



PUBLIC DISCLOSURE

July 11, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Louisiana
Charter Number 12523

128 North Parkerson Avenue, Crowley, LA 70526-5002

Office of the Comptroller of the Currency

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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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of the First National Bank of Louisiana (FNBL), prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 11, 2016. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Major factors supporting the assigned ratings are as follows:

- FNBL's average loan-to-deposit (LTD) ratio of 81.72 percent for the evaluation period is reasonable in light of the bank's size, competition, and financial condition.
- The substantial majority of FNBL's loans (by number of loans and dollars) are made to borrowers within its assessment areas (AAs).
- The distribution of residential RE loans in both AAs is reasonable by both income and geography. The distribution of commercial loans by revenues in both AAs is reasonable, while the geographic distribution of commercial loans in both AAs is excellent.
- FNBL has demonstrated adequate responsiveness to meeting the needs of AAs with an overall adequate level of community development lending, investments, and services. However, community development lending in the Lake Charles AA is poor.

Scope of Examination

This assessment of FNBL's CRA performance was conducted using the Interagency Intermediate Small Bank CRA procedures, dated July 2007. These procedures require

the analysis of the bank's distribution of its primary loan products as well as that of community development lending, investments, and services.

Our analysis of the bank's CRA performance is based primarily on the distribution by income and geography of various bank products since the August 2013 CRA Examination as well as the volume of qualified community development loans, investments, and services extended/made/offered over the same time period. All Home Mortgage Disclosure Act (HMDA)-related loans (home mortgage loans to purchase, refinance, or improvement) as well as a random sample of 60 commercial loans made between January 1, 2014 and March 31, 2016 were used to determine distribution by income and geography. A separate data integrity review was conducted prior to the commencement of this activity.

Full scope procedures were utilized to assess FNBL's CRA performance in both its Lafayette, LA and Lake Charles, LA AAs. Both of these AAs are named for the principal cities included in two separate Metropolitan Statistical Areas (MSAs) located in the bank's geographical footprint. However, more emphasis is being placed on the Lafayette AA as internal data as of March 31, 2016 reflected that 86.71 percent of the bank's loans and 78.77 percent of its deposits were concentrated in the Lafayette AA.

Community leaders in the bank's AAs were not contacted to obtain feedback on the areas' demographics, perceived credit needs, or financial institution responsiveness to identified needs. While establishing community contacts is a routine part of most CRA examinations, new contacts were not established as four (4) such contacts had been made in the bank's AAs between 2014 and 2016 as part of other OCC CRA examinations conducted in the area during this period.

FNBL has an affiliated institution, Rayne State Bank and Trust Co. (Rayne, LA), which is related by common ownership. However, Rayne's performance is not taken into consideration for the benefit of FNBL as its performance has been separately assessed by the FDIC.

Effective January 1, 2016, FNBL met the requirements established by the Federal Financial Institutions Examination Council (FFIEC) for examination under the interagency Intermediate Small Bank CRA Examination Procedures. Therefore, this CRA examination will be the institution's first conducted under these requirements.

Description of Institution

FNBL is a nationally chartered bank headquartered in Crowley, LA, the parish (i.e., county) seat of Acadia Parish. Acadia Parish is part of Acadiana, a 22-parish area located in southwest Louisiana, bordered by Texas, the Gulf of Mexico, and certain parishes 100 miles north of the region. FNBL (established in 1924) is the oldest of four (4) banks domiciled in Acadia Parish. FNBL serves its communities from a main office

and four (4) branches, located in the Louisiana cities of Crowley (Acadia Parish), Lafayette (Lafayette Parish), Lake Charles, and Sulphur (both in Calcasieu Parish) . FNBL has not opened, closed, or relocated any banking facility since the 2013 CRA Examination.

FNBL is 100 percent owned by Financial Corporation of Louisiana, a multi-bank holding company, which also owns Rayne State Bank, a \$368 million state chartered institution headquartered in Rayne, LA (also in Acadia Parish). Ownership of the holding company is varied, with no single person, group, or organization owning more than 15 percent of the company's stock.

As of March 31, 2016, FNBL held assets of approximately \$356 million and reflected a Tier I leverage (capital) ratio of 10.29 percent, which is slightly above its national peer's average of 10.26 percent. Further, as of the same date, no legal, financial, or regulatory impediments have been identified that would impact the bank's ability to help meet the credit needs of its AAs.

Per FDIC Market Share reports as of June 30, 2015, FNBL does not occupy a dominant position in any of the markets in which it operates. With 15.30 percent of deposits, FNBL ranks second in market share in Acadia Parish, but is significantly behind the Bank of Commerce and Trust (Crowley, LA), which held 32.89 percent of the parish as of the aforementioned date. FNBL's market share in other parishes in which it operates is much lower. FNBL's market share of 1.71 percent in Lafayette Parish and 1.61 percent in Calcasieu Parish places it in 11th place in both markets. FNBL received a "Satisfactory" rating at its previous CRA examination (August 5, 2013).

