600. Housing values also increased in

Coosa County to an estimated \$68,800 in 2009¹⁹. The median age of housing in the assessment area was 26 years, which indicates there may be a need for home improvement loans.

The housing market in these two counties is impacted by Lake Martin, one of the largest man-made lakes in the United States. Lake Martin hosts many recreational activities and has become a popular vacation destination for residents of Birmingham, Montgomery and even Atlanta. There have been many new multi-million homes built in communities around the lake.

The affordability ratio for the assessment area is 48. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. The affordability for Coosa County is 56, compared to the state of Alabama at 44.

Foreclosure is a concern in the assessment area and both counties have seen an increase in foreclosure rates since 2010. In Tallapoosa County, foreclosure rates have increased from 1.28 percent in 3rd quarter 2010 to 1.78 percent in the first quarter 2011. In Coosa County, foreclosure rates have risen from 1.58 percent in third quarter 2010 to 2.27 percent in first quarter 2011.²⁰ The high rates of unemployment in the county indicate that foreclosure rates will be an ongoing concern for the assessment area.

Employment Statistics

The assessment area was once heavily reliant on the textile industry but with the decline in this industry the region is working to diversify the economic base. The Russell Corporation (maker of Russell Athletic and several other apparel lines) is still the largest employer in Alexander City, the largest city in Tallapoosa County. However, the number of employees in Alexander City has been steadily declining, as more of the production is moved overseas. Lake Martin and the tourism trade have become increasingly important for the economy in this area.

2008 REIS data indicates that employment was primarily dependent on manufacturing, government agencies, and retail trade. Major employers include Russell Medical Center, the Tallapoosa County Board of Education, Madix Corporation, the Coosa County Board of Education, and AmTech.

The assessment area is characterized by high unemployment, particularly relative to the state. As shown in the following table, the unemployment rate in Coosa County showed some improvement between 2009 and 2010, while the unemployment rate in Tallapoosa County continued to rise. However, high unemployment rates (greater than 12 percent) are more typical in the rural counties across Alabama, indicating the overall economic distress facing these areas as they struggle to expand their economic base.²¹

¹⁹ U.S. Census Bureau, 2005-2009 American Community Survey. Available from factfinder.census.gov. (Accessed August 5, 2011).

²⁰ Federal Reserve Bank of Atlanta, Mortgage Delinquency and Foreclosure Trends. Available at: <http://www.frbatlanta.org/pubs/mdft/>. Accessed on August 5, 2011.

²¹ Alabama Department of Industrial Relations, Labor Market Information Division. Available at: <http://www2.dir.state.al.us/LAUS/map.pdf>. Accessed on August 8, 2011.

Unemployment Rates
Assessment Area: Tallapoosa

Area	2009	2010*
Coosa Co.	14.7	13.4
Tallapoosa Co.	12.5	13.2
Alabama	9.7	9.5

Not Seasonally Adjusted

*2010 - Preliminary annual figure

Competition

Although there are large national and regional banks in the assessment area, competition does not appear to impact Aliant Bank's ability to serve the credit needs of their community. According to the June 30, 2010 FDIC Summary of Deposits Report, there are 7 financial institutions operating 11 branch offices in the assessment area. Aliant Bank ranked 1st with a deposit market share of 53.1 percent (\$313.1 million) and 3 of the 11 offices.

Community Contacts and Community Development Opportunities

One community contact in the region indicated that there is a need for banks to provide more credit options to small businesses, such as lines of credit and very small business loans. Small business credit access is an important concern throughout rural Alabama. The Federal Reserve Bank of Atlanta Community and Economic Development Department held several forums in Alabama in 2010 and 2011, including one in rural community, with local small business lenders and technical assistance providers to learn more about the small business credit environment in the state. Participants in these forums agreed that there is a significant gap in the credit market for smaller loans under (typically under \$100,000) and working capital lines of credit. Meeting participants also felt that there was a need for more technical assistance for small business owners, and alternative financing providers to provide smaller loans.

