

# **PUBLIC DISCLOSURE**

**November 1, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bay Bank  
Theodore, Alabama**

**RSSD ID Number: 2817677**

**FEDERAL RESERVE BANK OF ATLANTA  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

<p>Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion of opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
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<b>DEFINITIONS</b>
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**Income Definitions**

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

*Low-Income* - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

*Moderate-Income* - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

*Middle-Income* - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

*Upper-Income* - An individual income, or median family income for geographies, that is 120 percent or more of the area median income.

**Other Definitions**

ATM - Automated Teller Machine  
HMDA - Home Mortgage Disclosure Act  
HUD - Department of Housing and Urban Development  
LTD - Loan-to-Deposit  
MSA - Metropolitan Statistical Area  
REIS - Regional Economic Information System

<b>ROUNDING CONVENTION</b>
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Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

<b>GENERAL INFORMATION</b>
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The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Bay Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of November 1, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.**

Bay Bank's CRA performance is rated satisfactory. The bank's average LTD ratio for the seventeen quarters ended June 30, 2004 is **REASONABLE** given the institution's size, financial condition, and competition within the assessment area. A **MAJORITY** of the bank's loans were extended to businesses **IN** its assessment area. Based on samples of small business loans, lending to businesses of different revenue sizes is **EXCELLENT**. The geographic distribution of the bank's loans reflects a **REASONABLE** dispersion throughout the entire assessment area. The bank has received no CRA-related complaints since the previous examination. In addition, the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

**DESCRIPTION OF INSTITUTION**

Bay Bank is the sole subsidiary of BCB Holding Company, Inc., a shell corporation, which owns 100 percent of the bank's stock. The bank began operations on September 22, 1999 and currently operates two offices and three ATM's in Theodore, Alabama and one office with one ATM on Dauphin Island, Alabama. The Operations Center Branch, located on Highway 90 in Theodore, Alabama, opened October 6, 2003 and is located in a higher traffic area. According to the Consolidated Reports of Condition and Income (Call Report), between June 30, 2000 and June 30, 2004, the bank's total assets increased 181 percent from \$11.4 million to \$32.0 million. During this same time period, total loans outstanding increased by 447 percent from \$3.9 million to \$21.3 million and total deposits increased by 228 percent from \$7.9 million to \$26.0 million.

Bay Bank is a full-service community bank that offers a wide variety of credit products to meet community credit needs. These credit products include residential mortgage, consumer, business, and commercial real estate loans. The bank is not subject to the reporting requirements of Regulation C – Home Mortgage Disclosure Act.

The composition of the loan portfolio according to the June 30, 2004, December 31, 2003, and December 31, 2002 Consolidated Reports of Condition and Income is displayed in the following table:

<b>COMPOSITION OF LOAN PORTFOLIO</b>						
<b>Loan Type</b>	<b>6/30/2004</b>		<b>12/31/2003</b>		<b>12/31/2002</b>	
	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>	<b>\$ (000s)</b>	<b>Percent</b>
Construction and Development	2,377	11.2%	380	2.2%	242	1.7%
Secured by One- to Four- Family Dwellings	6,355	29.9%	4,740	27.7%	5,512	39.3%
Other Real Estate:						
Farmland	0	0.0%	0	0.0%	0	0.0%
Multifamily	385	1.8%	388	2.3%	0	0.0%
Nonfarm nonresidential	8,630	40.6%	3,892	22.7%	4,055	28.9%
Commercial and Industrial	2,265	10.6%	6,158	36.0%	2,948	21.0%
Loans to Individuals	1,259	5.9%	1,562	9.1%	1,260	9.0%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>\$21,271</b>	<b>100.00%</b>	<b>\$17,120</b>	<b>100.00%</b>	<b>\$14,017</b>	<b>100.00%</b>

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

<b>DESCRIPTION OF INSTITUTION (Continued)</b>
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As indicated by the table, commercial loans secured by real estate made up the largest portion of the bank's loan portfolio. In addition, in dollars, these loans far exceeded any other loan type originated during the review period. Therefore, this loan type was selected for evaluating the bank's CRA performance.

