

# **PUBLIC DISCLOSURE**

**November 5, 2001**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Gulf Bank  
Gulf Shores, Alabama**

**RSSD ID Number: 1162558**

**FEDERAL RESERVE BANK OF ATLANTA  
1000 PEACHTREE STREET, N.E.  
ATLANTA, GEORGIA 30309-4470**

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| <p><b>Note:</b> 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 of opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p> |
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## **DEFINITIONS AND ABBREVIATIONS**

### **Income Definitions**

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

*Low-Income* - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

*Moderate-Income* - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

*Middle-Income* - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

*Upper-Income* - An individual income, or median family income for geographies that is 120 percent or more of the area median income.

### **Performance Definitions Regarding Lending**

*Excellent* - This rating is assigned to an institution with lending performance that substantially exceeds the characteristics of demographic data and aggregate performance.

*Good* - This rating is assigned to an institution with lending performance that exceeds the characteristics of demographic data and aggregate performance.

*Adequate* - This rating is assigned to an institution with lending performance that is comparable to the characteristics of demographic data and aggregate performance.

*Poor* - This rating is assigned to an institution with lending performance that is significantly below the characteristics of demographic data and aggregate performance.

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| <b>DEFINITIONS AND ABBREVIATIONS (Continued)</b> |
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**Abbreviations**

|        |   |
|--------|---|
| ATM-   | Automated Teller Machine                    |
| CRA -  | Community Reinvestment Act (Regulation BB)  |
| FDIC - | Federal Deposit Insurance Corporation       |
| FHA -  | Federal Housing Administration              |
| HMDA - | Home Mortgage Disclosure Act (Regulation C) |
| HUD -  | Department of Housing and Urban Development |
| LTD -  | Loan-to-Deposit Ratio                       |
| MSA -  | Metropolitan Statistical Area               |

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| <b>ROUNDING CONVENTION</b> |
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Because percentages presented in tables were rounded to the nearest whole number in most cases, some columns may not total exactly 100 percent.

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| <b>GENERAL INFORMATION</b> |
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The 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 **First Gulf Bank** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **November 5, 2001**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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| <b>INSTITUTION</b> |
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**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

Based on a review of the bank's lending record, qualified investments, and services, First Gulf Bank meets the standards for a satisfactory level of performance in its assessment area; however; more emphasis should be placed on qualified investments and community development lending. General conclusions for each performance test area are as follows:

- **Lending Test** – The bank's lending levels reflect **ADEQUATE** responsiveness to assessment area credit needs. A **SUBSTANTIAL MAJORITY** of the bank's HMDA and small business loans are made in the bank's assessment area. A review of the bank's HMDA lending and small business lending activity showed an **ADEQUATE** level of lending in moderate-income census tracts. The bank has exhibited an **ADEQUATE** record of HMDA lending to borrowers of different income levels, as well as to small businesses with gross revenues of \$1 million or less. The bank makes **LIMITED USE** of flexible loans in serving assessment area credit needs. Since the previous examination, the bank has **MADE FEW, IF ANY** community development loans. Community contacts interviewed during the examination stated that the bank is meeting assessment area credit needs.
- **Investment Test** – The bank's level of qualified community development investments and grants is **ADEQUATE** given the opportunities in the assessment area; however, the bank is **NEVER** in a leadership position. The bank has made contributions to various charitable organizations in the amount of \$12,228. Considering the level of opportunity in the market, the bank has exhibited **ADEQUATE** responsiveness to credit and community development needs by its **OCCASIONAL USE** of community development initiatives.

**INSTITUTION (Continued)**

- **Service Test** – The bank’s systems for delivering retail-banking services are **ACCESSIBLE** to **ESSENTIALLY ALL** segments of the assessment area. The bank has not closed any branch offices since the previous examination; however, the bank has opened one branch office since that time. Thus, the bank’s record of opening and closing of branch offices has **NOT ADVERSELY AFFECTED** the accessibility of its delivery systems, particularly to low- and moderate-income geographies or individuals. Business hours and services **ARE TAILORED TO CONVENIENCE AND NEEDS** of the assessment area. Additionally, the bank **PROVIDES A RELATIVELY HIGH LEVEL** of financial services to organizations that promote community development.

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

| PERFORMANCE LEVELS        | <u>First Gulf Bank</u> |                 |              |
|---------------------------|------------------------|-----------------|--------------|
|                           | PERFORMANCE TESTS      |                 |              |
|                           | Lending Test*          | Investment Test | Service Test |
| Outstanding               |                        |                 |              |
| High Satisfactory         |                        |                 | <b>X</b>     |
| Low Satisfactory          | <b>X</b>               | <b>X</b>        |              |
| 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.

First Gulf Bank is a community bank located in Gulf Shores, Alabama. The bank is a wholly owned subsidiary of Alabama National BanCorporation, a \$2.6 billion multi-bank holding company located in Birmingham, Alabama. According to the June 30, 2001 Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$181.5 million. The bank operates seven banking offices in Baldwin County, which is part of the Mobile, Alabama MSA.

