



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

August 15, 1997

City National Bank
Charter Number 13737
445 North Boulevard
Baton Rouge, LA 70802

NOTE: 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.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **City National Bank, Baton Rouge, Louisiana**, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **August 15, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Median Family Income (MFI) - The median income determined by the United States Census Bureau. This figure is based on estimations developed by the Department of Housing and Urban Development and is updated annually.

Low- and Moderate-Income (LMI) - Income levels which are less than 80% of the median family income. Low-income means an income level which is less than 50% of median family income.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. *[THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U. S. C. 2901, AS AMENDED AND 12 C. F. R. 25, AS AMENDED.]*

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancings of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *[THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U. S. C. 2801, AS AMENDED AND 12 C.F.R. 203, AS AMENDED.]*

First Commerce Corporation (FCC) - located in New Orleans, Louisiana, is the parent company of City National Bank, as well as three other affiliate national banks located in New Orleans, Lake Charles and Lafayette, Louisiana. FCC is also the parent company of two affiliate state chartered banks located in Alexandria and Monroe, Louisiana.

City National Bank, Baton Rouge, Louisiana (CNB)

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance record of meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: **"Satisfactory Record of Meeting Community Credit Needs."** The evaluation period covers July 1, 1995, through August 15, 1997.

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Satisfactory because:

- **CNB has actively participated in community development/redevelopment projects which have addressed affordable housing needs for low-income and elderly residents residing within the bank's delineated community.**
- **CNB's volume of lending to LMI census tracts and borrowers is reasonable. CNB has been responsive to the credit needs of its entire delineated community.**
- **CNB Directors and officers are affiliated with a wide variety of community organizations. This has proved an effective way to identify community credit needs.**
- **No evidence exists of illegal or discriminatory practices.**

REASONABLENESS OF COMMUNITY DELINEATION

CNB's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank has designated East Baton Rouge Parish as its delineated community. CNB's community consists of 86 census tracts. By income level, 16 tracts (19%) are low-, 18 (21%) are moderate-, 22 (26%) are middle-, and 29 (34%) are upper-income. One tract is not identified as it is not populated.

COMMUNITY PROFILE

The population of East Baton Rouge Parish equals approximately 380 thousand. Baton Rouge is the state capital and is one of the fastest growing regions of the state. The population continues to migrate towards the southern portion of Baton Rouge and surrounding suburbs just south of East Baton Rouge Parish. The Department of Housing and Urban Development estimates the 1996 MFI as \$39,300. The delineated community is comprised of 22,583 or 23% low-income, 14,090 or 34% moderate-income, 18,015 or 19% middle-income, and 41,762 or 43% upper-income families. Approximately 19% of households are below the poverty level, 19% of households receive Social Security, and 7% receive public assistance. It is estimated that 53% of the 157 thousand housing units located in East Baton Rouge Parish are owner occupied versus 35% that are renter occupied. The median housing value equals \$60,300.

The following chart breaks down demographic (both business and residential) information by the income level of census tracts inside of the bank's delineated community.

Distribution of the Number of Businesses, Farms, Housing Units and Households Within the Delineated Community By Income Level of the Census Tracts								
	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	16	19%	18	21%	22	26%	29	34%
Demographic Category	#	%	#	%	#	%	#	%
Businesses	1,620	12%	1,990	15%	4,212	32%	5,444	41%
Farms	15	8%	16	8%	54	27%	112	57%
Housing Units	23,762	15%	27,747	18%	47,841	31%	57,417	37%
Households	18,113	13%	23,178	17%	43,125	30%	54,126	17%

Source: CRA Wiz® Demographic Dat

As noted in the above chart, 27% of businesses, 33% of housing units, and 40% of households are located in LMI census tracts.

