



PUBLIC DISCLOSURE

October 07, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Bank of Huntsville
(formerly known as Worthington Federal Bank)
Charter Number 708569

3301 Memorial Parkway, SW
Huntsville, AL 35801

Office of the Comptroller of the Currency

Birmingham Field Office
3595 Grandview Parkway, Suite 655
Birmingham, AL 35243

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

American Bank of Huntsville (AB of Huntsville or bank) has a **satisfactory** record of meeting community credit needs based on the following:

- The loan-to-deposit (LTD) ratio is more than reasonable and above the peer group average.
- Lending within its assessment area (AA) is adequate given performance context factors.
- Reasonable penetration for lending to borrowers of different incomes and businesses of different sizes within its AA.
- A reasonable dispersion of residential and business loans throughout its AA.
- The bank has not received any complaints about its performance under the Community Reinvestment Act (CRA) during the evaluation period.

SCOPE OF EXAMINATION

AB of Huntsville was evaluated under the Small Bank examination procedures, which is comprised of a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. To evaluate AB of Huntsville's performance under the lending test, we used loans originated between January 1, 2012, and June 30, 2014. The bank's previous CRA rating dated April 6, 2009, was "Satisfactory."

AB of Huntsville's primary loan products are 1-4 family residential and commercial loans (including commercial real estate). Since 1-4 family residential and commercial loans represent a significant portion of AB of Huntsville's lending activity, conclusions regarding the Lending Test were weighted primarily to these loan products. AB of Huntsville is a Home Mortgage Disclosure Act (HMDA) reporter. We performed a data integrity review of the bank's HMDA reportable loans and found the data to be accurate and reliable. In addition to reviewing HMDA reportable loans, we also selected and tested a sample of commercial loans.

AB of Huntsville has one AA consisting of the Huntsville Metropolitan Statistical Area (MSA), which includes all of Madison County and Limestone County in Alabama. We performed a full review of this MSA.

DESCRIPTION OF INSTITUTION

AB of Huntsville, formerly known as Worthington Federal Bank, is a community bank and federal savings association located in Huntsville, Alabama. The bank is a wholly owned subsidiary of ABH Bancorp, Inc., a one-bank holding company also located in Huntsville, Alabama. As of June 30, 2014, AB of Huntsville reported total assets of \$134 million. The Bank has operated under a Consent Order with the Office of the Comptroller of the Currency since December 5, 2012. The Consent Order does not impede AB of Huntsville from meeting the credit needs of its community.

AB of Huntsville has only one branch. Since the previous CRA Performance Evaluation, dated April 6, 2009, the bank relocated this branch and its main office in October 2009, from 4040

Balmoral Drive, Huntsville, Alabama 35801, to 3301 Memorial Parkway South West, Huntsville, Alabama 35801. The relocation took place for business reasons. Both addresses are located within the same census tract (CT). Since October 2009, the Bank’s only location has remained at 3301 Memorial Parkway South West, Huntsville, Alabama 35801. No legal or financial factors impede AB of Huntsville’s ability to meet the credit needs of the communities it serves. The branch is a full service operation. In addition to providing full service banking services, the branch also has a proprietary, deposit-taking automated teller machine (ATM) located on its premises.

AB of Huntsville offers a wide range of traditional loan and deposit products. The main office is located in an area that is accessible to persons from different areas of the community. Customers have 24-hour access to their accounts through mobile banking (consumer remote) and online banking services. Internet banking services include retail banking, access to deposit and loan information, transfers between AB of Huntsville accounts, and bill payment services. AB of Huntsville’s primary business focus is real estate lending for both consumer and business purposes. The table below provides details regarding AB of Huntsville’s loan composition as of June 30, 2014.