While there are clear credit needs in the community, the community contact indicated that Aliant Bank is one of the important community banks in the area working to build strong relationships to better meet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overview

Of the total loans made inside the Tallapoosa Assessment Area, 62.9 percent were HMDA loans, and 37.1 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 good responsiveness to assessment area credit needs. Of the 161 HMDA loans originated during the review period, 22 (13.7 percent) were home purchase loans, 92 (57.1 percent) refinance loans, and 47 (29.2 percent) were home improvement loans. The 2009 market peer report showing the number of originations and purchases of HMDA loans indicates that Aliant Bank ranked 3rd out of 168 reporters, with a market share of 5.6 percent. Based on originations only, Aliant Bank's market share increased to 8.4 percent. Aliant Bank had the most loan originations in 2009, followed by Wells Fargo Bank, NA with 6 percent of the market share.

The bank originated 95 small business loans totaling \$10.4 million in the assessment area. Market share data reports for 2009 indicate that Aliant Bank ranked 3rd out of 32 reporters with a market share of 9.1 percent, by number, in the origination of small business loans. The largest market share of small business loans by a single reporting entity was GE Money Bank at 33.3 percent.

Geographic Distribution of Loans

Based on the following analysis, the overall geographic distribution of Aliant Bank's HMDA and small business loans reflects adequate dispersion throughout the Tallapoosa Assessment Area and does not reveal any unexplained gaps in lending patterns. The analysis included a comparison of the bank's geographic distribution of small business and HMDA lending to available demographic information. In addition, performance context issues were considered in the overall analysis.

Residential Real Estate (HMDA) Lending

The geographic distribution of HMDA loans reflects adequate penetration throughout the assessment area. The following table shows the geographic distribution of the bank's HMDA-reportable loans for 2009 and 2010 within the Tallapoosa assessment area and also includes a comparison of the bank's HMDA lending to the aggregate HMDA lenders within the assessment area. The HMDA aggregate lenders' data are the combined total of lending activity reported by all lenders subject to the HMDA in the assessment area.

There are no low-income tracts in the assessment area. The bank's performance in moderate-income tracts was generally below the percentage of owner-occupied housing units in these tracts, with the exception of home improvement loans. However, its performance exceeded that of the aggregate lenders in lending in moderate-income tracts overall. When analyzed by loan type, the bank's lending in moderate-income tracts exceeded the aggregate lending for both refinance and home improvement loans. The majority of owner-occupied housing units are located in middle-income tracts at 61.4 percent; the bank's total HMDA lending in middle-income tracts was considerably less at 42.2 percent. The highest percentage of lending occurred in upper-income tracts.

Geographic Distribution of HMDA Loans

Assessment Area: Tallapoosa

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2009 & 2010					2009				
		Bank		Demographic		Owner Occupied %	Bank		Aggregate		
		Count	\$ (000s)	Count	\$ (000s)		Count	\$ (000s)	Count	\$ (000s)	%
#	%	\$	%	%	#	%	%	%	%		
HMDA TOTALS	Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Moderate	11	6.8%	\$603	2.5%	11.5%	5	4.9%	2.8%	3.0%	1.4%
	Middle	68	42.2%	\$7,057	29.3%	61.4%	43	41.7%	29.3%	44.7%	33.0%
	Upper	82	50.9%	\$16,388	68.1%	27.1%	55	53.4%	67.8%	52.2%	65.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.1%	0.1%
	Total	161	100.0%	\$24,048	100.0%	100.0%	103	100.0%	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	0	0.0%	\$0	0.0%	11.5%	0	0.0%	0.0%	3.2%	1.4%
	Middle	12	54.5%	\$946	36.0%	61.4%	8	47.1%	27.9%	48.2%	38.2%
	Upper	10	45.5%	\$1,681	64.0%	27.1%	9	52.9%	72.1%	48.2%	60.1%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.4%	0.2%
	Total	22	100.0%	\$2,627	100.0%	100.0%	17	100.0%	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	5	5.4%	\$580	2.7%	11.5%	3	5.0%	3.3%	2.6%	1.3%
	Middle	32	34.8%	\$5,988	28.3%	61.4%	20	33.3%	29.4%	42.1%	31.5%
	Upper	55	59.8%	\$14,569	68.9%	27.1%	37	61.7%	67.3%	55.2%	67.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Total	92	100.0%	\$21,137	100.0%	100.0%	60	100.0%	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	6	12.8%	\$23	8.1%	11.5%	2	7.7%	4.5%	7.5%	2.6%
	Middle	24	51.1%	\$123	43.3%	61.4%	15	57.7%	41.8%	60.2%	29.8%
	Upper	17	36.2%	\$138	48.6%	27.1%	9	34.6%	53.7%	32.3%	67.6%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
	Total	47	100.0%	\$284	100.0%	100.0%	26	100.0%	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	0	0.0%	\$0	0.0%	52.8%	0	0.0%	0.0%	66.7%	6.8%
	Upper	0	0.0%	\$0	0.0%	45.4%	0	0.0%	0.0%	33.3%	93.2%
	Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Total	0	0.0%	\$0	0.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%	

