

# **PUBLIC DISCLOSURE**

August 05, 2013

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Louisiana  
Charter Number 12523

128 North Parkerson Avenue  
Crowley, LA 70526-5002

Office of the Comptroller of the Currency

3838 North Causeway Blvd.  
Suite 2890  
Metairie, LA 70002-8105

**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**

- First National Bank of Louisiana's loan-to-deposit ratio is reasonable relative to the bank's size, competition, and financial condition.
- The majority of loans originated by First National Bank of Louisiana were within its assessment area (AA).
- First National Bank of Louisiana exhibits a reasonable penetration of loans to borrowers of different incomes and businesses of different sizes.
- First National Bank of Louisiana exhibits reasonable dispersion of loans within this AA.
- First National Bank of Louisiana did not receive any Community Reinvestment Act complaints during the review period.

**SCOPE OF EXAMINATION**

The assessment of First National Bank of Louisiana's CRA performance is evaluated using the Interagency Small Bank CRA procedures, which require the analysis of the bank's primary lending products. As discussed in the table below, the bank's loan portfolio is primarily comprised of commercial loans, at 33 percent, followed by residential real estate loans, at 23 percent. Total residential real estate lending, combining construction and farm, 1-4 residential properties, and multifamily, comprises 43 percent of the bank's portfolio and consequently the bank is primarily a real estate lender.

<b>First National Bank of Louisiana Loan Portfolio</b>		
<b>Loan Category</b>	<b>Dollars (000)</b>	<b>Percentage</b>
Construction and Farm	23,741	13
1-4 Residential Properties	42,266	23
Multifamily	13,870	07
Commercial	62,488	33
Agricultural	6,320	03
Commercial and Industrial	33,004	17
Consumer	5,407	03
Other	1,591	01
<b>Total</b>	<b>188,687</b>	<b>100%</b>

Source: Call Report Data as of 12/31/2012

First National Bank of Louisiana's primary business strategy is to originate residential mortgage loans and small business loans within its AA. The bank is a Home Mortgage Disclosure Act (HMDA) reporter, therefore HMDA data was utilized to evaluate the bank's loan performance. HMDA loans were analyzed for years 2010 and 2011. We

have also sampled the bank's commercial loan portfolio for years 2010 and 2011, with a total of 40 loans sampled to evaluate the bank's small business lending. When more recent data is needed for comparative purposes, such data is used and the applicable date noted. The prior CRA examination began on May 19, 2009 and covered a review period from January 1, 2006 through May 1, 2009.

A stand-alone data integrity HMDA review was not conducted prior to this CRA evaluation. The previous CRA examination found the bank was satisfactorily meeting the credit needs of its community.

A community agency familiar with the bank's AA was contacted to obtain feedback regarding the area's demographics, perceived credit needs, and the responsiveness of local banks to address those needs.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Louisiana is a \$292 million, full service community bank that is wholly-owned by Financial Corp. of Louisiana. The bank operates five branches with the main branch being located in Crowley, Louisiana, which is the parish seat of Acadia Parish, a Non-Metropolitan Statistical Area (NMSA). Crowley is 24 miles west of the City of Lafayette and 47 miles east of the City of Lake Charles, the two largest cities in the area. Crowley is primarily a rural and agricultural community and is the center of the state's rice industry. The bank has an additional branch located in Crowley and both are located in a moderate-income census tract.

The bank also operates two branches in Calcasieu Parish, which is in the Calcasieu MSA. One branch is located in the City of Lake Charles in a moderate-income census tract, while the other is in the City of Sulfur, in an upper-income census tract. The bank also has a branch located in the City of Lafayette, in the Lafayette MSA, and is in an upper-income census tract.

