



PUBLIC DISCLOSURE

June 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Gonzales
Charter Number 15041**

**Post Office Box 548
Gonzales, Louisiana 70707-0548**

**Office of the Comptroller of the Currency
New Orleans Duty Station
201 St. Charles Ave., Suite 3815
New Orleans, Louisiana 70170-3815**

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

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 Community Reinvestment Act (CRA) performance of **First National Bank of Gonzales** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 30, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The First National Bank of Gonzales is responsive to its community's credit needs including low- and moderate-income individuals and businesses of different sizes based on the following:

- The bank's loan-to-deposit ratio has averaged over 70% since the prior CRA examination. This ratio is good when considering the bank's size, financial condition, competition, and credit needs of the assessment area.
- A majority of the bank's loans are made within the bank's assessment area which encompasses all of that portion of Ascension Parish located on the east bank of the Mississippi River.
- A reasonable portion of loans are originated to low- and moderate-income individuals and to businesses of various sizes.

The following table indicates the performance level of **First National Bank of Gonzales** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Gonzales</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	The income distribution of geographies within the bank's assessment area are not sufficient for meaningful analysis.		
Response to Complaints	There were no complaints filed during the evaluation period.		

DESCRIPTION OF INSTITUTION

First National Bank of Gonzales is an \$85 million institution located in Gonzales, Louisiana. The bank is owned by First Gonzales Bancshares, Inc., a one bank holding company. The holding company has no other subsidiaries or affiliates.

As of June 30, 1998, the bank has 65% of its assets in loans. Below is a table depicting the breakdown of the bank's loan portfolio as of that date.

LOAN PORTFOLIO BREAKDOWN BY CATEGORY (IN THOUSANDS)		
RESIDENTIAL RELATED LOANS	\$20,565	38%
COMMERCIAL AND INDUSTRIAL LOANS	22,441	41%
CONSUMER RELATED LOANS	11,061	20%
OTHER LOANS	801	1%
TOTAL LOANS	\$54,868	100%

The bank operates four offices. The main office and one branch are located in the City of Gonzales with the other two branches located in the communities of Prairieville and Galvez. All locations have an automated teller machine. The bank offers a wide array of products and services including low cost Thrift, Student, and Senior Checking Accounts. Special loan services include Secondary Mortgage Loans and Super TOP Student Loans.

There are no legal impediments that prohibit the bank from serving its community. The last CRA examination of the bank was dated June 30, 1995 and the bank had an outstanding rating.

DESCRIPTION OF ASCENSION PARISH

Ascension Parish is located in the Baton Rouge Metropolitan Statistical Area (MSA). This area includes the parishes of East Baton Rouge, Ascension, and Livingston. Ascension Parish comprises approximately 300 square miles and is divided into two sections by the Mississippi River. The eastern portion, which is the bank's assessment area, encompasses approximately 80% of the total land area and population of the parish. The City of Gonzales is situated almost in the geographic center of this eastern section.

The bank's assessment area comprises this eastern portion of the parish. It encompasses eight census tracts. Of these, seven are designated as middle-income tracts and one is designated as an upper-income tract.

The bank's assessment area is based on natural boundaries and meets the requirements of the regulation. It does not arbitrarily exclude low- or moderate-income geographies.

The income characteristics of the assessment area are described using information from the 1990 U.S. Census. The median family income of Ascension Parish was \$31,529. The updated MSA median family income is \$43,600. The eastern portion of the parish does not lend itself to a breakdown of income by geographies as all census tracts are designated either middle- or upper-income.

Ascension Parish is one of the fastest growing parishes in the state. Government and the chemical industry provide the employment base for the area. The largest employers in the parish are the Ascension Parish School Board and BASF Corporation. Of the top 25 employers, 12 are associated with the chemical industry.