Loan Portfolio Composition as of June 30, 2014		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	13,192	12.50%
Secured by Farmland	344	0.32%
One-to-Four Family Residential	52,393	49.63%
Commercial Real Estate	29,638	28.08%
Total Real Estate Loans	95,567	90.53%
Agricultural	0	0.00%
Commercial and Industrial	7,958	7.54%
Consumer	2,042	1.93%
Total Loans	105,567	100.00%

Source: AB of Huntsville - June 30, 2014 Report of Condition

DESCRIPTION OF ASSESSMENT AREA(S)

AB of Huntsville has delineated the Huntsville MSA as its sole AA. However, during the review period and prior to the start of the evaluation, the bank’s AA consisted of the following delineations:

1. Alabama AA – The Huntsville MSA, Morgan and Lawrence counties located in the Decatur MSA #19460, and the counties of Jackson and Marshall, Alabama both located in a non-MSA. Also included were the bordering counties of Franklin and Lincoln, both located in Tennessee.
2. North Carolina AA – The counties of Camden, Pasquotank, and Perquimans which were all located in a non-MSA. In January 2010, the bank no longer had a presence in North Carolina due to the closing of its loan production office located in Elizabeth City, North Carolina.

We did not identify any evidence of redlining or discriminatory practices as it related to the delineation of these AAs; however, delineation of these AAs did not meet regulatory requirements. Upon becoming aware of these facts, bank management delineated the Huntsville MSA as its sole AA.

The Huntsville MSA primarily consists of Madison County, which is located in the North Central region of Alabama. The Huntsville MSA has seventy-three (73) CTs located in Madison County and sixteen (16) CTs located in Limestone County. The AA meets the CRA requirements and does not arbitrarily exclude any low- or moderate-income CTs.

The city of Huntsville is the county seat of Madison County. Huntsville is Alabama’s fourth largest city by population and its largest city by total land area. The Huntsville MSA has an estimated population of 417,593, with minorities representing 31.38% of this figure. The Huntsville MSA’s race/ethnic origin consists of approximately 68.62% White, 21.52% Black, 4.79% Hispanic, 2.26% Asian/Pacific Islander, 0.68% American Indian/Alaskan Native, and 2.14% other races. The current local economy is characterized as good and stable. Stable or declining jobs in the manufacturing, professional services, and federal employment sectors has been offset by job growth in the business services and construction sectors. The Huntsville MSA had a July 2014 unemployment rate of 6.7%. This compares favorably to the state of Alabama as a whole, which had a rate of 7.7%. The table below lists the top ten (10) employers in the Huntsville Metropolitan area:

Top Ten Employers in the Huntsville Metro Area	
Employer	# of Employees
U.S. Army/Redstone Arsenal	15,500
Huntsville Hospital System	7,129
NASA/Marshal Space Flight Center	6,000
Huntsville City Schools	3,079
The Boeing Company	2,600
Madison County Schools	2,389
SAIC	2,229
City of Huntsville	2,206
ADTRAN, Inc.	1,740
UA Huntsville	1,675

Competition in the bank’s AA is strong given the presence of several large banks and community banks in Huntsville, AL. AB of Huntsville’s major competitors are Regions Bank, Compass Bank, ServisFirst Bank, Wells Fargo Bank, Branch Banking and Trust Company, Synovus Bank, Progress Bank and Trust, PNC Bank, Cadence Bank, National Bank of Commerce, First National Bank of Pulaski, and Reliance Bank. The following table shows the demographic and economic characteristics of the Huntsville MSA AA.

Demographic Information for Huntsville MSA AA						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	89	12.36	29.21	32.58	25.84	0.00
Population by Geography	417,593	8.34	25.71	36.81	29.14	0.00
Owner-Occupied Housing by Geography	174,937	3.59	23.58	39.46	33.38	0.00
Businesses by Geography	33,092	10.20	25.18	33.79	30.83	0.00
Farms by Geography	1,189	4.96	24.81	47.69	22.54	0.00
Family distribution by Income Level	105,658	6.48	24.52	37.75	31.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	41,883	13.38	36.83	36.14	13.65	0.00
Median Family Income HUD updated Median Family Income for 2012 % Households Below Poverty Level		71,585 71,500 12.13	Median Housing Value Unemployment Rate (2010 US Census)		147,330 4.96%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2012 HUD updated Median Family Income

We discussed community-lending needs with the executive director of a Northern Alabama housing group who commented favorably on financial institutions' involvement within the local communities. Our contact stated that low- and moderate-income individuals needed personal financial classes and counseling, while identifying financing for construction of homes and housing repairs as prominent lending needs in the Huntsville MSA AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

AB of Huntsville's LTD ratio is more than reasonable given its size, financial condition, funding sources, and AA credit needs. The bank's quarterly average LTD ratio averaged 92.48 percent over the evaluation period. The bank's average LTD ratio is above its peer group quarterly average LTD ratio and exceeds the standards for satisfactory performance.