FNBL's primary business focus is that of a commercial and real estate lender, with commercial real estate (CRE) comprising the largest segment of the bank's loan portfolio. However, the bank offers a wide variety of loan products to serve the diverse needs of its communities, including Small Business Administration (SBA), conventional, and U.S. Government sponsored (FHA, VA, and Rural Housing Development) mortgages originated and sold in the secondary market. There has been no change in focus regarding products since the previous CRA examination.

As of March 31, 2016, loans accounted for approximately 74 percent of bank assets. FNBL's loan mix based on this period's Call Report is as follows:

Table 1 – FNBL Loans by Type – March 31, 2016 Call Report		
Loan Category	Dollars (000)	Percentage
Construction/Land Development	32,554	12.25
Farmland	13,892	5.23
1-4 Residential Properties	58,793	22.12
Multifamily Residential	17,690	6.66
Owner Occupied Nonfarm/Nonresidential RE (CRE)	66,760	25.13
Other Nonfarm/Nonresidential Real Estate (CRE)	15,956	6.00
Total Real Estate Loans	205,645	77.38

Agricultural Production	1,565	0.59
Commercial/Industrial	45,774	17.22
Consumer	5,288	1.99
Other	7,472	2.81
Total	265,744	100%

Source: Call Report Data as of 3/31/16

FNBL's competition is strong in both of its AAs as 28 banks operate within the Lafayette AA and 16 in the Lake Charles AA. Rayne State Bank (FNBL's affiliate) and the Bank of Commerce and Trust (Crowley, LA) are considered similarly situated.

Economic or Legal Constraints

FNBL has no legal or regulatory impediments identified that would affect its lending activities or impede the institution's ability to meet the credit needs within its AAs. However, the current oil glut has had negative effects on the economy of much of the bank's AA (primarily the Lafayette AA) with higher than average unemployment and lessened loan demand.

Description of Assessment Area(s)

FNBL has designated the following as its Assessment Areas:

- Acadia and Lafayette Parish, LA (Lafayette AA).
- Calcasieu Parish, LA (Lake Charles AA).

Lafayette, LA AA

FNBL's Lafayette AA is a subsection of the Lafayette, LA MSA as defined by the U.S. Office of Management and Budget (OMB). This MSA includes the parishes of Acadia, Iberia, Lafayette, St. Martin, and Vermillion. The principal city of this AA is Lafayette, the seat of government and commerce of Lafayette Parish. Lafayette is the fourth (4th) largest city in Louisiana, as measured by the 2010 Census. FNBL's legacy market (Acadia Parish) was added to the Lafayette MSA in February 2013 as a result of the 2010 Census. The previous CRA examination evaluated FNBL's performance in Acadia Parish as a non-metropolitan AA.

Due to the limited number of banking facilities as well as the geographical size of the MSA, management did not think it could reasonably serve the entire Lafayette MSA. Management designated Acadia and Lafayette parishes as its Lafayette AA as FNBL maintains banking facilities in both parishes. As confirmation of its AA, management performs an annual review to ascertain where the bank is making loans and receiving deposits. These reviews routinely confirm that the vast majority of loans and deposits

are made/received within the designated AA. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income areas.

Based on the 2010 Census, FNBL’s Lafayette AA consists of 55 census tracts, of which two (2) are considered low-income and fourteen (14) are considered moderate-income areas. The AA further includes 22 middle-income tracts and 16 upper-income tracts. One (1) tract was not classified by income due to the lack of data. Per U.S. Census data, none of the AA’s census tracts are currently considered distressed or underserved, but two middle income tracts in Acadia Parish (9602.00 and 9604.00) were considered distressed in 2013 due to a high degree of poverty in these areas.

Table 2 below illustrates select demographic data from the Lafayette AA:

Table 2 - Demographic Information for FNBL’s Assessment Area: Lafayette AA (Acadia and Lafayette Parishes)						
2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Census Tracts	55	3.64%	25.45%	40.00%	29.09%	1.82%
Population by Tract	283,351	1.86%	23.96%	38.51%	35.67%	0.00%
Owner-Occupied Housing by Tract	69,691	1.61%	21.26%	36.92%	40.22%	0.00%
Business by Tract	35,827	1.54%	18.55%	38.76%	41.05%	0.11%
Farms by Tract	861	0.35%	19.63%	44.02%	36.00%	0.00%
Family Distribution by Income Level	69,615	1.49%	24.26%	36.61%	37.64%	0.00%
Median Family Income		\$59,048	Median Housing Value			\$139,659
HUD Adjusted Median Family Income for 2015		\$58,300	Unemployment Rate			7.20%
Households Below Poverty Level		16.93%				
2015 HUD updated MFI						
(*) The NA category consists of Tracts that have not been assigned an income classification.						

