



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**June 15, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Britton & Koontz Bank, N.A.  
Charter Number 13722**

**500 Main Street  
Natchez, MS 39120**

**Comptroller of the Currency  
New Orleans  
3838 North Causeway Boulevard Suite 2890  
Metairie, LA 70002**

**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 Lending Test is Rated: Satisfactory**

**The Community Development Test is Rated: Outstanding**

Major factors contributing to the overall ratings include:

- Britton and Koontz, N.A. (B&K) has a more than reasonable loan to deposit ratio given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are made in the institution's assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes in both Mississippi and Louisiana.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas in both Mississippi and Louisiana.
- The bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment areas through community development investments, community development loans, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The level of community development activity in the state of Louisiana is excellent given the bank's limited presence in the Baton Rouge market. The level of community development activity in the state of Mississippi is adequate. Efforts to meet community needs after Hurricane Katrina had a positive impact on the assessment of performance.

## **SCOPE OF EXAMINATION**

This evaluation assesses the bank's performance under the Lending and Community Development Tests. The evaluation under the Lending Test assesses loans originated from January 1, 2004 through December 31, 2005, excluding community development loans. The Lending Test assessed performance for home purchase, home improvement and refinance loans reported under the Home Mortgage Disclosure Act (HMDA), and small business loans based on data collected by the bank. The Community Development Test included reviewing community development lending, investments, and services provided from May 13, 2003 through May 26, 2006.

B&K has banking operations in the state of Mississippi and Louisiana. Therefore, this analysis is based on performance in each of these states, and uses comparative demographic data from the 2000 U.S. Census. Performance in the Adams County assessment area located in the state of

Mississippi is the largest market for B&K, and has the greatest number of branches, loans, and deposits. Therefore, performance in this assessment area was weighted the heaviest when deriving overall conclusions.

## **DESCRIPTION OF INSTITUTION**

B&K is an interstate bank headquartered in Natchez, Mississippi, and is a wholly-owned subsidiary of Britton & Koontz Capital Corporation (BKCC), a one-bank holding company, also headquartered in Natchez, Mississippi.

As of December 31, 2005, B&K had total assets of \$389 million, and loans accounted for the major portion of assets at \$243 million. The largest segments of the loan portfolio are 1–4 family residential real estate loans representing 40 percent of the loan portfolio, and commercial related loans also representing 40 percent of the loan portfolio.

B&K offers a variety of products and services including personal and commercial loan products, deposit products, online banking, cash management services, and trust services.

As previously noted, B&K has operations in both Louisiana and Mississippi. The main location and two branches are located in Natchez, Mississippi, and two additional branches are located in Vicksburg, Mississippi. In Louisiana, one branch is operated in Baton Rouge. Since the last evaluation, B&K closed two branches, and moved one branch location in Baton Rouge. In Natchez, one branch was moved, and one branch was sold. A new branch was opened in Vicksburg during the evaluation period. None of these changes adversely affected the bank's ability to serve its markets.

B&K's performance under the Community Reinvestment Act was last evaluated as of May 13, 2003, and was rated Satisfactory. No legal, financial, or other factors impede the bank's ability to help meet the credit needs in its assessment areas.

## **DESCRIPTION OF ADAMS COUNTY ASSESSMENT AREA**

The bank's primary assessment area (AA) is Adams County, Mississippi. The main office is located in Natchez. B&K has defined the entire county as its AA. The AA complies with regulatory requirements, and does not arbitrarily exclude low- and moderate-income areas. Four census tracts within Adams County have been identified as Distressed Middle-Income areas. This is a result of high poverty and unemployment rates, and population loss.

Adams County is located in the southwestern part of the state, bounded on the South by the Homochitto River, and on the West by the Mississippi River. The county contains 460 square miles of land, and 26 square miles of water. The economy of Natchez and Adams County is diverse. Manufacturing is the largest employment sector, with wood pulp and lumber being the primary products. Oil and gas remains a cornerstone of the area economy. Natchez has a wealth of historic attractions, and tourism is the most rapidly growing job sector. The community serves as a regional commercial and medical center for a 50- mile radius. A large portion of the

population lives below poverty, and the area has a high unemployment rate reported at 8 percent for the first quarter 2006, compared with a national rate of 5 percent.

