



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Little Rock, AR 72205

## **PUBLIC DISCLOSURE**

April 22, 2009

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Helena National Bank  
Charter Number: 14429

302 Cherry Street  
Helena, AR 72342

Office of the Comptroller of the Currency

Little Rock Field Office  
10201 West Markham, Suite 105  
Little Rock, AR 72205

**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.

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

Major factors supporting the institution's rating include:

- Helena National Bank's (HNB) average loan-to-deposit (LTD) ratio of 56% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans are in the bank's AA.
- The distribution of loans among low- and moderate income individuals and small businesses in the Cross-Phillips AA exceeds the standard for satisfactory performance, and meets the standard in the Crittenden AA.
- The distribution of loans in low- and moderate-income geographies for small farm/small business lending exceeds the standard for satisfactory performance in the Cross-Phillips AA. The distribution of residential loans in the Cross-Phillips AA and small farm/small business loans in the Crittenden AA meet the standard for satisfactory performance in the Cross-Phillips and.
- No complaints pertaining to the bank's CRA performance were identified during this review.

## **SCOPE OF EXAMINATION**

This Performance Evaluation is based on the period January 1, 2004 through April 21, 2009. A full-scope review was performed for the Crittenden County, Memphis Metropolitan Statistical Area (MSA) #32820 AA and for the Cross-Phillips Counties, Non-MSA AA. Results were consolidated for comparative and analysis purposes and evaluated using 2000 Census demographic information and Updated 2008 Housing and Urban Development (HUD) income information. Conclusions regarding the Lending Test are based on Home Mortgage Disclosure Act (HMDA) data for residential loans including home purchases, home improvements, and home refinances originated in 2007 and 2008. Accuracy of data was verified by an independent, external audit performed in March 2009. Small Farm, Small business and consumer loans originated during the evaluation period were also considered in the Lending Test. Loans samples were selected from internal reports with data being verified during the review.

## **DESCRIPTION OF INSTITUTION**

Helena National Bank is a \$159 million institution located in Helena, Arkansas, approximately 60 miles south of Memphis, Tennessee. The bank is owned by Helena Bancshares, Inc., a one bank holding company. The bank's primary business focus consists of lending to small farms and small business. HNB also offers loans to individuals for home purchase and home improvement, and other general consumer purposes.

The bank's loan portfolio, as of March 31, 2009, represents 41% of total assets and is comprised of the following:

<b>Loan Type</b>	<b>\$ Volume (000's)</b>	<b>% Of Portfolio</b>
Agriculture – Production	\$ 21,438	32.46%
- Real Estate	\$ 4,303	6.51%
Commercial Real Estate	\$ 15,962	24.16%
Commercial & Industrial	\$ 11,663	17.66%
1-4 Family Residential	\$ 6,296	9.53%
Consumer	\$ 5,594	8.47%
Other	\$ 796	1.21%
<b>TOTAL</b>	<b>\$ 66,052</b>	<b>100%</b>

HNB operates in Phillips, Crittenden and Cross Counties, Arkansas. The home office is located in downtown Helena, and has three other branches in Helena, West Helena, and Marvell, Arkansas. HNB also has a branch in Marion, Arkansas which opened in December 2005 and another branch in Wynne, Arkansas, which opened in July 2008. Both branches place an emphasis on small farm and small business lending with the vast majority of loans made out of these offices being in those categories. The bank offers a full range of banking services, and also includes Asset Management and Insurance services. Hours of operation are traditional in nature with daily business hours from 9:00 am to 4:00 pm (Monday through Thursday), 9:00 am to 5:00 pm on Fridays, and extended Saturday hours at the West Helena and Marvell branches. Four offices offer automated teller machines (ATM). HNB also has an ATM at two Helena-West Helena convenience stores. HNB offers limited service telephonic and internet banking. There are no financial constraints that prohibit the bank from meeting the AA credit needs. The last CRA evaluation of HNB was performed as of December 5, 2003 where the bank received a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

### **Crittenden County, Memphis MSA #32820**

HNB's AA includes census tracts in Crittenden County, Arkansas which is part of the Memphis MSA #32820. The AA meets the requirements of the regulation. The 2000 U.S. Census median family income for the Memphis MSA is \$35,725. This figure is used for establishing census tract income levels. The Crittenden AA is comprised of six (43%) low-, four (29%) moderate-, three (21%) middle-, and one (7%) upper-income census tracts. The 2008 HUD updated median family income is \$54,400. This number is used to assess the income level for families located in the AA. 2000 U.S. Census demographic data for the Cross-Phillips AA reflected a population of 42,428. There are 11,155 families in the AA, of which 34% are low-income, 20% are moderate-income, 19% are middle-income and 27% are upper-income.

