



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 20, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank
Charter Number 14328

801 North Railroad Avenue
Arcadia, LA 71001-0000

Office of the Comptroller of the Currency

Longview Field Office
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 has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The bank’s loan to deposit ratio is more than reasonable based on its size and complexity.
- A substantial majority of the bank’s loans are extended within the bank’s assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the bank’s assessment areas.

SCOPE OF EXAMINATION

This Performance Evaluation (PE) is an assessment of First National Bank’s ability to meet the credit needs of the communities in which it operates. The bank was evaluated under the small bank performance criteria. Conclusions regarding the bank’s lending performance are based on residential mortgages reported under the Home Mortgage Disclosure Act (HMDA) and business loans originating from January 1, 2009 through December 31, 2011.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) is a \$190 million bank located in Arcadia, Louisiana. FNB serves Bienville, Lincoln, Jackson, Union, Ouachita, and the southern portion of Claiborne parishes through seven branches and fourteen ATM locations. The bank is a Sub-Chapter S Corporation with no holding company affiliations. The bank 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 Community Reinvestment Act (CRA) Examination dated September 17, 2007. The following chart reflects the distribution of the bank’s loan portfolio.

Loan Category	\$ (000)	%
Agricultural Loans	\$19,674	12.66%
Commercial Loans	\$10,325	6.64%
Commercial Real Estate Loans	\$63,105	40.61%
Residential Real Estate Loans	\$53,968	34.73%
Consumer Loans	\$8,332	5.36%
Total	\$155,404	100.00%

DESCRIPTION OF ASSESSMENT AREAS

The Board has designated Bienville, Jackson, Lincoln, Union, Ouachita and census tracts 9504 and 9505 in Claiborne parishes as its assessment area (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 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 Bienville/Lincoln AA. These assessment areas meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude any low or moderate-income geographies. Our review included an assessment of the bank's lending in both assessment areas. Contact with a local business organization in Ouachita Parish revealed the primary community credit need for the assessment area is residential mortgages. The contact also noted the increasing lack of available affordable housing in the area.

Bienville/Lincoln Assessment Area

FNB's main office is located in Ruston, Louisiana in Lincoln Parish with its official headquarters located in Arcadia, Louisiana in Bienville Parish. Jackson and the lower portion of Claiborne parishes are also included in this assessment area. The AA has no low income tracts with 2 moderate income tracts, 15 middle income tracts, and 5 upper income tracts. However, 11 of the 15 middle income tracts have been designated as distressed by the Federal Financial Institutions Examination Council. Based on 2000 census data, the county has a total population of 80,586 and the local economy is considered weak but stable. The bank's primary competition consists of branches of larger national, state and thrift institutions, all of which operate within the bank's assessment area. The distribution of families by income level, regardless of census tract location, consists of the following: 23.64 percent are low income, 13.53 percent are moderate income, 17.94 percent are middle income, and 44.89 percent are upper income. Major employers include Louisiana Tech University, Lincoln Parish School Board, Raeford Farms, and Grambling State University. The following table reflects the demographics for the assessment area (AA).

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF BIENVILLE/LINCOLN AA	
<i>Population</i>	
Number of Families	20,180
Number of Households	30,126
<i>Geographies</i>	
Number of Census Tracts/BNA	22
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	9.09%
% Middle-Income Census Tracts/BNA	68.18%
% Upper-Income Census Tracts/BNA	22.73%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$32,785
2010 HUD-Adjusted MFI	\$46,300
<i>Economic Indicators</i>	
2011 Unemployment Rate	7.9%
2010 Median Housing Value	\$58,462
% of Households Below Poverty Level	26.25%

Monroe AA

The bank has designated Union and Ouachita parishes as its assessment area for the branches located in West Monroe and Farmerville. There are 7 low income census tracts, 10 moderate tracts, 18 middle tracts and 12 upper income tracts. Competition is strong with several branches of larger national and state banks operating within the bank's assessment area. Based on 2000 census data, the distribution of families by income level, regardless of census tract location, consists of the following: 23.22 percent are low income, 16.74 percent are moderate income, 18.93 percent are middle income, and 41.11 percent are upper income. Major employers in the area include Ouachita Parish School Board, St. Frances Medical Center, J. P. Morgan Chase, and CenturyLink. The following table reflects the demographics for the assessment area (AA):