We conducted and reviewed recent community contacts to better understand area credit needs. Community contacts reported a stable, but recently improving economy in Adams County. A casino and a fuel manufacturer are expected to move into the area, which will provide job growth. Affordable housing is in high demand in Natchez. There is a lack of affordable housing stock available throughout the city, and the high cost historical district contributes to this issue. A contact stated that local banks have been very good in meeting the credit needs of the local community, and that local banks have offered to assist in the economic development of the area when needed.

Natchez reports minimal damage from last year’s hurricane, and is open to temporary and permanent relocations for businesses and events that were impacted. Natchez has port, rail and air facilities, and is reasonably accessible from many areas in Louisiana and Mississippi that sustained significant disruptions resulting from Hurricane Katrina. Community representatives indicate that Natchez has a stable economy, and there is a demand for small business loans.

Table 1-a

<b>Demographic and Economic Characteristics of Adams County Assessment Area</b>	
<b>Population</b>	
Total Population	34,340
Number of Families	9,492
<b>Geographies</b>	
Number of Census Tracts	9
% Low-Income Census Tracts	11%
% Moderate-Income Census Tracts	33%
% Middle-Income Census Tracts	45%
% Upper-Income Census Tracts	11%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$33,550
2004 HUD-Adjusted MFI	\$35,400
<b>Economic Indicators</b>	
Unemployment Rate	4%
2000 Median Housing Value	\$58,495
% Households Below Poverty Level	26%

*Source: 2000 Census data and HUD updated income data.*

## DESCRIPTION OF WARREN COUNTY ASSESSMENT AREA

B&K has designated all of Warren County as its AA. This assessment area meets regulatory requirements, and does not arbitrarily exclude any low- or moderate-income areas.

Warren County is located in the southwestern part of Mississippi. The size of the county is 587 square miles of land, and 32 square miles of water. Warren County is bounded on the west by the Mississippi River. Vicksburg is the county seat, and is located approximately 44 miles west of Jackson, Mississippi. The Vicksburg economy relies upon manufacturing, its inland port, and retail and services that include casino gambling and historical sites that attract tourism.

Unemployment in the area is higher than the national level with a 7 percent unemployment rate for the first quarter of 2006.

Table 1-b

<b>Demographic and Economic Characteristics of Warren County Assessment Area</b>	
<b>Population</b>	
Total Population	49,644
Number of Families	13,331
<b>Geographies</b>	
Number of Census Tracts	11
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	9%
% Middle-Income Census Tracts	36%
% Upper-Income Census Tracts	55%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$33,500
2005 HUD-Adjusted MFI	\$35,400
<b>Economic Indicators</b>	
Unemployment Rate	3%
2000 Median Housing Value	\$69,398
% Households Below Poverty Level	17%

*Source: 2000 Census data and HUD updated income data.*

## DESCRIPTION OF BATON ROUGE PARISH ASSESSMENT AREA

B&K operates one branch in Baton Rouge, and has defined its assessment area as the Southern portion of East Baton Rouge Parish. Baton Rouge houses the state Capitol. The economy is strong. Unemployment was below the national average prior to Hurricane Katrina, although some indicators pointed to a weakening economy such as increased business and personal bankruptcies. Since the Hurricane, Baton Rouge has experienced a sizeable population influx

primarily from the New Orleans area, with various estimates of population increases from 30 to 100 thousand. A large number of businesses, community service providers, and military/government agencies have relocated operations to Baton Rouge since the Hurricane. Estimates for how much of this growth will be permanent are not available, but demand to meet the growth, and to support gulf rebuilding efforts are expected to last many years. A significant community need is temporary and permanent housing for hurricane evacuees.

Baton Rouge has a deep water port, and has historically been dependent upon the oil and gas industries. Manufacturing is also a significant part of the economy including concrete, pharmaceuticals, food and beverage, chemicals, plastics and resins. Additionally, Baton Rouge offers River Boat gambling that provides service and retail employment.