Crittenden AA economic conditions are depressed with 24% of households being below the poverty level. Other income demographic data indicates 13% of individuals are retired and 25% are receiving social security benefits. These indicate that many residents have limited means, effectively limiting lending opportunities in consumer products. Residential lending opportunities are also limited with 89% of current housing units being either owner or tenant occupied. Also, 10% of the AA population is over the age of 65. This demographic generally does not borrow significant amounts.

Major employers within the Crittenden AA are centered in small business with 51% of jobs being in the retail trade and services industries, and 85% of businesses having one location. Further supporting the small business demographic is that 66% of these businesses have less than ten employees. Finance/Insurance & Real Estate, Transportation/Communication, and Construction segments make up another 18% of business operating in the area.

Discussions with the Community Development Agency (CDA) of the City of West Memphis, Arkansas, identified affordable housing and financial literacy as significant needs in the area. The CDA's purpose is to repair or replace certain public facilities, buildings, streets, and to assist in the rehabilitation of dwellings of low-income homeowners. As part of the HOPE III grant, the City and Good Neighbor Center, its nonprofit partner, are able to purchase HUD foreclosed homes for \$1, rehab the homes, and then make them available to a low- or moderate-income, first-time homebuyer at an affordable price. Because of credit issues, some of the clients have to go into a lease-to-own program before they are ready to qualify for a private mortgage. Contacts stated that anytime they have called upon local financial institutions, they have been quick to respond. They added that banks could be more involved in helping to deliver additional credit counseling seminars.

### **Cross-Phillips Counties**

HNB's AA includes census tracts in Cross and Phillips Counties, Arkansas. The AA meets the requirements of the regulation. The 2000 U.S. Census median family income for Arkansas non-metropolitan statistical areas is \$29,082. The Cross-Phillips AA is comprised of five (56%) moderate-, three (33%) middle-, and one (11%) upper-income census tracts. There are no low-income census tracts included in this AA. The 2008 HUD updated median family income is \$40,400. This number is used to assess the income level for families located in the AA. 2000 U.S. Census demographic data for the Cross-Phillips AA reflected a population of 37,951. There are 9,937 families in the AA of which 31% are low-income, 17% are moderate-income, 19% are middle-income and 33% are upper-income.

Cross-Phillips AA economic conditions are depressed with 28% of households being below the poverty level. Other income demographic data indicates 14% of individuals are retired and 32% are receiving social security benefits. These indicate that many residents have limited means, effectively limiting lending opportunities in consumer products. Residential lending opportunities are limited with 91% of current housing units being either owner or tenant occupied. Also, 14% of the AA population is over the age of 65. This demographic generally does not borrow significant amounts.

The major employer within the county continues to be Phillips County Community College, which is affiliated with the University of Arkansas, and local government (county support, school district, etc.). Agriculture is also a significant employer encompassing 8% of the employed demographic. Remainder of business demographic indicates 46% of businesses are in the retail or services industry. Also, 88% of businesses have only one location and 63% of businesses have less than ten employees.

Discussions with the grassroots community group, Together for Hope, identified the need for affordable housing development and small business lending. Together for Hope, has a six year history of working with children, youth, and adults in Phillips and Lee Counties through partnerships, reconciliation efforts and activities like the All Church Challenge, Phillips County Back-to-School project, and the Delta Christmas Celebration. Their latest initiative is the "Missions Center" which includes the revitalization of downtown Helena to include space for mission volunteers to stay, and a center for "Entrepreneurial Leadership." Contacts indicated that local area banks could be more involved in downtown redevelopment with the use of New Market Tax Credits and other federal programs, financial literacy, micro-loans for small businesses, and Individual Development Account (IDA) programs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

**HNB's LTD ratio reflects a level of lending that meets the standard for satisfactory performance.** The average quarterly LTD ratio is 56%. The bank's LTD ratio was calculated over twenty quarters beginning March 31, 2004 through December 31, 2008. Given the cyclical nature of HNB's agricultural loan portfolio, it is important to note that the bank's LTD ratio ranged from a high of 70% to a low of 45% during this timeframe. This fluctuation was observed annually. HNB's LTD ratio was compared to local competitors in the bank's AA. The bank competes with nine other community and regional banks in its AA, capturing 11% of the market deposit share.