Originations & Purchases

Small Business Lending

The geographic distribution of small business loans reflects good penetration throughout the assessment area. This was based on the bank's performance compared to demographics as well as to the performance of the aggregate lenders.

The following table shows the geographic distribution of small business loans as a percentage of the total number of loans by type within Aliant Bank's Tallapoosa assessment area and also includes a comparison of the bank's small business lending to the aggregate lenders within the assessment area. The CRA aggregate lenders' data are the combined total of lending activity reported by all lenders subject to CRA loan data reporting requirements in the assessment area.

Geographic Distribution of Small Business Loans

Assessment Area: Tallapoosa

Tract Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
	2009 & 2010				Demographics Small Businesses %	2009			Aggregate	
	Bank Count		S (000s)			Count	S (000s)	Count	S (000s)	
#	%	\$	%		#	%	%	%	%	
Low	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Moderate	6	6.3%	\$1,039	10.0%	4.9%	5	7.6%	13.7%	5.8%	8.3%
Middle	41	43.2%	\$5,679	54.7%	52.4%	29	43.9%	56.1%	43.3%	45.9%
Upper	48	50.5%	\$3,661	35.3%	42.7%	32	48.5%	30.1%	47.2%	44.4%
Unknown	0	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	0.0%	0.0%
Total	95	100.0%	\$10,379	100.0%	100.0%	66	100.0%	100.0%	100.0%	100.0%

Originations & Purchases

Only a very small percentage of the total small businesses in the assessment area are located in moderate-income tracts and the bank extended loans in these tracts. For 2009, the aggregate comparison shows that the bank's level of lending in moderate-income tracts, at 7.6 percent, surpassed that of aggregate lenders with 5.8 percent of lending within moderate-income tracts. Lending to small businesses in middle- and upper-income tracts was commensurate with their percentage composition in the assessment area.

Distribution by Borrower Profile

The overall distribution of loans by borrower income and business size reflects good penetration among customers of different income levels and businesses of different revenue 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 2009.

Residential Real Estate (HMDA) Lending

HMDA lending by borrower income in the Tallapoosa assessment area is considered good when compared to the demographic characteristics of the community as well as to the performance of aggregate HMDA lenders within the assessment area. The following table shows the distribution of the bank's HMDA-reportable loans by the income level of the borrowers.

The bank's lending to LMI borrowers was below the demographic percentages of LMI families in the assessment area overall and by product type. However, when compared to the aggregate lenders' performance, the bank's lending was good. The bank's lending performance exceeded the aggregate performance overall and in all loan categories except for home purchase loans. When analyzing both the bank and aggregate performance, the high unemployment rate and increasing foreclosure rates may have impacted all lenders ability to lend in this assessment area.