BANK PROFILE

CNB is a subsidiary bank of the \$9 billion regional bank holding company, FCC. CNB is headquartered in Baton Rouge, LA and operates 21 full service branches, including six supermarket financial centers throughout its delineated community. CNB had total assets of \$1.1 billion as of December 31, 1996. The bank has experienced robust loan growth of 16% over the past 15 months. The loan growth has been centered in all loan categories, with the greatest increase in installment loans. CNB's loan to deposit ratio was 68% as of December 31, 1996. This ratio increases to 84% after netting out public funds which represents 20% of the bank's deposit base. The bank's loan to deposit ratio is considered to be reasonable when compared to other Baton Rouge domiciled banks such as Union Planters Bank of Louisiana with a ratio of 85% and Bank One with a ratio of 78%. The following chart displays the bank's loan distribution by loan category as reported on the bank's Report of Condition filed with the bank's regulatory agency.

Report of Condition - Loan Portfolio						
	12/31/95		12/31/96		3/31/97	
Loan Type	\$ (000's)	%	\$ (000's)	%	\$ (000's)	%
Home (1-4 family)	142,484	25	158,139	23	157,738	23
Real Estate-Other	130,014	22	142,986	21	144,337	21
Commercial	104,207	18	131,937	19	126,801	19
Agriculture	486	0	259	0	250	0
Installment	177,549	31	226,297	33	220,861	33
Credit Cards	2,004	1	4,067	1	4,271	1
Loans to Governments	13,449	2	9,761	2	6,723	1
Other	8,753	1	3,457	1	11,761	2
Total	578,946	100	676,903	100	672,742	100

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- *CNB has maintained ongoing and productive contacts with a full range of community based organizations and community leaders to ascertain community credit needs.*

CNB's primary methods of ascertaining community credit needs include:

- * Meetings with community leaders, organizations, and individuals;
- * An officer call program; and,
- * Demographic research.

Meetings with community leaders, organizations, and individuals

CNB officers have met with various groups and organizations to ascertain community credit needs. CNB directors and officers are affiliated with many of these organizations through serving on various committees and holding Board positions. Examples of relationships built are as follows:

- * Mid City Redevelopment Alliance, Inc. (MCRA);
- * Local initiatives Support Corporation (LISC);
- * Church-based organizations located in low income neighborhoods;
- * Service Corps of Retired Executives (SCORE);
- * Bankers CARE;
- * Economic Freedom Association;
- * Minority Business Development Council;
- * 100 Blackmen of Metropolitan Baton Rouge, Ltd.;
- * Urban Restoration Enhancement Corporation;
- * Greater Baton Rouge Chamber of Commerce;
- * Louisiana Women Business Owners Association for Business Banking; and,
- * Small Business Council.

These relationships have enabled CNB to identify and meet credit needs through investing in affordable housing development projects and encouraging small business development in LMI areas. CNB officers also provide technical assistance to minority organizations which encourage small business minority ownership and economic development within the bank's community.

CNB officers have also participated in various conferences, such as the National Community Reinvestment Coalition's Louisiana State Conference of the NAACP, the Home Builders' Association Habitat Expo, and Greater Baton Rouge Association of Realtors Mortgage Bankers'

Round Table Conference. CNB has utilized these opportunities to provide information on bank products and services.

Officer Call Program

An officer call program, named the Officer Call Tracking System, is in place. The calls are primarily made to local businesses, community organizations, and community leaders. The call program is used to document comments regarding community credit needs and community development opportunities. All calls are recorded in the bank's computer system and are reviewed by the bank's CRA officer.

Demographic Research

The bank periodically reviews published government statistics, and analytical information provided by its parent company, First Commerce Corporation (FCC). FCC provides local demographic data, lending territory information, and loan penetration levels to identify areas of potential need for various bank products. This information is tracked, mapped, and evaluated quarterly. Periodic reports of this information and actions taken are provided to the community development committee of the Board.

Identified Credit Needs

CNB has identified the following pressing community credit related needs:

- * Lending products for affordable housing, small businesses, and education;
- * Lending services designed for LMI individuals, including financial counseling and marketing of products; and,
- * More accessibility to consumer lending products for LMI individuals.