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE MONROE AA	
<i>Population</i>	
Number of Families	44,966
Number of Households	64,140
<i>Geographies</i>	
Number of Census Tracts/BNA	47
% Low-Income Census Tracts/BNA	14.89%
% Moderate-Income Census Tracts/BNA	21.28%
% Middle-Income Census Tracts/BNA	38.30%
% Upper-Income Census Tracts/BNA	25.53%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$39,466
2010 HUD-Adjusted MFI	\$51,100
<i>Economic Indicators</i>	
2011 Unemployment Rate	6.9%
2010 Median Housing Value	\$69,691
% of Households Below Poverty Level	19.43%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's performance under the Community Reinvestment Act is satisfactory. FNB has demonstrated satisfactory performance in meeting the credit needs of the community. All performance criteria are documented below.

Loan-to-Deposit Ratio

The loan-to-deposit ratio of FNB is more than reasonable given the bank's size, financial condition and assessment area credit needs. FNB's loan-to-deposit ratio is comparable to other banks headquartered within the bank's assessment area. The bank's quarterly loan-to-deposit ratio has averaged 91.92 percent since the prior CRA examination. The average quarterly loan-to-deposit ratio of banks within the assessment area, regardless of size, for the same time period is 68.48 percent.

Institution	Assets (000s) (as of 9/30/11)	Average LTD Ratio
First National Bank of Arcadia	190,446	91.92
Bank of Ringgold	65,821	33.64
Gibbsland Bank and Trust Company	223,419	72.29
Community Trust Bank	2,195,922	92.27
Marion State Bank	131,562	75.70

Lending in Assessment Area

A substantial majority of the bank's lending activity is located within its assessment area. We reviewed all HMDA residential loans for the years 2009, 2010 and 2011 and a sample of 20 commercial loans originated in 2010 and 2011. This sample reflected approximately 90 percent of the number of loans and 87 percent of the dollar amount of loans were extended in the bank's assessment areas. The breakdown by loan category is illustrated in the following table:

Lending in FNB Arcadia Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	183	87.98	25	12.02	208	\$24,659	88.87	\$3,089	11.13	\$27,748
Home Improvement	58	95.08	3	4.92	61	\$2,368	88.66	\$303	11.34	\$2,671
Refinancing	276	90.20	30	9.80	306	\$37,639	86.26	\$5,993	13.71	\$43,632
Commercial	18	90.00	2	10.00	20	\$1,560	77.52	\$453	22.48	2,013
Totals	535	89.92	60	10.08	595	\$66,226	87.07	\$9,838	12.93	\$76,064

Source: HMDA data, US Census data

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

The distribution of loans to borrowers of different incomes and businesses of different sizes is reasonable throughout the assessment areas.

Bienville/Lincoln Assessment Area

The distribution of home loans by borrower income level is reasonable in the Bienville/Lincoln area given the overall demographics of the area. Lending to low and moderate income borrowers for residential loans is less than the percentage of low and moderate income families within the assessment area. The median cost of housing is \$58 thousand while a low-income person earns less than \$24 thousand based on the HUD updated 2011 median family income. Additionally, over 26 percent of the households in the assessment area live below the poverty level with an unemployment rate of 7.9 percent during 2011. In Ruston, the largest community in the AA, many of the low income homes are purchased as investment property by businesses to be rented to the large population of college students attending Louisiana Tech University. We considered these mitigating factors in our home mortgage lending analysis to low and moderate-income borrowers.