Local competition among financial institutions is strong and is provided by three branch offices of regional banks and a large number of Credit Unions. The First National Bank of Gonzales is the only locally owned community bank. There is one other stand alone bank in the parish and it has been in operation less than one year.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Since the last CRA evaluation dated June 30, 1995, the bank's loan-to-deposit ratio has averaged over 70%. The bank's year end loan-to-deposit ratio has shown a steady increase since the last evaluation. Over the past year, taking into account seasonal variances, the bank's loan-to-deposit ratio has ranged from a low of 68% for March 31, 1998 to a high of 78% for December 31, 1997. The loan-to-deposit ratios for the bank's competitors could not be determined as they are not similarly situated. All other banks in the parish are either branches of banks headquartered elsewhere or newly opened.

Based on the above information, the bank's average loan-to-deposit ratio meets the standards for satisfactory performance.

Lending in the Assessment Area

First National Bank of Gonzales extends a majority of its loans within the bank's defined assessment area. The bank tracks loans made inside and outside of its assessment area. The most recent report reflects 743 new loans booked from January 1, 1998 through June 30, 1998, in the amount of \$25 million. Of this number, 605 loans in the amount of \$19 million were within the assessment area. This computes to a ratio of 81% of lending within its assessment area by the number of loans.

The percentage of lending within the bank’s assessment area has steadily increased over the past three years. For year end 1995, this ratio was 72%; for year end 1996, it was 77%; and for year end 1997, it was 80%.

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

Since over 25% of all of the bank’s loans are secured by first liens on 1-4 family real estate, loans reported on the bank’s Home Mortgage Disclosure Act Loan/Application Register (HMDA/LAR) for 1997 and year to date June 1998 were used to evaluate lending to borrowers of different income levels. Using data from the 1990 U.S. Census, it was determined that 21% of the families residing in the bank’s assessment area are designated low-income and 15% are designated moderate-income. Because Ascension Parish has experienced substantial population and income growth since 1990, the updated MSA income was also used to determine lending distribution. The bank’s HMDA/LAR reflected 100 loan approvals for 1997 and 53 loan approvals for year to date 1998.

The bank’s loan distribution using the updated median income reasonably reflects the demographic composition of the bank’s assessment area as shown in the table below.

1997 HMDA /LAR Approvals	Low Income	Moderate Income	Middle Income	Upper Income
Based on 1990 Census median income	3%	24%	15%	58%
Based on Updated MSA median income	16%	22%	19%	43%
1998 HMDA/LAR Approvals through June	Low Income	Moderate Income	Middle Income	Upper Income
Based on 1990 Census media income	6%	13%	11%	70%
Based on Updated MSA median income	10%	15%	28%	47%

According to the 1990 Census, 75% of the business located within Ascension Parish have gross sales less than or equal to \$1 million, 8% have gross sales greater than \$1 million, and 17% was undetermined.

To evaluate the bank’s lending to businesses of various sizes, business loans originated in the month of June 1998 were reviewed. As of June 30, 1998, all of the bank’s business and agricultural loans totaling \$24 million originated with amounts less than \$1 million.

Of the \$24 million or 16 business loans originated in the month of June:

- three or 19% were to businesses with gross annual revenues greater than \$1 million;
- twelve or 75% were to small businesses with gross annual revenues less than \$1 million; and,
- one or 6% was to a business with undetermined gross annual revenues.

Additionally,

- thirteen or 81% were for loan amounts less than \$100 thousand;
- two or 13% were for loan amounts from \$100 thousand through \$250 thousand; and,
- one or 6% was for a loan amount greater than \$250 thousand.

The results of this sample indicate that the bank is lending to businesses of different sizes and reflect the composition of the bank's assessment area.

Geographic Distribution of Loans

The bank's assessment area encompasses eight census tracts. Of these, seven are designated as middle-income tracts and one is designated as an upper-income tract. There are no low- or moderate-income tracts in this assessment area. Because of this composition, an analysis of loans by geographic distribution is not meaningful.

Responses to Complaints

There have been no complaints filed concerning the bank's CRA performance during this current evaluation period. Further, no violations of anti-discrimination laws and regulations were identified.