No known legal or financial impediments exist that would restrain the bank from meeting the credit needs of its assessment area. The bank received a "Satisfactory" CRA rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated August 14, 2000.

<b>DESCRIPTION OF ASSESSMENT AREA: BAY BANK</b>
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**Overview**

Bay Bank's assessment area is made up of all of the census tracts located in the portion of Mobile County that is south of Interstate 10. For all loans originated prior to January 1, 2003, the 1990 census demographic data were used to define the bank's assessment area. This assessment area consisted of 15 census tracts; 3 of which were moderate-income, 9 were middle-income, and 3 were upper-income. None of the census tracts were designated as low income. For all loans originated in 2003 and 2004, the 2000 census demographic data were used to define the bank's assessment area. This assessment area consisted of 14 census tracts; 1 of which was low-income, 2 were moderate-income, 10 were middle-income and 1 was upper-income. The assessment area does not arbitrarily exclude any low- or moderate-income areas.

A discussion of both 1990 and 2000 census demographic information follows. Both sections discuss relevant population information, income characteristics, and housing data. The relevant census demographic data were compared to the applicable loan periods (discussed above) by the examiner.

**1990 Demographic Data by Census Tract**

The following table provides key demographic information from the 1990 census that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in the evaluation as they apply to particular parts of the analysis.

**DESCRIPTION OF ASSESSMENT AREA: BAY BANK ASSESSMENT AREA (Continued)**

**Assessment Area Demographics**

Assessment Area: Bay Bank up to 2002 (1990 Census)

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,957	21.4
Moderate-income	3	20.0	2,167	15.7	514	23.7	2,673	19.3
Middle-income	9	60.0	9,603	69.5	1,401	14.6	3,064	22.2
Upper-income	3	20.0	2,053	14.9	138	6.7	5,129	37.1
<b>Total Assessment Area</b>	<b>15</b>	<b>100.0</b>	<b>13,823</b>	<b>100.0</b>	<b>2,053</b>	<b>14.9</b>	<b>13,823</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,003	1,857	13.7	61.8	794	26.4	352	11.7
Middle-income	13,342	9,579	70.7	71.8	2,571	19.3	1,192	8.9
Upper-income	3,701	2,114	15.6	57.1	472	12.8	1,115	30.1
<b>Total Assessment Area</b>	<b>20,046</b>	<b>13,550</b>	<b>100.0</b>	<b>67.6</b>	<b>3,837</b>	<b>19.1</b>	<b>2,659</b>	<b>13.3</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	262	24.6	179	20.8	80	42.3	3	17.6
Middle-income	547	51.3	485	56.3	56	29.6	6	35.3
Upper-income	258	24.2	197	22.9	53	28.0	8	47.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,067</b>	<b>100.0</b>	<b>861</b>	<b>100.0</b>	<b>189</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>80.7</b>		<b>17.7</b>		<b>1.6</b>



**DESCRIPTION OF ASSESSMENT AREA: BAY BANK ASSESSMENT AREA (Continued)**

**Population**

According to 1990 census data, the population of the bank's assessment area was 49,795 persons, which represent 10.4 percent of the Mobile MSA population and just over one percent of the state of Alabama's population at 4,040,587 persons.

**Income Characteristics**

At the time of the 1990 census, there were 13,823 families in the assessment area. Of total families, 21.4 percent were low-income, 19.3 percent were moderate-income, 22.2 percent were middle-income, and 37.1 percent were upper-income. 14.9 percent of total families had incomes below the poverty level. The HUD estimated median family incomes for the Mobile MSA for 2000, 2001, and 2002 were \$43,300, \$44,700, and \$45,100, respectively.

**Housing Characteristics**

According to the 1990 census, there were 20,046 housing units in the bank's assessment area, 67.6 percent of which were owner-occupied units. 74.6 percent of the housing units in the assessment area were one-unit detached dwellings followed by mobile homes at 16.3 percent. Vacant units represented 13.3 percent of total housing units. The median age of housing in the assessment area was 20 years, which is slightly less than the median age of housing in the state of Alabama at 22 years. The median housing value in the assessment area was \$50,817, which is lower than the median housing value for the state of Alabama at \$53,205.