The composition of the bank’s loan portfolio according to the June 30, 2001 Consolidated Reports of Condition and Income (Call Report) is displayed in the following table:

**INSTITUTION (Continued)**

| <b>COMPOSITION OF LOAN PORTFOLIO</b>      |                  |                |                   |                |
|---|------------------|----------------|-------------------|----------------|
| <b>Loan Type</b>                          | <b>6/30/2001</b> |                | <b>12/31/2000</b> |                |
|   | <b>\$ (000s)</b> | <b>Percent</b> | <b>\$ (000s)</b>  | <b>Percent</b> |
| Construction and Development              | \$13,667         | 9.3%           | \$13,403          | 10.3%          |
| Secured by One- to Four- Family Dwellings | \$75,234         | 51.2%          | \$53,343          | 41.1%          |
| Other Real Estate:                        |                  |                |                   |                |
| Farmland                                  | \$259            | 0.2%           | \$100             | 0.1%           |
| Multifamily                               | \$3,285          | 2.2%           | \$5,263           | 4.1%           |
| Nonfarm nonresidential                    | \$30,792         | 21.0%          | \$24,816          | 19.1%          |
| Commercial and Industrial                 | \$15,904         | 10.8%          | \$25,595          | 19.7%          |
| Loans to Individuals                      | \$7,718          | 5.3%           | \$7,130           | 5.5%           |
| Agricultural Loans                        | \$81             | 0.06%          | \$109             | 0.08%          |
| <b>Total</b>                              | <b>\$146,940</b> | <b>100.00%</b> | <b>\$129,759</b>  | <b>100.00%</b> |

\* 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.

As illustrated in the table above, First Gulf Bank's loan portfolio is primarily comprised of loans secured by one- to four-family dwellings, followed by loans secured by nonfarm nonresidential real estate, and commercial and industrial loans. A comparison shows that the most significant loan growth by dollar amount was in loans secured by one-to four-family dwellings, which increased by \$21.9 million. The most significant decrease in loans outstanding by dollar amount was in commercial and industrial loans, which decreased by \$9.7 million. According to senior management, the increase in the one- to four-family dwellings loan category is attributed to loan growth and the reclassification of commercial loans secured by one- to four-family investment properties from the commercial and industrial loan category to the secured by one- to four-family dwellings loan category. This accounts for the decrease in loan growth in the commercial and industrial loan category.

First Gulf Bank's product offerings include the traditional deposit and loan products as well as the sale of non-deposit investments and securities through its affiliate, NBC Securities, Inc. First Gulf Bank offers a variety of loan products to meet the credit needs of its assessment areas. The bank's product offerings include consumer, real estate, commercial, and agricultural loans. The bank also offers various mortgage loan products to assist low- to moderate-income persons in the purchase of a home.

First Gulf Bank generally complies with the CRA. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment area. The bank received a satisfactory CRA rating at its previous evaluation dated November 17, 1997, under the CRA examination procedures for small banks.



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| <b>DISCRIPTION OF ASSESSMENT AREA: Baldwin County</b> |
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### **Demographic Data by Census Tract**

The bank's assessment area consists of Baldwin County, which is part of the Mobile MSA. The assessment area contains 21 census tracts: 2 moderate-income census tracts (9.5 percent), 15 middle-income census tracts (71.4 percent), and 4 upper-income census tracts (19.0 percent). There are no low-income census tracts in the assessment area. The assessment area does not arbitrarily exclude any low- or moderate-income census tracts.

The table on page 8 provides demographic and lending data that were used in analyzing the bank's CRA performance. Except where noted, the demographic data are from the 1990 Census. Certain components of the data in the table are discussed in the evaluation as they apply to particular parts of the analysis.

### **Population Characteristics**

According to the 2000 Census, the population of the bank's assessment area was 140,415 persons. This figure represented 3.2 percent of the population for the state of Alabama. In comparison to the 1990 Census, the population in the assessment area has increased by 42.9 percent while the population for the state of Alabama has increased by 10.1 percent.

### **Income Characteristics**

At the time of the 1990 Census, there were 28,260 families in the assessment area. 17.4 percent were low-income, 17.5 percent were moderate-income, 21.2 percent were middle-income, and 43.9 percent were upper-income. Of total families in the assessment area, 2,950 families (10.4 percent) that reside in the assessment area have incomes below the poverty level. Typically, families with income below the poverty level have difficulty qualifying for mortgage loans without flexible or innovative loan underwriting standards and products. The 1990 median family income for the assessment area was \$30,868, which is higher than the state median family income of \$28,688. According to HUD, the 2001 median family income for the MSA was \$44,700.

### **Housing Characteristics**

According to the 1990 Census there are 50,933 housing units in the assessment area, of which 57.0 percent are owner-occupied units. Owner-occupied housing units are more expensive in this assessment area than in the state overall. The 1990 Census data shows that the median housing value for owner-occupied units in the assessment area was \$61,888, which is 16.3 percent higher than the median housing value for the state of Alabama, at \$53,205.

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| <b>DESCRIPTION OF ASSESSMENT AREA: Baldwin County, Alabama (Continued)</b> |
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### **Employment Statistics**

The primary employers in the bank's assessment area are the service and retail trade industries. Tourism plays a major role to the assessment area's economy. According to the Bureau of Labor Statistics, the 2000 annual unemployment rate for Baldwin County was 3.1 percent. Unemployment rates for 2000 ranged between a high of 3.9 percent in February 2000 to a low of 2.8 percent in May and December 2000. The annual 2000 unemployment rate for the state of Alabama was 4.6 percent. Between January and September 2001, the unemployment rate in Baldwin County has ranged from a low of 3.5 (January 2001) percent to a high of 4.6 percent (April 2001).

### **Business Size Characteristics**

The table on page 8 provides key demographic business data by revenue size and census tracts in the assessment area. The table illustrates that in 2001, according to Dun & Bradstreet business demographic data, 86.9 percent of the businesses in the assessment area had total annual revenues of less than \$1 million and, therefore, are considered small businesses.