CNB has met these needs through product development, targeted marketing programs, and participation in government loan programs. Examples of products and services offered by the bank include:

- * Community Lending Pool - CNB continues to offer its affordable housing product tailored to meet the needs of LMI residents in East Baton Rouge Parish. This product offers flexible underwriting criteria tailored to meet the needs of LMI residents.
- * Bond Programs - CNB participates in the East Baton Rouge Parish and Louisiana Housing Finance Authority bond programs. The programs offer assistance in various ways to LMI individuals and families financing the purchase of their first residence. These programs offer flexible underwriting guidelines with subsidized interest rates.
- * Mortgage Lending Products - CNB offers standard conventional mortgages with a variety of terms. CNB also offers government program loans such as Federal Housing Authority (FHA) and Veterans Administration (VA) mortgage loans.

- * Small Business Loan Products - CNB offers a variety of small business loan products and participates in SBA loan programs. CNB is designated as an SBA Preferred Lender. This program allows the bank to close SBA guaranteed loans with less documentation resulting in a more efficient application process. CNB offers various SBA loan products including the SBA Low Doc program which offers a streamlined application process for those applications of less than \$100 thousand.
- * First Money, L.L.C. (FM) - FM is a finance company subsidiary of First Commerce Corporation. FM consumer loan underwriting criteria is more flexible than CNB's traditional consumer loan underwriting guidelines. All CNB denied consumer loans are reevaluated using FM relaxed consumer loan criteria.
- * Educational Products - CNB continues to be active in education lending. One program is designed to provide prepaid tuition financing to parents of local elementary and secondary school students. This financing can be obtained without a credit check. CNB is also active in the Guaranteed Student Loan Program which is tailored to assist college students.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- *CNB's Board of Directors actively participate in CRA activities and provide oversight through policy review and self assessment.*

The Board of Directors and senior management are actively involved in CRA policy oversight. The CRA Committee is comprised of senior level officers representing various departments within the bank. This committee plays a key role in establishing CRA awareness throughout the bank. The Committee meets weekly to discuss CRA issues and monitors the effectiveness of the bank's CRA program. The CRA Officer and CRA coordinator oversee the day-to-day operations of the bank's CRA program. CRA activities are reported to the Board on a regular basis.

The Board is very active and personally involved in community organizations which benefit the local community. Their membership in numerous community organizations allows CNB to be aware of and responsive to community credit needs. The Board has demonstrated its commitment to CRA through developing special products and marketing programs to meet the needs of LMI borrowers.

The Board reviews CNB's lending patterns on a quarterly basis. This includes an analysis of HMDA monitoring data. Bank activity in LMI census tracts is reported to the Board at least semi-annually.

Efforts are made to ensure the bank complies with Fair Lending requirements. Fair Lending self assessment reviews are conducted and “mystery shops” are performed to ensure customers are treated courteously and fairly.

The Board actively supports the bank’s CRA program by providing ongoing CRA-related training to all bank personnel. All new hires receive CRA training as part of the orientation process. Periodic ongoing CRA training is provided to all employees. CNB lending officers continue to receive training on bank products such as SBA loans, Title I home improvement loans, and various other programs.

The Board has approved policies and procedures to ensure ongoing technical compliance with CRA. No technical violations of CRA were found during this examination.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution’s marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- *CNB’s marketing and special credit-related programs are designed to reach all segments of its delineated community.*

CNB continues to utilize traditional and non-traditional media sources to reach different segments of the community. This includes advertisements and product promotions in newspapers, television, radio, billboards, statement stuffers, direct mailings, and special outreach efforts.

CNB continues to advertise in several newspapers and publications directed towards minorities to ensure all segments of the community are reached. These include: The Baton Rouge Post, The Baton Rouge Chronicle, and The Greater Baton Rouge Black Pages. The bank also advertises on an minority owned radio station (KQXL).

Special outreach efforts supplement the bank’s traditional methods of advertising. These efforts include programs such as:

- * Ongoing participation in credit education seminars to LMI persons through organizations such as Mid City Redevelopment Alliance.
- * Actively participating in the SBA’s Service Core of Retired Executives program. Under this program, small business loan officers meet monthly with small business owners or persons considering starting a business to discuss topics unique to small businesses.