**Business Size Characteristics**

The demographic table provided earlier in this report provides key demographic business data by census tract income level within Bay Bank's assessment area. The Dun and Bradstreet information illustrates that 80.7 percent of the businesses in the bank's assessment area had total revenues less than \$1 million and were therefore considered to be small businesses.

**DESCRIPTION OF ASSESSMENT AREA: BAY BANK ASSESSMENT AREA (Continued)**

**2000 Demographic Data by Census Tract**

The following tables provide key demographic information from the 2000 census that is used in analyzing the bank's CRA performance. As a result of the Office of Management and Budget's revision to MSA designations in June 2003, tables are provided for both 2003 and 2004 assessment area demographics. Certain components of the data in the table are discussed in the evaluation as they apply to particular parts of the analysis.

**Assessment Area Demographics**  
Assessment Area: Bay Bank 2003 (2000 Census)

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	1	7.1	161	1.1	75	46.6	3,544	23.2	
Moderate-income	2	14.3	2,033	13.3	448	22.0	2,792	18.3	
Middle-income	10	71.4	11,753	77.0	1,503	12.8	3,414	22.4	
Upper-income	1	7.1	1,317	8.6	89	6.8	5,514	36.1	
<b>Total Assessment Area</b>	<b>14</b>	<b>100.0</b>	<b>15,264</b>	<b>100.0</b>	<b>2,115</b>	<b>13.9</b>	<b>15,264</b>	<b>100.0</b>	
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>							
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>		
		#	%	%	#	%	#	%	
Low-income	240	51	0.3	21.3	162	67.5	27	11.3	
Moderate-income	2,945	1,934	12.2	65.7	682	23.2	329	11.2	
Middle-income	17,967	12,468	78.4	69.4	3,060	17.0	2,439	13.6	
Upper-income	2,029	1,449	9.1	71.4	382	18.8	198	9.8	
<b>Total Assessment Area</b>	<b>23,181</b>	<b>15,902</b>	<b>100.0</b>	<b>68.6</b>	<b>4,286</b>	<b>18.5</b>	<b>2,993</b>	<b>12.9</b>	
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>							
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#	%
Low-income	35	3.1	17	1.9	16	7.9	2	7.4	
Moderate-income	232	20.2	160	17.4	63	31.2	9	33.3	
Middle-income	700	61.1	616	67.2	70	34.7	14	51.9	
Upper-income	179	15.6	124	13.5	53	26.2	2	7.4	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>1,146</b>	<b>100.0</b>	<b>917</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	
	<b>Percentage of Total Businesses:</b>			<b>80.0</b>		<b>17.6</b>		<b>2.4</b>	

**DESCRIPTION OF ASSESSMENT AREA: BAY BANK ASSESSMENT AREA (Continued)**

**Assessment Area Demographics**

Assessment Area: Bay Bank 2004 (2000 Census)

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	7.1	161	1.1	75	46.6	3,369	22.1
Moderate-income	2	14.3	2,033	13.3	448	22.0	2,658	17.4
Middle-income	10	71.4	11,753	77.0	1,503	12.8	3,370	22.1
Upper-income	1	7.1	1,317	8.6	89	6.8	5,867	38.4
<b>Total Assessment Area</b>	<b>14</b>	<b>100.0</b>	<b>15,264</b>	<b>100.0</b>	<b>2,115</b>	<b>13.9</b>	<b>15,264</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	240	51	0.3	21.3	162	67.5	27	11.3
Moderate-income	2,945	1,934	12.2	65.7	682	23.2	329	11.2
Middle-income	17,967	12,468	78.4	69.4	3,060	17.0	2,439	13.6
Upper-income	2,029	1,449	9.1	71.4	382	18.8	198	9.8
<b>Total Assessment Area</b>	<b>23,181</b>	<b>15,902</b>	<b>100.0</b>	<b>68.6</b>	<b>4,286</b>	<b>18.5</b>	<b>2,993</b>	<b>12.9</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>			<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
Low-income	35	3.1	17	1.9	16	7.9	2	7.4
Moderate-income	232	20.2	160	17.4	63	31.2	9	33.3
Middle-income	700	61.1	616	67.2	70	34.7	14	51.9
Upper-income	179	15.6	124	13.5	53	26.2	2	7.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,146</b>	<b>100.0</b>	<b>917</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>80.0</b>		<b>17.6</b>		<b>2.4</b>

