

FEDERAL RESERVE SYSTEM

Whitney Holding Corporation  
New Orleans, Louisiana

Order Approving the Merger of Bank Holding Companies

Whitney Holding Corporation (“Whitney”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act<sup>1</sup> to acquire Parish National Corporation (“Parish”), Covington, and its subsidiary bank, Parish National Bank (“Parish Bank”), Bogalusa, both of Louisiana.<sup>2</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (73 Federal Register 150 (2008)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3 of the BHC Act.<sup>3</sup>

Whitney, with total consolidated assets of \$11 billion, controls one subsidiary bank, WNB, which operates in five states.<sup>4</sup> Whitney is the fourth largest depository organization in Louisiana, controlling deposits of

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> Under the proposal, Parish would merge with and into Whitney. Immediately thereafter, Whitney would merge Parish Bank with and into Whitney’s subsidiary bank, Whitney National Bank (“WNB”), New Orleans, Louisiana, subject to approval of the Office of the Comptroller of the Currency (“OCC”).

<sup>3</sup> Seven commenters expressed concerns with the proposal.

<sup>4</sup> WNB operates branches in Alabama, Florida, Louisiana, Mississippi, and Texas.

approximately \$5.7 billion, which represent approximately 8 percent of total deposits of insured depository institutions in the state (“state deposits”).<sup>5</sup>

Parish is the eighth largest insured depository organization in Louisiana, controlling deposits of approximately \$690 million. Its only subsidiary bank, Parish Bank, operates in Louisiana and Florida.

On consummation of this proposal, Whitney would remain the fourth largest depository organization in Louisiana, controlling deposits of approximately \$6.3 billion, which represent 8.9 percent of state deposits.

### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.<sup>6</sup>

Whitney and Parish have subsidiary depository institutions that compete directly in three banking markets: New Orleans and Tangipahoa, both in Louisiana, and Fort Walton Beach, Florida. The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record. In particular, the Board has considered the number of

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<sup>5</sup> Asset data are as of June 30, 2008, and statewide deposit and ranking data are as of June 30, 2007, adjusted to reflect mergers and acquisitions through September 11, 2008. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

<sup>6</sup> 12 U.S.C. § 1842(c)(1).

competitors that would remain in the banking market, the relative shares of total deposits in depository institutions in the market (“market deposits”) controlled by Whitney and Parish,<sup>7</sup> and the concentration level of market deposits and the increase in that level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”).<sup>8</sup>

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Guidelines in all three banking markets.<sup>9</sup> On consummation, one banking market would remain unconcentrated, and the other two markets would remain moderately concentrated. In addition, numerous competitors would remain in each of the three banking markets.

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<sup>7</sup> Deposit and market share data are based on data reported by insured depository institutions in the summary of deposits data as of June 30, 2007, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991).

<sup>8</sup> Under the DOJ Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The DOJ has stated that the higher-than-normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognize the competitive effects of limited-purpose and other nondepository financial entities.

<sup>9</sup> Those banking markets and the effects of the proposal on the concentration of banking resources therein are described in the appendix.

The DOJ has conducted a detailed review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any of the three banking markets where Whitney and Parish compete directly, or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

#### Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has considered these factors in light of all the facts of record, including confidential reports of examination, other supervisory information from the primary federal and state supervisors of the organizations involved in the proposal, and publicly reported and other financial information, including information provided by Whitney.

In evaluating financial factors in expansion proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. In assessing financial factors, the Board consistently has considered

capital adequacy to be especially important. The Board also evaluates the financial condition of the combined organization at consummation, including its capital position, asset quality, and earnings prospects, and the impact of the proposed funding of the transaction.

The Board has considered carefully the proposal under the financial factors. Whitney, Parish, and their subsidiary depository institutions are well capitalized and would remain so on consummation of the proposal. Based on its review of the record, the Board also finds that Whitney has sufficient financial resources to effect the proposal. The proposed transaction is structured as a combination share exchange and cash purchase.<sup>10</sup>

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of Whitney, Parish, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of the other relevant banking supervisory agencies with the organizations and their records of compliance with applicable banking law, including anti-money laundering laws. Whitney, Parish, and their subsidiary depository institutions are considered to be well managed. The Board also has considered Whitney's plans for implementing the proposal, including the proposed management after consummation of the proposal.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future

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<sup>10</sup> Whitney proposes to use existing resources and cash dividends from WNB to fund the purchase.

prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory factors under the BHC Act.

### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”).<sup>11</sup> The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansionary proposals.<sup>12</sup>

The Board has considered carefully all the facts of record, including evaluations of the CRA performance records of the subsidiary depository institutions of Whitney and Parish, data reported by Whitney and Parish under the Home Mortgage Disclosure Act (“HMDA”),<sup>13</sup> other information provided by Whitney, confidential supervisory information, and public comments received on the proposal. Seven comment letters were received by the Board.<sup>14</sup> The commenters generally alleged, based on a national organization’s study of 2006 HMDA data reported by lenders in the City of New Orleans and the

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<sup>11</sup> 12 U.S.C. § 2901 et seq.; 12 U.S.C. § 1842(c)(2).

<sup>12</sup> 12 U.S.C. § 2903.

<sup>13</sup> 12 U.S.C. § 2801 et seq.

<sup>14</sup> One comment letter was submitted on behalf of 27 entities.

New Orleans Metropolitan Statistical Area (“MSA”), that WNB made an insufficient proportion of its prime home purchase loans to LMI borrowers and women and African American borrowers in the New Orleans MSA. One commenter asserted that WNB needed to increase its small business lending activity in LMI census tracts in the New Orleans MSA. Several commenters urged WNB to improve its CRA and fair lending records by expanding products and services for these borrowers in New Orleans.<sup>15</sup> Various commenters also contended, based on HMDA data, that WNB had engaged in disparate treatment of minority individuals in its home mortgage lending.

#### A. CRA Performance Evaluations

As provided in the CRA, the Board has reviewed the proposal in light of the evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution’s most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the

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<sup>15</sup> Most of the commenters urged the Board to require Whitney to commit to increase its lending activity, enter into a CRA agreement, or to take other future actions, including meeting with particular organizations. The Board consistently has found that (1) neither the CRA nor the federal supervisory agencies’ CRA regulations require depository institutions to make pledges or enter into commitments or agreements concerning future performance under the CRA with any organization or to meet with particular persons or organizations and (2) the enforceability of any third-party pledges, initiatives, or agreements is a matter outside the purview of the CRA. See Bank of America Corporation, 90 Federal Reserve Bulletin 217, 232-33 (2004). Instead, the Board focuses on the existing CRA performance record of an applicant and the programs that an applicant has in place to serve the credit needs of its assessment areas at the time the Board reviews a proposal.

institution's overall record of performance under the CRA by its appropriate federal supervisor.<sup>16</sup>

WNB received an "outstanding" rating at its most recent CRA performance evaluation by the OCC, as of February 7, 2007 ("WNB Evaluation").<sup>17</sup> Parish Bank received a "satisfactory" CRA performance rating by the OCC, as of June 15, 2006. Whitney represented that it would continue its CRA program in the combined organization.

In the WNB Evaluation, the bank received an "outstanding" rating on each of the lending, investment, and service tests for its CRA performance overall and in Louisiana.<sup>18</sup> Examiners noted that WNB was primarily a small business lender but had recently increased its volume of home mortgage-related lending. Examiners reported that WNB's lending volume was excellent given its size and the competition in its primary markets. They also reported that the bank's geographic distribution of loans and its distribution of loans to borrowers of different income levels were good, including in Louisiana and the bank's New Orleans AA. They also reported that WNB's community development

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<sup>16</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

<sup>17</sup> The evaluation period for the WNB Evaluation was January 1, 2003, through December 31, 2006, for the lending test, and January 7, 2003, through February 7, 2007, for the investment and service tests. Examiners stated that more weight was placed on the 2004-2006 evaluation period, except in the bank's New Orleans assessment area ("AA"), where slightly more weight was placed on WNB's performance in 2004-2005 because the effects of Hurricane Katrina made it difficult to realistically assess performance for 2006. The bank's New Orleans AA included seven parishes in the New Orleans-Metairie-Kenner MSA.