- * Church-based seminars, where bank representatives communicate with church members about bank products and credit education, provide a unique forum where CNB employees can reach individuals who are not accustomed to a traditional bank setting.
- * Advertising bank products and services on the local Time, Weather, and Temperature telephone line that the bank offers as a community service.
- * Informing customers of bank products and services on Telebanking services. Over two million callers were assisted in 1996.
- * A pre-approved unsecured loan campaign targeting LMI census tracts in the bank's assessment area was conducted. As of June 1996, 43 loans totaling \$107,500 were originated as a result of this campaign.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or farm loans within its community, or the purchase of such loans originated in its community.

- *CNB has been responsive to identified credit needs through the origination of real estate, consumer, and small business loans within its community. These loans have been made to individuals of varying income levels and to businesses of different sizes.*

A review of the bank's Report of Condition for December 31, 1995; December 31, 1996; and March 31, 1997, indicates an adequate volume of lending in relation to the bank's resources and community credit needs. A substantial majority of the bank's home related and small business loans are made within the bank's community. In 1996, 87% of the dollar and 91% of the number of small business loans were funded inside of the bank's delineated community. During the same time period, 83% of the number and 85% of the dollar volume of home related loans (home purchase/refinance and home improvement) were funded inside of the bank's delineated community. CNB has made home loans to individuals and families across economic lines. CNB continues to offer the Affordable Housing Product. This product was developed to meet the needs of LMI families residing inside of the bank's delineated community.

The following chart shows the bank's home loan activity according to borrower income levels for 1995 and 1996.

Distribution of Home Mortgage Loan Originations Within the Delineated Community By Income Level of the Borrower								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	22,583	23%	14,090	15%	18,015	19%	41,762	43%
Loan Product (Year)	#	%	#	%	#	%	#	%
Home Purchase/Refi (1995)	26	8%	48	15%	47	14%	209	63%
Home Improvement (1995)	24	13%	24	13%	34	19%	96	54%
Total 1995	50	10%	72	14%	81	16%	305	60%
Home Purchase/Refi (1996)	11	4%	22	9%	29	11%	192	76%
Home Improvement (1996)	22	16%	18	13%	36	26%	61	45%
Total 1996	33	8%	40	10%	65	17%	253	65%

Overall, the bank's distribution of loans to different income levels appears reasonable when compared to the income characteristics of the bank's delineated community. However, the above chart reflects that home related lending volume declined in 1996. Loans to LMI borrowers also declined and represented a smaller portion of total home related lending in 1996 than 1995. Home related lending to middle and upper income borrowers also declined but represented a larger portion of home related lending in 1996 than 1995.

The following chart shows CNB's overall market share in home purchase/refinance and home improvement loans in its delineated community. It also shows the bank's market share and rank for home related loans originated to LMI borrowers.

1995 Home Mortgage Loan Originations Market Share Within the Delineated Community by Income Level of the Borrower									
Loan Product	All Borrowers			Low-Income Borrowers			Mod-Income Borrowers		
	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Home Purchase/Refi	334	3.8%	8	26	4%	7	48	3.5%	9
Home Improvement	186	10.3%	4	24	11%	3	24	8.8%	5
Total	520	4.9%	5	50	5.8%	4	72	4.39%	8

Source: CRA Wiz® HMDA Aggregate Data

Overall, CNB's volume of home mortgage lending in its community is reasonable when compared to other home mortgage lenders in its community. The volume of home mortgage related lending to low-and moderate-income borrowers is also satisfactory. The previous chart reflects that the bank has a 4.9% market share and ranks fifth in its market in overall home related loan originations. The bank's market share to low-income borrowers equals 5.8% which is greater than its overall market share. The bank's market share to moderate-income borrowers equals 4.4% which is less than its overall market share.