No branches have been closed since the previous examination. Banking hours reasonably meet the community needs with lobby hours Monday through Friday and extended Friday hours, motor banking, and automated teller machines (ATM) at all locations. The bank offers a wide range of deposit and loan products and no significant differences exist between locations. No financial or legal impediments exist that prevent First National Bank of Louisiana from meeting the credit needs of the community.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

### Acadia Non-MSA

First National Bank of Louisiana operates two branches in the Acadia NMSA, including the main office, which is located in a moderate-income census tract (9610). The bank's other branch is also located in a moderate-income census tract (9609). The local economy is stable. The area is primarily rural, with educational services, healthcare, and social assistance being the leading industries. The area also has minor concentrations in agriculture, forestry, fishing and hunting, and mining. There are a total

of 12 census tracts in the NMSA, which include two tracts in moderate-income areas (16.67 percent), nine tracts in middle-income areas (75 percent), and 1 tract in an upper-income area (8.33 percent). There are no low-income census tracts in the Acadia NMSA. The area has a total population of 58,861 and 23,209 housing units. Of those 23,209 housing units, 15,259 (65.75 percent) are owner occupied and 5,883 (25.35 percent) are rental units. Approximately 16 percent of families live in the moderate-income census tracts, with the remaining 75 percent and nine percent of families living in the middle-income and upper-income census tracts, respectively. Nine percent of the housing units are vacant.

The weighted average of HUD updated MSA median family income is \$46,300, with 26 percent of households living below the poverty level. Approximately 32 percent of the households in the AA are considered low-income. Moderate-income families approximate 15 percent of the population, middle-income families total 17 percent and upper-income families comprise 36 percent of the population, respectively. There are 7,987 businesses in the AA. Of these businesses, 55 percent reported gross annual revenue less than \$1 million and 2 percent reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 43 percent of the businesses did not report revenues.

#### Lafayette MSA (29180)

First National Bank of Louisiana has one branch located in the Lafayette MSA, which is located in an upper-income census tract (17). The region is home to several large employers and is located in an oil-rich area not far from the Coast. As a result, the area economy is robust and has become a prime spot to locate service firms, fabricators, and other companies that do business with extraction firms exploring south Louisiana and the Gulf of Mexico. The unemployment rate was 6.0 percent as of June 30, 2013, which is significantly below the Louisiana and national unemployment rates at 7.0 percent and 7.6 percent, respectively. There are a total of 41 census tracts in the Lafayette MSA, which include four low-income (9.76 percent), six moderate-income (14.63 percent), 16 middle-income (39.02 percent), and 15 upper-income (36.59 percent) census tracts. The area has a total population of 190,503 and 78,122 housing units. Of those 78,122 housing units, 47,803 (61.19 percent) are owner occupied and 24,569 (31.45 percent) are rental units. Approximately 4 percent of families live in the low-income census tracts with the remaining 13 percent, 44 percent, and 39 percent of families living in moderate-income, middle-income, and upper-income census tracts, respectively. Seven percent of the housing units are vacant.

The weighted average of HUD updated MSA medium family income is \$60,400, with 16 percent of households living below the poverty level. Approximately 21 percent of the households in the AA are considered low-income. Moderate-income families approximate 13 percent, middle-income families total 16 percent, and upper-income families comprise 50 percent of the population, respectively. There are 38,335 businesses in the AA. Of these businesses, 58 percent reported gross annual revenue less than \$1 million and 3 percent reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 39 percent of the businesses did not report revenues.

Lake Charles MSA (29340)

First National Bank of Louisiana has two branches located in Calcasieu Parish, which is located in the Lake Charles MSA. Those branches are in the City of Lake Charles, which is in a moderate-income census tract, and the City of Sulphur, which is in an upper-income census tract. Lake Charles is the largest city in Calcasieu Parish and is its economic center. Overall, the MSA has a stable economy that is dependent on local government, casino gambling, construction, and the petroleum industry. The unemployment rate was 7.0 percent as of June 30, 2013, which is in line with the Louisiana and national unemployment rates at 7.0 percent and 7.6 percent, respectively. There are a total of 41 census tracts in the Lake Charles MSA, which includes two low-income (4.88 percent), 11 moderate-income (26.83 percent), 17 middle-income (41.46 percent), and 11 upper-income (26.83 percent) census tracts. The area has a total population of 183,577 and 75,995 housing units. Of those 75,995 housing units, 49,085 (64.59 percent) are owner occupied and 19,528 (25.70 percent) are rental units. Approximately 2 percent of families live in the low-income census tracts with the remaining 22 percent, 43 percent, and 33 percent of households living in moderate-income, middle-income, and upper-income census tracts, respectively. Ten percent of the housing units are vacant.