Table 1-c

<b>Demographic and Economic Characteristics of Baton Rouge Assessment Area</b>	
<b>Population</b>	
Total Population	205,173
Number of Families	50,248
<b>Geographies</b>	
Number of Census Tracts	42
% Low-Income Census Tracts	12%
% Moderate-Income Census Tracts	12%
% Middle-Income Census Tracts	17%
% Upper-Income Census Tracts	59%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$61,389
2005 HUD-Adjusted MFI	\$54,450
<b>Economic Indicators</b>	
Unemployment Rate	2.8%
2000 Median Housing Value	\$128,178
% Households Below Poverty Level	14%

*Source: 2000 Census data and HUD updated income data.*

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Lending Test**

The bank's lending activity meets the standards for satisfactory performance. The loan-to-deposit ratio indicates the volume of lending is strong, and the majority of small business and residential real estate loans are made within the AAs. Overall, lending to small businesses reflects good performance. After considering performance context issues, real estate lending to

low- and moderate-income borrowers is considered adequate.

Since B&K has a larger portion of its business and a significant branch presence in Mississippi, we weighed performance in Mississippi more for the Lending Test. To assess the borrower and geographic distribution performance, we analyzed residential real estate loans and commercial loans. These are the bank’s primary products, and are significant to its overall business strategy. We weighted these two products similarly when assessing performance and determining conclusions.

### Loan-to-Deposit Ratio

**Performance exceeds standards for satisfactory performance.** For the 8 quarters since the last CRA evaluation, B&K’s average loan-to-deposit ratio was 96 percent. This is a strong ratio, and is in line with similar banks. B&K’s ratio is near the high-end of the average ratios for eight similar banks. The similar banks had an average ratio of 85 percent for the same time period, and the ratios ranged from 72 percent to 98 percent.

### Lending in Assessment Area

**Lending in the AA meets standards for satisfactory performance.** A majority of home mortgage loans and small business loans were made within the bank’s three AAs.

Table 2 - Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	512	77	153	23	665	50,783	75	16,505	25	67,288
Home Improvement	74	82	16	18	90	2,993	84	573	16	3,566
Home Refinance	437	74	154	26	591	45,404	74	16,225	26	61,629
Small Business	852	85	149	15	1,001	75,607	80	18,317	20	93,924
Totals	1,875	80	472	20	2,347	174,787	77	51,620	23	226,407

Source: data reported under HMDA, business loan data collected by the bank.

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

**B&K has adequate performance for the borrower distribution analysis.** Lending to businesses of different sizes is good for both states. Residential real estate lending is not as strong with adequate performance in Mississippi and weak performance in Louisiana. Performance in Mississippi is weighed more in the overall conclusion since B&K has a larger presence in this market.

### Geographic Distribution of Loans

**The geographic distribution of loans reviewed is adequate.** Performance in both Mississippi and Louisiana is reasonable. The bank's performance in Mississippi was weighted more since B&K has a larger market presence in this state.

### **Responses to Complaints**

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

### **Fair Lending or Other Illegal Credit Practices Review**

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

### **Community Development Test**

**The bank's community development (CD) activities have demonstrated excellent responsiveness to community credit needs.** The bank has participated in a variety of community development activities through making loans, providing services, and making investments in both Mississippi and Louisiana. Community development performance in Mississippi is adequate, and performance in Louisiana is excellent based on the bank's market presence in each state. Community development services provided after Hurricane Katrina demonstrates strong responsiveness to critical needs, and has a positive impact on conclusions.

Efforts related to Hurricane Katrina are noteworthy, especially allowing another financial institution to operate out of B&K's Baton Rouge branch. The Hurricane Katrina CD activities serve the regional area and are described below.

#### Hurricane Katrina

Community development efforts related to Hurricane Katrina are not assigned to individual AA or states, since the impacted area includes the bank's AA and a much broader area. Bank efforts include a variety of community development services. These efforts show initiative, and are very responsive to the immediate needs that existed subsequent to the hurricane. The bullets below summarize some of the major initiatives:

- B&K hosted another financial institution in its Baton Rouge office for several weeks following the hurricane. This facilitated the affected institution's ability to serve its customers during the days immediately following Hurricane Katrina.
- Bank personnel were involved in community meetings to help determine the needs of evacuees and banks affected by the storm.
- B&K provided service to the community by cashing checks and waiving ATM fees after the storm. Part of the check cashing program was planned in conjunction with the



American Red Cross.