The following table reflects the quarterly average LTD ratio for all ten banks included in this assessment.

Table 1 - Loan-To-Deposit Ratios		
Institution	Market Share of AA Deposits (\$000's)	Average LTD Ratio as of 12/31/2008
Suntrust Bank	\$ 81,568	104.88%
Regions Bank	\$ 128,733	99.32%
Cross County Bank	\$ 124,683	95.01%
First National Bank of Wynne	\$ 141,179	76.10%
First Community Bank of Eastern Arkansas	\$ 77,371	75.52%
Evolve Bank & Trust	\$ 76,546	68.54%
Southern Bancorp Bank	\$ 153,995	58.90%
<b>Helena National Bank</b>	<b>\$ 129,895</b>	<b>56.22%</b>
First National Bank of Eastern Arkansas	\$ 22,650	45.88%
Fidelity National Bank	\$ 220,618	44.37%

Source: Institution Reports of Condition from March 2004 to December 2008 and FDIC market share data.

### Lending in Assessment Area

The bank has funded a substantial majority of loans in its AA, which exceeds the standard for satisfactory performance. Information was obtained detailing all loan commitments funded from January 1, 2004 through April 21, 2009; accuracy of data was verified during this review through the sampling process. Table 1 describes the distribution of both the number and dollar volume of loans made during this review period.

Table 1 - Lending in Helen National Bank's AA										
All Loans	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	1,367	90.77	139	9.23	100%	70,711	85.95	11,555	14.05	100%

Source: verified loan data; includes all loan commitments funded between January 1, 2004 and April 21, 2009.

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

Overall, lending to borrowers of different incomes and to businesses of different sizes exceeds the standard for satisfactory performance.

## Crittenden County, Memphis MSA #32820

**Lending to Business of Different Sizes Meets the Standard for Satisfactory Performance.** HNB's distribution of loans to small businesses is reasonable. A sample of small business loans funded from December 1, 2005 through April 21, 2009 indicate that 65% of the number of loans reviewed were made to businesses with gross revenues of less than \$1 million. 2000 census data indicated 36% of the businesses in the AA failed to provide adequate income information, making comparative analysis more difficult.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Crittenden County MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	60.52	3.56	35.92	100%
% of Bank Loans in AA by #	65.00	35.00	0.00	100%
% of Bank Loans in AA by \$	9.07	90.93	0.00	100%

*Source: Loan sample; included 20 loans funded from 12-1-2005 to 4-21-2009.*

Further analysis reflected smaller loans being made to businesses, meeting the need for working capital and capital improvements.

<b>Table 2C – Borrower Distribution of Loans to Businesses by Loan Size in Crittenden County MSA AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	11	55.00	309,736	10.61
\$100,001 - \$250,000	4	20.00	779,664	26.72
\$250,001 - \$500,000	4	20.00	1,228,795	42.11
\$500,001 - \$1,000,000	1	5.00	600,000	20.56
Over \$1,000,000	0	0.00	0	0.00

*Source: Loan sample; included 20 loans funded from 12-1-2005 to 4-21-2009.*

## Cross-Phillips Counties

**HNB's distribution of residential real estate loans exceeds the standard for satisfactory performance.** Based on 2007 and 2008 Home Mortgage Disclosure Data (HMDA) submitted by the bank, the number of loans made to low- and moderate-income borrowers exceeds the AA demographics. This is particularly impressive given the depressed economic conditions in the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Cross-Phillips Non-MSA 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	30.66	14.29	17.00	28.57	19.09	14.29	33.25	42.85
Home Improvement	30.66	22.22	17.00	38.89	19.09	27.78	33.25	11.11
Refinance	30.66	11.77	17.00	35.29	19.09	5.88	33.25	35.29

Source: data reported under HMDA; U.S. Census data.