The weighted average of HUD updated MSA medium family income is \$61,600, with 16 percent of households living below the poverty level. Approximately 26 percent of the households in the AA are considered low-income. Moderate-income families approximate 15 percent, middle-income families total 18 percent and upper-income families comprise 41 percent of the population, respectively. There are 31,083 businesses in the AA. Of these businesses, 54 percent reported gross annual revenue less than \$1 million and 2 percent reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 41 percent of the businesses did not report revenues.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

First National Bank of Louisiana's performance in meeting the credit needs of its AA is satisfactory. Our conclusion is based on a reasonable loan-to-deposit ratio, having a substantial majority of loans being made in the bank's AA considering all performance context factors, having a reasonable borrower and small business distribution of loans within the bank's AA, and a reasonable geographic dispersion of loans.

To assess First National Bank of Louisiana's performance under the lending test, we reviewed the bank's residential real estate mortgage lending activities for the year 2010 and 2011 using HMDA reportable loan data. We also reviewed a random sample of 40 loans from the commercial loan portfolio for the same years, using loan size as a proxy for gross annual revenues, as revenue data was unavailable for the sampled loans. Loan size is an appropriate proxy to use since the majority of real estate secured commercial loans are made to businesses with Gross Annual Revenues of less than one million and for loan amounts that are typically less than one million.

## Loan-to-Deposit Ratio

First National Bank of Louisiana's loan-to-deposit ratio (LTD) is reasonable given the credit needs of the AA and the bank's size, financial condition and location. This determination is based on the quarterly LTD ratios from June 30, 2009 to March 31, 2013 that averaged 72.21 percent. During this evaluation period, the bank's LTD ratio ranged from a low of 64.17 percent to a high of 83.79 percent.

Management considers the five banks shown in the following table to be its competitors as all are of comparable size, actively offer residential loan products, and have at least one branch location within the same boundaries of First National Bank of Louisiana's AA. The LTD ratio for these peer banks was 58.44 percent, which is significantly lower than First National Bank of Louisiana's average during the same period of time. Their average LTD ratio for the same time period ranged from a low of 26.46 percent to a high of 82.03 percent.

Institution	Assets – As of March 31, 2013 (in thousands)	Average LTD
First National Bank of Louisiana	292,066	72.21%
Bank of Commerce and Trust Company	347,504	33.22%
Farmers State Bank and Trust Company	96,281	55.54%
Rayne Building and Loan Association	65,258	45.14%
Rayne State Bank and Trust Company	331,626	73.89%
Lakeside Bank	107,796	51.39%

Source: Call Reports

## Lending in Assessment Area

First National Bank of Louisiana originated a substantial majority of loans in its AA during the review period. As shown in the following table, 85 percent of the bank's loans by number and 60 percent by dollar amount were made in the bank's AA.

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	30	71.43	12	28.57	42	2,988	34.25	5,736	65.75	8,724
Home Improvement	11	100.00	0	0.00	11	855	100.00	0	0.00	855
Refinance	85	93.41	6	6.59	91	10,135	67.84	4,805	32.16	14,940
Small Business	30	75.00	10	25.00	40	7,278	68.00	3,496	32.00	10,774
Totals	156	85.00	28	15.00	184	21,256	60.00	14,037	40.00	35,293

Source: 2009,2010, 2011 HMDA Data, Commercial Loan Sample

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

Lending to borrowers of different income levels for residential real estate loans in the Acadia NMSA reflects a reasonable penetration, given the bank’s performance contexts. While it appears that the bank has very poor penetration to low-income borrowers, it is important to note the average median house value is \$55,156 and 26 percent of the population lives below the poverty level. It would be difficult for people at this level to afford such relatively high cost of housing. It is also worth noting that the bank has excellent penetration to moderate-income borrowers in comparison to the number of AA families.

