

PUBLIC DISCLOSURE

November 13, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Alabama Exchange Bank
Tuskegee, Alabama**

RSSD ID Number: 381334

**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 this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

	Page
INSTITUTION'S CRA RATING	1
DESCRIPTION OF INSTITUTION	2
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	4
Scope of Examination	4
Loan-to-Deposit Ratio Analysis	4
Assessment Area Concentration	5
Geographic Distribution	5
Distribution by Borrower Profile	5
Responsiveness to Complaints	6
Compliance with Antidiscrimination Laws	6
DESCRIPTION OF ASSESSMENT AREA: Macon County, Alabama	7
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County	10
Geographic Distribution	14
Distribution by Borrower Profile	16
APPENDIX A – Definitions and Abbreviations	18
APPENDIX B – General Information	20

TABLES

	PAGE
COMPOSITION OF THE LOAN PORTFOLIO	2
ANALYSIS OF LENDING IN THE ASSESSMENT AREA – Whole Bank	5
ASSESSMENT AREA UNEMPLOYMENT TABLE – Macon County Assessment Area	8
ASSESSMENT AREA DEMOGRAPHICS – Macon County Assessment Area	10
ASSESSMENT AREA LOAN DISTRIBUTION TABLE – Macon Assessment Area	12

INSTITUTION'S CRA RATING

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

Alabama Exchange Bank's average net LTD ratio for the past twelve quarters ending September 30, 2006 is **REASONABLE** given the institution's size, financial condition, and competition within the assessment area. A **MAJORITY** of the bank's loans were extended to individuals and businesses **IN** its assessment area. The bank's commercial loans and consumer installment loans within its assessment area were analyzed using 2000 demographic data. The bank's lending reflects **EXCELLENT** penetration among individuals of different incomes and businesses of different sizes. Also, the geographic distribution of loans reflects **EXCELLENT** dispersion throughout the assessment area. In addition, the bank's participation in various community development loans and services **ENHANCES** its record of serving the credit and community development needs in its community. No CRA-related complaints have been received since the previous performance evaluation.

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

DESCRIPTION OF INSTITUTION

Alabama Exchange Bank is a small community bank located in Tuskegee, Alabama. As of June 30, 2006, the bank had total assets of \$81.7 million, loans outstanding of \$37.0 million and deposits outstanding of \$69.9 million. Alabama Exchange Bank is a subsidiary of Alabama National BanCorporation, headquartered in Birmingham, Alabama. As of June 30, 2006, the holding company had assets of \$6.8 billion. Since the previous examination, the bank has not opened or closed any branch offices; the bank continues to operate an ATM on the campus of Tuskegee University.

Alabama Exchange Bank offers typical community bank services; however, the product base is limited due to local economic conditions. The primary services offered are demand deposit and savings accounts, consumer and residential real estate loans, and small business loans. The majority of the bank's small business loans are secured by residential real estate. The bank does not offer home equity lines of credit or the traditional 15 or 30 year mortgage products. Typically, residential real estate loans are made with a two or five year balloon, and renewed at maturity. Individuals seeking long-term mortgages are referred by bank management to an affiliate bank, which offers this type of product. The composition of the loan portfolio, according to the Consolidated Reports of Condition and Income (Call Reports), is displayed in the following table:

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	6/30/2006		12/31/2005		12/31/2004	
	\$ (000s)	%	\$ (000s)	%	\$ (000s)	%
Construction and Development	\$1,315	3.8%	\$1,516	4.3%	\$630	1.8%
Secured by One- to Four- Family Dwellings	\$16,314	47.4%	\$16,857	47.7%	\$17,214	48.1%
Other Real Estate: Farmland	\$595	1.7%	\$687	1.9%	\$713	2.0%
Multifamily	\$321	0.9%	\$252	0.7%	\$271	0.8%
Nonfarm Nonresidential	\$5,125	14.9%	\$5,267	14.9%	\$5,088	14.2%
Commercial and Industrial	\$5,242	15.2%	\$5,235	14.8%	\$6,384	17.8%
Loans to Individuals	\$5,527	16.0%	\$5,546	15.7%	\$5,472	15.3%
Agricultural Loans	\$8	0.0%	\$11	0.0%	\$11	0.0%
<i>Total</i>	<i>\$34,447</i>	<i>100.0%</i>	<i>\$35,371</i>	<i>100.0%</i>	<i>\$35,783</i>	<i>100.0%</i>

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

As illustrated by the table above, Alabama Exchange Bank's loan portfolio is primarily comprised of loans secured by one-to-four family dwellings, followed by loans to individuals, and commercial and industrial loans. A comparison of the year-end data from December 31, 2004 to December 31, 2005 reveals that the bank's loan portfolio has remained relatively stable.