Source: CRA Whiz data

The United States Office of Housing and Urban Development’s (HUD) updated 2015 median family income for the Lafayette, LA MSA was \$58,300. 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 – Lafayette, LA MSA – 2010 Census			
Low	Moderate	Middle	Upper
<\$29,149	\$29,150 – \$46,639	\$46,640 - \$69,959	>\$69,960

Source: U.S. Census data

The economy of the Lafayette AA is mixed, with retail, education, medical services, manufacturing, mining, and tourism as major economic drivers. Agriculture (rice,

soybeans, and crawfish), particularly in Acadia Parish, also comprise major segments of the AAs economy. Major employers in the AA include the Lafayette Parish School System (education), Lafayette General Health (medical services), Wood Group Production Services (oil and gas services), and Lafayette Consolidated Government (municipal government).

While the economy of the AA offers diversification, the oil and gas industry is its most dominant sector, with jobs comprising approximately 35 percent of the area's top 50 employers in 2015 (per information obtained from the Lafayette Economic Development Authority's Internet website). However, the glut of oil, caused by lower priced imported oil and domestic "Fracking" projects (the mining of petroleum from shale rocks) have reduced the number of offshore oil rigs operating in the Gulf of Mexico. Most of the AA's oil related businesses are related to deepwater oil production, providing services to established drillers/oil producers. Between June 2014 and March 2016, the price of LA sweet crude oil per barrel has declined 63 percent from \$108.22 per barrel to \$40.10 per barrel. The combined reduction in oil prices, drilling permits, and operating offshore oil rigs has resulted in the reduction of 7,000 energy related jobs and over 13,000 total jobs in the AA since 2014. As of March 2016, the unemployment rate of the AA (7.1 percent) was noticeably higher than the state of Louisiana (6.1 percent) and the United States (5.0 percent).

As previously noted, we did not conduct an interview with a community leader in the AA due to several recent contacts made in the AA in conjunction with other OCC CRA examinations performed in the area. Since 2014, three (3) contacts were documented in the AA representing municipal government, charitable housing, and community services. Information received from these interviews reflected affordable housing, down payment assistance, and credit rehabilitation products as the AA's most pressing credit needs. The contacts were neither complimentary nor critical of FNBL's actions to address these needs or community development in general.

Lake Charles, LA AA

FNBL's Lake Charles AA is a subsection of the Lake Charles, LA MSA as defined by the U.S. Office of Management and Budget (OMB). This MSA is comprised of the parishes of Calcasieu and Cameron, in their entirety. The principal city of this AA is Lake Charles, the seat of government and commerce of Calcasieu Parish. Lake Charles is the fifth (5th) largest city in Louisiana, as measured by the 2010 Census. The previous CRA examination evaluated FNBL's performance here as the bank's third AA.

Due to the limited number of banking facilities as well as the geographical size of the MSA, management did not think it could reasonably serve the entire Lake Charles MSA. As a result, FNBL designated only Calcasieu Parish to comprise its Lake Charles AA as it operates two (2) branches in the parish (one in Lake Charles and another in Sulphur, a suburb of Lake Charles). As confirmation of its AA, management performs an annual review to ascertain where the bank is making loans and receiving deposits. These reviews routinely confirm that the vast majority of loans and deposits are made/received

within its designated AA. The designated AA meets regulatory requirements and does not arbitrarily exclude any low-or moderate-income areas.

Based on the 2010 Census, FNBL’s Lake Charles’ AA consists of 44 census tracts, of which five (5) are considered low-income and ten (10) are considered moderate-income areas. The AA further includes 18 middle-income tracts and 9 upper-income tracts. Two (2) tracts were not classified by income due to the lack of data. Per U.S. Census data, none of the AA’s census tracts are considered distressed or underserved.

Table 4 below illustrates select demographic data from the Lake Charles AA:

Table 4 - Demographic Information for FNBL’s Assessment Area: Lake Charles AA (Calcasieu Parish) 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Census Tracts	44	11.36%	22.73%	40.91%	20.45%	4.55%
Population by Tract	192,768	7.78%	22.43%	44.63%	25.13%	0.00%
Owner-Occupied Housing by Tract	51,455	5.13%	18.23%	49.06%	27.59%	0.00%
Business by Tract	21,171	6.66%	27.50%	42.35%	23.31%	0.18%
Farms by Tract	415	1.20%	15.66%	53.01%	30.12%	0.00%
Family Distribution by Income Level	49,405	23.40%	17.85%	17.53%	41.22%	0.00%
Median Family Income		55,016	Median Housing Value			111,978
HUD Adjusted Median Family Income for 2015		55,900	Unemployment Rate			5.00%
Households Below Poverty Level		16.00%				
2015 HUD updated MFI						
(*) The NA category consists of Tracts that have not been assigned an income classification.						

Source: CRA Whiz data

HUD’s updated 2015 median family income for the Lake Charles, LA MSA was \$55,900. Using the same definitions for income as listed in the description of the Lafayette AA, the income classification categories for the Lake Charles AA is reflected in Table 5 below.