Through the evaluation period, AB of Huntsville's quarterly LTD ratio ranged from a low of 78.77 percent and a high of 99.41 percent. When compared to ten other similarly situated banks, AB of Huntsville had an average LTD ratio of 92.48 percent compared to a peer group average LTD ratio of 76.53 percent. The following table shows total assets as of second quarter 2014, and the quarterly average LTD ratio from March 31, 2009, through June 30, 2014 for AB of Huntsville and similarly situated banks.

Loan-to-Deposit Ratios		
Institution	Assets (as of 2Q 2014)	Average LTD Ratio
American Bank of Huntsville, Huntsville, AL	\$134 million	92.48%
Evabank, Eva, AL	\$336 million	86.22%
National Bank of Commerce, Birmingham, AL	\$783 million	85.56%
Progress Bank and Trust, Huntsville, AL	\$563 million	84.15%
Citizens Bank & Trust, Guntersville, AL	\$330 million	80.78%
Premier Bank of The South, Good Hope, AL	\$142 million	79.45%
Reliance Bank, Athens, AL	\$146 million	74.48%
First Jackson Bank, Stevenson, AL	\$220 million	69.54%
North Alabama Bank, Hazel Green, AL	\$98 million	68.64%
First National Bank of Pulaski, Pulaski, TN	\$721 million	60.82%
Southbank, Huntsville, AL	\$166 million	59.67%
Peer Group Average		76.53%

Source: Uniform Bank Performance Report and Bank Call Report Data

Lending in Assessment Area

AB of Huntsville originated a majority of primary loans outside its AA during the evaluation period. Our review indicated that approximately 45 percent of the number of loans and 49 percent of the dollar volume of loans originated from January 1, 2012, through June 30, 2014 were to borrowers located within the bank's AA.

Despite low lending activity in both categories, performance within the bank's AA is adequate and meets the standards for satisfactory performance. The presence of several active, large bank and peer competitors within the Huntsville MSA, the bank's limited deposit market share of 1.62 percent within the AA, and community contact data indicating that AA credit needs are being met, are mitigating factors to the results of the bank's Inside/Outside ratio and loan performance within the AA. The following table (Table 1) details the AB of Huntsville's lending within its AA by number and dollar amount of loans originated during the evaluation period.

Table 1 - Lending in Huntsville MSA AA

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
						(000s)		(000s)		
Home Purchase	218	67.49	105	32.51	323	39,966	70.02	17,109	29.98	57,075
Home Improvement	55	35.71	99	64.29	154	8,056	41.30	11,450	58.70	19,506
Home Refinance	682	40.67	995	59.33	1,677	115,035	43.82	147,504	56.18	262,539
Commercial	19	95.50	1	5.00	20	3,004	96.31	115	3.69	3,119
Totals	974	44.80	1,200	55.20	2,174	166,061	48.52	176,178	51.48	342,239

Source: 2012, 2013 and 1Q & 2Q 2014 HMDA Loan Application Registers (LARs) and Sample of commercial loans originated in years 2012, 2013 and 1Q & 2Q 2014 (Commercial Loan Sample).

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

Lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance. Lending to borrowers of different incomes exceeds the standard for satisfactory performance and reflects an excellent penetration of home loans to low- and moderate-income borrowers. Lending to small businesses meets the standard for satisfactory performance reflecting reasonable penetration of loans to businesses with annual revenues under \$1 million.

Home Loans

The distribution of home loans to borrowers of different incomes reflects excellent penetration. During our review, we placed greater weight on the bank's home refinance lending as it represented 77.86 percent of the number and 77.42 percent of the total dollar volume of the bank's mortgage lending activity. While the bank's penetration of lending to low-income borrowers is lower than the percentage of low-income families within this AA for both home purchase and home improvement loans, it exceeds the demographic comparator for home refinance loans. In regards to moderate-income borrowers, the bank's penetration of lending for home purchase and home improvement loans is commensurate with the level of moderate-income families in this AA. In addition, the bank's penetration of lending to moderate-income borrowers significantly exceeds the demographic comparator for home refinance loans. The following table (Table 2) shows the distribution of home loans among borrowers of different income levels, as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Huntsville MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Families	% of Number of Loans	% of AA Aggregate Families	% of Number of Loans	% of AA Aggregate Families	% of Number of Loans	% of AA Aggregate Families	% of Number of Loans
Home Purchase	16.83	9.72	24.62	23.15	22.85	19.44	35.70	47.69
Home Improvement	19.60	10.91	27.97	25.45	23.47	16.36	28.96	47.27
Home Refinance	8.37	8.89	15.79	18.37	22.08	20.33	53.76	52.41

