



PUBLIC DISCLOSURE

July 17, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 14328

801 North Railroad Avenue
Arcadia, LA 71001

Office of the Comptroller of the Currency

1800 NW Loop 281
Suite 306
Longview, TX 75604-2516

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 (FNB) has a "Satisfactory" record of meeting the credit needs within its assessment areas. The major factors supporting this rating include:

- The bank's loan to deposit (LTD) ratio is more than reasonable.
- A substantial majority of loans are extended within FNB's assessment areas (AAs).
- The bank's distribution of loans based on borrower income and business revenues represents a reasonable penetration.
- The bank's geographic distribution of loans reflects a reasonable dispersion within its AAs.

SCOPE OF EXAMINATION

FNB's Community Reinvestment Act (CRA) performance was evaluated using the small bank CRA procedures. Under these procedures, loan originations are evaluated to determine if the bank is meeting the credit needs of its AAs. Conclusions regarding the bank's lending performance are based on 1-4 family mortgages and loans to businesses originated from January 1, 2015 to June 30, 2017. Data for residential mortgages was obtained from reports required by the Home Mortgage Disclosure Act (HMDA), while conclusions for business loans was based on a statistical samples. A data integrity review was completed in September 2016 to determine the accuracy of FNB's reporting of HMDA loans.

DESCRIPTION OF INSTITUTION

FNB is a nationally chartered community bank with seven offices and seventeen ATMs located in north central Louisiana. The bank had total assets of \$259.8 million, as of March 31, 2017 and is wholly owned by Louisiana Bancshares, Inc., a one bank holding company. The bank is structured as a subchapter s corporation, with official headquarters in Arcadia, Louisiana. Primary operations are housed in Ruston, Louisiana. FNB is a full service community bank offering residential loans, commercial loans, agricultural loans, and consumer loans. There are no financial or legal obstacles affecting the bank's ability to meet community credit needs. The bank was rated satisfactory during the prior CRA Examination dated February 20, 2012. The following chart reflects the distribution of the bank's loan portfolio as of March 31, 2017.

Loan Category	\$ (000)	%
Commercial Loans (includes commercial real estate)	\$121,678	57.18%
Residential Real Estate Loans	\$64,899	30.50%
Agricultural Loans	\$22,085	10.38%
Consumer Loans	\$3,924	1.84%
Other	\$222	0.10%
Total	\$212,808	100.00%

DESCRIPTION OF ASSESSMENT AREA(S)

FNB has designated Bienville, Jackson, Lincoln, Union, Ouachita and census tracts (CTs) 9504.00 and 9505.00 in Claiborne parishes as its AA. Union and Ouachita parishes are a part of the Monroe, Louisiana Metropolitan Statistical Area (MSA) and are reviewed as a separate assessment area which will be referred to as the Monroe MSA AA. The remainder of the parishes are contiguous to each other, but are not included in the MSA. Therefore these parishes are reviewed as a second assessment area which will be referred to as the Non MSA AA. These AAs meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude any low or moderate-income geographies. Our review included a full scope review of the bank’s lending in both assessment areas. Following is the demographic information for each AA.

Monroe MSA AA

The Monroe MSA AA encompasses the entire Monroe, LA metropolitan statistical area (MSA), which includes all of Union and Ouachita parishes. The AA has a total population of 176 thousand and consists of five low-income CTs, thirteen moderate-income CTs, sixteen middle-income CTs, eleven upper-income CTs, and one listed as not applicable. FNB has three branches and four ATMs located in this AA. The following table details the demographics of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF MONROE MSA AA	
<i>Population</i>	
Number of Families	43,817
Number of Households	64,501
<i>Geographies</i>	
Number of Census Tracts	46
% Low-Income Census Tracts	10.87%
% Moderate-Income Census Tracts	28.26%
% Middle-Income Census Tracts	34.78%
% Upper-Income Census Tracts	23.91%
% NA	2.17%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$49,645
2016 FFIEC-Adjusted MFI	\$52,000
<i>Economic Indicators</i>	
Unemployment Rate	5.7%
2010 Median Housing Value	\$106,087
% of Households Below Poverty Level	20.50%

Source: U.S. Census Data.