DESCRIPTION OF INSTITUTION (Continued)

Alabama Exchange Bank complies with the CRA. No known legal or other impediments exist that would impede the bank from meeting the credit needs of its assessment areas. The bank received a Satisfactory CRA rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated November 4, 2002.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

SCOPE OF EXAMINATION

Alabama Exchange Bank's CRA rating was based on CRA activities in its assessment area using small bank examination procedures. The evaluation included an analysis of a sample of consumer installment loans and a sample of commercial loans originated from January 1, 2003 through June 30, 2006. Because the loan analysis includes loans that were originated before and after MSA and census tract changes made by the Office of Management and Budget (OMB) became effective in 2004, loans extended in 2003 were analyzed separately from loans extended in 2004 through 2006. For all loans originated in 2003, 2000 census demographic data were used to define the bank's assessment area. For all loans originated in 2004 through 2006, 2000 census demographic data reflecting OMB changes were used to define the bank's assessment area.

Overview

The bank's overall CRA rating was determined by evaluating the Macon County assessment area. As indicated earlier in this report, Alabama Exchange Bank focuses primarily on consumer lending and more consumer loans were included in the sample reviewed (137 versus 65 commercial). However, the dollar volume of commercial loans was greater than the dollar volume of consumer loans; therefore, consumer and commercial loans were given equal consideration in determining the bank's performance under the CRA.

Loan-To-Deposit Ratio Analysis (LTD)

Alabama Exchange Bank's LTD ratio is considered **REASONABLE** given the bank's size, financial condition, and assessment area credit needs. Alabama Exchange Bank's average net LTD ratio for the 15 quarters ending September 30, 2006 was 54.1 percent. This ratio was slightly below the average LTD ratios of the two peer banks in the assessment area, which were 57.9 percent and 70.6 percent. However, one of the peer banks offers more residential real estate products, which could contribute to a higher loan to deposit ratio. Alabama Exchange Bank does not offer traditional mortgage products.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Assessment Area Concentration

A **MAJORITY** of the bank’s lending occurs inside its assessment area. The following table shows the distribution of the loans sampled that were originated from January 1, 2003 to June 30, 2006 inside and outside of the bank’s assessment area, by number of loans and dollar amount, according to loan type.

Lending Inside and Outside the Assessment Area

	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Other - Secured	137	69.2	\$1,534	66.8	61	30.8	\$762	33.2
Small Business	65	71.4	\$4,598	73.5	26	28.6	\$1,661	26.5
TOTAL LOANS	202	69.9	\$6,132	71.7	87	30.1	\$2,424	28.3

As indicated by the table above, 69.9 percent of the bank’s loans by number were to customers and businesses inside the bank’s assessment area. Also, 71.7 percent of the loans by dollar amount were made inside the bank’s assessment area. This level of lending inside the assessment area indicates that the bank is serving the credit needs of its community.

Geographic Distribution

The bank’s geographic distribution of loans reflects **EXCELLENT** dispersion throughout the assessment area. This conclusion was based upon the bank’s performance in the Macon County Assessment Area in comparison to demographic data for consumer installment lending and commercial lending. The analysis of consumer installment lending and commercial lending within the assessment area is discussed later in this report.

Distribution by Borrower Profile

The distribution of borrowers reflects **EXCELLENT** penetration among customers of different income levels and businesses of different revenue sizes. This conclusion was based upon the bank’s performance in its assessment area in comparison to demographic data for consumer installment lending and commercial lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

The analysis of consumer installment and commercial lending within the assessment area is discussed later in this report.

Responsiveness to Complaints

The bank has not received any CRA-related complaints since the previous examination.