**DESCRIPTION OF ASSESSMENT AREA: BAY BANK ASSESSMENT AREA (Continued)**

**Population**

According to 2000 census data, the population of the bank's assessment area is 55,334 persons, which represents 13.8 percent of the Mobile MSA and 1.2 percent of the state of Alabama population at 4,447,100 persons. Between the 1990 census and 2000 census, the population of the bank's assessment area increased by 5,539 persons or 11.1 percent. This population increase is slightly higher than the overall trend for the state of Alabama, which increased by 10.1 percent during the same time period.

**Income Characteristics**

As of the 2000 U.S. census, there are 15,264 families in the assessment area. In 2003, of total families, 23.2 percent are low-income, 18.3 percent are moderate-income, 22.4 percent are middle-income, and 36.1 percent are upper-income. In 2004, of total families, 22.1 percent are low-income, 17.4 percent are moderate-income, 22.1 percent are middle-income, and 38.4 percent are upper-income. Also, 13.9 percent of all families in the assessment area have incomes below the poverty level. The 2003 HUD estimated median family income for the bank's assessment area is \$47,200, which is 4.7 percent higher than the previous year's median family income at \$45,100.

**Housing Characteristics**

According to the 2000 census, there are 23,181 housing units in the bank's assessment area, 68.6 percent of which are owner-occupied units. 75.0 percent of the housing units in the assessment area are one-unit detached dwellings followed by mobile homes at 17.8 percent. Vacant units represent 12.9 percent of total housing units. The median age of housing in the assessment area is 26 years, which is slightly higher than the median age of housing in the state of Alabama at 25 years. The median housing value in the assessment area is \$68,071, which is significantly lower than the median housing value for the state of Alabama at \$76,700.

**Business Size Characteristics**

The demographic tables provided earlier in this report provide key demographic business data by census tract income level within Bay Bank's assessment area. The Dun and Bradstreet information illustrates that 80.0 percent of the businesses in the bank's assessment area have total revenues less than \$1 million and are therefore considered to be small businesses.

**DESCRIPTION OF ASSESSMENT AREA: BAY BANK ASSESSMENT AREA (Continued)**

**Other Information**

**Employment Statistics**

The assessment area's economy is primarily dependent on the educational, health, social services, retail trade and manufacturing sectors. The following table shows the unemployment rates for the Mobile MSA and the state of Alabama from 2000 to 2004, according to the Bureau of Labor Statistics. The unemployment rate for the Mobile MSA was generally higher than the unemployment rates for the state of Alabama.

<b>UNEMPLOYMENT RATES FOR YEARS 2000 - 2004</b>					
<b>Area</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>July 2004</b>
Mobile MSA	4.5%	5.4%	6.1%	6.2%	6.1%
State of Alabama	4.5%	5.3%	5.9%	5.8%	5.8%

**Competition**

Competition in the assessment area is extremely high. As of June 30, 2003, there were 13 financial institutions, including Bay Bank, operating a total of 102 offices in Mobile County, Alabama. According to the FDIC market share report, Bay Bank's market deposit share in the Mobile MSA is 0.5 percent. Average deposit market share among all financial institutions in the assessment area ranged from 0.3 percent to 40.3 percent. The competitive pressures from these entities and their ability to offer more flexible loan products has hampered the bank's ability to originate more small business loans.

**Community Contacts**

As a part of the CRA performance evaluation, information was obtained from one community leader regarding local economic conditions and community credit needs. The contact stated that although assistance from financial institutions is good, ongoing support from local and regional banks is critical in maintaining existing business initiatives.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Scope of Examination**

As noted in the Description of Institution section of this report, commercial loans secured by real estate were selected for analysis. Accordingly, a statistical sample of such loans originated from January 1, 2001 through June 30, 2004 was selected for review. It is noted that residential mortgage loans were not a major product line throughout most of the review period. The bank is not subject to the reporting requirements of Regulation C – Home Mortgage Disclosure Act.