Major employers include Centurylink, St. Francis Specialty Hospital, State of Louisiana, JP Morgan Chase, Glenwood Regional Medical Center, University Health – Conway, and Foster Poultry Farms. The local economy is considered stable, demographic information reflects a moderately high poverty level with 20.50 percent of households living below the poverty level. Unemployment was reported at 5.7 percent as of May 2017. Competition is strong with several local community banks, thrifts, credit unions, and large regional banks located within the AA.

We contacted a local government official as part of our community needs assessment. The contact identified the primary community credit need within the Monroe MSA AA to be affordable housing loans.

NON MSA AA

The Non MSA AA includes the entire parishes of Bienville, Jackson, and Lincoln, along with CTs 9504.00 and 9505.00 in Claiborne Parish. The AA has a total population of 83.7 thousand and consists of one low-income CT, four moderate-income CTs, eleven middle-income CTs (all are designated as distressed/underserved), and six upper-income CTs. FNB has four branches and thirteen ATMs located in this AA. The following table details the demographics of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF NON MSA AA	
<i>Population</i>	
Number of Families	19,484
Number of Households	30,423
<i>Geographies</i>	
Number of Census Tracts	22
% Low-Income Census Tracts	4.55%
% Moderate-Income Census Tracts	18.18%
% Middle-Income Census Tracts	50.00%
% Upper-Income Census Tracts	27.27%
% NA	0.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$43,816
2016 FFIEC-Adjusted MFI	\$46,900
<i>Economic Indicators</i>	
Unemployment Rate	6.37%
2010 Median Housing Value	\$87,890
% of Households Below Poverty Level	23.65%

Source: U.S. Census Data.

Major employers include Louisiana Tech University, Parish School Boards, Grambling State University, House of Raeford Farms of Louisiana, and David Wade Correctional Center. The local economy is considered stable, demographic information reflects a moderately high poverty level with 23.65 percent of households living below the poverty level. Unemployment was reported at 6.4 percent. Competition is strong with several local community banks, thrifts, credit unions, and large regional banks located within the AA.

We contacted a local government official as part of our community needs assessment. The contact identified the primary community need within the Non MSA AA to be more housing stock due to an influx of jobs and student housing needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's performance under the Community Reinvestment Act is "Satisfactory". The bank's loan-to-deposit ratio is more than reasonable and a substantial majority of the bank's lending activity occurred inside its AA. The distribution of loans to borrowers of different income and businesses of different sizes reflects a reasonable penetration. In addition, the geographic distribution of loans represents a reasonable dispersion throughout the AA. Finally, there were no CRA related complaints filed during this evaluation period.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition and assessment area credit needs. The bank's quarterly loan-to-deposit ratio has averaged 92.46 percent since the prior CRA evaluation. The average quarterly loan-to-deposit ratio of similarly situated banks for the same period was 70.02 percent and ranged from 19.95 percent to 97.69 percent.

Institution	Assets (000s) (as of 03/31/16)	Average LTD Ratio
First National Bank	\$259,819	92.46
Progressive Bank	525,103	97.69
Peoples Bank	\$69,498	92.18
Gibbsland Bank & Trust Company	\$405,063	85.21
Ouachita Independent Bank	\$732,436	83.86
Marion State Bank	\$173,867	75.94
Hodge Bank & Trust Company	\$68,557	74.79
Jackson Parish Bank	\$67,403	30.53
Jonesboro State Bank	\$236,000	19.95
Average Loan to Deposit Ratio		70.02

Lending in Assessment Area

A substantial majority of the bank's lending activity is located inside its assessment area. We reviewed all HMDA reported loans for 2015 through June 30, 2017, along with a sample of commercial loans in each assessment area. This sample reflected approximately 90.66 percent of the number of loans were extended in the bank's assessment areas. The breakdown by loan category is illustrated in the following table:

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	266	91.10	26	8.90	292	\$24,996	77.64	\$7,198	22.36	\$32,194
Loans to Businesses	35	87.50	5	12.50	40	\$4,010	66.71	\$2,001	33.29	\$6,011
Totals	301	90.66	31	9.34	332	\$29,006	75.92	\$9,199	24.08	\$38,205

Source: Data reported under HMDA; loan sample.