<b>Borrower Distribution of Residential Real Estate Loans in Acadia NMSA</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	25.20	12.50	16.12	37.50	18.42	12.50	40.26	37.50

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

Lending to borrowers of different income levels for residential real estate loans in the Lafayette MSA also reflects a reasonable penetration of borrower income levels. The bank has excellent penetration, at more that 50 percent of the percentage of low-income families. This is particularly strong given the average median house value in the AA is \$94,873. The lack of penetration to moderate-income borrowers can be explained by the fact that 16 percent of the population lives below the poverty level and the average monthly rent is only \$471.

<b>Borrower Distribution of Residential Real Estate Loans in Lafayette MSA</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	21.48	50.00	15.76	0.00	19.09	0.00	43.67	50.00

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

Lending to borrowers of different income levels for residential real estate loans in the Lake Charles MSA reflects reasonable penetration, given the bank’s performance context. While it appears that the bank has very poor penetration to low-income borrowers, it is important to note the average median house value is \$72,871 and 16 percent of the population lives below the poverty level. It would be difficult for people at this level to afford such relatively high cost of housing. It is also worth noting that approximately 26 percent of the households in the AA are considered low-income and 15 percent are considered moderate-income households, making homeownership difficult for those households in the AA.

<b>Borrower Distribution of Residential Real Estate Loans in Lake Charles MSA</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	22.54	0.00	16.54	0.00	19.57	0.00	41.35	100.00

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

First National Bank of Louisiana's lending to small businesses with revenues of less than one million in the Acadia NMSA reflects a reasonable penetration, given the lending opportunities in the NMSA and the bank's performance context.

<b>Borrower Distribution of Loans to Businesses in Acadia NMSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	54.05	1.43	44.52	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

Source: Loan sample; Dunn and Bradstreet data.

First National Bank of Louisiana's lending to small businesses in the Lafayette MSA reflects excellent penetration in the AA. It is worth noting that of the 18 loans made to businesses with gross annual revenues of less than one million in the Lafayette MSA 15, or 83 percent, were made to businesses with gross annual revenues of two hundred fifty thousand or less, evidencing a strong commitment to making loans to small businesses in the AA.

<b>Borrower Distribution of Loans to Businesses in Lafayette MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	58.12	2.49	39.39	100%
% of Bank Loans in AA by #	89	11	0	100%
% of Bank Loans in AA by \$	53	47	0	100%

Source: Loan sample; Dunn and Bradstreet data.

First National Bank of Louisiana's lending to small businesses in the Lake Charles MSA reflects excellent penetration in the assessment area. It is worth noting that seven of the 11 loans (64 percent) made to businesses with gross annual revenues of less than one million in this MSA were made to businesses with gross annual revenues of one hundred thousand or less. This evidences a strong commitment to making loans to small businesses in the assessment area.



<b>Borrower Distribution of Loans to Businesses in Lake Charles MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	52.98	1.58	45.44	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

Source: Loan sample; Dunn and Bradstreet data.

## Geographic Distribution of Loans

The geographic distribution of loans originated in the Acadia NMSA reflects excellent penetration in the AA. The NMSA does not contain any low-income census tracts. The bank's lending in moderate-income census tracts for both home improvement and refinances is significantly greater than the percentage of AA owner occupied housing and therefore meets the standard for satisfactory performance.

<b>Geographic Distribution of Residential Real Estate Loans in Acadia NMSA</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	0.00	0.00	13.68	0.00	76.77	100.00	9.55	0.00
Home Improvement	0.00	0.00	13.68	83.33	76.77	16.67	9.55	0.00
Refinance	0.00	0.00	13.68	30.00	76.77	70.00	9.55	0.00

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

The geographic distribution of loans originated in the Lafayette MSA reflects satisfactory penetration in the AA. While lending in the low-income census tracts has poor dispersion, it is worth noting that only 3.24 percent of the AA has owner occupied housing in the low-income census tracts. Moreover, the bank's lending in the moderate-income census tracts is excellent at approximately 50 percent more than owner occupied housing for home purchases and is nominally lower for refinances.