**HNB’s distribution of loans to small businesses also exceeds the standard for satisfactory performance.** A review of 23 business loans funded during the review period indicated 87% were to businesses with gross revenues less than \$1 million. 2000 census data indicated 41% of the businesses in the AA failed to provide adequate income information, making comparative analysis more difficult. However, adding all non-reporting businesses to the less than \$1 million category would still reflect HNB lending to be in line with area demographics.

Table 2A - Borrower Distribution of Loans to Businesses in Cross-Phillips Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	55.78	3.44	40.78	100%
% of Bank Loans in AA by #	86.96	13.04	0.0	100%
% of Bank Loans in AA by \$	29.72	70.28	0.0	100%

Source: Loan sample; included 23 loans funded from 1-1-2004 to 4-21-2009.

**HNB’s distribution of loans to small farms meets the standard for satisfactory performance.** A review of 20 agriculture related loans funded during the review period indicated 80% were to farms with gross revenues less than \$1 million. Although below area demographics, this level of lending is considered reasonable.

Table 2A - Borrower Distribution of Loans to Farms in Cross-Phillips Non-MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	97.27	1.36	1.37	100%
% of Bank Loans in AA by #	80.00	20.00	0.0	100%
% of Bank Loans in AA by \$	34.18	65.82	0.0	100%

Source: Loan sample; included 20 loans funded from 1-1-2004 to 4-21-2009.

**HNB’s distribution of loans to individuals also exceeds the standard for satisfactory performance.** A sample of 20 consumer loans originated in the Cross-Phillips County AA reflected 35% and 15% of the number of loans reviewed were to low- and moderate income individuals, respectively. This exceeds the AA area demographic for low- and moderate-income families (see Table 2 discussed earlier for demographic detail).

## Geographic Distribution of Loans

**Overall, the geographic distribution of loans within the bank’s AA meets the standard for satisfactory performance.**

### Crittenden County, Memphis MSA #32820

**The Geographic Distribution of Loans to Business Meets the Standard for Satisfactory Performance.** Based on a sample of 20 loans originated during the review period, the distribution of business loans in low- and moderate-income census tracts reflect a reasonable disbursement when compared to AA demographics. A review of AA maps indicates major highway right-of-way, industrial warehouse, and farm land making up much of the low- and moderate-income tracts. This effectively limits opportunities to lend in these areas.

Table 3A - Geographic Distribution of Loans to Businesses in Crittenden County Memphis, AR MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	14.46	10.00	29.79	15.00	51.78	65.00	3.97	10.00

*Source: Indicate source; included 20 loans funded from 12-1-2005 to 4-21-2009.*

### Cross-Phillips Counties

**The Geographic Distribution of Residential Real Estate Loans Meets the Standard for Satisfactory Performance.** Based on 2007 and 2008 HMDA data, lending in low- and moderate-income census tracts is in line with area demographics. While home purchase loans in moderate-income census tracts exceed AA demographics, home improvement and refinance loans are marginally below demographic benchmarks.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Cross-Phillips Non-MSA 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	0.00	0.00	34.19	42.86	53.00	57.14	12.82	0.00
Home Improvement	0.00	0.00	34.19	21.05	53.00	73.68	12.82	5.27
Refinance	0.00	0.00	34.19	27.78	53.00	66.67	12.82	5.55

Source: data reported under HMDA; U.S. Census data.

**The Geographic Distribution of Loans to Businesses Exceeds the Standard for Satisfactory Performance.** Based on a sample of 23 business loans funded during the review period, a significant volume were to businesses located in a moderate-income census tract.

Table 3A - Geographic Distribution of Loans to Businesses in Cross-Phillips Non-MSA 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
Businesses	0.00	0.00	34.45	65.22	49.18	34.78	16.37	0.00

Source: loan sample; included 23 loans funded from 1-1-2004 to 4-21-2009.

**The Geographic Distribution of Loans to Agricultural Related Businesses Exceeds the Standard for Satisfactory Performance.** Based on a sample of 20 agricultural loans funded during the review period, a significant volume were to farms located in a moderate-income census tract.

Table 3A - Geographic Distribution of Loans to Farms in Cross-Phillips Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0.00	0.00	46.82	55.00	41.82	45.00	11.36	0.00

Source: loan sample; included 20 loans funded from 1-1-2004 to 4-21-2009.

## **Responses to Complaints**

Helena National Bank has not received any complaints concerning the bank's CRA performance.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.