### **Competition**

The assessment area is a highly competitive banking market due to the significant presence of banks in the market. As of June 30, 2001, there were 12 financial institutions operating 66 offices in the assessment area. Of the 66 offices, First Gulf Bank operated 7 office (10.6 percent). According to the market share report from the FDIC, First Gulf Bank ranked 6<sup>th</sup> in deposit market share with an 8.4 percent (\$146 million) of deposits in the assessment area. The top five financial institutions had deposit market shares of 26.7, 15.5, 13.5, 12.0, and 11.8 percents. Local competition does not seem to adversely affect the bank's ability to serve the credit needs of its assessment area.

### **Community Contacts**

As part of the CRA examination, information was obtained from community contacts regarding local economic conditions and community credit needs. One contact commented that local banks are meeting the credit needs of the community by offering a wide variety of mortgage loan products. Another contacted named the area of Bay Minette as a community in Baldwin County surrounded by low- to moderate-income families who need flexible long-term credit for housing. First Gulf Bank has a branch office located in Bay Minette.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The table below and on the following page shows selected demographics information and First Gulf Bank's lending performance in the assessment area.

| FIRST GULF ASSESSMENT AREA                              |                    |                |                   |                                      |  |                  |                           |               |
|---|--------------------|----------------|-------------------|--------------------------------------|--|------------------|---------------------------|---------------|
| DEMOGRAPHICS  |                    |                |                   |                                      |  |                  |                           |               |
| 2001 HUD Median Family Income (MSA):<br><b>\$44,700</b> | Tract Distribution |                | Families          |                                      |  |                  |                           |               |
|   | #                  | %              | Families by Tract |                                      | Families < Poverty as a % of Families by Tract |                  | Families by Family Income |               |
| Income Categories                                       | #                  | %              | #                 | %                                    | #  | %                | #                         | %             |
| Low   | 0                  | 0.0%           | 0                 | 0.0%                                 | 0  | 0.0%             | 4,918                     | 17.4%         |
| Moderate  | 2                  | 9.5%           | 1,467             | 5.2%                                 | 304  | 20.7%            | 4,955                     | 17.5%         |
| Middle  | 15                 | 71.4%          | 20,869            | 73.8%                                | 2,345  | 11.2%            | 5,979                     | 21.2%         |
| Upper   | 4                  | 19.0%          | 5,924             | 21.0%                                | 301  | 5.1%             | 12,408                    | 43.9%         |
| NA  | 0                  | 0.0%           | 0                 | 0.0%                                 | 0  | 0.0%             | -                         | -             |
| <b>Total</b>  | <b>21</b>          | <b>100.0%</b>  | <b>28,260</b>     | <b>100.0%</b>                        | <b>2,950</b>                                   | <b>10.4%</b>     | <b>28,260</b>             | <b>100.0%</b> |
| Housing Units by Tract                                  |                    |                |                   |                                      |  |                  |                           |               |
|   | Total Units        | Owner Occupied |                   | Rental                               |  | Vacant           |                           |               |
|   | #                  | #              | %                 | %                                    | #  | %                | #                         | %             |
| Low   | 0                  | 0              | 0.0%              | 0.0%                                 | 0  | 0.0%             | 0                         | 0.0%          |
| Moderate  | 2,047              | 1,447          | 5.0%              | 70.7%                                | 466  | 22.8%            | 150                       | 7.3%          |
| Middle  | 40,255             | 21,722         | 74.8%             | 54.0%                                | 6,184  | 15.4%            | 12,927                    | 32.1%         |
| Upper   | 8,631              | 5,856          | 20.2%             | 67.8%                                | 2,279  | 26.4%            | 812                       | 9.4%          |
| NA  | 0                  | 0              | 0.0%              | 0.0%                                 | 0  | 0.0%             | 0                         | 0.0%          |
| <b>Total</b>  | <b>50,933</b>      | <b>29,025</b>  | <b>100.0%</b>     | <b>57.0%</b>                         | <b>8,929</b>                                   | <b>17.5%</b>     | <b>13,889</b>             | <b>27.3%</b>  |
| *Total Businesses by Tract                              |                    |                |                   | Businesses by Tract and Revenue Size |  |                  |                           |               |
|   | #                  | %              |                   | Under \$1 Million                    |  | Over \$1 Million |                           |               |
|   | #                  | %              | #                 | %                                    | #  | %                |                           |               |
| Low   | 0                  | 0.0%           |                   | 0                                    | 0.0%   | 0                | 0.0%                      |               |
| Moderate  | 126                | 1.9%           |                   | 98                                   | 1.7%   | 19               | 4.6%                      |               |
| Middle  | 4,883              | 75.4%          |                   | 4,238                                | 75.3%  | 301              | 72.7%                     |               |
| Upper   | 1,464              | 22.6%          |                   | 1,289                                | 22.9%  | 94               | 22.7%                     |               |
| NA  | 0                  | 0.0%           |                   | 0                                    | 0.0%   | 0                | 0.0%                      |               |
| <b>Total</b>  | <b>6,473</b>       | <b>100.0%</b>  |                   | <b>5,625</b>                         | <b>100.0%</b>                                  | <b>414</b>       | <b>100.0%</b>             |               |
| <b>Percentage of Total Businesses:</b>                  |                    |                |                   |                                      |  | <b>86.9%</b>     | <b>6.4%</b>               |               |