Borrower Distribution of HMDA Loans

Assessment Area: Tallapoosa

PRODUCT TYPE	Borrower Income Levels	Bank Lending & Demographic Data Comparison					Bank & Aggregate Lending Comparison				
		2009 & 2010					2009				
		Bank		S (000s)		Demographics Families by Family Income %	Bank		Aggregate		
		Count	%	\$	%		Count	S (000s)	Count	S (000s)	%
#	%		%	%	#	%	%	%	%		
HMDA TOTALS	Low	14	8.7%	\$1,445	6.0%	20.1%	10	9.7%	4.7%	4.2%	1.6%
	Moderate	18	11.2%	\$730	3.0%	17.6%	10	9.7%	2.5%	9.9%	4.6%
	Middle	33	20.5%	\$2,266	9.4%	20.9%	21	20.4%	9.2%	16.7%	10.1%
	Upper	88	54.7%	\$16,967	70.6%	41.3%	57	55.3%	71.6%	56.8%	72.5%
	Unknown	8	5.0%	\$2,640	11.0%	0.0%	5	4.9%	12.0%	12.4%	11.1%
	Total	161	100.0%	\$24,048	100.0%	100.0%	103	100.0%	100.0%	100.0%	100.0%
HOME PURCHASE	Low	1	4.5%	13	0.5%	20.1%	1	5.9%	0.6%	5.3%	2.2%
	Moderate	3	13.6%	188	7.2%	17.6%	0	0.0%	0.0%	10.6%	5.3%
	Middle	2	9.1%	35	1.3%	20.9%	2	11.8%	1.6%	16.6%	10.6%
	Upper	16	72.7%	2,391	91.0%	41.3%	14	82.4%	97.8%	57.3%	73.4%
	Unknown	0	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	10.2%	8.4%
	Total	22	100.0%	2,627	100.0%	100.0%	17	100.0%	100.0%	100.0%	100.0%
REFINANCE	Low	4	4.3%	1,396	6.6%	20.1%	2	3.3%	5.2%	2.8%	1.4%
	Moderate	10	10.9%	523	2.5%	17.6%	7	11.7%	2.9%	9.3%	4.4%
	Middle	16	17.4%	2,115	10.0%	20.9%	11	18.3%	9.9%	15.7%	9.6%
	Upper	55	59.8%	14,466	68.4%	41.3%	36	60.0%	68.0%	58.7%	72.7%
	Unknown	7	7.6%	2,637	12.5%	0.0%	4	6.7%	14.1%	13.5%	12.0%
	Total	92	100.0%	21,137	100.0%	100.0%	60	100.0%	100.0%	100.0%	100.0%
HOME IMPROVEMENT	Low	9	19.1%	36	12.7%	20.1%	7	26.9%	18.1%	18.3%	5.1%
	Moderate	5	10.6%	19	6.7%	17.6%	3	11.5%	7.3%	15.1%	6.2%
	Middle	15	31.9%	116	40.8%	20.9%	8	30.8%	45.2%	31.2%	37.6%
	Upper	17	36.2%	110	38.7%	41.3%	7	26.9%	27.7%	29.0%	46.4%
	Unknown	1	2.1%	3	1.1%	0.0%	1	3.8%	1.7%	6.5%	4.7%
	Total	47	100.0%	284	100.0%	100.0%	26	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	0	0.0%	0	0.0%	0.0%	0	0.0%	0.0%	100.0%	100.0%
	Total	0	0.0%	0	0.0%	100.0%	0	0.0%	0.0%	100.0%	100.0%

Originations & Purchases

Small Business Lending

Small business lending by revenue size is considered good when compared to demographic information and the aggregate performance in the Tallapoosa assessment area. The following table shows, by loan size, the number and dollar volume of small business loans originated by Aliant Bank.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Tallapoosa

Business Revenue & Loan Size	Bank Lending & Demographic Data Comparison 2009 & 2010					Bank & Aggregate Lending Comparison 2009					
	Bank		S (000s)		Demographics	Bank		Aggregate			
	Count #	%	\$	%	Total Businesses %	Count #	%	\$ (000s) %	Count %	\$ (000s) %	
BUSINESS REVENUE	\$1 million or Less	76	80.0%	\$5,570	53.7%	92.1%	55	83.3%	55.4%	25.8%	37.1%
	Over \$1 Million	19	20.0%	\$4,809	46.3%	3.5%	-	-	-	-	-
	<i>Total where Rev is available</i>	95	100.0%	\$10,379	100.0%	95.7%	-	-	-	-	-
	Rev. Not Known	0	0.0%	\$0	0.0%	4.3%	-	-	-	-	-
	Total	95	100.0%	\$10,379	100.0%	100.0%	-	-	-	-	-
LOAN SIZE	\$100,000 or Less	66	69.5%	\$1,859	17.9%		45	68.2%	15.4%	90.6%	28.8%
	\$100,001 - \$250,000	20	21.1%	\$3,286	31.7%		15	22.7%	33.2%	5.8%	27.1%
	\$250,000 - \$1 Million	8	8.4%	\$3,234	31.2%		5	7.6%	24.6%	3.6%	44.1%
	Total	95	100.0%	\$10,379	100.0%		66	100.0%	100.0%	100.0%	100.0%
LOAN SIZE Rev \$1M or Less	\$100,000 or Less	57	75.0%	\$1,498	26.9%		-	-	-	-	-
	\$100,001 - \$250,000	14	18.4%	\$2,296	41.2%		-	-	-	-	-
	\$250,000 - \$1 Million	5	6.6%	\$1,776	31.9%		-	-	-	-	-
	Total	76	100.0%	\$5,570	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