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

FNB’s distribution of loans based on borrower income and business revenues represents a reasonable penetration given the demographics of the bank’s assessment areas.

Monroe MSA AA

The distribution of loans among individuals of different income levels is reasonable based on residential mortgage originations. While the percentage of loans to low-income families was lower than the AA's demographics, residential mortgages originated to moderate-income families exceeded the AA demographics. Factors that inhibit the origination of loans to low-income families include a high percentage of families that live below the poverty level at 20.50 percent. In addition, the weighted average value of housing stock within the bank's AA was \$106,087, making it difficult for low-income families to qualify for a home loan.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Monroe MSA AA								
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
Residential Mortgages	24.06	11.19	6.22	11.19	18.77	16.42	41.26	61.20

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

The bank’s distribution of loans to small businesses in the Monroe MSA AA is reasonable. The percentage of loans to businesses with revenues of \$1 million is near to the percentage of businesses with revenues of \$1 million or less.

Table 2A - Borrower Distribution of Loans to Businesses in Monroe MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	87.82	4.24	7.94	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	80.51	19.49	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

Non MSA AA

The distribution of loans among individuals of different income levels is reasonable based on residential mortgage originations. The percentage of loans to low-income families is near to the AA's demographics, while the percentage of residential mortgages to moderate-income families is somewhat lower than the AA demographics.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Non MSA AA								
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
Residential Mortgages	4.21	3.79	17.62	9.85	47.94	15.15	30.22	71.21

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

The bank's distribution of loans to small businesses in the Non MSA AA is reasonable. The percentage of loans to businesses with revenues of \$1 million is near to the percentage of businesses with revenues of \$1 million or less.

Table 2A - Borrower Distribution of Loans to Businesses in Non MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	87.21	3.55	9.24	100%
% of Bank Loans in AA by #	70.00	30.00	0.00	100%
% of Bank Loans in AA by \$	44.58	55.42	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

Geographic Distribution of Loans

FNB’s distribution of loans by geography reflects a reasonable dispersion given the demographics of the bank’s assessment areas.

Monroe MSA AA

The geographic distribution of home loans represents a reasonable dispersion throughout the AA. The percentage of home loans originated in low-income tracts is somewhat lower than the percentage of owner occupied housing while the percentage of home homes extended in moderate-income tracts exceeded the percentage of owner occupied housing.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Monroe MSA AA								
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
Residential Mortgages	5.32	1.49	17.56	25.37	44.01	50.00	33.11	23.13

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

The geographic distribution of loans to businesses represents a reasonable dispersion throughout the AA. While the percentage of loans to businesses originated in low-income tracts is somewhat lower than the businesses demographics, the percentage of loans to businesses in moderate - income tracts was near to the percentage of businesses located in these tracts.

Table 3A - Geographic Distribution of Loans to Business in Monroe MSA AA										
Census Tract Income Level	Low		Moderate		Middle		Upper		NA	
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	% of AA Businesses	% of Number of Loans
Loans to Businesses	11.31	5.00	22.25	20.00	35.82	45.00	30.44	30.00	0.18	0.00

Source: Loan sample; Dun & Bradstreet data.

Non MSA AA

The geographic distribution of home loans represents an excellent dispersion throughout the AA. The percentage of home loans originated in low-income tracts is near to the percentage of owner occupied housing and the percentage of home homes extended in moderate-income tracts exceeded the percentage of owner occupied housing.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Non MSA AA								
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
Residential Mortgages	2.30	2.27	13.98	21.97	50.79	31.06	32.93	44.70

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

The geographic distribution of loans to businesses represents an excellent dispersion throughout the AA. The percentage of loans to businesses originated in low- and moderate-income exceeded the percentage businesses located in these tracts.

Table 3A - Geographic Distribution of Loans to Business in Non MSA AA								
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
Loans to Businesses	3.16	5.00	18.05	30.00	40.41	5.00	38.37	60.00

Source: Loan sample; Dun & Bradstreet data.

Responses to Complaints

The bank did not receive any complaints or public comments regarding CRA performance during this evaluation period.

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 assessment area by an affiliate whose loans have been considered as part of the bank's or FSAs lending performance.

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