Sources: 1990 Census Data, 2001 Dun & Bradstreet business demographic data.  
 \* Businesses with revenues under \$1million & over \$1million will not total due to revenue not available.  
 NA Tracts are tracts without household or family income.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

| FIRST GULF ASSESSMENT AREA |                          |               |               |               |                          |               |               |               |
|----------------------------|--------------------------|---------------|---------------|---------------|--------------------------|---------------|---------------|---------------|
| L E N D I N G              |                          |               |               |               |                          |               |               |               |
| Income Categories          | HMDA                     |               |               |               | HMDA                     |               |               |               |
|                            | By Tract Income          |               |               |               | By Borrower Income       |               |               |               |
|                            | #                        | %             | \$            | %             | #                        | %             | \$            | %             |
| Low                        | 0                        | 0.0%          | 0             | 0.0%          | 3                        | 1.7%          | 242           | 0.9%          |
| Moderate                   | 0                        | 0.0%          | 0             | 0.0%          | 19                       | 10.8%         | 1,441         | 5.6%          |
| Middle                     | 169                      | 96.0%         | 24,817        | 97.3%         | 28                       | 15.9%         | 2,346         | 9.2%          |
| Upper                      | 7                        | 4.0%          | 695           | 2.7%          | 115                      | 65.3%         | 19,615        | 76.9%         |
| NA                         | 0                        | 0.0%          | 0             | 0.0%          | 11                       | 6.3%          | 1,868         | 7.3%          |
| <b>Total</b>               | <b>176</b>               | <b>100.0%</b> | <b>25,512</b> | <b>100.0%</b> | <b>176</b>               | <b>100.0%</b> | <b>25,512</b> | <b>100.0%</b> |
|                            | Refinance                |               |               |               |                          |               |               |               |
|                            | #                        | %             | \$            | %             | #                        | %             | \$            | %             |
| Low                        | 0                        | 0.0%          | 0             | 0.0%          | 12                       | 7.1%          | 911           | 4.5%          |
| Moderate                   | 2                        | 1.2%          | 142           | 0.7%          | 23                       | 13.6%         | 1,396         | 6.8%          |
| Middle                     | 152                      | 89.9%         | 18,241        | 89.3%         | 34                       | 20.1%         | 2,156         | 10.6%         |
| Upper                      | 15                       | 8.9%          | 2,051         | 10.0%         | 98                       | 58.0%         | 15,315        | 74.9%         |
| NA                         | 0                        | 0.0%          | 0             | 0.0%          | 2                        | 1.2%          | 656           | 3.2%          |
| <b>Total</b>               | <b>169</b>               | <b>100.0%</b> | <b>20,434</b> | <b>100.0%</b> | <b>169</b>               | <b>100.0%</b> | <b>20,434</b> | <b>100.0%</b> |
|                            | Home Improvement         |               |               |               |                          |               |               |               |
|                            | #                        | %             | \$            | %             | #                        | %             | \$            | %             |
| Low                        | 0                        | 0.0%          | 0             | 0.0%          | 2                        | 6.3%          | 6             | 1.4%          |
| Moderate                   | 3                        | 9.4%          | 16            | 3.8%          | 12                       | 37.5%         | 100           | 23.6%         |
| Middle                     | 25                       | 78.1%         | 351           | 83.0%         | 6                        | 18.8%         | 13            | 3.1%          |
| Upper                      | 4                        | 12.5%         | 56            | 13.2%         | 12                       | 37.5%         | 304           | 71.9%         |
| NA                         | 0                        | 0.0%          | 0             | 0.0%          | 0                        | 0.0%          | 0             | 0.0%          |
| <b>Total</b>               | <b>32</b>                | <b>100.0%</b> | <b>423</b>    | <b>100.0%</b> | <b>32</b>                | <b>100.0%</b> | <b>423</b>    | <b>100.0%</b> |
|                            | Multi-Family             |               |               |               |                          |               |               |               |
|                            | #                        | %             | \$            | %             | #                        | %             | \$            | %             |
| Low                        | 0                        | 0.0%          | 0             | 0.0%          | 0                        | 0.0%          | 0             | 0.0%          |
| Moderate                   | 0                        | 0.0%          | 0             | 0.0%          | 0                        | 0.0%          | 0             | 0.0%          |
| Middle                     | 1                        | 100.0%        | 148           | 100.0%        | 0                        | 0.0%          | 0             | 0.0%          |
| Upper                      | 0                        | 0.0%          | 0             | 0.0%          | 0                        | 0.0%          | 0             | 0.0%          |
| NA                         | 0                        | 0.0%          | 0             | 0.0%          | 1                        | 100.0%        | 148           | 100.0%        |
| <b>Total</b>               | <b>1</b>                 | <b>100.0%</b> | <b>148</b>    | <b>100.0%</b> | <b>1</b>                 | <b>100.0%</b> | <b>148</b>    | <b>100.0%</b> |
|                            | SMALL BUSINESS           |               |               |               |                          |               |               |               |
|                            | By Tract Income          |               |               |               | By Tract Income          |               |               |               |
|                            | #                        | %             | \$            | %             | #                        | %             | \$            | %             |
| Low                        | 0                        | 0.0%          | 0             | 0.0%          | 0                        | 0.0%          | 0             | 0.0%          |
| Moderate                   | 3                        | 1.1%          | 85            | 0.5%          | 3                        | 1.1%          | 85            | 0.5%          |
| Middle                     | 227                      | 81.1%         | 12,725        | 81.8%         | 227                      | 81.1%         | 12,725        | 81.8%         |
| Upper                      | 50                       | 17.9%         | 2,746         | 17.7%         | 50                       | 17.9%         | 2,746         | 17.7%         |
| NA                         | 0                        | 0.0%          | 0             | 0.0%          | 0                        | 0.0%          | 0             | 0.0%          |
| <b>Total</b>               | <b>280</b>               | <b>100.0%</b> | <b>15,556</b> | <b>100.0%</b> | <b>280</b>               | <b>100.0%</b> | <b>15,556</b> | <b>100.0%</b> |
|                            | By Loan Size and Revenue |               |               |               | By Loan Size and Revenue |               |               |               |
|                            | #                        | %             | \$            | %             | #                        | %             | \$            | %             |
| <b>Loan Size:</b>          |                          |               |               |               |                          |               |               |               |
| \$100,000 or less          | 245                      | 87.5%         | 7,395         | 47.5%         | 245                      | 87.5%         | 7,395         | 47.5%         |
| \$100,001 - \$250,000      | 25                       | 8.9%          | 4,204         | 27.0%         | 25                       | 8.9%          | 4,204         | 27.0%         |
| \$250,001 - \$1 Million    | 10                       | 3.6%          | 3,957         | 25.4%         | 10                       | 3.6%          | 3,957         | 25.4%         |
| <b>Total</b>               | <b>280</b>               | <b>100.0%</b> | <b>15,556</b> | <b>100.0%</b> | <b>280</b>               | <b>100.0%</b> | <b>15,556</b> | <b>100.0%</b> |
| <b>Revenue:</b>            |                          |               |               |               |                          |               |               |               |
| \$1 Million or Less        | 95                       | 33.9%         | 3,797         | 24.4%         | 95                       | 33.9%         | 3,797         | 24.4%         |
| Over \$1 Million           | 17                       | 6.1%          | 2,320         | 14.9%         | 17                       | 6.1%          | 2,320         | 14.9%         |
| Not Known                  | 168                      | 60.0%         | 9,439         | 60.7%         | 168                      | 60.0%         | 9,439         | 60.7%         |
| <b>Total</b>               | <b>280</b>               | <b>100.0%</b> | <b>15,556</b> | <b>100.0%</b> | <b>280</b>               | <b>100.0%</b> | <b>15,556</b> | <b>100.0%</b> |

