



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in DeRidder
Charter Number 14168

131 North Washington
DeRidder, LA 70634

Office of the Comptroller of the Currency
ADC – David Clay
New Orleans Field Office
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

Major factors supporting the assigned rating are as follows:

- FNB DeRidder's average loan-to-deposit ratio (LTD) of approximately 58 percent for the evaluation period has increased significantly since the previous CRA examination and is satisfactory in light of average loan size, competition, and bank history.
- The majority of loans (by both number of loans and dollars) originated by the institution during the period of review were extended to borrowers within its assessment area (AA).
- The distribution of loans made by FNB to borrowers of different income levels is satisfactory for residential RE lending and excellent for consumer lending. Lending to businesses of different sizes is excellent.

SCOPE OF EXAMINATION

This assessment of the First National Bank in DeRidder's CRA performance is conducted using the Interagency Small Institution CRA procedures, dated February 2006. Our analysis of the bank's CRA performance is based primarily on the distribution by income of a random sample of 90 loans originated between January 1, 2010 and December 31, 2011. This sample was comprised of residential real estate, consumer, and business loans which represent the bank's primary loan products. A community contact was also consulted to obtain feedback on the area's credit needs.

DESCRIPTION OF INSTITUTION

First National Bank in DeRidder (FNB) is a \$186 million, nationally chartered community bank headquartered in DeRidder, LA. FNB is the oldest bank headquartered in Beauregard Parish (established 1934). The bank is independently owned and operated, with varying degrees of ownership of its stock. As of March 31, 2012, no single person or organization owned more than seven (7) percent of the bank's stock. FNB does not have a holding company.

FNB serves its community from a main office and three (3) branches, all located within the city of DeRidder. No full service branches have been opened or closed since the previous CRA examination. All branch locations offer full services including drive-up banking and automated teller machines (ATMs). FNB operates with traditional lobby hours, but its drive-thru facilities open at 7:00AM each day. Further, the Park Terrace branch offers Saturday banking (drive-thru only) from 9:00AM to 1:00PM. FNB also offers telephone and Internet banking as alternative delivery channels.

Over this evaluation period, FNB opened two mortgage loan production offices (LPO) in Lake Charles, LA (Calcasieu Parish) and Leesville, LA (Vernon Parish). Neither of these facilities was located within the bank’s assessment area (AA). While the Lake Charles LPO remains open, the Leesville facility closed in March 2012 due to weak loan demand.

As of June 30, 2012, no legal, financial, or regulatory impediments have been identified that would impact the bank’s ability to help meet the credit needs of its AA. As of June 30, 2011, FDIC market share reports reflected that FNB had the largest share of deposits in Beauregard Parish, LA with 40 percent. The bank had no market share of deposits in Vernon Parish as it does not have a branch there. FNB received a “Satisfactory” rating at its previous CRA examination (May 2007).

FNB’s primary business focus is 1-4 family real estate (RE) and commercial lending. There has been no change in focus regarding products since the previous CRA examination. The bank’s broad loan mix based on its June 30, 2012 Call Report is as follows:

Table 1- FNB Loans by Type – June 30, 2012 Call Report		
Loan Category	\$ (000)	%
1-4 Family RE	55,609	56.65
Commercial & Industrial Loans (including Commercial RE)*	34,761	35.41
Consumer Loans	7,789	7.94
Total	98,159	100.00%
* Commercial and Industrial loans also include commercial RE		

FNB’s competition is strong as seven (7) other banks operate within FNB’s AA. Only two (2) of FNB’s competitors (City Savings Bank and Trust and Sabine State Bank and Trust) have locations in both parishes comprising its AA. Both of these banks are larger than FNB with more branches in different communities. Beauregard FSB is a competitor also domiciled in DeRidder with operations contained solely in Beauregard Parish. However, it is significantly smaller in size with fewer offices. Therefore, FNB has no similarly situated competitor.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB DeRidder has designated Beauregard Parish, LA and the southern three (3) tracts of Vernon Parish, LA as its AA. The bank’s AA is located in the southwestern part of Louisiana and is situated within close proximity to the boundary of the state of Texas (<25 miles). This area is not part of a Metropolitan Statistical Area (MSA) and is

contiguous. DeRidder is the seat of government for Beauregard Parish, LA, and is its most populous municipality. Vernon Parish’s seat (Leesville) is not included due to distance from FNB facilities. The AA complies with the legal requirements of the CRA, and does not arbitrarily exclude low or moderate income areas.