<sup>18</sup> WNB's statewide rating for Louisiana was based primarily on a full-scope evaluation conducted in the bank's New Orleans AA, the bank's primary market in Louisiana. The New Orleans AA represented approximately 45 percent of the bank's branch network and 70 percent of its deposit base in Louisiana.

lending activity significantly enhanced its overall lending-test performance.<sup>19</sup> Examiners further noted that WNB had an overall excellent level of community development investments given the bank's resources and capacity.

In Louisiana, examiners characterized Whitney's lending responsiveness to the credit needs of its assessment areas as excellent, particularly in the New Orleans AA. They concluded that the bank's distribution of home purchase and home improvement loans by borrower income level was good. Examiners noted that WNB's use of innovative and flexible loan products contributed significantly to the bank's lending performance. Such products included its specialized residential loan programs designed to assist LMI individuals and communities and low-rate bridge loans for small businesses affected by hurricanes Katrina and Rita. Examiners particularly commended Whitney's level of community development lending in Louisiana. During the evaluation period, Whitney CDC and WNB originated approximately 300 community development loans totaling \$399.5 million in Louisiana, including \$273 million to address affordable housing needs in the New Orleans AA. Examiners reported that Whitney's excellent level of community development lending for affordable housing and revitalization of LMI geographies in the New Orleans AA particularly benefited low-income areas, neglected neighborhoods, and other areas affected by hurricanes Katrina and Rita. Since WNB's last performance evaluation, Whitney represented that WNB and Whitney CDC originated community development loans totaling approximately \$27 million to address reconstruction and affordable housing needs in the New Orleans AA.

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<sup>19</sup> Whitney conducts community development lending through WNB and through its own Community Development Corporation ("Whitney CDC"), whose lending efforts were included by examiners in the most recent performance evaluation.

In the WNB Evaluation, examiners rated WNB's overall performance under the investment test as "outstanding" in Louisiana and found that the bank's performance in the New Orleans AA was excellent. Examiners concluded that despite the disruption of normal business activities as a result of Hurricane Katrina, WNB's investments were responsive to the identified needs in the New Orleans AA and in Louisiana in general. Examiners noted that during the evaluation period, WNB invested \$25 million in a state bond program that provided funds for debt-service payments by political subdivisions affected by hurricanes Katrina and Rita while they focused on revitalizing and stabilizing disaster areas. In addition, WNB directly made 184 qualified investments totaling \$2.3 million in the New Orleans AA, including approximately \$1.8 million in donations to organizations in the New Orleans AA that help provide affordable housing and community services to LMI individuals. Since WNB's last performance evaluation, Whitney represented that WNB directly or indirectly made approximately \$96 million in community development investments, including a \$6.5 million investment to rebuild a school in New Orleans and various other projects in the New Orleans AA.

Examiners rated WNB's overall performance under the service test in Louisiana as "outstanding" and found that the bank's performance in the New Orleans AA was excellent. Examiners reported that WNB's branches and other service-delivery systems were readily accessible to geographies and individuals of different income levels. In addition, examiners noted that WNB had a highly effective program for providing a high level of community development services, particularly in the New Orleans AA.

**B. HMDA and Fair Lending Record**

The Board has carefully considered the fair lending records and HMDA data of Whitney and Parish in light of public comments received on the

proposal. As previously stated, various commenters alleged, based on 2006 HMDA data, that WNB made a disproportionately low number of HMDA-reportable prime home purchase loans to minority applicants in WNB's New Orleans AA. The Board has focused its analysis on the 2007 HMDA data reported by WNB.<sup>20</sup>

Although the HMDA data might reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, they provide an insufficient basis by themselves on which to conclude whether or not Whitney is excluding or imposing higher costs on any group on a prohibited basis. The Board recognizes that HMDA data alone, even with the recent addition of pricing information, provide only limited information about the covered loans.<sup>21</sup> HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

The Board is nevertheless concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or ethnicity. Because of the limitations of

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<sup>20</sup> The Board reviewed HMDA data reported by WNB in its New Orleans AA and its assessment areas in Alabama, Florida, Louisiana, Mississippi, and Texas.