Originations and purchases  
 Small Business loans are loan sizes that are \$1 million or less.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**LENDING TEST**

**Overview**

The evaluation review period for the lending test included HMDA, small business, small farm, and community development loans originated from January 1, 2000 through June 30, 2001. For the service and investment tests, the evaluation period covered data from November 18, 1997 through November 5, 2001. For the purpose of CRA, HMDA loans are those defined in the Federal Reserve Board's Regulation C. Small business loans are loans with original amounts of \$1 million or less, and small farm loans have original amounts of \$500,000 or less. In the assessment area, First Gulf Bank's number and volume of HMDA lending exceeded both the number and the dollar volume of small business lending for the review period. Therefore, HMDA loans were given more weight than small business loans in determining the bank's lending test rating for the assessment area. First Gulf Bank generally offers small farm loans; however, the volume of small farm loans was minimal and therefore, was not considered in the lending test evaluation.

First Gulf Bank's lending performance in the assessment area is **LOW SATISFACTORY**.

**Lending Activity**

Considering the bank's level of lending, market share of deposits (8.4 percent), product offerings, and branch networking system as a percentage of total branches in the assessment area (10.6 percent), lending levels reflect **ADEQUATE** responsiveness to assessment area credit needs. As stated earlier, the bank offers consumer, real estate, and commercial loans.

First Gulf Bank originated 378 HMDA loans in its assessment area totaling \$46,517 million. Of the total HMDA loans originated by the bank, 176 (46.6 percent) were home purchase loans, 169 (44.7 percent) were home refinance loans, 32 (8.5 percent) were home improvement loans, and 1 (0.5 percent) was a multifamily housing loan. Of the 2000 aggregate HMDA lending (5,546 loans) in the assessment area, First Gulf Bank originated 2.5 percent of the HMDA loans (139 loans) by number.

The bank also originated 280 small business loans totaling \$15,556 million in the assessment area. Of the 2000 aggregate CRA small business lending (3,691 loans) in the assessment area, First Gulf Bank originated 5.2 percent (193 loans) by number.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**LENDING TEST (Continued)**

**Loan-to-Deposit Ratio**

First Gulf Bank's average net LTD ratio for the fifteen quarters ended June 30, 2001, was 90.3 percent. The LTD ratio has fluctuated for the past fifteen quarters from 80.1 percent as of September 30, 1998 to 96.8 percent as of June 30, 2001. First Gulf Bank's average net LTD ratio was compared with the net LTD ratios of two financial institutions of similar asset size with branch offices in the bank's assessment area. The average net LTD ratios for these two banks covering the same period was 83.8 percent and 76.8 percent.

**Assessment Area Concentration**

A **SUBSTANTIAL MAJORITY** of the bank's lending occurs inside its assessment area. The table below shows the distribution of loans that were originated inside and outside the bank's assessment area, by number of loans and dollar amount, according to loan type.

| <b>LENDING INSIDE AND OUTSIDE ASSESSMENT AREA</b> |            |              |                 |              |
|---|------------|--------------|-----------------|--------------|
| <b>Loan Type</b>                                  | <b>IN</b>  |              |                 |              |
|   | Number     | Percent      | \$ (000s)       | Percent      |
| Small Business                                    | 280        | 94.9%        | \$15,556        | 92.6%        |
| HMDA  | 378        | 93.1%        | \$46,517        | 95.3%        |
| <i>Total In</i>                                   | <i>658</i> | <i>93.9%</i> | <i>\$62,073</i> | <i>94.6%</i> |
|   | <b>OUT</b> |              |                 |              |
|   | Number     | Percent      | \$ (000s)       | Percent      |
| Small Business                                    | 15         | 5.1%         | \$1,247         | 7.4%         |
| HMDA  | 28         | 6.9%         | \$2,296         | 4.7%         |
| <i>Total Out</i>                                  | <i>43</i>  | <i>6.1%</i>  | <i>\$3,543</i>  | <i>5.4%</i>  |

As indicated by the table above, 93.9 percent of the bank's loans were to customers and businesses inside the bank's assessment area. Also, a substantial majority of the loan dollars associated with the loans were inside the bank's assessment area. This level of lending inside the assessment area indicates the bank's willingness to serve the credit needs of its assessment area.

