



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 14328**

**1890 Railroad Avenue
P.O. Box 149
Arcadia, LA 71001**

**Comptroller of the Currency
ADC Marshall W. Mitchell
Longview Field Office
1800 West Loop 281, Suite 306
Longview, TX 75604**

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING.....	2
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF BIENVILLE, LINCOLN, UNION, AND SOUTHERN CLAIBORNE PARISHES	4
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	4

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

First National Bank (FNB) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- ❖ A majority of loans sampled, representing 88% of the number and 85% of the dollar volume, originated within the bank's assessment area;
- ❖ The average loan-to-deposit ratio of 78.36% meets the standards for satisfactory performance;
- ❖ The geographic distribution of the sampled commercial real estate and farmland loans reflects an adequate dispersion to moderate-income census tracts within the assessment area;
- ❖ The distribution of sampled residential refinancing loans reflects a reasonable penetration among families defined as low- and moderate-income.

DESCRIPTION OF INSTITUTION

FNB is a community bank with assets totaling \$108 million as of March 31, 2003. First North Louisiana Bancshares, Inc. (FNLB), a one-bank holding company, wholly owns the bank.

Currently, FNB serves Union, Lincoln, Bienville, and the southern portion of Claiborne Parishes through the main bank, located at 1890 North Railroad, and two branch locations, one at 212 West Alabama in Ruston, and the other at 310 East Water Street in Farmerville. In April 2001, the temporary branch located in Farmerville at 305 Smith Street was closed when the branch was moved across the street to its present location. The bank also operates seven automated teller machines. Two are located in Arcadia at 801 North Railroad Avenue and 1096 Highway 151, one is located in Farmerville at 310 East Water Street, and four are located in Ruston, at 212 West Alabama, 1100 North Trenton, 1006 Tech Drive, and 311 Maple Street. In addition, FNB offers telephone and Internet banking.

FNB is a full service institution, providing a full range of deposit and loan products. Management's lending philosophy is to provide all types of loans to their community including consumer, one-to-four family residential mortgage, commercial and agricultural loans. The following table portrays the principal loan mix at FNB:

Loan Category	\$ (000)	%
Commercial Real Estate	\$21,830	30.35%
Residential Real Estate	\$18,400	25.58%
Farmland	\$13,617	18.93%
Consumer	\$8,533	11.86%
Commercial	\$8,399	11.68%
Agricultural Production	\$762	1.06%
Obligations of State and Political Subdivisions in the U.S.	\$231	0.32%
Other	\$156	0.22%
Total	\$71,928	100.00%

FNB was rated “Satisfactory” in its previous CRA public evaluation dated May 26, 1998. The bank does not have any legal or financial obstacles that affect its ability to meet community credit needs. As of March 31, 2003, FNB had a “net loans to total assets” ratio of 68%.

DESCRIPTION OF BIENVILLE, LINCOLN, UNION, AND THE SOUTHERN PORTION OF CLAIBORNE PARISHES

The Board has designated Bienville, Lincoln, Union, and the southern portion of Claiborne Parishes as the bank's assessment area (AA). This area includes 23 Block Numbering Areas (BNAs), with BNAs 9701 through 9705 located within Bienville Parish, 9601 through 9610 within Lincoln Parish, 9601 through 9606 within Union Parish, and 9504 and 9505 within Claiborne Parish. The BNAs include the Parish Seats of Arcadia, Ruston, Farmerville, and Homer, in addition to outlying smaller communities. Based upon 1990 census bureau figures, the population within the AA totals 85,428 individuals and 21,094 families. Approximately 23% of the families within the AA are designated as low-income, 15% as moderate-income, 16% as middle-income, and 46% as upper-income. There are no low-income BNAs within the AA. BNAs are comprised of 4 moderate-income, 12 middle-income, and 7 upper-income. The 2002 updated Department of Housing and Urban Development (HUD) median income for the AA is \$31,600. The economy of the AA is considered stable. Local employment opportunities are centered in education, poultry farming and processing, timber, and forestry products. Major employers include the local School Boards, Louisiana Tech University, Grambling State University, ConAgra, House of Raeford, and Weyerhaeuser. The following table summarizes the demographics of the AA:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	21,094
Number of Households	29,692
<i>Geographies</i>	
Number of Block Numbering Areas (BNAs)	23
# - % Low-Income BNAs	0 (0%)
# - % Moderate-Income BNAs	4 (17%)
# - % Middle-Income BNAs	12 (52%)
# - % Upper-Income BNAs	7 (31%)
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$21,177
2002 HUD-Adjusted MFI	\$31,600
<i>Economic Indicators</i>	
Lincoln Parish Unemployment Rate	3.3%
Union Parish Unemployment Rate	6.1%
Claiborne Parish Unemployment Rate	7.3%
Bienville Parish Unemployment Rate	9.9%
2002 Median Housing Value	\$44,680
% of Households on Social Security	29%
% of Households Below Poverty Level	28%

Unemployment data for May 2003 obtained from the Bureau of Labor Statistics web-site

Occupied housing units represent 85% of the total available, with owner-occupied housing at 60%, rental-occupied housing at 24%, and vacant housing units are at 14%.

