



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 22, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Alabama Trust Bank, National Association
Charter Number 23896

101 West Fort Williams Avenue
Sylacauga, AL 35150-0000

Office of the Comptroller of the Currency

Georgia Field Office
3 Ravinia Drive, Suite 550
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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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors that support this rating for Alabama Trust Bank, N.A. (ATB) include:

- a satisfactory loan-to-deposit ratio;
- a majority of loans are within the assessment area;
- a reasonable penetration of loans among borrowers of different incomes and businesses of different sizes; and
- a reasonable penetration of loans to borrowers in different geographies.

SCOPE OF EXAMINATION

This Performance Evaluation is an assessment of ATB's ability to meet the credit needs of the community in which it operates. Examiners conducted a full-scope review of the bank's assessment area (AA), which includes three counties that are not in a Metropolitan Statistical Area. This evaluation covers the period of December 2, 2002 through March 24, 2008.

ATB was evaluated under the Small Bank examination procedures, which includes a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The lending test was performed using samples of loans originated between January 1, 2006 and February 29, 2008, as this period fairly represents the bank's lending strategy since the last CRA examination.

ATB's primary loan products are commercial, residential, and consumer loans. The bank is not required to file Home Mortgage Disclosure Act (HMDA) reports. Therefore, a random sample of the primary loan products was selected to evaluate the bank's lending performance.

DESCRIPTION OF INSTITUTION

ATB opened for operations in April 2000 as a newly chartered financial institution in Sylacauga, Talladega County, Alabama. ATB is a wholly-owned subsidiary of Guardian Bancshares, Inc. a one bank holding company. The main office is a full-service banking location with an on-site deposit taking ATM. ATB does not have any branch locations.

The bank's primary focus is to serve consumer and commercial customers in Sylacauga and surrounding areas. ATB meets these needs by providing traditional loan and deposit products. Since the last evaluation, ATB began offering Bill Pay and Internet access services. Also, ATB opened an LPO in Hoover, Jefferson County, AL in August 2007 to make commercial loans only. Commercial loans originated at the LPO were included in the review sample. Related organizations include 1-1 Asset Management, which invests in mutual funds for clients but has no trust powers, and ATB Holdings, a bank holding company that owns 25 percent of ATB. ATB Holdings is owned by individuals involved with Arlington Partners, who aligned with the bank to direct customers of Arlington Capital's Founders Trust to the bank for lending services.

As of December 31, 2007, ATB reported net loans of \$78.7 million and had a net loans and leases to total assets ratio of 81 percent. The loan portfolio composition is as follows:

Loan Portfolio Summary by Loan Product as of December 31, 2007	
Loan Category	% of Outstanding Dollars
Business Loans	63.17%
Consumer Loans	17.10%
Home Loans	16.76%
Farm Loans	2.52%

Total deposits in the bank are \$77 million with capital accounts aggregating \$10 million.

There are no legal or financial impediments to ATB's ability to meet the credit needs of its AA. The bank received a satisfactory rating at its last CRA examination dated December 2, 2002.

DESCRIPTION OF ASSESSMENT AREA

The bank's AA is comprised of three complete counties, Talladega, Clay, and Coosa Counties. These Alabama counties are not a part of a Metropolitan Statistical Area. This AA meets the requirements of the regulation and does not exclude any low- or moderate-income areas. Of the three moderate-income census tracts in the AA, two are located in downtown Talladega, approximately 25 miles from ATB, and one in Goodwater, Coosa County, Alabama, approximately 18 miles from the bank.

Based on the 2000 census, the total population for the tri-county AA is 106,777. The majority of the AA's population is centered in Talladega County at approximately 80,000 people. Talladega County is bordered on the east by Clay County and on the south by Coosa County.

The economic base is centered in manufacturing (textile and automotive), agricultural, and service (wholesale and retail) related industries. Major employers in Talladega County are: Honda (automotive plant), Purcell (fertilizer plant in Sylacauga), Bluebell (ice cream plant in Sylacauga), and the Talladega County School System.

The largest employers in Clay and Coosa Counties are Wellborn Cabinets and Maydex (store fixtures), respectively.

The local economy suffered a number of job losses when the Georgia Pacific manufacturing plant in Talladega closed and Avondale Mills closed plants in both Talladega and Coosa counties. In December 2007, Alabama labor market reports showed the unemployment rate for Talladega, Coosa, and Clay counties at 4.5 percent, 4.6 percent, and 5.2 percent, respectively, compared to the state of Alabama average of 3.8 percent. These unemployment figures were not seasonally adjusted.

The following table highlights the demographic composition of the bank’s assessment area:

Demographic and Economic Characteristics of Assessment Area (AA)	
Population	
Number of Families	29,566
% Low Income Families	15%
% Moderate Income Families	17%
% Middle Income Families	22%
% Upper Income Families	46%
Geographies	
Number of Census Tracts	26
% Low Income Census Tracts - (0)	0%
% Moderate Income Census Tracts - (3)	11%
% Middle Income Census Tracts - (22)	85%
% Upper Income Census Tracts - (1)	4%
Median Family Income (MFI)	
2000 MFI for AA	\$36,638
2007 HUD Adjusted MFI	\$45,200
Economic Indicators	
2000 Unemployment Rate	3.17%
2000 Median Housing Value	\$60,105
% of Households Below Poverty Level	18%

Source: 2000 United States Census Data and Labor market reports.