<sup>21</sup> The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

HMDA data, the Board has considered these data carefully and taken into account other information, including examination reports that provide on-site evaluations of compliance with fair lending laws by Whitney and its subsidiary. The Board also has consulted with the OCC about WNB's record of fair lending compliance.

The record of this application, including confidential supervisory information, indicates that Whitney has taken steps to ensure compliance with fair lending and other consumer protection laws and regulations. Whitney represented that it has corporate-wide policies and procedures to help ensure compliance with all fair lending laws applicable to its lending activities. Whitney's compliance program includes annual training and testing of lending personnel, fair lending analyses, and oversight and monitoring of lending functions. Whitney represented that WNB uses a centralized underwriting process for all residential mortgage loans and that the bank performs secondary and in some cases tertiary post-denial reviews on all denied HMDA-reportable loans to ensure that it does not overlook any factors in analyzing a mortgage loan application and to determine whether an applicant qualifies for any other available program. In addition, Whitney represented that it performs a semiannual analysis of denied HMDA-reportable loans, which includes a comparative file review of all such denials, a review of the terms offered to the customers, and further data analysis to verify equivalent treatment of similarly qualified applicants. Whitney represented that its fair lending policies will apply to the combined institution on consummation of the proposal.

The Board also has considered the HMDA data in light of other information, including the programs described above and the overall performance record of WNB under the CRA. These established efforts and record of performance demonstrate that the institution is active in helping to meet the credit needs of its entire communities.

C. Conclusion on Convenience and Needs and CRA Performance

The Board has considered carefully all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Whitney, comments received on the proposal, and confidential supervisory information. The record indicates that consummation of the proposal would result in benefits to consumers currently served by Parish by allowing Whitney to offer a wider array of banking products and services to Parish customers. Whitney represented that the proposal would result in greater convenience for Parish customers through 24-hour automated account information, toll-free customer service, an expanded ATM network, and online access to information and services through WNB's website. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance record of the relevant insured depository institutions are consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Whitney with the conditions imposed in this order and the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposed transaction may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors,<sup>22</sup> effective September 25, 2008.

(SIGNED)

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Robert deV. Frierson  
Deputy Secretary of the Board

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<sup>22</sup> Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Duke.

## Appendix

<b>Banking Markets Consistent with Board Precedent and DOJ Guidelines</b>						
Data are as of June 30, 2007. All deposit amounts are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.						
<b>New Orleans, Louisiana Banking Market</b>						
<b>New Orleans</b> – Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany Parishes and St. James Parish, excluding the town of Union.						
	<b>Rank</b>	<b>Amount of Deposits (\$000)</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Whitney Pre-consummation</i>	3	4,233,690	11.29	1764	+ 56	39
<i>Parish</i>	9	473,620	2.20			
<i>Whitney Post-consummation</i>	3	4,707,310	13.5			
<b>Tangipahoa, Louisiana Banking Market</b>						
<b>Tangipahoa</b> – Tangipahoa Parish, excluding the city of Kentwood.						
	<b>Rank</b>	<b>Amount of Deposits (\$000)</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI<sup>23</sup></b>	<b>Remaining Number of Competitors</b>
<i>Whitney Pre-consummation</i>	15	0	0	1457	0	14
<i>Parish</i>	5	78,381	6.38			
<i>Whitney Post-consummation</i>	5	78,381	6.38			
<b>Fort Walton Beach, Florida Banking Market</b>						
<b>Fort Walton Beach</b> – Okaloosa and Walton Counties and the town of Ponce de Leon in Holmes County.						
	<b>Rank</b>	<b>Amount of Deposits (\$000)</b>	<b>Market Deposit Shares (%)</b>	<b>Resulting HHI</b>	<b>Change in HHI</b>	<b>Remaining Number of Competitors</b>
<i>Whitney Pre-consummation</i>	7	243,946	6.51	753	+ 5	23
<i>Parish</i>	20	13,133	0.35			
<i>Whitney Post-consummation</i>	6	257,079	6.85			

<sup>23</sup> No deposit data are available for WNB's branch in this market because it is a de novo branch that opened in 2008.