Table 5 – Income Categories – Lake Charles, LA MSA – 2010 Census			
Low	Moderate	Middle	Upper
<\$27,949	\$27,950 – \$44,719	\$44,720 - \$67,079	>\$67,080

Source: U.S. Census data

The economy of the Lake Charles AA is diversified, with petrochemical refining, gaming, education, and government serving as major economic drivers. Like most areas of southwest Louisiana, the economy of the Lake Charles AA also has a significant exposure to the oil industry services sector. However, the Lake Charles economy has ties to the natural gas industry, which is growing, along with petrochemicals. Major employers in the AA include the Calcasieu Parish School System (education),

Coushatta Casino Resort (gaming), Brock Services, LLC (Business Services), and Axiall Corporation (chemicals).

Reports of various types reflect that the economy of the AA is vibrant, representing the area of Louisiana with the greatest amount of economic activity. More than \$40 billion in either new or expanding industrial construction projects are currently underway and another \$45 billion are in the planning stages. At \$16 billion, the construction of the Sasol Limited (chemicals) plant in the AA is the largest foreign manufacturing investment in Louisiana history. At its peak, the project will produce 5,000 construction jobs and 1,200 permanent jobs. The plant is slated to begin operations in 2017.

As of March 2016, the AA's unemployment rate of 5.0 percent was noticeably lower than that of the state of Louisiana (6.1 percent) and even with that of the United States (5.0 percent).

As previously noted, we did not conduct an interview with a community leader in the AA due to a recent contact made in the AA in conjunction with a CRA examination of another OCC institution in the area. Since 2014, one (1) contact was documented in the AA representing community development and affordable housing. Information received from this interview reflected that affordable housing and products to build credit scores were the AA's most pressing credit needs. The contact was neither complimentary nor critical of FNBL's actions to address these needs or community development in general

Conclusions with Respect to Performance Tests

LENDING TEST

- FNBL's performance under the lending test is rated "Satisfactory."

Loan-to-Deposit Ratio

- FNBL's average quarterly LTD ratio of 81.72 percent for the evaluation period is considered reasonable in light of the bank's size, competition, and financial condition.

The 12 quarters that have elapsed since FNBL's the August 2013 CRA Examination resulted in an average LTD of 81.72 percent. This LTD ratio reflects a significant increase from the 72.21 percent noted in the bank's 2013 CRA Performance Evaluation. FNBL's LTD ratio ranged from a low of 75.54 percent at June 2013 to a high of 87.96 percent at December 2015.

As of March 31, 2016, there were 14 banks domiciled in Louisiana with assets between \$300 million and \$400 million. FNBL's average LTD ranked in the top five of these institutions as reflected in Table 6:

Table 6 – Loan-to-Deposit Ratios of Top 5 Similarly Sized Institutions Domiciled in Louisiana		
Institution	Assets (000s) (as of 3/31/16)	Average LTD Ratio
Home Federal Bank	\$362,913	97.71%
Gibsland B&T	\$371,582	86.09%
City Savings B&T	\$319,413	84.30%
FNBL Louisiana	\$356,019	81.72%
Rayne State B&T	\$367,511	78.43%

Source: FFIEC Uniform Bank Performance Reports

Management stated that the vast majority of FNBL's competition emanates from community banks. FNBL's average LTD during the review period compared favorably to most of the community banks domiciled within its combined AAs.

Table 7 – Loan-to-Deposit Ratios of Competitors Domiciled in FNBL's AAs (Acadia, Lafayette, and Calcasieu Parishes, LA)		
Institution	Assets (000s) (as of 3/31/15)	Average LTD Ratio
Home Bank, NA	\$1,543,034	91.59%
Iberiabank	\$20,014,851	87.41%
FNBL Louisiana	\$356,019	81.72%
Rayne State B&T	\$367,511	78.43%
Midsouth Bank, NA	\$1,916,178	78.14%
Lakeside Bank	\$155,869	70.72%
Farmers State B&T	\$107,531	65.30%
First Federal Bank of LA	\$813,943	64.37%
Bank of Commerce & Trust Co.	\$336,129	28.36%

Source: FFIEC Uniform Bank Performance Reports

Competitors such as MidSouth Bank and First Federal Bank and Trust are significantly larger and have more retail branches. FNBL's LTD ratio is substantially larger than that of the Bank of Commerce and Trust, which is of similar size and also domiciled within the AA, but has no operations in the Lake Charles AA.

Lending in Assessment Area

- The substantial majority of loans (both by number of loans and dollars) originated by the institution during the period of review were extended to borrowers inside its AAs.

Table 8 denotes the distribution of FNBL's major loan products between January 1, 2014 and March 31, 2016. As shown in the following table, approximately 90 percent of the bank's loans by number and approximately 85 percent by dollar amount were made within the bank's combined AAs.

Table 8 - Lending in Lafayette and Lake Charles AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage Loans	142	90.45	15	9.55	157	17,176	92.66	1,361	7.34	18,537
Commercial Loans	54	90.00	6	10.00	60	14,419	77.70	4,138	22.30	18,557
Totals	196	90.32	21	9.68	217	31,595	85.18	5,499	14.82	37,094

Source: CRA Whiz HMDA data (residential RE), OCC loan sample (commercial loans)

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

- The distribution of loans made by FNBL represents a reasonable penetration of borrowers of different income levels for residential and commercial loan products in both the Lafayette and Lake Charles AAs.

