

PUBLIC DISCLOSURE

August 14, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Your Bank
Certificate Number: 57812
1639 Highway 51
Ponchatoula, Louisiana 70454**

Federal Deposit Insurance Corporation

**Division of Supervision and Consumer Protection
Dallas Region – Memphis Area Office
5100 Poplar Avenue, Suite 1900
Memphis, Tennessee 38137**

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.

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

This was Your Bank's first CRA performance evaluation since it opened for business on November 3, 2004.

Your Bank's performance was evaluated using the criteria applicable to "Small Banks." Each performance factor supported the assigned rating and conclusions for each factor are summarized below. Performance under each factor is detailed elsewhere in this evaluation.

- The bank's average loan-to-deposit ratio of 82 percent demonstrated reasonable responsiveness to community credit needs relative to the bank's resources and business strategy, assessment area demographics, the credit needs of the communities served, and the performance of comparable institutions.
- Relative to demographic data, Your Bank displayed a reasonable record of lending to businesses of different sizes and to borrowers of different incomes.
- The institution achieved a reasonable dispersion of loans relative to the assessment area's geographic composition and the bank's location.
- A majority of the bank's lending activity occurred inside the assessment area; demonstrating satisfactory performance.

SCOPE OF EXAMINATION

Pursuant to the Community Reinvestment Act (CRA), "Small Bank" performance factors were applied to this one-office, \$39 million dollar bank headquartered in Ponchatoula, Louisiana. A small bank is defined as one with assets less than \$250 million at the end of the two preceding calendar years. Small bank performance factors include loan-to-deposit ratio, lending to borrowers of different income levels and businesses of different sizes, geographic distribution of loans, lending in the assessment area, and response to CRA-related complaints. Management did not request the review of qualified investments and services in consideration of an "Outstanding" rating.

Small business and residential real estate loans were chosen as the products to evaluate the bank's performance as they comprise a majority of the bank's lending activity. Commercial loans comprised the majority of the dollar volume (81 percent) of loans originated from January 1, 2005 through May

31, 2006. Residential real estate and consumer loans represented 17 percent and 2 percent, respectively. Consumer loans were not considered in this evaluation because they represent such a small percentage of the bank’s lending activity. Agricultural lending was not considered because the bank did not extend any agricultural loans during this time frame. When arriving at an overall rating, more weight was placed on the bank’s commercial lending activities. Because there were no CRA-related complaints received since the bank opened, this factor was not considered in evaluating the bank’s performance.

The bank’s loan mix has been consistent since the bank opened. Using sampling guidelines with a 90 percent confidence interval and a 15 percent precision level, examiners randomly sampled 40 small business loans and 35 residential real estate loans originated from January 1, 2005 through May 31, 2006 to evaluate the bank’s performance. Table 1 details the loans originated during that time period.

Table 1 – Loans Originated from January 1, 2005 to May 31, 2006

<i>Loan Category</i>	<i>Number</i>	<i>Percent of Number (%)</i>	<i>Dollar Amount \$(000)</i>	<i>Percent of Amount (%)</i>
Commercial	166	51	37,594	81
Residential Real Estate	63	20	8,048	17
Agricultural	0	0	0	0
Consumer	93	29	913	2
Total Loans	322	100	46,555	100

Source: Bank records

DESCRIPTION OF INSTITUTION

Your Bank is a state-chartered commercial bank headquartered in Ponchatoula, Louisiana. The bank began operations on November 3, 2004. The bank’s only office is located in a middle-income census tract in Tangipahoa Parish, a Non-Metropolitan Statistical Area. The bank has plans to open a full service branch in late 2006 in neighboring Hammond, Louisiana. The branch will be located in a middle-income census tract. The bank offers a variety of loan and deposit products and services; including Internet banking, an automated teller machine (ATM), motor banking, direct deposits, night deposits, and telephone banking. Drive-up operations have extended hours on weekdays and morning hours on Saturday.

The bank reported \$38,669,000 in total assets as of March 31, 2006. Tables 2 and 3 present a breakdown of the bank's asset mix and distribution of the loan portfolio.