Because the loan sample for the CRA analysis includes loans that were originated before and after 2000 census data became available, 2001, and 2002 loans were analyzed using 1990 census data; and 2003 and 2004 loans were analyzed using 2000 census data. For all loans originated prior to January 1, 2003, the 1990 census demographic data were used to describe the bank’s assessment area. For all loans originated after January 1, 2003, the 2000 census demographic data were used to describe the bank’s assessment area.

The following tables contain the loan data used in the analysis described above:

**Loan Distribution Table**

Assessment Area: Bay Bank up to 2002

Income Categories	COMMERCIAL LOANS			
	#	%	\$(000s)	%
	<b>By Tract Income</b>			
Low	0	0.0%	0	0.0%
Moderate	2	22.2%	1,117	55.4%
Middle	6	66.7%	699	34.7%
Upper	1	11.1%	200	9.9%
Unknown	0	0.0%	0	0.0%
<i>Total</i>	<i>9</i>	<i>100.0%</i>	<i>2,016</i>	<i>100.0%</i>
	<b>By Loan Size</b>			
\$100,000 or less	2	22.2%	58	2.9%
\$100,001 - \$250,000	5	55.6%	840	41.7%
\$250,001 - \$1 Million*	2	22.2%	1,117	55.4%
Over \$1 Million*	0	0.0%	0	0.0%
<i>Total</i>	<i>9</i>	<i>100.0%</i>	<i>2,016</i>	<i>100.0%</i>
	<b>By Revenue</b>			
\$1 Million or Less	9	100.0%	2,016	100.0%
Over \$1 Million	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%
<i>Total</i>	<i>9</i>	<i>100.0%</i>	<i>2,016</i>	<i>100.0%</i>

Originations and Purchases

\*Small Business loans are loan sizes that are \$1 Million or less

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

**Loan Distribution Table**

Assessment Area: Bay Bank 2003

Income Categories	COMMERCIAL LOANS			
	#	%	\$(000s)	%
	<b>By Tract Income</b>			
Low	0	0.0%	0	0.0%
Moderate	2	22.2%	94	10.4%
Middle	6	66.7%	656	72.6%
Upper	1	11.1%	153	16.9%
Unknown	0	0.0%	0	0.0%
<i>Total</i>	9	100.0%	903	100.0%
	<b>By Loan Size</b>			
\$100,000 or less	5	55.6%	185	20.5%
\$100,001 - \$250,000	3	33.3%	457	50.7%
\$250,001 - \$1 Million*	1	11.1%	260	28.8%
Over \$1 Million*	0	0.0%	0	0.0%
<i>Total</i>	9	100.0%	903	100.0%
	<b>By Revenue</b>			
\$1 Million or Less	9	100.0%	902	100.0%
Over \$1 Million	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%
<i>Total</i>	9	100.0%	903	100.0%

Originations and Purchases

\*Small Business loans are loan sizes that are \$1 Million or less

**Loan Distribution Table**

Assessment Area: Bay Bank 2004

Income Categories	COMMERCIAL LOANS			
	#	%	\$(000s)	%
	<b>By Tract Income</b>			
Low	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%
Middle	2	66.7%	94	54.3%
Upper	1	33.3%	79	45.7%
Unknown	0	0.0%	0	0.0%
<i>Total</i>	3	100.0%	173	100.0%
	<b>By Loan Size</b>			
\$100,000 or less	3	100.0%	172	100.0%
\$100,001 - \$250,000	0	0.0%	0	0.0%
\$250,001 - \$1 Million*	0	0.0%	0	0.0%
Over \$1 Million*	0	0.0%	0	0.0%
<i>Total</i>	3	100.0%	173	100.0%
	<b>By Revenue</b>			
\$1 Million or Less	3	100.0%	172	100.0%
Over \$1 Million	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%
<i>Total</i>	3	100.0%	173	100.0%

Originations and Purchases

\*Small Business loans are loan sizes that are \$1 Million or less

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

**Loan-to-Deposit Ratio**

Bay Bank's average LTD ratio for the seventeen-quarter period ending June 30, 2004 was 75.5 percent, and is considered **REASONABLE** given the bank's asset size, financial condition, competition, and assessment area credit needs. Only one other bank in the Mobile, Alabama MSA had total assets of less than \$50 million as of June 30, 2004. The average LTD ratio over the same seventeen-quarter period for this institution was 51.1 percent.