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| <b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b> |
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**LENDING TEST (Continued)**

**Geographic Distribution of Loans**

For this analysis the geographic distribution of HMDA and small business lending was compared with the available demographic information. Performance context issues were also considered. First Gulf Bank's performance in extending loans in all geographies, including moderate-income census tracts, is **ADEQUATE**.

First Gulf Bank's HMDA lending in the moderate-income census tracts is below the percentage of owner-occupied units in these tracts. As mentioned earlier in this report, there are no low-income census tracts in the bank's assessment area. The bank originated 1.3 percent of the HMDA loans in moderate-income census tracts and 5.0 percent of the owner-occupied units in the assessment area were located in moderate-income census tracts. The low lending level in these tracts can be attributed to the lack of application activity. Also, according to bank management, few homes have been available for sale in these tracts. A large percentage of the bank's HMDA lending in the assessment area occurred in middle-income census tract. This level of lending was expected because a substantial majority (74.8 percent) of the owner-occupied units are located in these census tracts. The aggregate lending comparison table found in Appendix B shows that First Gulf Bank was comparable to the aggregate in HMDA lending in moderate-income census tracts in 2000.

First Gulf Bank's small business lending in the assessment area in moderate-income census tracts is below the percentage of total businesses in these tracts. The bank originated 1.1 percent of small business loans in moderate-income census tracts and 1.7 percent of the small businesses are located in these tracts. A substantial majority of the bank's small business lending occurred in middle-income census tracts, which is where most of the businesses are located. The aggregate lending comparison table found in Appendix B, shows that First Gulf Bank performed below the aggregate in small business lending in moderate-income tracts in 2000.

Based on these factors, First Gulf Bank's performance with regard to the geographic distribution of HMDA and small business lending is **ADEQUATE**.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**LENDING TEST (Continued)**

**Lending to Borrowers of Different income Levels and Businesses of Different Sizes**

For this analysis, the distribution of HMDA lending by borrower income levels and small business lending by business revenue sizes was compared with available demographic information. Performance context issues were also considered. The distribution of loans by borrower's income and revenue sizes of businesses is **ADEQUATE**.

Based on loan data for the review period, low-income families represented 17.4 percent of total families and received 4.5 percent of the HMDA loans. A possible reason for the large lending disparity is that 10.4 percent of families in the assessment area have incomes below the poverty level. Assuming that the 2,950 poverty level families in the assessment area are categorized as low-income, there were 1,968 non-poverty, low-income families in the assessment area, representing 7.8 percent of total families. Considering this factor, HMDA lending is adequate to low-income borrowers. HMDA lending to moderate-income borrowers was good. Moderate-income borrowers received 14.3 percent of the HMDA loans and they comprise 17.5 percent of total families in the assessment area. HMDA lending to total middle-income borrowers is similar to the percentage composition of this population. The aggregate lending comparison table found in Appendix B shows that First Gulf Bank performed below the aggregate in HMDA lending to low-income borrowers and above the aggregate in HMDA lending to moderate-income borrowers in 2000.

Of the 280 small business loans originated in the assessment area during the review period, 112 had revenue information. Of the 112 loans, 95 or 84.8 percent were originated to small businesses. Of the 280 small business loans, 245 or 87.5 percent were for loan amounts of \$100,000 or less. The 2000 aggregate lending comparison table found in Appendix B shows that First Gulf Bank performed below the aggregate in small business lending to businesses with gross annual revenues of \$1 million or less.

Based on these factors, First Gulf Bank's performance with regard to the distribution of loans by borrower's income and size of business loans is **ADEQUATE**.



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| <b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b> |
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**LENDING TEST (Continued)**

**Responsiveness to the Community Credit Needs**

First Gulf Bank exhibits an **ADEQUATE** record of serving the credit needs of low- and moderate-income individuals and an **ADEQUATE** record of serving the needs of small businesses within the bank's assessment area.

**Community Development Lending**

First Gulf Bank makes **FEW, IF ANY**, community development loans in the assessment area. During the review period, the bank did not originate any community development loans. The absence of community development lending opportunities and competition from other lenders in the bank's assessment area contributed to the lack of community development lending by First Gulf Bank.

**Use of Innovative or Flexible Lending Practices**

First Gulf Bank makes **LIMITED USE** of flexible lending programs. As a community bank, First Gulf Bank offers personalized service to the individual needs of its customers and attempts to use this flexibility to find a way to make each and every loan request. In 2000, the bank opened a mortgage loan department that offers the following real estate mortgage loans:

***FHA/VA Loans***

***First Time Homebuyers***

***B and C Grade Loans***

***Double wide Trailers with Land (30 years)***

***Rural Housing Development Program (no down payment, closing costs financed)***

***Chase Rural Advantage (doublewide mobile homes, no down payment)***

The bank has an experienced mortgage loan originator located at each branch office available to assist individuals in the community seeking to purchase a home. In addition, the details of the banks mortgage loan products and programs are given to the local realtors and developers who specialize in lending to low- and moderate-income persons and areas. The bank also offers Small Business Administration loans such as 7(A) regular business loans, LowDoc loans, and development company loans (504).

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**INVESTMENT TEST**

First Gulf Bank's performance in the assessment area is **LOW SATISFACTORY**.

**Volume of Qualified Investments**

Considering the limited level of opportunity and competition in the assessment area, the volume of community development investments is **ADEQUATE**; however, the bank is **NEVER** is a leadership position. The community contacts stated that they were not aware of any community development investment opportunities in the assessment area. In addition, contact with local government officials did not reveal any opportunities to purchase qualified investments in the assessment area. First Gulf Bank has contributed to various charitable organizations in an aggregate amount of \$12,228. Some of these organizations include the Baldwin County Economic Development Alliance, the RISE (recreation, inspiration, self-esteem and education) program, the Lighthouse, and the Fairhope Educational Enrichment Foundation.