Based on the 2000 Census, FNB’s AA consists of ten (10) census tracts, none of which are designated as low- or moderate-income. Census tracts in the bank’s AA are divided between middle (8 tracts) and upper (2 tracts). The three (3) tracts in Vernon Parish are considered as underserved due to population losses.

Table 2 below illustrates select demographic data from FNB’s AA:

Table 2 - Demographic Information for FNB’s Assessment Area: Beauregard and Vernon Parishes, LA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Census Tracts	10	0.00%	0.00%	80.00%	20.00%	0.00%
Population by Tract	47,091	0.00%	0.00%	80.75%	19.25%	0.00%
Owner-Occupied Housing by Tract	20,597	0.00%	0.00%	80.95%	19.05%	0.00%
Business by Tract	6,730	0.00%	0.00%	80.30%	19.70%	0.00%
Farms by Tract	193	0.00%	0.00%	74.61%	25.39%	0.00%
Family Distribution by Income Level	13,070	16.68%	15.97%	19.79%	47.56%	0.00%
Median Family Income		37,601	Median Housing Value			55,605
HUD Adjusted Median Family Income for 2011		46,300	Unemployment Rate			4.01%
Households Below Poverty Level		15.74%				
2011 HUD updated MFI						
(*) The NA category consists of Tracts that have not been assigned an income classification.						

Source: CRA Wiz data

The United States Office of Housing and Urban Development’s (HUD) updated 2011 non-MSA median family income for the state of Louisiana was \$46,300. Low-income is defined as less than 50 percent of the median family income. Moderate-income is defined as 50 percent to less than 80 percent of the median family income. Middle-income is defined as 80 percent to less than 119 percent of the median family income. Upper-income is defined as income of 120 percent and over the median family income. Income classification categories are listed in Table 3.

Table 3 – Income Categories			
Low	Moderate	Middle	Upper
<\$23,149	\$26,150 – \$37,039	\$37,040 - \$55,559	>\$55,560

The economy of the bank’s AA is heavily weighted towards government, timber/wood products, and various service industries. Major employers in the bank’s AA include the Beauregard Parish School Board (education), Boise Cascade Corp. (plywood production), and Amerisafe, Inc. (insurance). Fort Polk, a United States Army base, is

located in Vernon Parish and is a major economic driver for southwestern Louisiana. Fort Polk is the largest employer in the state of Louisiana. Unemployment in the area is considered low. As of June 2012, the unemployment rate of the bank's AA (4.01 percent) is lower than that of the state of Louisiana (7.6 percent) and the United States (8.3 percent).

During our examination, we conducted an interview with a local government official. Information received from this interview indicated a need for affordable housing and economic development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- FNB's average LTD of approximately 58 percent for the evaluation period has increased significantly since the previous CRA examination and is satisfactory in light of average loan size, competition, and bank history.

The 26 quarters that have elapsed since FNB's most recent CRA examination (May 2007) resulted in an average LTD ratio of 53.13 percent. This average reflects an increase over the 13 quarter average of 32.00 percent noted from the 2007 examination. In spite of the increase, FNB's average LTD remains the lowest of the six (6) institutions with operations in Beauregard Parish. The LTDs of the bank's peers range from a high of 77.63 percent to 60.00 percent.