<b>Geographic Distribution of Residential Real Estate Loans in Lafayette MSA</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	3.24	0.00	12.70	25.00	42.62	0.00	41.44	75.00
Home Improvement	3.24	0.00	12.70	0.00	42.62	50.00	41.44	50.00
Refinance	3.24	0.00	12.70	10.53	42.62	36.84	41.44	52.63

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

The geographic distribution of loans originated in the Lake Charles MSA reflects satisfactory penetration in the AA. While lending in the low-income census tracts has poor dispersion, it is worth noting that only 1.38 percent of the AA has owner occupied housing in the low-income census tracts. Moreover, the bank's lending in the moderate-income census tracts is reasonable for home purchases and excellent for refinances.

<b>Geographic Distribution of Residential Real Estate Loans in Lake Charles MSA</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	1.38	0.00	18.74	20.00	44.72	26.67	35.16	53.33
Home Improvement	1.38	0.00	18.74	0.00	44.72	33.33	35.16	66.67
Refinance	1.38	3.57	18.74	32.14	44.72	16.07	35.16	48.22

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

The geographic distribution of loans to businesses originated in Acadia NMSA reflects poor dispersion. The Acadia NMSA does not contain any low-income census tracts and a small percentage of businesses operate in the moderate-income census tract. Of the 40 loans sampled, only one loan was made in the Acadia NMSA, in the middle-income census tract. While this does evidence poor distribution of loans, in the Acadia NMSA, it is worth noting that only 14.42 percent of businesses in the NMSA are located in the moderate-income census tract and of those businesses, 53 percent have four or fewer employees.

Geographic Distribution of Loans to Businesses in Acadia NMSA								
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
	0.00	0.00	14.42	0	76.62	100	8.96	0

Source: Loan sample; Dunn and Bradstreet data.

The geographic distribution of loans to businesses originated in Lafayette MSA reflects reasonable dispersion. The percentage of businesses in the low-income census tracts is nominal, at approximately 3 percent. The bank exceeded the percentage of businesses in the Lafayette MSA in the moderate-income census tracts by approximately 8 percent, which is significant, given that the majority of businesses in the AA have four or fewer employees.

Geographic Distribution of Loans to Businesses in Lafayette MSA								
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
	3.05	0	9.07	17	42.22	17	45.66	67

Source: Loan sample; Dunn and Bradstreet data.

The geographic distribution of loans originated to businesses in the Lake Charles MSA reflects reasonable dispersion. The bank has exceeded the percentage of businesses in the low-income census tracts but is significantly lower than the percentage in the moderate-income census tracts.

Geographic Distribution of Loans to Businesses in Lake Charles MSA								
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
	1.58	9	26.54	9	40.72	27	31.16	55

Source: Loan sample; Dunn and Bradstreet data.

### Qualified Investments and CD Services (Optional)

First National Bank of Louisiana’s community development lending includes a loan totaling approximately \$1.8 million for affordable multi-family rental housing in the Acadia NMSA. This loan is part of the HUD Section 8 Housing Assistance Program.

This loan, along with another made outside the bank's AA, provide a significant level of affordable housing for low- and moderate-income residents.

The bank also has participated in several activities meant to benefit low- and moderate-income individuals in the bank's AA including donating educational material to the Literacy Council of Southwest Louisiana; employees actively participating in the United Way as Board Members; participating in United Way activities that provide meals to low-income households; attending career expos at local high schools; and assisting local governments in obtaining sewer municipal bonds.

### **Responses to Complaints**

First National Bank of Louisiana received no consumer complaints pertaining to its performance in helping to meet the credit needs within their AAs since the previous CRA Performance Evaluation.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 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 AA 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.