Lafayette AA

Residential Lending

As reflected in Table 9, lending to Low-income families for residential purposes is reasonable, even though the distribution of related products to low- and moderate-income families is lower than demographic comparators for most categories. However, the bank's performance is excellent for home refinancing for moderate-income borrowers.

Table 9 - Borrower Distribution of Residential Real Estate Loans in Lafayette 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
Home Purchase	22.94	6.49	15.81	10.39	17.26	9.09	43.99	59.74
Home improvement	22.94	10.00	15.81	3.33	17.26	16.67	43.99	53.33
Refinances	22.94	5.88	15.81	17.65	17.26	2.94	43.99	55.88

Source: CRA Whiz HMDA data; U.S. Census data

Note: 14.29% of the loans did not have income available.

Barriers to greater distribution among low- and moderate-income borrowers for residential RE products are as follows:

- High rate of family poverty in the AA. Demographic information for the Lafayette AA reflected that 16.93 percent of the AA’s households (approximately 18,000) live below the poverty level. This elevated degree of poverty also represented an increase from the 15.94 percent level noted at the 2013 CRA Examination.
- High median housing price. Per demographic information, the weighted mean value of a home in the Lafayette AA was approximately \$140 thousand. The monthly debt service on a loan of this size amortized over 30 years at four (4) percent interest would yield a payment that is only five (5) dollars higher than the weighted average monthly gross rent figure of \$661. However, this amount is for principal and interest only and assumes 100 percent financing. In order to qualify for secondary market financing, a down payment of at least 10 percent is typically needed. This down payment requirement would equal approximately \$14 thousand, which is outside of the capabilities of many of the families in these income segments. In addition, other costs of home ownership, such as insurance, property taxes, and upkeep can often put home ownership out of reach of many families.
- Number of AA competitors for RE loans. Aggregate HMDA data from the 2014 HMDA-Loan Application Register (HMDA-LAR) for the Lafayette, LA MSA reflected that a total of 294 lenders received at least one (1) application for a HMDA-related loan in the area during the year. Of these institutions, 29 had at least one location in the AA, many of which had a more extensive retail branching network than FNBL.

Commercial Lending

Lending to businesses of differing sizes in the Lafayette AA is reasonable, considering the bank’s mission and lending opportunities.

Table 10 reflects that FNBL’s lending to businesses with gross revenues \leq \$1 million is less than its demographic comparator. The results of our sample reflect an almost even distribution of loans and dollars to businesses with gross revenues \leq \$1 million and those with higher revenues. This distribution is different from that noted at the 2013 CRA Examination, which reflected a much higher percentage of commercial loans being made to businesses with lower incomes.

Table 10 - Borrower Distribution of Loans to Businesses/Farms in Lafayette AA				
Business Revenues (or Sales)	\leq \$1,000,000	$>$ \$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79.18	3.63	17.19	100%
% of Bank Loans in AA by #	53.85	46.15	0	100%
% of Bank Loans in AA by \$	46.04	53.96	0	100%

Source: OCC loan sample; Dunn and Bradstreet data

While sample results reflect that a significantly higher number of commercial loans (and corresponding dollars) were made to businesses with larger gross sales, our original sample included five (5) loans made in the AA that did not have gross income

information. These loans were removed from our sample and replaced with additional selections that included this information. Four (4) of these loans were made in amounts of \$100 thousand or lower. If loan size was used as a proxy for income, approximately 69.23 percent of the number of loans and 47.92 percent of the loan's dollars would be made to smaller businesses in the AA. The number of loans included in our sample would be closer to the demographic comparator, though the dollar distribution would still be in favor of businesses with larger incomes.

FNBL's mission targets small business lending, in particular owner-occupied commercial RE. As reflected elsewhere in this PE, the vast majority of the bank's commercial lending is centered in Lafayette Parish, which serves as the economic hub for the AA. FNBL's sole Lafayette location is in an upper-income census tract, which houses a significant portion of the AAs businesses with gross revenues over \$1 million.

While management continues to focus on lending to small businesses, opportunities to lend on owner occupied commercial RE properties have been more plentiful for businesses with higher incomes, which have more resources to survive in an economic downturn. Between January 1, 2014 and March 31, 2016, the average owner-occupied commercial RE loan made by FNBL was approximately \$555 thousand. While this data is not available from the 2013 CRA Examination, a loan of this size typically requires a higher amount of income to amortize on a reasonable schedule.