CNB has been responsive to small business/farm credit needs within its delineated community. The following chart shows CNB's willingness to make loans of varying sizes and to businesses of different revenue levels.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Delineated Community By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000s)	%	#	%*	\$ (000s)	%*
less than \$100,000	361	71%	12,933	22%	124	34%	5,260	41%
\$100,000 to \$250,000	85	17%	14,728	24%	28	33%	4,914	33%
\$250,000 to \$1,000,000	63	12%	32,393	54%	12	19%	4,920	16%
Totals	509	100%	60,054	100%	164	32%	15,094	25%
Distribution of Businesses and Farms in the Community by Annual Revenues of the Business or Farm:			< 1 Million	32%	*As a percentage of loans of the size category			
			> 1 Million	52%				
			Unknown	15%				

Source: CRA Wiz® Business Demographic Data and Bank prepared Small Business and Farm Data Collection Register

Although CNB has been responsive to small business lending needs, approximately 68% of the bank's business loans are to companies with revenues greater than \$1 million. Demographic data reveals that approximately 86% of the businesses located in East Baton Rouge Parish have revenues of less than \$1 million. This indicates that CNB has a larger market share of loans to businesses with revenues greater than \$1 million than those with revenues of less than \$1 million. It should be noted that, as stated earlier, CNB has an active calling program, and its officers and staff are well aware of credit needs. The needs of numerous smaller businesses have been identified and met by CNB.

As noted earlier, the bank has also met community credit needs through the origination of consumer loans. Data was not available to show the distribution of consumer loans by income level. However, the overall volume of consumer loans has increased over the past year. CNB has experienced 27% installment loan growth from December 31, 1995 to December 31, 1996. First Money, L.L.C., a finance company subsidiary of FCC, reevaluates all CNB declined consumer

applications for credit approval based on relaxed credit criteria. The following chart displays the number and dollar amount of First Money originations in CNB's market.

First Money, L.L.C./Loan Originations from CNB Market			
	1995	1996	1997 (5 mos.)
# of Loans	195	299	3
\$ Volume	\$702,223	\$937,151	\$10,043

FM funded a moderate volume of consumer loans in the bank's delineated community in 1995 and 1996. However, the volume of FM originations within CNB's delineated community significantly declined in 1997. This decline was due largely to some changes in FM's underwriting practices.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small business, or small farms.

- **CNB actively participates in governmentally insured, guaranteed or subsidized loan programs.**

Management is aware of, and participates in government sponsored loan programs. CNB's government-enhanced lending has been moderate over the past 2 years. CNB participates in the following programs: Small Business Administration (SBA), Federal Housing Administration (FHA), Veterans Administration (VA), East Baton Rouge Parish Bond Authority (EBR), Louisiana Housing Finance Authority (LHFA), and Guaranteed Student Loan program (GSL).

The following chart shows the bank's government loan originations for mortgage lending, small business, and student loans, respectively. Government-enhanced loan originations increased in 1996. The dollar volume of government program originations increased to \$6.5 million, an increase of 132% from 1995 levels.

Government Loan Programs - Originations				
	1995	1996	March 31, 1997	Totals
FHA-#**	7	19	7	33
FHA-\$**	458,000	1,377,950	507,050	2,343,000
VA-#	12	9	4	25
VA-\$	1,027,000	1,258,250	479,000	2,764,250
EBR-#	0	3	10	13
EBR-\$	0	209,150	631,350	840,500
LFHA-#	4	7	2	13
LFHA-\$	220,400	440,350	138,250	799,000
SBA-#	14	11	1	26
SBA-\$	971,000	2,263,800	100,000	3,334,800
GSL-#	61	377	38	476
GSL-\$	116,501	930,904	526,014	1,573,419

** Includes loans originated at the bank's affiliate bank - FNBC

CNB is also the central depository bank for the State of Louisiana and participates in the Louisiana Linked Deposit Program for small businesses and agricultural processing businesses. This program allows the State Treasurer to channel a small portion of the State's investment portfolio into reduced-rate CD's. These reduced rate investments are then "linked" to reduced-rate loans by the bank for use by qualified small businesses and agriculture processors in an effort to stimulate economic growth and development in the state. Currently, CNB has loans totaling \$534,625 in this program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- *CNB's distribution of lending is reasonable. The bank's volume of loan originations in LMI geographies since the previous CRA assessment is satisfactory.*

CNB's residential lending patterns in 1995 and 1996 show moderate lending volume to LMI areas. CNB's lending patterns are considered reasonable when factoring in demographic information such as the number of 1-4 residential family units located in LMI census tracts. The following chart shows the bank's residential lending patterns broken down by the income level of the census tracts located within East Baton Rouge Parish.