- Lending has helped evacuees and businesses to relocate to Baton Rouge and Natchez. Also, loans were made to repair and build housing and hotels in hurricane impacted areas. These activities all meet community development needs by responding to the immediate needs of people, and communities impacted by Hurricane Katrina. This CD activity also helps to meet the longer-term needs of individuals and communities by rebuilding communities and restoring businesses.
- A community development loan for \$1.6 million is responsive to housing needs for hurricane evacuees. Loan proceeds were used to purchase a 125-unit apartment building in Lafayette, Louisiana, and to replace the roof and refurbish the units. The loan was made on December 28, 2005, and the refurbished units help meet housing demands resulting from Hurricane Katrina.

## **Mississippi State Rating**

### **The overall CRA rating for Mississippi:**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- The distribution of small loans to businesses is excellent for both the Adams and Warren County AA(s).
- The distribution of real estate loans to low- and moderate income borrowers is adequate, after considering the high poverty rate in both Adams and Warren Counties.
- The geographic distribution of loans is reasonable for both residential real estate and small business loans in both Mississippi assessment areas.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s).

### **Description of Bank's Operations in the State of Mississippi**

B&K operates four branch locations in two assessment areas in Mississippi. The Adams County AA is the bank's largest market with 78 percent of bank deposits. Deposits in Warren County account for 8 percent of the bank's total deposits. B&K ranks first out of four banks in deposit market share in Adams County with 37 percent of deposits. In Warren County, B&K has four percent of the deposit market share, and ranks fifth out of six reporting banks.

In addition to Mississippi accounting for approximately 86 percent of bank deposits, 85 percent of reported loans were made in Mississippi with the greatest share being in the Adams County AA.

Refer to the description of the AA for demographic and other performance context information.

### **Conclusions about Performance Criteria**

#### **Lending Test**

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

**Performance meets standards for satisfactory performance.** Refer to Appendix A Tables 3-a, 3-b, 4-a, and 4-b for information supporting the rating conclusion. As previously noted, performance in the Adams County AA was weighted the most when deriving conclusions. The penetration of mortgage loans to low-income borrowers is considered adequate for the Adams County AA after considering the high poverty rate of 26 percent. However, residential loan distribution to low-income borrowers in Warren County is poor. Residential loan distribution to

moderate-income borrowers is considered good in Adams County, and adequate in Warren County. Small business lending performance is strong, as evidenced by an excellent penetration of small loans to businesses with revenues less than \$1 million for both the Adams and Warren County AA(s).

### **Geographic Distribution of Loans**

**The geographic distribution of loans meets the standard for satisfactory performance.** In both Mississippi AAs, a lack of owner-occupied units and businesses in low-income census tracts makes analysis of lending in low-income areas difficult. Therefore, this analysis concentrated on lending in moderate-income census tracts for residential lending. Mortgage lending in moderate-income census tracts is adequate in the Adams County AA. The geographic distribution of small business loans is also adequate. Refer to Tables 5-a, 5-b, 6-a, and 6-b in Appendix A for supporting details.

Residential mortgages reflect a reasonable penetration in moderate-income census tracts. There is a lack of opportunity to make residential real estate loans in low-income census tracts in both AAs, and in moderate-income census tracts in the Warren County AA. Penetrations in moderate-income census tracts in Adams County are near to the percentage of owner-occupied houses for home purchase and refinance loans. The penetration is strong for home improvement loans.

Small business lending reflects reasonable geographic distribution. In the Adams County AA, there is an adequate penetration of loans in the low-income census tracts, and penetrations in moderate-income census tracts are near to the percentage of AA businesses in these tracts. For the Warren County AA, no businesses are located in low-income census tracts, and the bank has a strong penetration in moderate-income census tracts.

No unexplained conspicuous lending gaps were identified.