Compliance with Antidiscrimination Laws

Alabama Exchange 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. The bank has adopted an antidiscrimination policy. 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.

DESCRIPTION OF ASSESSMENT AREA: Macon County

Overview

The bank's assessment area consists of Macon County, Alabama, which is a non-metropolitan area. The assessment area is composed of 10 census tracts. It is located in the east-central portion of the state, and is bordered by Elmore, Tallapoosa, Lee, Russell, Bullock, and Montgomery counties. The county encompasses 614 square miles. The bank's only branch office is located in a moderate-income census tract in the county seat of Tuskegee, Alabama.

Demographic Data by Census Tracts

Census demographic data from the 2000 census was used to define the bank's assessment area which consists of 10 census tracts. One (10 percent) of the 10 census tracts is a low-income tract, five (50 percent) are moderate-income tracts, and four (40 percent) are middle-income tracts. There are no upper-income tracts in the assessment area. According to the 2000 census data, 26.8 percent of the families in the assessment area have incomes below the poverty level (this number was not affected by OMB changes). In August, 2005, the federal banking agencies issued a list of distressed or underserved nonmetropolitan middle-income geographies that could receive CRA consideration for community development activities based on their distressed or underserved status. Distressed nonmetropolitan middle-income geographies are those located in counties that meet one or more triggers that generally reflect the "distress criteria" used by the Community Development Financial Institutions (CDFI) Fund. The distress triggers are: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; (3) a population loss of 10 percent or more between the previous and most recent decennial census, or a net migration loss of 5 percent or more over the five-year period preceding the most recent census. The middle-income census tracts in Macon County have been designated as "distressed" for both 2005 and 2006, based on poverty level. The HUD estimated median family incomes for the state non-metropolitan areas in 2004, 2005 and 2006, which includes the bank's assessment area are \$41,700, \$42,800 and \$45,200, respectively.

DESCRIPTION OF ASSESSMENT AREA: Macon County (Continued)

Housing Characteristics

2000 census data indicates that the median value of housing units in the assessment area was \$61,130 in 2006, which is less than the median housing value for the state at \$76,700. The median age of housing in the assessment area is 27 years compared to the state of Alabama at 25 years.

Population Information

According to the 2000 census, the population of the Macon County Assessment Area is 24,105 persons, which represents approximately 0.54 percent of the state of Alabama’s population of 4,447,100 persons.

Employment Statistics

According to the 2004 Regional Economic Information System Bureau of Economic Analysis, Macon County’s employment is primarily dependent on government and service sectors.

The following table indicates a decreasing trend in the unemployment rates for Macon County and the state of Alabama, according to the Bureau of Labor Statistics. Although the unemployment rate in Macon County is decreasing, it remains higher than that of the State of Alabama.

UNEMPLOYMENT RATES FOR YEARS 2003 – 2006 (Not Seasonally Adjusted)				
Area	2003 (annualized)	2004 (annualized)	2005(annualized)	2006 (August)
Macon County	6.1 %	6.2 %	5.1 %	5.1 %
State of Alabama	5.5 %	5.2 %	4.0 %	3.9 %

Competition

The Macon County Assessment Area is not considered a highly competitive market. According to the FDIC market share report as of June 30, 2006, there were three banks operating three branch offices in Macon County. However, there is only one other bank operating in the city of Tuskegee. Alabama Exchange Bank ranked 1st in deposit market share at 67.5 percent. Local competition does not appear to have adversely affected the bank’s ability to serve the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA: Macon County (Continued)

Community Contacts

As a part of the CRA examination, information was obtained from a government official and one local community development organization regarding local economic conditions and community credit needs in the assessment area. Both contacts stated that there is a housing need in Macon County, specifically for low- and moderate-income families, and for better access to real estate and consumer loans. One contact stated that many seek lending opportunities outside of the area and suggested that local banks could be more open to the community by providing educational seminars on financing small businesses.

The second contact stated that with the completion of the Tuskegee Airmen Memorial, a \$29 million dollar project, there will be a number of opportunities for bank participation in financing hotels, restaurants, and service stations to complement the new tourist attraction. The contact added that Alabama Exchange Bank and a local credit union are very active and involved in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The following tables show demographic and lending data for the Macon County Assessment Area based on the 2000 census data. Certain components of the data in the table are discussed in this evaluation as they apply to particular parts of the analysis.