Lake Charles AA

Residential Lending

As reflected in Table 11, lending to low-income families for residential purposes is reasonable, even though the penetration of related products to low-income families is much less than their composition of the AA families. However, the bank's performance is much better among moderate-income families for both home purchase and home improvement loans.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Home Purchase	23.40	7.69	17.85	15.38	17.53	15.38	41.22	47.69
Home Improvement	23.40	5.26	17.85	15.79	17.53	21.05	41.22	47.37
Refinances	23.40	7.14	17.85	7.14	17.53	14.29	41.22	50.00

Source: CRA Whiz HMDA data; U.S. Census data

Note: 13.85% of the loans did not have income available.

Barriers to higher penetration of HMDA related loans to low-and moderate-income families are the same as those listed for the Lafayette AA. They include:

- High poverty levels – Sixteen (16) percent of the AA’s families live at or below the poverty level.
- High median housing price - Per demographic information, the weighted mean value of a home in the Lake Charles AA was approximately \$112 thousand. While the price of housing is more affordable in this AA, the requirements of a down payment and ownership costs provide challenges to home affordability for families with limited incomes.
- Number of AA competitors for RE loans. Aggregate HMDA data from the 2014 HMDA-LAR for the Lake Charles, LA MSA reflected that a total of 228 lenders received at least one (1) application for a HMDA-related loan in the area during the year. Of these institutions, 14 had at least one location in the AA, many of which had a more extensive retail branching network than FNBL.

FNBL makes secondary market consumer RE loans available for residents in this AA. See the Lafayette MSA section for details regarding types and overall volume.

Commercial Lending

Table 12 reflects that FNBL’s lending to businesses with gross revenues ≤ \$1 million in the Lake Charles AA is similar to its performance in its Lafayette AA. The results of our sample reflect an almost even distribution of loans by number to businesses with gross revenues ≤ \$1 million and those with higher revenues. However, the distribution of loans by dollars is greater to businesses with higher gross sales. Like the Lafayette AA, FNBL’s 2013 CRA examination reflected a much higher percentage of commercial loans made to businesses with lower incomes.

Table 12 - Borrower Distribution of Loans to Businesses/Farms in Lake Charles AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	80.32	2.67	17.01	100%
% of Bank Loans in AA by #	53.33	46.67	0	100%
% of Bank Loans in AA by \$	31.63	68.37	0	100%

Source: OCC Loan sample; Dunn and Bradstreet data

As with the Lafayette AA commercial sample, our Lake Charles AA commercial sample contained loans that did not have income information. However, if these loans were included, using loan size as a proxy for gross sales, the number of loans made to businesses with gross revenues ≤ \$1 million would only increase to 59.38 of our sample. The dollar amount of loans made to business with lower gross revenues would only increase to 40.35 percent. Our sample distribution of loans made in the AA to businesses with higher gross sales was negatively affected with the inclusion of two loans made to these businesses in excess of \$1.7 million each. The average loan size of our commercial loan sample in the Lake Charles AA was approximately \$310 thousand.

The growth of the Lake Charles economy has influenced greater opportunities for commercial lending, primarily to businesses with higher incomes. As previously noted, the average owner-occupied commercial RE loan made by FNBL during the evaluation period was approximately \$555 thousand. While this data is not available from the 2013 CRA Examination, a loan of this size typically requires a higher amount of income to amortize on a reasonable schedule.

Geographic Distribution of Loans

Lafayette AA

Residential Lending

As reflected in Table 13, the dispersion of HMDA-related loans in the Lafayette AA is reasonable, though no loans were originated in low-income geographies. However, the AA only has two (2) low-income census tracts and demographic information from these tracts reflected an extremely low level of owner occupancy. FNBL’s performance in moderate-income census tracts for HMDA-related products closely approximated the percentage of owner-occupied housing in the AA for these tracts.

Table 13 - Geographic Distribution of Residential Real Estate Loans in Lafayette 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 Purchase	1.61	0.00	21.26	20.78	36.92	22.08	40.22	57.14
Home Improvement	1.61	0.00	21.26	20.00	36.92	23.33	40.22	56.67
Refinances	1.61	0.00	21.26	20.59	36.92	23.53	40.22	55.88

Source: CRA Whiz HMDA data; U.S. Census Data.

Commercial Lending

Commercial lending by geography is excellent in the Lafayette AA. While no commercial loans were made to businesses with operations located in low-income census tracts, the AA only has two (2) such tracts, with a very low number of businesses located in the areas. Lending in moderate-income geographies is especially strong, exceeding its demographic comparator.

Table 14 - Geographic Distribution of Loans to Businesses/Farms in Lafayette AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Commercial loans	1.54	0	18.55	23.08	38.76	53.84	41.05	23.08

Source: OCC loan sample; Dunn and Bradstreet data

Lake Charles AA

Residential Lending

The dispersion of HMDA-related loans by geography in the Lake Charles AA is reasonable, though lending in low-income tracts is lower than the AA demographic for owner-occupied housing in these tracts. However, the low-income tracts reflect a significantly lower level of owner occupancy than the other tracts by income in the 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 Purchase	5.13	1.54	18.23	13.85	49.06	49.23	27.59	35.38
Home Improvement	5.13	0.00	18.23	10.53	49.06	68.42	27.59	21.05
Refinances	5.13	3.57	18.23	14.29	49.06	39.29	27.59	42.86

Source: CRA Whiz data; U.S. Census data

The bank's performance in moderate-income tracts is significantly better, reflective of one (1) of the two (2) FNBL banking locations located in a moderate-income census tract and directly adjacent to four (4) other such tracts. FNBL's overall performance is best in middle-income tracts, which contain the largest percentage of owner-occupied housing in the AA.