Distribution of Home Mortgage Loan Originations Within the Delineated Community By Income Level of the Census Tracts								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	16	19%	18	21%	22	26%	29	34%
Census Tracts Penetrated (% of tracts in income group)	15	94%	14	77%	22	100%	29	100%
Number of 1-4 Family Units (owner occupied)	7,302	9%	13,685	16%	23,107	28%	39,072	47%
Median Age of Housing	1954		1962		1970		1972	
Loan Product (Year)	#	%	#	%	#	%	#	%
Home Purchase/Refi (1995)	14	4%	20	6%	100	30%	200	60%
Home Improvement (1995)	21	11%	20	11%	50	27%	95	51%
Total 1995	35	7%	40	8%	150	29%	295	57%
Home Purchase/Refi (1996)	7	3%	10	4%	72	28%	168	65%
Home Improvement (1996)	13	9%	15	11%	28	20%	81	59%
Total 1996	20	5%	25	6%	100	25%	249	63%

Source: CRA Wiz[®] Demographic Data and 1995 and 1996 HMDA Loan Application Registers

CNB made 15% of home related loans to LMI census tracts in 1995. This percentage is somewhat low when compared to demographic information that shows approximately 25% of East Baton Rouge Parish's owner-occupied 1-4 family housing units are located within these LMI census tracts. However, CNB's market share in low-income and moderate-income census tracts

equals 8.2% and 3.7%, respectively. CNB ranks fourth in mortgage related originations to low-income census tracts and eighth in originations to moderate-income census tracts. CNB's volume of lending in LMI census tracts is considered reasonable when compared to 55 other home lenders in the bank's market.

The number of 1996 home mortgage related loans originated in LMI census tracts declined by 40%. Also, the percentage of home related loans funded in LMI census tracts declined to 11% of the total number of loans made in 1996. Bank management reports that significant additional competition for business in this market segment is at least partially responsible for this decline.

CNB's geographic distribution of small business/farm loans also reflects a reasonable dispersion throughout its delineated community. The following chart shows the number of small business/farm loans originated within its delineated community in 1996. The chart also displays the number and percentage of businesses located in low, moderate, middle, and upper income census tracts.

Distribution of Small Business and Farm Loan Originations in 1996 Within the Delineated Community By Income Level of the Census Tract								
Community Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	16	19%	18	21%	22	26%	29	34%
Census Tracts Penetrated (% of tracts in income group)	10	63%	13	72%	19	86%	27	93%
Number of Businesses	1,620	12%	1,990	15%	4,212	32%	5,444	41%
Number of Farms	15	8%	16	8%	54	27%	112	57%
Loan Product	#	%	#	%	#	%	#	%
Small Business	28	6%	63	13%	144	29%	256	52%
Small Farm	2	11%	1	5%	5	26%	11	58%
Total	30	6%	64	13%	149	29%	267	52%

Source: CRA Wiz[®] Business Demographic Data and Bank prepared Small Business and Farm Loan Data Collection Register

Approximately 19% of the bank's small business loans were funded in LMI census tracts while 27% of the total number of businesses are located in these tracts. Approximately 16% of the bank's small farm loans were funded in LMI census tracts while 16% of the total number of farms are located in these tracts.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- ***CNB's offices are reasonably accessible to all segments of its community. Branch closings subsequent to the prior CRA examinations have had minimal impact on services and products provided to communities residing near the closed branches.***

CNB operates 21 full service financial centers, including six supermarket branches throughout its delineated community. Eight or 38% of the bank's branches are located in LMI census tracts. CNB has closed two branches since the previous CRA examination. These branches included the Louisiana State University (LSU) Union Financial Center closed on May 12, 1995 and the Cortana Mall Financial Center closed on September 29, 1995. Both branches were in close proximity to other full service CNB financial centers. The LSU branch is in close proximity to the University Financial Center and the Cortana Financial Center is in close proximity to the Monterrey Financial Center. CNB provided the public written notice at least 30 days prior to both closings.

CNB expanded its service delivery system by opening two new full service financial centers (Laurel Lea & Albertsons Baker). CNB has also expanded its automated teller machine (ATM) network. The CNB ATM network now consists of a total of 52 ATMs. FCC's mobile ATMs are also available for use by CNB at designated events.