### **Community Development Test**

Community development activities in Mississippi demonstrate good responsiveness to credit needs, and performance for both Mississippi AAs is good. Community development services in Adams County are noteworthy. Consideration is given for the Hurricane Katrina activities that impact all of the bank's AAs.

#### Community Development Loans

*Habitat for Humanity:* Two loans were made to Habitat for Humanity totaling \$26 thousand. Proceeds were used to construct affordable housing for low-income families in the Warren County AA.

#### Community Development Investments

*The Enterprise Corporation of the Delta:* B&K maintains a prior period \$100 thousand dollar equity investment in The Enterprise Corporation of the Delta. The original investment was made in 2002, and was renewed on December 12, 2004. This organization addresses the economic needs of some of the poorest counties in the Lower Mississippi Valley including both Adams and Warren Counties. Lending products and technical assistance are provided to help meet commercial, mortgage and consumer needs in economically distressed areas.

*Hope Community Credit Union:* A \$100 thousand dollar certificate of deposit was purchased in 2004. Hope Community Credit Union is newly chartered, and targets individuals of limited means in the Jackson-Vicksburg areas. This investment benefits the Warren County AA.

*AJFC Community Development Corporation:* Contributions during this evaluation period total approximately \$3 thousand. Funds were used to assist with daycare and home buyer education that benefit the Adams County AA. A contribution was also made to sponsor a lunch for Individual Deposit Account (IDA) and affordable housing program participants. During this period, B&K funded \$500 in IDA accounts. This activity is described in further detail under Community Development Services.

*Boys and Girls Club of Mississippi and Louisiana:* Contributions of \$8 thousand were made during this evaluation period. The organization serves the Adams County AA, and further detail is included under Community Development Services.

*The Initiative, Inc.:* A \$1 thousand dollar contribution was made on March 21, 2005. The organization helps single parents learn how to run a household. The organization provides educational services, and primarily serves low- and moderate-income people. Funds were used to pay for basic repairs to client houses. This investment benefits the Warren County AA.

### Community Development Services

*AJFC Community Development Corporation – IDA:* This service benefits the Adams County AA. B&K provides a matching individual deposit account (IDA) program for first-time homebuyers. Two bank officers serve on the board, and work with clients to help them with financial education and the loan process. The bank has committed \$11 thousand to match participant savings, with up to \$500 per participant. Currently, the program has 47 active participants. Two other groups match funds to help participants have up to \$2,000 available at loan closing. During this period, \$500 was distributed. Bank personnel have spoken publicly to expand the use of the IDA program to help meet affordable housing needs throughout Mississippi.

*Boys and Girls Clubs of Mississippi and Louisiana:* B&K provided CD service and investments to this organization. Approximately \$8 thousand in donations were made, and bank personnel serve on the Board and as Treasurer for the organization. This organization promotes projects that help low- and moderate-income families such as mentoring, and providing recreational activities. The activity benefits the Adams County AA.

*City HOME Grant, City HRL and County HRL Programs:* B&K oversees the distribution of

funds, helps market the programs at homebuyer fairs, and uses the programs to help qualify applicants for home loans. The programs are responsive to needs for financing affordable housing for low- and moderate-income families. Two loans totaling \$19 thousand were extended under the City HOME Grant program during this evaluation period. One borrower received loans for \$75 thousand during the evaluation period. Four loans were closed using County HRL funds during 2004 and 2005. These programs benefit the Adams County AA.

*Homebuyers Fair:* On November 17, 2004, two mortgage lenders attended a home buyer fair in Meadville, MS that was for Adams, Jefferson, and Franklin Counties. The fair was geared toward lower-income people, and the bank provided education about down payment assistance and building good credit histories. Approximately 12 people attended.

## **Louisiana State Rating**

**The overall CRA rating for Louisiana: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

The major factors that support this rating include:

- The distribution of loans to small businesses and borrowers of different income levels is adequate.
- The geographic distribution of both residential real estate loans and small loans to businesses is reasonable.
- Community development performance demonstrates excellent responsiveness to the community development needs of its assessment area(s) through community development investments, community development loans, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

### **Description of Bank's Operations in the State of Louisiana**

B&K operates one location in Baton Rouge Parish. In East Baton Rouge Parish, B&K has less than 1 percent of the deposit market share, and ranks 16<sup>th</sup> of 23 banks for deposit market share. The level of lending in Baton Rouge is also a relatively small portion of the bank's overall business with 15 percent of loans in the evaluation period coming from the Baton Rouge AA.