<i>Table 2 – Asset Mix as of March 31, 2006</i>		
<i>Asset Type</i>	<i>Dollar Amount \$(000)</i>	<i>Percent (%)</i>
Net Loans (Less unearned income and allowance for loan losses)	27,118	70
Investments	1,009	3
Federal Funds Sold	6,550	17
Cash and Due From Banks	2,064	5
Premises and Fixed Assets	1,284	3
Other Assets	644	2
Total Assets	38,669	100

Source: Consolidated Report of Condition

<i>Table 3 – Distribution of Loan Portfolio as of March 31, 2006</i>		
<i>Loan Type</i>	<i>Dollar Amount \$(000)</i>	<i>Percent (%)</i>
Construction & Land Development	8,958	33
Secured by Farmland	0	0
Secured by 1-4 Family Residential	5,754	21
Secured by Multifamily Residential	0	0
Secured by Nonfarm Nonresidential	9,139	33
Commercial and Industrial	2,567	10
Consumer	943	3
Other	19	0
Total Loans	27,380	100

Source: Consolidated Report of Condition

There were no legal or financial impediments noted that would prohibit the bank from meeting the credit needs of the assessment area.

DESCRIPTION OF TANGIPAHOA PARISH

Your Bank has designated the central and southern portions of Tangipahoa Parish, part of the non-metropolitan statistical area of Louisiana, as its assessment area. There are no low-income census tracts in the assessment area and one moderate-income census tract. The assessment area meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Table 4 presents selected demographic information regarding the assessment area based on 2000 U.S. Census data.

<i>Tract Income Level</i>	<i>Number of Census Tracts</i>	<i>Population</i>	<i>Families</i>	<i>Owner-Occupied Housing Units (%)</i>
Moderate	1	3,729	826	3
Middle	6	34,286	8,803	40
Upper	7	43,877	11,434	57
Totals	14	81,892	21,063	100

Source: 2000 U.S. Census

As depicted in Table 4, the assessment area is primarily comprised of middle- and upper-income tracts (93 percent). While there are no low-income census tracts, low-income families represent approximately 21 percent of all families living in the assessment area. Approximately 82 percent of those families live below the poverty level.

Major employers are North Oaks Hospital and Health System, Tangipahoa Parish government, and City of Hammond government. Employment growth in 2005 was 3.5 percent compared to the State of Louisiana at a negative 1.5 percent. Job growth accelerated through the second half of 2005 and has held steady, primarily due to construction and development opportunities. Housing starts jumped from 201 permits in 2nd quarter 2005 (pre-Katrina) to 1000 permits in 4th quarter 2005 (post-Katrina).

According to the 2000 U. S. Census, the median family income (MFI) for Tangipahoa Parish was \$30,500. The 2005 and 2006 Department of Housing and Urban Development (HUD) estimated MFIs for non-metropolitan Louisiana was \$39,050 and \$40,000, respectively.

Business demographic data provided by Dun & Bradstreet, a commercial provider of economic and demographic information, reflects 5,366 non-farm businesses in the assessment area. Of those, 35 percent are classified as service related and 23 percent are retail and wholesale trade. Businesses are

predominately small, with about 66 percent employing less than ten people. Of those businesses that reported revenue information to Dun & Bradstreet, 94 percent has gross annual revenues less than \$1 million.

The institution encounters competition from several community banks, branches of larger regional financial institutions, and credit unions of large employers located in the assessment area. Mortgage companies and finance companies present additional competition.

Community Contact

An interview with a community member provided additional information regarding the condition of the local economy and community credit needs. The contact stated that Tangipahoa Parish experienced explosive growth after Hurricane Katrina. According to the contact, available housing at all income levels is virtually non-existent. The interviewee also advised that average rental rates increased markedly after the disaster. A recent national survey indicated housing prices in nearby Baton Rouge, Louisiana, experienced a 27 percent increase for the second quarter of 2006. Housing prices are escalating in Tangipahoa Parish and other areas affected by the hurricane.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO (LTD)

Overall, Your Bank's level of lending is reasonable relative to its financial capacity, lending focus, and lending opportunities. The loan-to-deposit (LTD) ratio is a means of measuring a bank's lending activity by comparing the volume of loans made to the volume of deposits held. Based on data from Consolidated Reports of Condition for the six quarters since the bank opened, the bank's average LTD ratio was 82 percent. As of March 31, 2006, the LTD ratio was 79 percent. The LTD ratio has displayed a continued growth pattern since the bank began operations.