Assessment Area Demographics

Assessment Area : Alabama Exchange 2003

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	10.0	376	6.8	155	41.2	1,872	33.9
Moderate-income	4	40.0	1,716	31.0	560	32.6	874	15.8
Middle-income	5	50.0	3,436	62.2	768	22.4	932	16.9
Upper-income	0	0.0	0	0.0	0	0.0	1,850	33.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	10	100.0	5,528	100.0	1,483	26.8	5,528	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	785	393	6.5	50.1	275	35.0	117	14.9
Moderate-income	3,507	1,902	31.6	54.2	949	27.1	656	18.7
Middle-income	6,335	3,727	61.9	58.8	1,704	26.9	904	14.3
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	10,627	6,022	100.0	56.7	2,928	27.6	1,677	15.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	26	5.4	25	5.9	0	0.0	1	2.9
Moderate-income	118	24.4	105	24.8	7	28.0	6	17.6
Middle-income	339	70.2	294	69.3	18	72.0	27	79.4
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	483	100.0	424	100.0	25	100.0	34	100.0
	Percentage of Total Businesses:			87.8		5.2		7.0

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

Assessment Area Demographics

Assessment Area: Alabama Exchange Jan 1, 2004 – Jun 30, 2006

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	10.0	376	6.8	155	41.2	1,948	35.2
Moderate-income	5	50.0	2,182	39.5	685	31.4	873	15.8
Middle-income	4	40.0	2,970	53.7	643	21.6	935	16.9
Upper-income	0	0.0	0	0.0	0	0.0	1,772	32.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	10	100.0	5,528	100.0	1,483	26.8	5,528	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	785	393	6.5	50.1	275	35.0	117	14.9
Moderate-income	4,559	2,394	39.8	52.5	1,345	29.5	820	18.0
Middle-income	5,283	3,235	53.7	61.2	1,308	24.8	740	14.0
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	10,627	6,022	100.0	56.7	2,928	27.6	1,677	15.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#
Low-income	26	5.4	25	5.9	0	0.0	1	2.9
Moderate-income	264	54.7	229	54.0	16	64.0	19	55.9
Middle-income	193	40.0	170	40.1	9	36.0	14	41.2
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	483	100.0	424	100.0	25	100.0	34	100.0
	Percentage of Total Businesses:			87.8		5.2		7.0

Based on 2000 Census Information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

Loan Distribution Table

Assessment Area: Alabama Exchange 2003

Income Categories	Consumer Installment Loans							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Low	3	12.5%	31	9.1%	8	33.3%	62	18.3%
Moderate	9	37.5%	111	32.7%	9	37.5%	141	41.6%
Middle	12	50.0%	197	58.1%	4	16.7%	82	24.2%
Upper	0	0.0%	0	0.0%	3	12.5%	54	15.9%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	24	100.0%	339	100.0%	24	100.0%	339	100.0%
	Commercial Loans							
	#	%		\$(000s)	%			
	By Tract Income							
Low	0	0.0%		0	0.0%			
Moderate	1	14.3%		14	2.7%			
Middle	6	85.7%		508	97.3%			
Upper	0	0.0%		0	0.0%			
Unknown	0	0.0%		0	0.0%			
Total	7	100.0%		522	100.0%			
	By Revenue							
\$1 Million or Less	6	85.7%		450	86.2%			
Over \$1 Million	1	14.3%		72	13.8%			
Not Known	0	0.0%		0	0.0%			
Total	7	100.0%		522	100.0%			
	By Loan Size							
\$100,000 or less	6	85.7%		251	48.0%			
\$100,001 - \$250,000	0	0.0%		0	0.0%			
\$250,001 - \$1 Million	1	14.3%		272	52.0%			
Over \$1 Million	0	0.0%		0	0.0%			
Total	7	100.0%		523	100.0%			