Commercial Lending

FNBL's distribution by geography of commercial loans is excellent in the Lake Charles AA. Lending to businesses located in low-and moderate income census tracts exceeded the percentage of businesses located in these tracts in the AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Commercial loans	6.66	7.14	27.50	32.14	42.35	32.14	23.31	28.57

Source: OCC loan sample; Dunn and Bradstreet data

Responses to Complaints

FNBL did not receive any CRA related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

- FNBL's performance is considered adequate, demonstrating overall responsiveness to community development, given its size, financial condition, and known opportunities. However, community development lending in the Lake Charles AA is considered poor.

Number and Amount of Community Development Loans

Lafayette AA

FNBL made seven (7) qualified community development loans totaling \$3.4 million within the Lafayette AA during the evaluation period. Highlights of these loans are as follows:

- Victory Village, LLC (\$1.9 million) - Provided funds for renovations and repairs to a 114-unit apartment complex located in Lafayette, LA, which targets low and moderate income families by accepting U.S. Department of Housing and Urban Development (HUD) Section 8 vouchers and contracts.
- Notre Dame Foundation (\$1.0 million) - Provided funds to build a new library and athletic facilities for a parochial school located in a moderate-income census tract in Crowley, LA.
- Provided \$284 thousand in funds for student loan debt consolidation necessary to attract a general surgeon to Acadia Parish.
- Empowering the Community for Excellence (\$25 thousand) – Provided funds for the renovation of a building housing their operations. The mission of this organization is the provision of tutoring services to underprivileged students who are at risk of academic failure. FNBL also sponsors this organization with monthly contributions and periodic supply donations.

Affordable housing was one of the credit needs within the Lafayette AA. However, management has also recognized the need for other services, such as those related to health and education, and these loans aided in serving this AA.

Lake Charles AA

During the evaluation period, FNBL made no community development loans within the Lake Charles AA. Management understands that there is significant room for improvement regarding community development lending. FNBL made numerous loans within the AA for consumer, residential, and commercial purposes during the review period, and several were offered as examples of community development lending as they offered additional housing in the AA. However, these loans did not meet the definition of community development as defined by the Federal Financial Institutions

Examinations Council (FFIEC). Many of the commercial loans made in the AA provided employment opportunities for all income groups throughout the AA.

Outside of AA

Based on the CRA regulation and interagency guidance, an institution may receive credit for community development activities conducted outside of its AAs. FNBL made a loan for \$2.3 million to a borrower to renovate and repair a 95-unit apartment complex in New Iberia, LA, which serves low and moderate-income borrowers through the receipt of Section 8 vouchers and HUD contracts. The owners of the complex also own three (3) other similar complexes, all of which are financed by FNBL.

Number and Amount of Qualified Investments

Lafayette AA

FNBL has provided an adequate level of qualified investments in its Lafayette AA. The bank holds four (4) securities from municipalities within the AA with a book value of \$860 thousand. These bonds were used to make improvements to the City of Crowley's sewer system, which extends through moderate-income census tracts as these designated tracts comprise the majority of tracts comprising Acadia Parish.

During the evaluation period, FNBL made \$144 thousand in qualified investments/donations to various entities and organizations. Most of the donations were to organizations charged with providing charitable services to area residents and to organizations providing community development opportunities. The largest such donation has been \$24 thousand given to the Empowering the Community for Excellence organization. This organization provides tutoring and other services to at risk students in Acadia Parish in order to improve their educational abilities. These services should improve their academic success, which will increase future employment opportunities. FNBL began giving this organization \$300 per month to support its mission in 2013, but increased its monthly donation to \$800 in 2014 as part of a matching grant program with the Federal Home Loan Bank of Dallas (FHLB). Under this grant, the FHLB provides a 3-for-1 match, up to \$12 thousand per year for a maximum of three (3) years. To date, the organization has received \$24 thousand from the FHLB, with another \$12 thousand to be received before the organization reaches its limit.

Lake Charles AA

FNBL's level of qualified investments in the Lake Charles AA are considered adequate, but are lower than that of the Lafayette AA.

FNBL holds one bond issue with a book value of \$524 thousand originated from a municipality within this AA. This particular issue financed improvements for schools

located in Calcasieu Parish, including those located in low- and moderate-income census tracts.

During the evaluation period, FNBL made \$21 thousand in qualified investments/donations to various entities and organizations within the AA. As the case with the Lafayette AA, most of the donations were to organizations charged with providing charitable services to area patrons and those providing community development opportunities. The largest donation over the period was made to the United Way (\$2 thousand), which is an umbrella of organizations with missions designed to improve the education, health, and financial stability of area residents, particularly those that are underserved. Additionally, FNBL donated \$1 thousand to the Volunteers of America, a national organization that uses volunteers to provide housing, health, and other services to underserved segments of the community.