The 2007 CRA PE noted that FNB's LTD was affected by a relatively high loan count but lower loan volume. The average loan size for two of the bank's primary products (consumer and commercial loans) was previously noted at \$7 thousand and \$40 thousand, respectively. As of this examination, the average for both has increased (\$8 thousand for consumer loans and \$83 thousand for commercial loans).

Lending in Assessment Area

- In general, the majority of loans originated by the institution during the period of review were extended to borrowers within its AA.

Table 4 denotes the distribution of FNB's major loan products between January 1, 2010 and December 31, 2011. As reflected by this table, the majority of FNB's loans are made within its AA.

Table 4 - Lending in AA (Beauregard and Vernon Parishes, LA)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	22	73.33	9	26.67	31	4,231	82.85	881	17.15	5,106
1-4 Family RE	20	64.52	11	35.48	31	\$1,229	43.58	1,591	56.42	2,821
Consumer	21	75.00	7	25.00	28	139	66.15	71	33.85	210
Totals	63		26		90					8,137

Source: OCC loan sample

The above table shows that the percentage of loans made inside the bank’s AA is reasonable. In each category, the number of loans shows a majority of loans made within the AA. For the dollar amount of loans, commercial and consumer lending also show a majority of loans within the AA. The dollar volume of 1-4 family real estate loans is just below a majority.

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

- The distribution of loans made by FNB to borrowers of different income levels is satisfactory for residential RE lending and excellent for consumer lending. Lending to businesses of different sizes is excellent.

As reflected in Table 5, lending to borrowers of different income levels for 1-4 family residential real estate loans is generally considered adequate.

Table 5 - Borrower Distribution of Residential Real Estate Loans in AA (Beauregard and Vernon Parishes, LA)								
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 RE	16.68	10.00	15.97	5.00	19.79	15.00	47.56	83.12

Source: OCC loan sample; CRA Wiz data

- FNB’s lending to low-income families in the AA is less than the demographic comparator. However, it is noted that opportunities to make loans to low-income borrowers is limited as 16 percent of the families in the AA live at or below the poverty level. FNB’s lending to moderate-income families is less than the percentage of such families in its AA.

In an effort to make affordable mortgages available to more of its community, FNB has established a relationship with Crescent Mortgage (Atlanta, GA) a mortgage company that sells conforming mortgage loans on the secondary market. Through this company, FNB originates VA, Rural Housing Development, and other popular secondary market mortgage products. Loans made under the Rural Housing Development program are

made with low or no down payments. Since 2010, FNB has originated 2 of these loans within the bank’s AA to low and moderate income families, totaling \$285 thousand.

The distribution by income of the bank’s consumer lending was also analyzed. Table 6 reflects excellent penetration of FNB’s consumer loan products among low- and moderate- income households.

Table 6 - Borrower Distribution of Consumer Loans in AA (Beauregard and Vernon Parishes, LA)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	19.29	35.00	13.91	30.00	17.36	20.00	49.44	15.00

Source: OCC loan sample; CRA Wiz data

Lending to businesses of different sizes is excellent. The distribution of loans to businesses with revenues less than \$1 million exceeded their percentage of businesses by income in the area. However, the dollar amount of these loans was much lower than their percentage composition of such businesses in the area.

Table 7 depicts distribution by gross income of business loans made to commercial customers:

Table 7 - Borrower Distribution of Loans to Businesses in AA (Beauregard and Vernon Parishes, LA)				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	56.72	0.88	42.41	100%
% of Bank Loans in AA by #	68.18	22.73	9.09	100%
% of Bank Loans in AA by \$	32.25	65.38	2.37	100%

Source: OCC loan sample; CRA Wiz data

Geographic Distribution of Loans

FNB’s AA does not contain any low- or moderate- income census tracts. Therefore, an analysis of the geographical distribution of its loans over the review period is not meaningful.

Responses to Complaints

No CRA related complaints were received during our period of review.

Fair Lending or Other Illegal Credit Practices Review

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