Refer to the description of the AA for demographic and other performance context information.

### **Conclusions about Performance Criteria**

#### **Lending Test**

**Lending performance meets the standard for satisfactory performance in the Louisiana AA.** The level of lending is adequate. The distribution of small loans to businesses with revenues less than \$1 million is good. However, the distribution of residential real estate loans to low- and moderate-income borrowers is poor. Both small business and residential real estate loans are adequately distributed within the Baton Rouge AA.

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

**Overall performance is considered adequate.** Lending to small businesses is good. However, residential real estate lending distribution is considered poor. Refer to Tables 7 and 8 in Appendix A for supporting details.

In the Baton Rouge AA, residential real estate lending to low-income families is poor. Lending

levels are significantly below the demographic comparator. Only a small number of home improvement loans were extended, so the distribution of home improvement loans is not meaningful. Performance for lending to moderate-income borrowers is better, but also shows penetrations significantly below the demographic comparator. The penetration for home improvement loans to moderate-income families shows that B&K is willing to lend to moderate-income borrowers, but the percentage is not meaningful due to the low number of home improvement loans made in the Baton Rouge AA.

Lending to small businesses reflects good performance. B&K's penetration of small loans to businesses that report revenues less than \$1 million is near to the percentage of AA businesses with revenues less than \$1 million.

### **Geographic Distribution of Loans**

**The geographic distribution of loans is adequate based on performance for small business and residential real estate lending.**

The penetration of residential real estate loans in low-income census tracts is poor. However, performance for the moderate-income census tracts is strong with the penetration exceeding the 8 percent of AA owner-occupied housing for home purchase loans and near to 8 percent for home refinance loans. The distribution of home improvement loans is not meaningful due to the small number of loans originated in the Baton Rouge AA.

The geographic distribution of small business loans is reasonable. Only a small percentage of AA businesses are located in the low-income census tracts, and that limits opportunities to make commercial loans in these areas. B&K extended credit in the low-income census tracts, and this performance demonstrates willingness to lend in these tracts. The penetration in moderate-income census tracts is slightly lower than the percentage of businesses located in the moderate-income census tracts of the AA, but is considered reasonable.

### **Community Development Test**

**Community development performance in Louisiana is excellent.** B&K has a limited presence in Baton Rouge, and has displayed good efforts to help meet community development needs. Consideration is given to five CD loans made throughout Louisiana to rehabilitate affordable housing. The level of community development investment is strong in the Baton Rouge AA. Community development loans and investments help meet significant affordable housing needs in Louisiana. Consideration is given to Hurricane Katrina activities discussed in the bank-wide section of this report. The bank shared its branch facilities with another financial institution during the aftermath of Hurricane Katrina, and this is weighed heavily in the Baton Rouge AA performance, since the Baton Rouge branch was the branch location shared.

#### Community Development Investments

*Hollywood Homes Bond:* A \$300 thousand mortgage security was purchased on February 7, 2006. The bond funded a 52-unit housing complex in the AA that provides affordable housing with all units restricted to renters with a maximum 60 percent of the area median income.

### Community Development Loans

*Affordable Housing Rehabilitation Loans:* During 2006, several CD loans were made throughout Louisiana to purchase and rehabilitate apartment buildings for low-income people. During the evaluation period, five loans totaling approximately \$4.3 million were originated. Although these loans are not located within the Baton Rouge AA, they are very responsive to affordable housing needs for the entire regional area. One property is located in East Baton Rouge Parish in Baker, Louisiana. HUD and Farmers Home Administration found serious quality problems in the properties during prior ownership. Loan proceeds were for acquisition, and to repair the distressed buildings. Permanent financing will be acquired using FMHA and Low Income Housing Tax Credits. Most residents receive subsidized rents to make units affordable. The rehabilitated properties will help provide needed affordable housing after Hurricane Katrina.