CNB's financial centers offer extended hours and Saturday banking. CNB's "Call First" program, a toll free telephone information system, provides 24 hour-a-day consumer access to many deposit, loan, and credit card products. Additionally, CNB's loan-by-phone program offers a toll free telephone number to allow clients to apply for a loan. The service is available from 7:00 a.m. to 9:00 p.m. Monday through Friday and until 6:00 p.m. on Saturday. CNB investment services, business banking, and residential mortgage loan representatives are also available to provide service in several financial center locations.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement.

- ***CNB of Baton Rouge does not engage in any practice to discourage applications for the types of credit offered.***

CNB of Baton Rouge affirmatively solicits credit applications from all segments of its communities including LMI areas in the bank's service area. Efforts are made to increase participation from minority persons and LMI areas in the bank's service area. No practices or activities were noted that would discourage applications on a discriminatory basis.

The Board has approved adequate policies, procedures, and training programs supporting nondiscrimination. CNB has conducted fair lending training for all affected employees on an ongoing basis. Diversity training will be provided to all existing managers in the Fall of 1997 and will be required for all new managers going forward. CNB has a second review process for residential mortgage and home improvement related loans to ensure consistency in the loan decision process.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- *No evidence exists of illegal or discriminatory practices.*

The fair lending review performed by examiners focused on home improvement loans underwritten from July 1, 1996 through December 31, 1996. CNB underwrites home improvement loans using a combination of credit scoring and judgmental underwriting. Examiners analyzed 71 home improvement loan applications to determine whether similar applicants received similar loan outcome without regard to their race.

CNB is in substantial compliance with the provisions of antidiscrimination laws and regulations including the Equal Credit Opportunity Act and the Fair Housing Act. Based on the review of sampled loan applications, no instances were identified where applicants were treated differently because of race.

V. Community Development

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- *CNB has participated in development and redevelopment programs, sometimes taking a leadership position in providing funds and technical assistance.*

CNB has maintained an awareness of community development projects through building ongoing relationships with a variety of government officials, community organizations, and community leaders. CNB actively supports community development and redevelopment projects through direct loans, direct investments, participation with CDCs, and support of community based organizations with contributions and technical assistance. The following are examples of CNB's participation in these activities.

Low Income Housing Tax Credits

CNB has invested in tax credit projects to help provide affordable housing to LMI individuals residing in low income areas. CNB has invested in three projects since the previous CRA examination. The projects are detailed as follows:

- * St. Theresa Apartments 1994 Limited Partnership - CNB invested in a community development limited partnership. CNB's direct investment in the tax credits equals \$500 thousand. The limited partnership was formed for the purpose of acquiring, renovating, and operating the St. Theresa Apartments as low income housing units. The facility consists of six structures having a total of 88 apartment units for elderly residents. The facility will be 100% occupied by low-income residents. The complex is located in census tract number 6.01 which is a moderate-income census tract.
- * Charleston Oaks Limited Partnership - CNB invested in a community development limited partnership. CNB's equity investment equals \$410 thousand. The limited partnership was formed to rehabilitate and operate the Charleston Oaks Apartment housing complex for LMI elderly persons located in Baker, Louisiana. The construction phase is complete and the complex reached 40% occupancy as of December 31, 1996. A total of 30 housing units are being rehabilitated.
- * Canterbury Square Apartments - CNB invested in a community development limited partnership. CNB's equity investment equals \$646 thousand. The limited partnership was formed to build a low-income housing apartment complex for LMI residents in a low-income area. The facility consists of 202 apartments of which 105 are one bedroom units. Approximately 123 units are occupied to date. The complex is located in census tract 24 which is a low-income census tract.

First Commerce Community Development Corporation (FCCDC)

FCCDC is a non-profit corporation initially capitalized by equal investments from the five subsidiary banks of First Commerce Corporation including CNB. The FCCDC seeks to promote community and economic development efforts in the communities served by the subsidiary banks. CNB made an initial investment of \$40 thousand in FCCDC. Currently, FCCDC is partnering with MCRA to construct 15 affordable single family residences located in a low-income neighborhood in Mid City Baton Rouge. The limited partnership is called Parkhills Limited Liability Company. CNB made a \$400 thousand construction loan commitment to FCCDC to construct the houses.