Source: 2012, 2013 and 1Q & 2Q 2014 HMDA LARs; U.S. Census data.

Business Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration when considering the bank’s level of competition within the AA. In the Huntsville MSA AA, 73.19 percent of businesses are small, generating gross revenues of less than \$1 million. Sixty percent (60.00%) of the number of AB of Huntsville’s commercial loan originations were to small businesses. The dollar volume of commercial loans made to small businesses represents 41.77 percent. Both reflect a reasonable percentage of small business lending in the AA meeting the standard for satisfactory performance. The following table (Table 2A) shows the distribution of commercial-related loans made to businesses of different sizes, as compared to the percent of businesses in each revenue category.

Table 2A - Borrower Distribution of Loans to Businesses in Huntsville MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.19	4.13	22.68	100%
% of Bank Loans in AA by #	60.00	40.00	0.00	100%
% of Bank Loans in AA by \$	41.77	58.23	0.00	100%

Source: Commercial Loan Sample; U.S. Census data.

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects a reasonable dispersion throughout CTs of different income levels. Reasonable dispersion was noted for both home and business lending in low- and moderate-income geographies.

Home Loans

The geographic distribution of home loans reflects reasonable dispersion throughout the bank’s AA. During our review, we placed greater weight on the bank’s home refinance lending as it represented 77.86 percent of the number and 77.42 percent of the dollar volume of the bank’s reportable mortgage lending activity. AB of Huntsville’s lending performance was below the percentage of AA owner-occupied housing in low-income CTs for home improvement loans; however, lending performance exceeded the percentage of AA owner-occupied housing in low-income CTs for both home purchase and home refinance loans. In regards to moderate-income CTs, AB of Huntsville’s lending performance was below the percentage of AA owner-occupied housing for both home

purchase and home improvement loans. AB of Huntsville’s lending performance exceeded the percentage of AA owner-occupied housing in moderate-income CTs for home refinance loans. The following table (Table 3) shows the distribution of home loans among CTs of different income levels as compared to the percent of owner occupied housing in each income category.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Huntsville MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate Owner-Occupied Housing	% of Number of Loans	% of AA Aggregate Owner-Occupied Housing	% of Number of Loans	% of AA Aggregate Owner-Occupied Housing	% of Number of Loans	% of AA Aggregate Owner-Occupied Housing	% of Number of Loans
Home Purchase	1.36	1.38	13.70	12.84	45.93	38.99	39.00	46.79
Home Improvement	2.83	1.82	22.22	7.27	48.86	54.55	26.09	36.36
Home Refinance	1.20	1.91	13.47	13.49	39.86	44.28	45.46	40.32

Source: 2012, 2013 and 1Q & 2Q 2014 HMDA LARs; U.S. Census data.

Business Loans

An evaluation of the bank’s geographic distribution of business loans reflects reasonable dispersion throughout the bank’s AA. The analysis used data from a sample of 20 commercial loans the bank originated within its AA. AB of Huntsville’s percentage of loans originated in low-income CTs is below the percentage of businesses in these geographies; however, the percentage of loans originated in moderate-income CTs exceeds the percentage of businesses in these geographies. The following table (Table 3A) shows the distribution of business-related loans among CTs of different income levels, as compared to the percent of businesses located in each CT income category.

Table 3A - Geographic Distribution of Loans to Businesses in Huntsville MSA 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
Commercial	10.20	5.00	25.18	30.00	33.79	35.00	30.83	30.00

Sources: Commercial Loan Sample; U.S. Census data.

Responses to Complaints

The bank has not received any complaints about its performance under the Community Reinvestment Act during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank’s (bank) or Federal savings association’s (FSA) CRA rating, respectively, the OCC considers

evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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