Originations and Purchases

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

Loan Distribution Table

Assessment Area: Alabama Exchange Jan 1, 2004 - Jun 30, 2006

Income Categories	Consumer Installment Loans							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Low	7	6.2%	33	2.8%	41	36.3%	256	21.4%
Moderate	48	42.5%	519	43.4%	37	32.7%	361	30.2%
Middle	58	51.3%	644	53.8%	24	21.2%	353	29.5%
Upper	0	0.0%	0	0.0%	10	8.8%	192	16.1%
Unknown	0	0.0%	0	0.0%	1	0.9%	33	2.8%
Total	113	100.0%	1,196	100.0%	113	100.0%	1,195	100.0%
	Commercial Loans							
	#	%			\$(000s)			%
	By Tract Income							
Low	1		1.7%		50		1.2%	
Moderate	25		43.1%		1,424		34.9%	
Middle	32		55.2%		2,602		63.8%	
Upper	0		0.0%		0		0.0%	
Unknown	0		0.0%		0		0.0%	
Total	58		100.0%		4,076		100.0%	
	By Revenue							
\$1 Million or Less	53		91.4%		3,384		83.0%	
Over \$1 Million	4		6.9%		689		16.9%	
Not Known	1		1.7%		3		0.1%	
Total	58		100.0%		4,076		100.0%	
	By Loan Size							
\$100,000 or less	44		75.9%		1,264		31.0%	
\$100,001 - \$250,000	12		20.7%		1,818		44.6%	
\$250,001 - \$1 Million	2		3.4%		996		24.4%	
Over \$1 Million	0		0.0%		0		0.0%	
Total	58		100.0%		4,078		100.0%	

Originations and Purchases

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

Overview

In the Macon County Assessment Area, Alabama Exchange Bank's number of consumer installment loans exceeded the number of commercial loans originated during the review period; however, the dollar volume of commercial lending exceeded the dollar volume of consumer installment lending. Therefore, commercial lending was given greater weight in arriving at conclusions regarding the bank's CRA lending performance.

Geographic Distribution

To evaluate Alabama Exchange Bank's performance concerning the geographic distribution of loans, a sample of consumer installment and commercial loans originated within the bank's assessment area were compared with the demographic information available. Performance context issues were also considered. The original sample of loans included loans from 2003, 2004, 2005, and through June 30, 2006; however, because of OMB changes in 2004, 2003 loans were analyzed separately from loans for the following years.

2003 Consumer Installment Lending

Of the 24 loans sampled in 2003 that were originated in the bank's assessment area, 12.5 percent were originated in low-income census tracts where 6.8 percent of families in the assessment area reside. 37.5 percent of the loans were originated in moderate-income tracts, which is greater than the 31 percent of the families that reside in these tracts; and 50 percent of the bank's consumer loans were originated in middle-income tracts, which is where 62.2 percent of families that live in the assessment area reside.

2003 Commercial Lending

The bank made no commercial loans in low-income census tracts in 2003 although 5.9 percent of small businesses are located in these tracts. 14.3 percent of the bank's commercial loans were originated in moderate-income tracts, which is also less than the percentage of small businesses located in these tracts at 24.8 percent. However, 85.7 percent of the bank's commercial lending was originated in middle-income tracts, where 69.3 percent of small businesses are located. This is more than reasonable given that as of November 2005; the middle-income tracts in the assessment area are considered distressed areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

2004 – 2006 Consumer Installment Lending

Of the 113 loans sampled from January 1, 2004 through June 30, 2006 that were originated in the bank's assessment area, 6.2 percent were originated in low-income census tracts where 6.8 percent of families in the assessment area reside. 42.5 percent were originated in moderate-income tracts, which is greater than the 39.5 percent of families that reside in moderate-income tracts. Of all families residing in the assessment area, 53.7 percent reside in middle-income tracts and the bank originated 51.3 percent of its installment loans in these tracts. Due to high levels of poverty, the middle-income census tracts in Macon County have been designated as "distressed" geographies.

2004 – 2006 Commercial Lending

Of the 58 commercial loans sampled from January 1, 2004 through June 30, 2006 that were originated in the bank's assessment area, one loan (1.7 percent) was extended to a business located in a low-income census tract; which is less than the 5.9 percent of small businesses located in low-income tracts. 43.1 percent of commercial loans were originated in moderate-income tracts, which is less than the percentage of small businesses in these tracts at 54 percent. The majority, 55.2 percent of commercial loans, were originated in middle-income tracts where 40.1 percent of the small businesses are located.