Table 5 presents a summary of the average LTD ratios for this institution and two comparable banks offering similar products and operating in the same assessment area. The banks are listed by name and no ranking is expressed or implied.

<p><i>Table 5 – Average Loan-to-Deposit Ratio Comparative Analysis</i></p>
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Bank Name/Location	Total Assets \$(000)	Net Loans \$(000)	Total Deposits \$(000)	Average LTD Ratio (%)
Your Bank Ponchatoula, LA	38,669	27,118	34,254	82
Peoples Bank Amite, LA	98,213	72,831	90,997	83
First Community Bank Hammond, LA	98,227	70,999	87,172	92

Source: Consolidated Reports of Condition

As shown in the table, Your Bank’s average LTD ratio was similar to comparable banks and represented a reasonable level of lending.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

The distribution of small business and residential real estate loans demonstrated overall adequate penetration among borrowers of different incomes and businesses of different sizes. The distribution of residential real estate loans reflected a generally reasonable record of lending to low- and moderate-income individuals. The bank demonstrated adequate performance for lending to businesses of different sizes. Small business lending was given the most weight under this performance factor because it represents the bank’s primary lending activity. Only loans extended within the assessment area were included in the analysis.

Small Business Lending

The bank displayed adequate performance for lending to businesses of different sizes. This conclusion was based on the volume of loans made to businesses with gross annual revenues (GARs) of \$1 million or less compared to industry (Dun & Bradstreet) data. Examiners reviewed both the GARs of the businesses and the size of the loans to determine performance regarding this factor. Emphasis was placed on the distribution of loans by GARs because this is a direct indicator of an institution’s efforts to provide credit to businesses of all sizes.

As revealed in Table 6, Your Bank displayed adequate performance for extending loans by number and dollar volume to businesses with GARs of \$1 million or less. The most recent data reported by Dun & Bradstreet indicated that 94 percent of non-farm businesses in the assessment area that reported revenue information had gross annual revenues of \$1 million or less. Given that the bank extended 96 percent of the loans reviewed to businesses with gross annual revenues of \$1 million or less, a reasonable record of serving the needs of small businesses was noted. The bank’s record of lending to businesses of different income levels compared favorably to Dun & Bradstreet data for all income categories. The bank’s commitment to address the credit needs of small businesses was further supported by the number of loans (92 percent) extended to businesses with GARs less than \$250,000.

<i>Table 6 – Distribution of Small Business Loans by Gross Annual Revenue</i>					
<i>Gross Annual Revenue \$(000)</i>	<i>Number</i>	<i>% of Number</i>	<i>% of Number of Businesses (D&B Data)</i>	<i>Dollar Volume \$(000)</i>	<i>% of Dollar Volume</i>

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<100	14	59	47	2,965	67
>100-<250	8	33	28	493	11
>250-<500	1	4	13	200	4
>500-<1,000	0	0	6	0	0
Subtotal <1,000	23	96	94	3,658	82
>1,000	1	4	6	790	18
Total	24	100	100	4,448	100

Source: Bank records and Dun & Bradstreet Data

Table 7 presents a comparison of the number and dollar volume of small business loans extended by loan size. As shown in the table, all the loans reviewed were made for less than \$500,000 and 83 percent were for less than \$250,000. The size of loans extended lends credence to the bank's commitment to serve the credit needs of small businesses.

<i>Loan Size \$(000)</i>	<i>Number</i>	<i>Percent of Number (%)</i>	<i>Dollar Volume \$(000)</i>	<i>Percent of Volume (%)</i>
< 100	11	46	579	13
> 100 to < 250	9	37	1,564	35
> 250 to < 500	4	17	2,305	52
>500 to < 1,000	0	0	0	0
Total	24	100	4,448	100

Source: Bank records

Residential Real Estate Lending

The bank's record of extending residential real estate loans to borrowers of different income levels was generally satisfactory.

Benchmarks used for analyzing lending to consumers of different incomes were the Department of Housing and Urban Development (HUD) 2005 and 2006 estimated median family incomes (MFI) for the non-metropolitan statistical areas of Louisiana. Table 8 stratifies the MFIs for the various income levels.