**SERVICE TEST**

First Gulf Bank's performance in the assessment area is **HIGH SATISFACTORY**.

**Accessibility of Delivery Systems**

The bank's branch offices are **ACCESSIBLE** to **ESSENTIALLY ALL** portions of the assessment area. First Gulf Bank operates 7 branch offices and 7 ATMs in the assessment area. The distribution of the bank's branch offices and ATMs was compared to the distribution of families and businesses by census tract income and is displayed in the table below.

| <b>FIRST GULF BANK – DISTRIBUTION OF BRANCHES AND ATMS</b> |               |                               |                       |                            |                                     |                                 |
|--|---------------|-------------------------------|-----------------------|----------------------------|-------------------------------------|---------------------------------|
| <b>TRACT INCOME LEVEL</b>                                  | <b>NUMBER</b> | <b>PERCENTAGE OF BRANCHES</b> | <b>NUMBER OF ATMS</b> | <b>PERCENT AGE OF ATMS</b> | <b>PERCENTAGE OF TOTAL FAMILIES</b> | <b>PERCENTAGE OF BUSINESSES</b> |
| Low-Income   | N/A           | N/A                           | N/A                   | N/A                        | N/A                                 | N/A                             |
| Moderate-Income  | 0             | 0%                            | 0                     | 0%                         | 5%                                  | 2%                              |
| Middle-Income  | 5             | 71%                           | 5                     | 71%                        | 74%                                 | 75%                             |
| Upper-Income   | 2             | 29%                           | 2                     | 29%                        | 21%                                 | 23%                             |
| <i>Total</i>   | <i>7</i>      | <i>100.0%</i>                 | <i>7</i>              | <i>100.0%</i>              | <i>100.0%</i>                       | <i>100.0%</i>                   |

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| <b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)</b> |
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**SERVICE TEST (Continued)**

Even though First Gulf Bank does not have any branches in moderate-income tracts, branch offices are within a reasonable distance of these tracts. The Bay Minette branch office is located in a middle-income census tract, which is contiguous to the two moderate-income tracts in the assessment area, census tracts 102 and 106. Given the demographics of the assessment area, the bank's branch offices are considered **ACCESSIBLE**.

**Alternative Delivery Systems**

First Gulf Bank offers various alternative delivery systems for providing retail-banking services to its assessment area. The bank offers ATMs, Interactive web site, 24-hour telephone access to account information and 24-hour online banking.

**Institution's Record of Opening and Closing Branches**

Since the previous examination, the bank has not closed any branch offices in the assessment area. However, since the November 1997 examination, the bank opened a branch office in Fairhope in a middle-income census tract. The bank's record of opening and closing branch offices has **NOT ADVERSELY AFFECTED** the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/ or individuals.

**Reasonableness of Business Hours and Services in Meeting the Assessment Area Needs**

First Gulf Bank offers convenient weekly and Saturday hours to the general public in the assessment area. Therefore, the availability of banking services and hours of operations **ARE TAILORED TO CONVENIENCE AND NEEDS** of the assessment area.

**Community Development Services**

The bank **PROVIDES A RELATIVELY HIGH LEVEL** of financial services to organizations that promote community development. Bank personnel have provided financial and managerial expertise to various community development services to benefit the assessment area. The table of the following page illustrates some of the bank's most significant activities during the review period.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (Continued)**

**SERVICE TEST (Continued)**

| <b>COMMUNITY DEVELOPMENT SERVICES FOR FIRST GULF BANK</b>                          |   |
|--|---|
| <b>ORGANIZATION</b>  | <b>POSITION/SERVICE</b>   |
| Gulf Coast Chamber of Commerce   | A bank executive serves as a director. This organization promotes small businesses in the community.  |
| Gulf Shores RISE Program   | A bank executive taught economics and banking principles for six weeks in the Gulf Shores Middle School Junior Achievement class.   |
| Habitat for Humanity   | A bank officer is president and another officer serves on the board of directors of the local chapter. This organization builds homes for low- to moderate-income families. |
| Baldwin County Home Builders Associate Council                                     | A bank officer serves as the treasurer. This organization helps to address housing needs for low- to moderate-income families.  |
| Fairhope High School, Fairhope Elementary School, and Summerdale Elementary School | Bank officers spoke at the school regarding financial services and literacy.  |

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

First Gulf Bank solicits applications from all segments of its communities, including low- and moderate-income areas. The bank's policies and internal control procedures are adequate to ensure that the evaluation of credit applications is based solely on financial and economic considerations. No evidence of prohibited discrimination or other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations. Lending staff has received fair lending training since the previous examination.