Based on demographic factors and other performance context considerations, Alabama Exchange Bank's performance with regard to the geographic distribution of consumer installment lending and commercial lending reflects **EXCELLENT** dispersion throughout the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

Distribution by Borrower Profile

For this analysis, the distribution of consumer installment lending across borrower income levels and commercial lending across business revenue sizes was compared with available demographic information. Borrower income classifications were assigned according to the definitions presented in Appendix B. The original sample size of loans included loans from 2003, 2004, 2005, through June 2006; however, because of OMB changes in 2004, 2003 loans were analyzed separately from loans from the following years.

2003 Consumer Installment Lending

Of the total consumer loans sampled for 2003, 33.3 percent were originated to low-income borrowers, which is comparable to the percentage of low-income families in the assessment area at 33.9 percent. 37.5 percent of these loans were made to moderate-income borrowers, which is significantly greater than the percentage of moderate-income families in the assessment area at 15.8 percent.

2003 Commercial Lending

Of total commercial loans sampled that reported gross annual revenues for 2003, a substantial majority, 85.7 percent, were made to small businesses, which is comparable to the percentage of small businesses in the assessment area at 87.8 percent. In addition, 85.7 percent of these loans were in amounts of \$100,000 or less, indicating a willingness to lend to very small businesses.

2004 – 2006 Consumer Lending

Of the consumer installment loans sampled for 2004 through June 2006, 36.3 percent were originated to low-income borrowers, which is slightly greater than the percentage of low-income families in the assessment area at 35.2 percent. The percentage of consumer installment loans made to moderate-income borrowers at 32.7 percent is significantly greater than the percentage of moderate-income families in the assessment area at 15.8 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: Macon County (Continued)

2004 – 2006 Commercial Lending

Of the commercial loans sampled for 2004 through 2006, 91.4 percent were originated to businesses with gross annual revenues of \$1 million or less. This is greater than the percentage of small businesses in the assessment area at 87.8 percent. In addition, 75.9 percent of these loans were in amounts of \$100,000 or less, indicating a willingness to lend to very small businesses.

Based on demographic data and other performance context considerations, Alabama Exchange Bank's lending performance reflects **EXCELLENT** penetration among customers of different income levels and businesses of various revenue sizes.

Community Development Activities

The bank's participation in various community development loans and services **ENHANCES** its record of serving the credit and community development needs in its assessment area. Alabama Exchange Bank funded or participated in four qualified community development projects for a total of \$2,048,000. The projects included a sewer treatment facility, an ambulatory care center, rehabilitation of housing for low- and-moderate income families, and heating bill assistance for low-income families.

Additionally, bank personnel provided technical assistance and financial expertise to several city and county organizations including Macon County Water Authority; Tuskegee Area Chamber of Commerce; Lee County Industrial Development Authority; Tuskegee-Macon County Community Development Corporation; Community Hospital of Tallassee; Macon County Economic Development Authority; and the Utilities Board of the City of Tuskegee Advisory Council. Given the bank's asset size, product offerings, and market, these activities show a willingness by the bank to be actively involved in the community and a desire to benefit low- and moderate-income families in its assessment area. These activities, considered along with the bank's lending performance, increases the bank's rating from Satisfactory to Outstanding.

APPENDIX A – DEFINITIONS AND ABBREVIATIONS

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.

Abbreviations

- ATMs - Automated Teller Machines
- CRA - Community Reinvestment Act (Regulation BB)
- FDIC - Federal Deposit Insurance Corporation
- HMDA - Home Mortgage Disclosure Act (Regulation C)
- HUD - Department of Housing and Urban Development
- LTD - Loan-to-Deposit Ratio
- MSA - Metropolitan Statistical Area
- MD - Metropolitan Division
- REIS- Regional Economic Information Systems
- SBA - Small Business Administration

ROUNDING CONVENTION

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

APPENDIX B – 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 **Alabama Exchange Bank** prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency as of **November 13, 2006**. 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.