Local Initiatives Support Corporation (LISC)

This organization helps citizens form Community Development Corporations (CDCs) which revitalize neighborhoods by building housing and developing commercial and industrial space. There are currently five CDC's that are participating in projects in five different neighborhoods of Baton Rouge. These neighborhoods are all identified as LMI areas and involve the development of single family housing which will be sold to LMI families. To date, ten homes have been completed (five sold, four are under a purchase agreement, and one is available), two homes will be rebuilt that were destroyed by a fire, and four homes are under construction. CNB's participation in this project has been through a direct investment of \$75 thousand and President Shiles McCord serves on the Advisory Committee. CNB also recently committed to invest an additional \$75 thousand over the next three years.

First Louisiana Business and Industrial Development Corporation (First BIDCO) - This corporation was formed in 1991 for the purpose of providing capital in the form of debt and equity financing to smaller growth companies, entirely based in Louisiana. In early 1995, First BIDCO received approval from the Small Business Administration (SBA) as a participating lender in SBA's 7(a) Loan Guarantee Fund Program. CNB's participation with this for profit corporation has been through a \$3 million loan commitment. Through this loan commitment, CNB is able to meet small business financing needs that have not been traditionally met by local banks, including start up business loans. The corporation has funded several small business loans in the bank's assessment area.

Gulf Coast Business and Industrial Development Corporation (GULFCO) - This is a minority owned and controlled Louisiana corporation established on May 27, 1992. The purpose is to provide growth capital to existing small businesses with less than \$7 million in annual revenues and less than 500 employees. CNB made an initial capital investment of \$125 thousand and has recently committed to invest an additional \$125 thousand. This company has funded several small business loans to businesses domiciled in the bank's assessment area.

Affordable Housing (Multifamily)

CNB has funded approximately \$1 million in loans to either construct or purchase apartment complexes. These complexes have rent levels that are geared to fit the budgets of LMI individuals and families. Approximately 60% of these loan funds were to either purchase or construct apartment complexes in LMI areas.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- *No legal, financial or economic constraints that would hinder the bank's ability to meet the communities credit needs were identified.*

CNB has made significant financial commitments to meet identified credit needs within its assessment area.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which and institution is helping to meet the credit needs of its entire community.

- *CNB has engaged in other meaningful activities which contribute to the institution's efforts to meet community credit needs.*

CNB has funded a \$278 thousand loan to a nonprofit organization which provides housing to "at risk" children who are wards of the state. This organization is very dependent upon state funding and contributions from the United Way. The loan proceeds were used to build a new group home for the children.

CNB has funded a \$300 thousand working capital loan to an organization that provides group homes for mentally challenged individuals. The organization oversees 24 group homes which are primarily located in East Baton Rouge Parish. The loan proceeds will be used to provide needed services to the homes such as physical therapy and food services.

CNB has funded loans to churches located in LMI neighborhoods around the city. Loan proceeds have been used for church expansion, bus financing, and equipment financing. The churches provide social and educational services to their surrounding communities which may serve to stimulate community activity and development.

Serve! Mid City is a summer youth corps that brings young people from Mid City Baton Rouge together to join in the efforts to improve Mid City neighborhoods most affected by poverty. This program is a unique opportunity for young people to be a vital part of community building by providing members with training in team work, leadership, decision making, confidence building, conflict resolution, and community organization. CNB associates have made a presentation entitled "Dollars and Sense" and participated in a Financial Basics Workshop by making a presentation to the SERVE! Mid City Youth Corps.

CNB participates in many functions at both Louisiana State University and Southern University. Activities include conducting seminars on obtaining credit and small business management.

ADDITIONAL INFORMATION

This bank is located in Metropolitan Statistical area #0760.

The Office of the Comptroller of the Currency is responsible for supervising City National Bank. Members of the public can contact this regulatory agency with questions, concerns, or issues. The address is:

Office of the Comptroller of the Currency
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500 North Akard Street
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