**Assessment Area Concentration**

A **MAJORITY** of the bank's lending occurs **IN** its assessment area. The following table shows the distribution of loans that were originated inside and outside the bank's assessment areas during the review period, by number of loans and dollar amount. As indicated in the table, 51.2 percent of the bank's small business loans were made inside the bank's assessment areas. Also, 54.7 percent of the loan volume by dollar amount was inside the bank's assessment area.

**Lending Inside and Outside the Assessment Area**

Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	21	51.2	\$3,089	54.7	20	48.8	\$2,558	45.3
<b>Total Small Bus. related</b>	<b>21</b>	<b>51.2</b>	<b>\$3,089</b>	<b>54.7</b>	<b>20</b>	<b>48.8</b>	<b>\$2,558</b>	<b>45.3</b>
<b>TOTAL LOANS</b>	<b>21</b>	<b>51.2</b>	<b>\$3,089</b>	<b>54.7</b>	<b>20</b>	<b>48.8</b>	<b>\$2,558</b>	<b>45.3</b>

**Lending to Businesses of Different Sizes**

To assess Bay Bank's performance relative to this criterion, the 21 small business loans in the sample that were located within the bank's assessment area were analyzed. For this analysis, the distribution of small business lending by revenue size through 2002 was compared with available 1990 census demographic data, while loans originated in 2003 and 2004 were compared to 2000 census demographic data. Borrower revenue classifications were assigned in accordance with the definitions outlined earlier in this report.

**Analysis Based on 1990 Census Data**

Of the nine small business loans sampled that were originated through December 31, 2002, 100 percent were extended to businesses with gross annual revenues of \$1 million or less. As noted earlier, 80.7 percent of the



**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)**

businesses in the bank's assessment area are considered to be small businesses. In addition, two (22.2 percent) of the small business loans originated were in amounts of \$100,000 or less.

**Analysis Based on 2000 Census Data**

Of the 12 small business loans sampled that were originated in 2003, and 2004, 100 percent were extended to businesses with gross annual revenues of \$1 million or less, compared to the 80.0 percent of businesses in the bank's assessment area considered to be small businesses. In addition, eight (66.7 percent) of the small business loans originated were in amounts of \$100,000 or less.

Based on the above factors, the lending to businesses of different revenue sizes is **EXCELLENT**.

**Geographic Distribution of Loans**

For the small business loans sampled that were originated through December 31, 2002, 1990 census data was used in the analysis, while small business loans originated in 2003 and 2004 were compared to 2000 census demographic data.

**Analysis Based on 1990 Census Data**

Of the nine small business loans sampled that were in the assessment area, 22.2 percent were extended to businesses in moderate-income tracts, which is just below the percentage of businesses in moderate-income census tracts at 24.6 percent.

**Analysis Based on 2000 Census Data**

Of the 12 small business loans sampled that were in the assessment area, none were in the low-income tract, compared to 3.1 percent of the small businesses in the low-income tract; and 16.7 percent of the loans were extended to businesses in moderate-income census tracts, which is slightly below the percentage of businesses in moderate-income tracts at 20.2 percent. There were no low-income tracts located in the assessment area based on 1990 census data.

Based on the above factors, the geographic distribution of loans reflects **REASONABLE** penetration throughout the assessment area.

<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)</b>
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**Complaints**

No CRA-related complaints have been received since the preceding performance evaluation.

**Compliance with Antidiscrimination Laws**

Bay Bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices have the intent or the effect of discouraging applicants for credit.