Aliant Bank extended 95 small business loans within the Tallapoosa assessment area, of which 80 percent were to businesses with reported revenues of \$1 million or less. This is less than the percentage of small businesses in the assessment area at 92.1 percent; however, the majority or 75 percent were in amounts of \$100,000 or less. Loan amounts of \$100,000 or less typically represent those amounts requested by small businesses. Overall, 93.4 percent of small business lending was in loan amounts of \$250,000 or less, again indicating a willingness to lend to small businesses. The 2009 aggregate lending comparison indicates the bank's lending to small businesses at 83.3 percent far exceeded that of the aggregate at 25.8 percent.

Responsiveness to Credit Needs

Overall, Aliant Bank exhibited a good record of serving the credit needs of low- and moderate-income individuals, areas and small businesses.

Community Development Lending

The bank made few, if any, community development loans in the Tallapoosa assessment area. Since the previous examination, the bank originated one qualified community development loan in its assessment area totaling \$4,808 to the Alabama Multifamily Consortium. The consortium provides funding for the construction of low- and moderate-income apartments and housing complexes across Alabama.

Use of Innovative or Flexible Lending Practices

The bank makes little 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 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.

INVESTMENT TEST

The bank made an adequate level of qualified community development investments and grants, although rarely in a leadership position. The bank did not use innovative or complex investments to support community development initiatives. Total investments consisted of bank-wide investments that covered a broader area that included the assessment area. Specifically, those investments included the Community Capital Management CRA Qualified Investment Fund and the GNMA security collateralized by properties located in low- and moderate-income areas, which were referred to earlier in this evaluation.

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 area. The table below 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	Weekend Hours	Drive Thru	Open	Closed	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%	0.0%
Moderate	0	0.0%	0	0	0	0	0	0	0	2	16.7%	11.4%	11.8%
Middle	2	66.7%	0	2	2	0	0	0	3	8	66.7%	61.9%	51.9%
Upper	1	33.3%	0	0	1	0	0	0	1	2	16.7%	26.6%	42.9%
Unknown	0	0.0%	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>0</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. The majority of the branches and ATMs are located in the two middle-income tracts, which is where the majority of the households and businesses are located. Alternative systems for delivering retail-banking services include ATMs, Internet banking, and banking by telephone.

Changes in Branch Locations

Aliant Bank did not open or close any branches in the Tallapoosa assessment area during the review period. Therefore, the bank's record of opening or closing branches has not adversely affected the accessibility of the bank's services, particularly to low- and moderate-income individuals and geographies.

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, 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 few, if any 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.

APPENDIX A

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED January 1, 2009 through December 31, 2010			
FINANCIAL INSTITUTION Aliant Bank, Alexander City, Alabama		PRODUCTS REVIEWED HMDA and Small Business	
AFFILIATE(S) None	AFFILIATE RELATIONSHIP NA	PRODUCTS REVIEWED NA	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<i>ASSESSMENT AREA</i>	<i>TYPE OF EXAMINATION</i>	<i>BRANCHES VISITED</i>	<i>OTHER INFORMATION</i>
Montgomery (MSA #33860)	Full-Scope	<ul style="list-style-type: none"> • 2843 East South Boulevard, Montgomery, AL • 500 Bibb Street, Montgomery, AL 	None
Birmingham (MSA #13820)	Full-Scope		None
Tallapoosa (Non-MSA) <ul style="list-style-type: none"> • Coosa County • Tallapoosa County 	Full-Scope		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 **May 16, 2011**. 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. An 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an 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.