Income Level	Percent of MFI	2005 (\$39,050)	2006 (\$40,000)
Low	Less than 50%	Less than \$19,525	Less than \$20,000
Moderate	50% to 80%	\$19,525 to \$31,240	\$20,000 to \$32,000
Middle	80% to 120%	\$31,240 to \$46,860	\$32,000 to \$48,000
Upper	Over 120%	Over \$46,860	Over \$48,000

Source: Department of Housing and Urban Development

The distribution of residential real estate loans reviewed is detailed in Table 9. The percentage of families in the various income levels was used for comparison in determining the bank’s performance.

Table 9 – Distribution of Residential Real Estate Loans by Borrower Income

Borrower Income	Number	% of Number	Dollar Volume \$ (000)	% of Dollar Volume	% Families by MFI
Low	0	0	0	0	21
Moderate	2	8	125	4	14
Middle	2	8	180	6	18
Upper	20	84	2,872	90	47
Total	24	100	3,177	100	100

As indicated in Table 9, none of the loans reviewed were made to low-income borrowers and displayed weak performance compared to the percentage of low-income families. However, it was taken into consideration that 82 percent of the families in the assessment live below the poverty level and would have great difficulty qualifying for residential mortgage loans. Additionally, unexpected population growth due to Hurricane Katrina evacuees has created an acute shortage of available housing, including low- and moderate-income. Lending performance to moderate-income borrowers is below the percentage of moderate-income families but is considered adequate because the bank does not offer long-term fixed rate mortgages. The bank encourages lending to low- and moderate-income borrowers. To help meet the needs of lower income borrowers, the bank brokers long-term fixed rate mortgages to loan companies such as Countrywide Mortgage and Wells Fargo Mortgage. From January 1, 2005, through May 31, 2006, the bank brokered 7 loans totaling \$514,000 to moderate-income borrowers.

GEOGRAPHIC DISTRIBUTION OF LENDING

Satisfactory performance was displayed for the distribution of loans throughout the assessment area.

The dispersion of small business loans among the various census tracts was adequate. Table 10 displays the bank’s geographic distribution of small business loans compared to industry data.

Table 10 – Distribution of Small Business Loans by Income Level of Geography					
Census Tract Income Level	Number	Percent (%)	Percent of 2005 AA Businesses Dun & Bradstreet	Dollar Amount \$(000)	Percent (%)
Moderate	3	13	6	887	20
Middle	8	33	52	1,183	27
Upper	13	54	42	2,378	53
Total	24	100	100	4,448	100

Source: Bank records and 2005 Dun & Bradstreet

Lending performance within the moderate-income geography was notably greater than the percentage of small businesses located in that geography. Additionally, lending in rural areas is typically concentrated around an institution’s office, and the moderate-income tract is located furthest from the bank. The bank’s effort to extend loans in this less economically active census tract reflects the institution’s commitment to serve businesses throughout the assessment area.

Residential Real Estate Lending

The bank’s record of lending to residential borrowers throughout the assessment area is reasonable. Table 11 displays the bank’s geographic distribution of residential real estate loans. The percentage of owner-occupied housing in the various census tract income levels was used as a benchmark in analyzing the bank’s performance.

Table 11 – Distribution of Residential Real Estate Loans by Census Tract Income Level					
Census Tract Income Level	Number	% of Number	Dollar Volume \$(000)	% of Dollar Volume	% Owner Occupied Housing Units
Moderate	2	8	149	5	3
Middle	9	38	1,978	62	40
Upper	13	54	1,050	33	57
Total	24	100	3,177	100	100

Source: Bank data

The bank’s performance compared favorably to the percentage of owner-occupied housing in the moderate-income census tract. Considering the median housing value of a home located in that tract is \$65,000 and the estimated MFI for a moderate-income borrower begins at \$19,525, the bank’s record of extending residential real estate loans throughout the assessment area is reasonable.

LENDING IN THE ASSESSMENT AREA

Satisfactory performance was demonstrated for lending in the assessment area. A majority of the number and dollar volume of loans reviewed were extended inside the assessment area. Table 12 depicts the bank’s lending activity under this factor.

Table 12 – Lending in the Assessment Area

Loan Category	Number of Loans					Dollar Volume of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Small Business	24	60	16	40	40	4,448	56	3,546	45	7,994
Residential Real Estate	24	63	14	37	38	3,177	65	1,738	35	4,915
Total	48	62	30	38	78	7,625	59	5,284	41	12,909

Source: Bank records

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.