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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**October 8, 2002**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank  
Charter Number 14097**

**33 West Main Street  
Marianna, AR 72360**

**Comptroller of the Currency  
Memphis Field Office  
57 Germantown Court, Suite 309  
Memphis, TN 38108**

**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.**

*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, Marianna, AR** as prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of October 8, 2002. 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 conclusion is based on the following:

- **A substantial majority of loans are made in the assessment area.**
- **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes**
- **The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.**

## **DESCRIPTION OF INSTITUTION**

First National Bank (FNB) had total assets of \$51.7 million as of June 30, 2002. The bank is located in Eastern Arkansas approximately 100 miles south of Memphis, TN. The bank's primary business focus is residential real estate and agricultural loans with the loan portfolio representing approximately 31% of total assets. As a percentage of Tier 1 Capital, real estate loans totaled 108%, agricultural 74%, commercial 60%, and consumer and others 63%. The loan portfolio composition as of June 30, 2002 was as follows:

<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% Of Portfolio</b>
Real Estate	\$ 6,627	35%
Agricultural	\$ 4,533	24%
Commercial	\$ 3,691	20%
Consumer & Other	\$ 3,897	21%
<b>Total</b>	<b>\$18,748</b>	<b>100%</b>

FNB operates only in Arkansas and has one branch located in Moro, AR. The bank does not offer

ATM services. The main facility is located in Marianna, AR. The bank offers a full range of banking services that are accessible at the main facility. The Moro branch is a limited service facility operating as a paying and receiving location. The bank is part of a one-bank holding company, which is Lee County Bancshares, Inc., located in Marianna, AR and is approximately \$51 million in assets. FNB is not an interstate bank and not in an MSA. There are no legal, merger and acquisition, or financial constraints that prohibit the bank from meeting assessment area credit needs. The bank received a **“Satisfactory”** rating at the last CRA examination dated November 17, 1997.

There are no similarly situated banks in FNB’s assessment area. There is one national bank (FNB, Eastern AR, Forrest City, AR) that has one branch in Lee County. As of June 30, 2001, FNB’s deposits represented 60% of the total deposits in the county.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area consists of Lee County, Arkansas. The bank’s assessment area meets the requirements of the CRA regulations and does not arbitrarily exclude any low and moderate-income geography. The updated 2002 US Census median family income for non-Metropolitan Statistical Areas in Arkansas, including the assessment area was \$34,200. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. FNB's assessment area is comprised of four moderate-income BNAs.

According to the 2002 updated US Census demographic data, the reported population of the assessment area was 13,053. Forty Two percent of the households showed income below the poverty level. The 2000-updated median family income was \$34,200. This income figure is updated annually and is used to determine the income level of individual applicants. There are 4,647 households in the assessment area of which: 1,858 (40%) are low-income, 930 (20%) are moderate-income, 697 (15%) are middle-income, and 1,162 (25%) are upper-income families. The average cost of housing in the assessment area is \$31,412. Owner occupied housing represents 57% of the population.

The assessment area has a history of higher unemployment, compared to the state of Arkansas and national averages. Unemployment data as of August 2002 shows a national unemployment average of 6%. The state of Arkansas shows 5.0% unemployment and the assessment area of Lee County 6.8%. The higher unemployment can best be explained by the lack of employment opportunities in the area. The local economy is considered stable.

The bank's assessment area is primarily agricultural, manufacturing, retail trade, and services related. Major employers within the assessment area consist of the State Correctional Facility 300 employees, Como Seat Company 260 employees, Lee County Schools 268 employees, and several smaller businesses located in the area such as Marianna Manufacturing and City of Marianna.

One community development organization was contacted during this CRA review period. This organization was contacted in an effort to determine opportunities for financial institutions to help meet local credit needs and to understand community perceptions of the local financial institutions' performance in meeting those needs. No salient, unaddressed community credit needs were identified, and the contact expressed positive opinions regarding the bank's responsiveness and performance in meeting the credit needs of consumers and small businesses in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The average quarterly loan-to-deposit (L-T-D) ratio of 38% is adequate. For purposes of the loan-to-deposit ratio, the quarterly loan-to-deposit ratio was calculated and averaged since the last CRA examination dated November 26, 1997. The L-T-D ratio is in line with the historical average and indicative of loan demand in the bank's assessment area. There were no similarly situated banks in the assessment area of Lee County. The bank's lending capacity is good.

### Lending in Assessment Area

A substantial majority of loans are within the bank's assessment area. The level of lending inside the assessment area exceeds the standards outlined in the regulation. Our review showed that 86% of the loans made were to individuals or businesses inside the bank's assessment area. The assessment area is Lee County, Arkansas, which consists of four moderate-income census tracts. There are no low-income, middle-income, or upper-income geographies.

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

The number and percentage of loans made by income level reflects reasonable penetration among low and moderate-income individuals given the demographics of the assessment area. We analyzed 80 loans, which included 20 loans from each primary loan type. Our review shows that consumer and real estate loans were made to individuals in all four-income levels. The analysis showed the number of loans is evenly dispersed in all income levels. Our conclusions are based on originations and purchases since the last examination rather than outstandings. The following table compares loan distribution in our sample to assessment area population distribution.

<b>Distribution of Consumer and Real Estate Loans in Assessment Area by Borrower Income</b>										
	Low		Moderate		Middle		Upper		Total	
	#	%	#	%	#	%	#	%	#	%
Families within BNAs	1,325	39%	780	23%	539	16%	764	22%	3,408	100%
Families in the Loan Sample	8	20%	13	33%	7	18%	12	29%	40	100%

Sample results also indicated FNB has a good record of making loans to small businesses and small farms of different sizes. The farm and commercial loans reviewed showed that the bank makes loans to businesses with revenues over and under \$1 million. However, none of the loan sizes were over \$1 million.

<b>Distribution of Business and Farm Loans in Assessment Area by Revenue and Loan Size</b>										
	Revenue Under \$1 Million		Revenue Over \$1 Million		Loan Size Under \$1 Million		Loan Size Over \$1 Million		Total	
	#	%	#	%	#	%	#	%	#	%
Business & Farm Loans	37	93%	3	7%	40	100%	0	0%	40	100%

### **Geographic Distribution of Loans**

A geographical analysis of loans by number and income distribution was not performed. The assessment area includes only moderate-income census tracts and such analysis would not be meaningful.

### **Responses to Complaints**

No complaints have been received from the public specifically related to the bank's performance in helping to meet community credit needs.

### **Fair Lending Review**

An analysis of three years public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.