**APPENDIX A – SCOPE OF EXAMINATION**

**TIME PERIOD REVIEWED**

Lending Test: January 1, 2000 through June 30, 2001

Investment and Service Test: November 18, 1997 through November 5, 2001

**FINANCIAL INSTITUTION**

First Gulf Bank, Gulf Shores, Alabama

**PRODUCTS REVIEWED**

HMDA and Small Business Loans

**AFFILIATE(S)**

None

**AFFILIATE**

**RELATIONSHIP**

N/A

**PRODUCTS REVIEWED**

N/A

**LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION**

| <b>ASSESSMENT AREA</b>  | <b>TYPE OF EXAMINATION</b> | <b>BRANCHES VISITED</b>   | <b>OTHER INFORMATION</b> |
|-------------------------|----------------------------|---|--------------------------|
| Baldwin County, Alabama | Full Scope                 | Fairhope Office<br>Robertsdale Office<br>Foley Office<br>Gulf Shores Office | None                     |

**APPENDIX B**

**Aggregate Tables**

| <b>FIRST GULF ASSESSMENT AREA</b>        |                        |               |                  |               |                           |               |                  |               |
|--|------------------------|---------------|------------------|---------------|---------------------------|---------------|------------------|---------------|
| <b>2000 AGGREGATE LENDING COMPARISON</b> |                        |               |                  |               |                           |               |                  |               |
| <b>HMDA ORIGINATIONS &amp; PURCHASES</b> |                        |               |                  |               |                           |               |                  |               |
| <b>Income Category</b>                   | <b>By Tract Income</b> |               |                  |               | <b>By Borrower Income</b> |               |                  |               |
|  | <b>Bank</b>            |               | <b>Aggregate</b> |               | <b>Bank</b>               |               | <b>Aggregate</b> |               |
|  | <b>#</b>               | <b>%</b>      | <b>#</b>         | <b>%</b>      | <b>#</b>                  | <b>%</b>      | <b>#</b>         | <b>%</b>      |
| Low                                      | 0                      | 0.0%          | 0                | 0.0%          | 5                         | 3.6%          | 280              | 5.0%          |
| Moderate                                 | 3                      | 2.2%          | 116              | 2.1%          | 22                        | 15.8%         | 769              | 13.9%         |
| Middle                                   | 123                    | 88.5%         | 4,441            | 80.1%         | 32                        | 23.0%         | 1,025            | 18.5%         |
| Upper                                    | 13                     | 9.4%          | 989              | 17.8%         | 76                        | 54.7%         | 2,764            | 49.8%         |
| NA                                       | 0                      | 0.0%          | 0                | 0.0%          | 4                         | 2.9%          | 708              | 12.8%         |
| <b>Total</b>                             | <b>139</b>             | <b>100.0%</b> | <b>5,546</b>     | <b>100.0%</b> | <b>139</b>                | <b>100.0%</b> | <b>5,546</b>     | <b>100.0%</b> |

| <b>FIRST GULF ASSESSMENT AREA</b>        |                    |               |                  |               |                          |                  |                              |                  |                                |                  |                         |                  |
|--|--------------------|---------------|------------------|---------------|--------------------------|------------------|------------------------------|------------------|--------------------------------|------------------|-------------------------|------------------|
| <b>2000 AGGREGATE LENDING COMPARISON</b> |                    |               |                  |               |                          |                  |                              |                  |                                |                  |                         |                  |
| <b>SMALL BUSINESS</b>                    |                    |               |                  |               |                          |                  |                              |                  |                                |                  |                         |                  |
| <b>Tract Income Category</b>             | <b>Total Loans</b> |               |                  |               | <b>Loan Amounts</b>      |                  |                              |                  |                                |                  | <b>Gross Revenue</b>    |                  |
|  | <b>Bank</b>        |               | <b>Aggregate</b> |               | <b>\$100,000 or Less</b> |                  | <b>\$100,001 - \$250,000</b> |                  | <b>\$250,001 - \$1 Million</b> |                  | <b>&lt;=\$1 Million</b> |                  |
|  | <b>#</b>           | <b>%</b>      | <b>#</b>         | <b>%</b>      | <b>Bank</b>              | <b>Aggregate</b> | <b>Bank</b>                  | <b>Aggregate</b> | <b>Bank</b>                    | <b>Aggregate</b> | <b>Bank</b>             | <b>Aggregate</b> |
| Low                                      | 0                  | 0.0%          | 0                | 0.0%          | 0.0%                     | 0.0%             | 0.0%                         | 0.0%             | 0.0%                           | 0.0%             | 0.0%                    | 0.0%             |
| Moderate                                 | 2                  | 1.0%          | 85               | 2.3%          | 1.2%                     | 2.5%             | 0.0%                         | 0.5%             | 0.0%                           | 0.8%             | 1.6%                    | 3.3%             |
| Middle                                   | 154                | 79.8%         | 2,666            | 72.2%         | 79.9%                    | 72.3%            | 82.4%                        | 74.6%            | 71.4%                          | 66.2%            | 71.4%                   | 72.6%            |
| Upper                                    | 37                 | 19.2%         | 940              | 25.5%         | 18.9%                    | 25.2%            | 17.6%                        | 24.9%            | 28.6%                          | 33.1%            | 27.0%                   | 24.1%            |
| NA                                       | 0                  | 0.0%          | 0                | 0.0%          | 0.0%                     | 0.0%             | 0.0%                         | 0.0%             | 0.0%                           | 0.0%             | 0.0%                    | 0.0%             |
| <b>Total</b>                             | <b>193</b>         | <b>100.0%</b> | <b>3,691</b>     | <b>100.0%</b> | <b>100.0%</b>            | <b>100.0%</b>    | <b>100.0%</b>                | <b>100.0%</b>    | <b>100.0%</b>                  | <b>100.0%</b>    | <b>100.0%</b>           | <b>100.0%</b>    |
| <b>Number of Loans</b>                   |                    |               |                  |               | <b>169</b>               | <b>3,357</b>     | <b>17</b>                    | <b>201</b>       | <b>7</b>                       | <b>133</b>       | <b>63</b>               | <b>1,640</b>     |
| <b>% of Total</b>                        |                    |               |                  |               | <b>87.6%</b>             | <b>91.0%</b>     | <b>8.8%</b>                  | <b>5.4%</b>      | <b>3.6%</b>                    | <b>3.6%</b>      | <b>32.6%</b>            | <b>44.4%</b>     |