There is significant competition for loans within the AA area with nine financial institutions with main office locations in the AA. These consist of state banks, credit unions, a building & loan institution, and a trust company. In addition, there are approximately 25 branch locations of national and state banks, and credit unions located in communities throughout the AA.

We determined the credit needs of the community through interviews with individuals associated with the local Chambers of Commerce in Ruston and Farmerville. These individuals identified the primary credit needs for the area as financing for low- and moderate-income housing and small businesses. The community contacts indicated area financial institutions were supportive and diligent in trying to meet these community credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Based upon the March 31, 2003 Call Report, the bank's primary loan types include one-to-four family mortgage, commercial real estate, and farmland. In order to assess the bank's lending performance within its designated AA, we sampled loans from each of three primary loan types.

Our sample included loans originated since May 27, 1998 through December 31, 2002. We did not sample any loans originated from January 1, 2003 through July 17, 2003, as 2000 Census information was not available at the time of the examination.

Overall, FNB is meeting the standards for satisfactory performance. During the evaluation period, the bank has originated 3,904 loans totaling \$136 million. The bank's strengths are lending within its assessment area, the relatively high loan-to-deposit ratio, and commercial real estate and farmland loans extended within moderate-income BNAs.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio averaged 78.36% during our evaluation period. This is the second highest ratio for all sampled banks. Given FNB's size, financial condition, and an assessment of area credit needs, the LTD ratio meets the standard for satisfactory performance. The following is a table detailing the average LTD ratios for all financial institutions with main office locations within the bank's AA:

Institution	Assets \$ (000's) as of 3/31/03	Average LTD Ratio
Gibsland Bank & Trust	\$87,886	64.30%
Bank of Ringgold	\$37,664	33.93%
Community Trust Bank	\$331,493	85.59%
Marion State Bank	\$73,989	59.51%
First United Bank	\$110,395	58.16%
<i>First National Bank</i>	<i>\$104,907</i>	<i>78.36%</i>

Lending in Assessment Area

Based on our review of FNB’s lending patterns, the bank exceeds the standards of satisfactory performance. Our sample of 20 one-to-four family mortgage refinance loans, 20 farmland loans, and 20 commercial real estate loans indicated 88% of the number and 85% of the dollar amount were originated within the bank’s AA. The following table details the findings of our sample:

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial RE	15	75	3,127	95	5	25	172	5
1 – 4 Family Refinancing	19	95	847	94	1	5	50	6
Farmland	19	95	4,782	78	1	5	1,322	22
Total Reviewed	53	88	8,756	85	7	12	1,544	15

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes.

Our sample of 20 commercial real estate loans and 20 farmland loans, which originated within the bank’s AA, were all made to businesses and agricultural operations with annual revenues of less than \$1 million. This indicates good financial support for small business and agricultural operators. Following is a table detailing the findings of the sample:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94%	6%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

We also sampled 20 one-to-four family mortgage loans originated within the bank’s AA. FNB’s mortgage refinancing to low- and moderate-income borrowers is deemed reasonable based on the demographics of the AA. Overall, the bank’s penetration to low- and moderate-income borrowers meets the standards for satisfactory performance when compared to the percentage of low- and moderate-income families within the AA as seen in the following table:

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	23.2%		15.3%		15.7%		45.8%	
LOANS	% of Number	% of Amount						
Refinance	10%	2%	5%	3%	35%	26%	50%	69%

Although the percentage by number and dollar amounts of loans extended to low- and moderate-income families are less than the corresponding percentage makeup within the AA, these percentages are reasonable.

Geographic Distribution of Loans

FNB has a reasonable dispersion of loans within its assessment area. The number and dollar volume of one-to-four family mortgage refinance loans made to moderate-income census tracts is reasonable given the location of the moderate-income BNAs. The 4 moderate-income BNAs include downtown Ruston (a business district), southeast Ruston (an industrial area), northwest Ruston (predominately agricultural), and southern Claiborne Parish (also agricultural). Having no loans within our sample located within these areas is not unreasonable. The number of homes within these BNAs is small and are either well established or newly constructed. The following table details the sample findings:

RESIDENTIAL REAL ESTATE						
Census Tract Income Level	MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	12%		55%		33%	
LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Refinance	0%	0%	25%	21%	75%	79%

The number and dollar volume of the sampled farmland loans made to moderate-income census tracts is excellent in comparison to the percentage of businesses within the assessment area. The number of commercial real estate loans made to the moderate-income census tracts is also adequate in comparison to the percentage of businesses within the assessment area, as can be seen in the following table:

BUSINESS LOANS						
Census Tract Income Level	MODERATE		MIDDLE		UPPER	
% of AA Businesses	14.23%		46.62%		39.15%	
LOANS BY TYPE	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Commercial RE	0	0%	70%	39%	30%	61%
Farmland	20%	34%	45%	29%	35%	37%
Totals	10%	22%	58%	32%	32%	46%

Qualified Investments and CD Services

FNB has no qualified investments or community development services.

Responses to Complaints

FNB has not received any CRA related complaints during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.