Borrower Distribution of Residential Real Estate Loans in Bienville/Lincoln AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23.64	2.22	13.53	8.89	17.94	22.22	44.89	66.67
Home Improvement	23.64	5.88	13.53	8.82	17.94	23.53	44.89	61.76
Refinancing	23.64	2.98	13.53	10.21	17.94	14.47	44.89	72.34

Source: HMDA data, US Census data

The bank’s distribution of loans to small businesses in the Bienville/Lincoln AA assessment area is excellent. The percentage of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses with revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in Bienville/Lincoln AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	59.82	1.51	38.67	100%
% of Bank Loans in AA by #	83.33	16.67	0.00	100%
% of Bank Loans in AA by \$	68.17	31.83	0.00	100%

Source: Dun & Bradstreet data

Monroe AA

The distribution of home loans by borrower income level is reasonable in the Monroe MSA assessment area. The median cost of housing is \$70 thousand while a low-income person earns less than \$26 thousand based on the HUD updated 2011 median family income. Additionally, over 19 percent of the households in the assessment area live below the poverty level with an unemployment rate of 6.9 percent during 2011. The percentage of loans to low-income borrowers is below the percentage of low-income families and is reflective of these factors. However, the percentage of loans to moderate income borrowers is above the percentage of moderate income families.

Borrower Distribution of Residential Real Estate Loans in Monroe AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23.22	1.39	16.74	33.33	17.08	13.89	42.99	51.39
Home Improvement	23.22	0.00	16.74	21.43	17.08	46.43	42.99	32.14
Refinancing	23.22	10.08	16.74	17.05	17.08	13.18	42.99	59.69

Source: HMDA data, US Census data

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

Borrower Distribution of Loans to Businesses in Monroe AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	60.18	1.86	37.96	100%
% of Bank Loans in AA by #	90.91	9.09	0.00	100%
% of Bank Loans in AA by \$	94.91	5.09	0.00	100%

Source: Dun & Bradstreet data

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the bank’s assessment areas.

Bienville/Lincoln Assessment Area

The geographic distribution of home purchase loans is reasonable. There are no low income tracts in this assessment area. The distribution of loans in the moderate-income tracts is near to the percentage of owner-occupied housing units for home purchases and exceeds the percentage of owner-occupied housing units for home improvement and refinanced loans in the moderate income tracts.

Geographic Distribution of Residential Real Estate Loans in Bienville/Lincoln 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
Home Purchasing	0.00	0.00	5.17	3.33	67.22	53.33	24.63	43.33
Home Improvement	0.00	0.00	5.17	14.71	67.22	45.59	24.63	39.71
Refinancing	0.00	0.00	5.17	6.81	67.22	44.68	24.63	48.51

Source: HMDA data, US Census data

The geographic distribution of loans to businesses is reasonable. The percentage of loans in the moderate-income tracts is near to the percentage of businesses in the moderate-income tracts.

Geographic Distribution of Loans to Businesses and Farms in Bienville/Lincoln AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	0.00	0.00	7.83	4.17	58.07	50.00	34.09	45.83

Source: Dun & Bradstreet data

Monroe AA

The geographic distribution of home purchase loans is excellent. The distribution of loans in low-income tracts is near to the percentage of owner-occupied housing units in the low-income tracts. The distribution of loans in the moderate-income tracts is near to the percentage of owner-occupied housing units for home purchases and exceeds the percentage of owner-occupied housing units for home improvement and refinanced loans in the moderate income tracts.

Geographic Distribution of Residential Real Estate Loans in Monroe 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
Home Purchasing	5.79	1.39	14.55	13.89	47.29	52.78	29.49	31.94
Home Improvement	5.79	3.57	14.55	28.57	47.29	60.71	29.49	7.14
Refinancing	5.79	4.65	14.55	23.26	47.29	54.26	29.49	17.83

Source: HMDA data, US Census data

The geographic distribution of loans to businesses is excellent. The percentage of loans in the low income tracts is near to the percentage of businesses located in the low-income tracts. The percentage of business loans made in the moderate-income tracts exceeds the percentage of businesses located in these tracts.

Geographic Distribution of Loans to Businesses and Farms in Monroe AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	8.92	4.55	19.18	27.27	39.71	36.36	32.19	31.82

Source: Dun & Bradstreet data

Responses to Complaints

First National Bank has not received any complaints or public comments regarding CRA performance during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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