Extent to Which the Bank Provides Community Development Services

FNBL provided an adequate level of community development services throughout both AAs during this evaluation period. With only a slight difference in operating hours between the bank's two (2) AAs, services related to community development are the same throughout the bank's system.

Lafayette AA

Delivery systems employed by FNBL to effect banking services in the AA are adequate. FNBL operates a main office and two (2) branches in the Lafayette AA. Two (2) of these facilities are located in moderate-income census tracts, offering reasonable access to all segments of its AA, particularly in Acadia Parish, where 58 percent of the tracts by income are classified as moderate.

All banking locations offer full products and services, including drive-up facilities and proprietary Automated Teller Machines (ATMs). FNBL customers may also use ATMs owned by Rayne State Bank (eight machines located in Acadia and Lafayette Parishes) at no charge. Operating hours are generally in line with area competition. However, FNBL offers a competitive advantage in Acadia Parish as its drive-up facilities open at 7:30 AM each day.

FNBL also utilizes technology to deliver products and services to AA customers. The bank offers Direct Deposit and ACH transactions, as well as telephone, Internet banking, and commercial remote deposit capture as alternative delivery channels. FNBL offers mobile banking with applications ("apps") available for the iPhone or Android smartphone/tablet operating systems through their respective app stores. Management recently signed a contract to offer consumer remote deposit for checks, though the product will not be ready for customer access until later in 2016.

Since 2014, FNBL has offered “Person to Person Pay,” an ACH program whereby FNBL’s Internet banking customers can send money to anyone in the U.S. for \$0.95 per transaction, up to \$1 thousand per day total for all recipients. This method of electronic funds transfer is significantly less than traditional, consumer wire transfer services, such as Western Union.

FNBL’s directorate, management, and employees participate in a number of activities and organizations designed to stimulate economic development, stabilize communities, and improve the quality of life of AA residents. Over the evaluation period, FNBL employees in this AA have been involved with qualified organizations performing activities related to the aforementioned missions. A sample of AA entities in which FNBL personnel have lent their financial expertise include the following:

- Crowley Chamber of Commerce – Business advocacy and development.
- One Acadia and One Acadiana – Local and regional economic development.
- Southwest Louisiana Area Health Education Center – Medical services.
- Community Foundation of Acadiana – Civic leadership/community access projects.
- DoReMe Program – Educational services/reinforcement through music.

FNBL has also provided a variety of services designed to improve financial literacy and the quality of life in its AA. Over the review period, employees regularly made presentations to AA schools on banking, which stress saving money and maintaining good credit. Employees have overseen the granting of scholarships for area high school students bound for higher education. Bank personnel have also coordinated fundraising activities throughout the AA for use by various community organizations such as the Rotary Club, American Red Cross, and the Dreams Come True foundation.

Lake Charles AA

Delivery systems employed to effect transactions are similar to those in place for the Lafayette AA and are likewise adequate.

FNBL operates two (2) locations in the Lake Charles AA, of which one is located in a moderate-income census tract (Lake Charles). This location offers reasonable access to all segments of its AA, as the majority of the AA’s low- and moderate-income tracts are centered in the City of Lake Charles. The bank’s Sulphur location also offers reasonable access to all segments of the AA’s community, though its location does not have adjacent low- or moderate-income census tracts. Full products and services are available at both AA locations, including drive-up facilities and proprietary ATMs. Operating hours for both locations generally match those of AA competitors. Technology offerings are the same as those listed for the Lafayette AA.

FNBL’s directorate, management, and employees participate in a number of activities and organizations designed to stimulate economic development, stabilize communities, and improve the quality of life of AA residents. Over the evaluation period, FNBL employees in this AA have been involved with qualified organizations performing

activities related to the aforementioned missions. A sample of AA entities in which FNBL personnel have lent their financial expertise include the following:

- Southwest Louisiana Economic Development Alliance – Economic development.
- Chamber of Commerce of Southwest Louisiana - Business advocacy and development.
- Project Build a Future – Affordable housing opportunities for low- and moderate-income families.
- United Way of Southwest Louisiana – Community services.

FNBL has also provided a variety of services designed to improve financial literacy and the quality of life in its AA. Over the review period, an employee has interacted on an ongoing basis with a local home counseling program and a homebuilder to conduct seminars for first-time home buyers. Bank personnel have also coordinated fundraising activities throughout the AA for use by various community organizations such as the Rotary Club and local schools.

Responsiveness to Community Development Needs

FNBL has demonstrated an adequate level of responsiveness to community development needs throughout its AAs. Products and services offered meet the needs of all individuals and geographies, regardless of income level. Additionally, the bank's directorate, management, and staff members are involved in a variety of organizations throughout the AAs that foster community development.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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