There are number of financial institutions in Sylacauga. Competition from other financial intuitions is strong. ATB is one of three banks headquartered in Sylacauga.

In conducting the assessment of the bank’s performance, we contacted two local organizations. The first contact indicated banks in the area needed to do a better job of marketing to all segments of the community. Specifically, there is a need for bank’s to do more outreach to consumers of modest means. The first contact indicated that some banks in the area offered no or low fee savings account to consumers. The second contact indicated a need for a small business loan pool for micro loans and small business financial literacy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

ATB’s net loan-to-deposit ratio is reasonable given the bank’s size, financial condition, assessment area credit needs, and years of existence.

The bank’s quarterly loan-to-deposit ratio averaged 70 percent since the last CRA examination. This ratio ranged from a quarterly low of 54 percent to a quarterly high of a 102 percent. The bank’s ratio compares favorably to the 71 percent average ratio of three similarly situated banks. Quarterly peer bank averages ranged from a low of 54 percent to a high of 93 percent.

Lending in Assessment Area

A substantial majority of ATB's primary loan products were made within the bank's assessment area.

The following table details the bank's lending within the AA by number and dollar amount of loans. The results of this analysis are highlighted below:

Table 2 - Lending in Talladega, Clay & Coosa Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000's)
	#	%	#	%		(000's)	%	(000's)	%	
Consumer	52	85%	9	15%	61	\$601	79%	\$158	21%	\$759
Residential	48	96%	2	4%	50	\$4,283	95%	\$232	5%	\$4,515
Business	28	82%	6	18%	34	\$3,024	66%	\$1,585	34%	\$4,609
Totals	128	88%	17	12%	145	\$7,908	80%	\$1,975	20%	\$9,883

Source: Sample of loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different incomes and businesses of different sizes meets the standards for satisfactory performance and is considered reasonable.

The penetration of consumer loans to low-income borrowers is low relative to the number of low-income households in the AA. This is mitigated by the AA's high household poverty rate of 18 percent. The percentage of moderate-income borrowers slightly exceeds the demographic comparator.

Table 3 - Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	25%	6%	14%	15%	17%	33%	45%	46%

Source: 2006 CRA Wiz Data and loan sample.

The penetration of residential loans to low-income borrowers is low relative to the number of low-income families in the AA. However, this is mitigated by the fact that 18 percent of all households in the AA live below the poverty level according to 2000 census data. Additionally, the percentage of residential loans to moderate-income borrowers exceeds the percentage of moderate-income families residing in the AA.

Table 3 - Borrower Distribution of Residential RE Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family	21%	4%	17%	21%	22%	29%	40%	46%

Source: 2006 CRA Wiz Data and loan sample.

Lending to businesses of different sizes is reasonable. The penetration of loans to small businesses (businesses with annual revenues of \$1 million dollars or less) by number exceeds the percentage of small businesses in the AA. Thirty-seven percent of the business loan's dollar volume went to small businesses. This number is lower due to the bank opening a Loan Production Office (LPO) in Birmingham. The LPO originates commercial loans and most of the loans are to commercial clients that have significantly larger revenues.

Table 3A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	48%	3%	49%	100%
% of Bank Loans in AA by #	68%	32%	-	100%
% of Bank Loans in AA by \$	37%	63%	-	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion throughout the bank's AA.

This conclusion is more heavily weighted on the reasonable penetration in moderate-income geographies for consumer and residential loans relative to the AA demographic comparators. The penetration of moderate-income geographies for businesses is significantly lower compared to the AA demographics and considered poor. ATB had no business loan penetration in the moderate-income census tracts in part due to the bank's proximity to the moderate-income tracts and the limited number of businesses located in the moderate census tracts.

The distribution of consumer and residential loans in moderate-income census tracts is considered reasonable. Although the percentage of loans in the moderate-income census tracts is lower than the percentage of AA owner occupied housing in the census tract, ATB made a reasonable amount of loans in the moderate-income census tracts.

Table 4 - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Consumer	0%	0%	7%	4%	90%	96%	3%	0%
Residential	0%	0%	7%	4%	90%	96%	3%	0%

Source: 2006 CRA Wiz Data and loan sample.

The bank's geographic distribution of business loans reflects poor dispersion throughout census tracts of different income levels. While the bank did not originate any business loans in the three moderate-income census tracts; there were very few businesses located in these census tracts. Additionally, due to the moderate census tracts being 18-25 miles away from the bank and two tracts being near downtown Talladega, opportunities to make business loans in these census tracts were limited.

The following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Table 4A - Geographic Distribution of Loans to Businesses in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0%	0%	4%	0%	94%	100%	2%	0%

Source: Loan sample; Dunn and Bradstreet data.

Responses to Complaints

No complaints related to CRA performance were received during the evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.