### Community Development Services

*Baton Rouge Zoning Advisory Committee, Redevelopment Project:* A B&K Director serves on this committee, and was involved in a project to help protect housing of low-income people. Zoning changes were slated to increase setbacks for inner city lots. This would have harmed property values, and prohibited owners from new construction in a lower-income area with very small lots. The project helped draft a variance to protect these homeowners.

*Junior Auxiliary Reading is Fundamental:* An employee serves as treasurer of the auxiliary, and through that organization provides qualifying services to meet basic needs for children. Reading is Fundamental is a literacy program for low- and moderate-income children. School uniforms are also provided to needy children. She works on budgets, helps collect donations, and gathers information for grant applicants for the reading program.



## Appendix A State of Mississippi

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

<b>Table 3-a - Borrower Distribution of Residential Real Estate Loans in Adams County</b>								
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
Home Purchase	28	4	18	14	18	21	36	61
Home Improvement	28	33	18	14	18	25	36	28
Home Refinance	28	7	18	15	18	21	36	57

*Source: data reported under HMDA; U.S. Census data.*

<b>Table 3-b - Borrower Distribution of Residential Real Estate Loans in Warren County</b>								
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
Home Purchase	19	2	13	7	16	22	52	69
Home Improvement	19	0	13	0	16	0	52	100
Home Refinance	19	1	13	7	16	16	52	76

*Source: data reported under HMDA; U.S. Census data.*

<b>Table 4-a – Borrower Distribution of Loans to Businesses in Adams County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64	4	32	100%
% of Bank Loans in AA by #	67	17	16	100%

*Source: Loan sample; Dunn and Bradstreet data.*

<b>Table 4-b - Borrower Distribution of Loans to Businesses in Warren County</b>
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Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64	4	32	100%
% of Bank Loans in AA by #	68	16	16	100%

Source: Loan sample; Dunn and Bradstreet data.

## Geographic Distribution of Loans

Table 5-a - Geographic Distribution of Residential Real Estate Loans in Adams County								
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
Home Purchase	7	4	32	14	47	52	14	30
Home Improvement	7	0	32	43	47	38	14	19
Home Refinance	7	3	32	24	47	53	14	20

Source: data reported under HMDA; U.S. Census data.

Table 5-b - Geographic Distribution of Residential Real Estate Loans in Warren County								
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
Home Purchase	0	0	3	0	32	36	65	64
Home Improvement	0	0	3	20	32	20	65	60
Home Refinance	0	0	3	3	32	27	65	70

Source: data reported under HMDA; U.S. Census data.

Table 6-a - Geographic Distribution of Loans to Businesses in Adams County								
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 /Farms	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	8	5	18	16	60	60	14	19

Source: data collected by bank; D & B data

<b>Table 6-b - Geographic Distribution of Loans to Businesses in Warren County</b>								
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
Small Business	0	0	16	24	27	23	57	53

*Source: data collected by bank; D & B data*

## Appendix A State of Louisiana

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

<b>Table 7- Borrower Distribution of Residential Real Estate Loans in Baton Rouge</b>								
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
Home Purchase	15	4	12	4	16	17	57	75
Home Improvement	15	0	12	9	16	0	57	91
Home Refinance	15	2	12	5	16	25	57	68

*Source: data reported under HMDA; U.S. Census data.*

<b>Table 8 - Borrower Distribution of Loans to Businesses in Baton Rouge</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59	6	35	100
% of Bank Loans in AA by #	54	27	19	100

*Source: Loan sample; Dunn and Bradstreet data.*

### Geographic Distribution of Loans

<b>Table 9 - Geographic Distribution of Residential Real Estate Loans in Baton Rouge</b>								
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
Home Purchase	7	2	8	9	21	14	64	67
Home Improvement	7	0	8	0	21	9	64	72
Home Refinance	7	3	8	7	21	12	64	76

*Source: data reported under HMDA; U.S. Census data. Income level was not available for 8% of home purchase loans*

<b>Table 10 - Geographic Distribution of Loans to Businesses in Baton Rouge</b>								
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
Small Business	4	1	7	4	21	16	68	73

*Source: data collected by bank; D & B data. Income information was not available for 6% of small business loans.*