



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 21, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Forrest City Bank, N.A
Charter Number **23195**

715 North Washington
Forrest City, AR 72335

Office of the Comptroller of the Currency

Little Rock (Memphis)
10201 West Markham, Suite 105 Ozark National Life Building
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.

- ◆ The average loan-to-deposit ratio at 58% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans (87%) are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

SCOPE OF EXAMINATION

The bank was evaluated using Small Bank CRA criteria. The bank is not located in Metropolitan Statistical Areas (MSA); therefore the bank is not a Home Mortgage Disclosure Act reporter. Loan information used for this evaluation included a sample of residential, consumer and business/commercial loans made during 2008.

DESCRIPTION OF INSTITUTION

Forrest City Bank, N.A. (FCB) is located in Forrest City (St Francis County), Arkansas (AR) which has a population of 14,774 according to the 2000 census. The bank has only one banking facility and a paying/receiving branch located inside a local grocery store. There are automated teller machines (ATM's) at both locations. As of June 30, 2008, the bank reported total assets of \$49 million with \$42 million in deposits and \$24 million in loans (49% of total assets).

The bank's primary business focus is residential real estate, commercial real estate, and business/commercial loans. FNB offers residential real estate, home improvement, consumer, agriculture, commercial real estate, commercial and business loans. The loan portfolio composition as of June 30, 2008, is as follows:

Table 1 - Loan Portfolio Composition as of June 30, 2008		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	997	4.19%
Secured by Farmland	132	0.55%
One-to-Four Family Residential	11,726	49.30%
Commercial Real Estate	7,597	31.94%
Total Real Estate Loans	20,452	85.98%
Agricultural	175	0.74%
Commercial and Industrial	1,597	6.71%
Consumer	1,563	6.57%
Other	0	0
Total Loans	23,787	100.00%

Source: Report of Condition

FNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by Forrest City Financial Corporation, a one-bank holding company located in Forrest City, AR. The bank's last CRA examination was performed as of March 6, 2003 and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREA (ST FRANCIS COUNTY)

FCB's assessment area (AA) is St Francis County. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are six Block Numbering Areas (BNA)/Census Tracts (CT) in the AA, three of which are moderate-income, two are middle-income, and one upper-income. These BNA/CTs are 9601 through 9606. The Median Family Income (MFI) for non-Metropolitan Statistical Areas (MSA) in Arkansas was \$34,263 in 2000. This income figure is used to determine the income level of individual BNAs. BNAs 9601, 9604, and 9606 are moderate-income tracts. The 2008 Housing and Urban Development (HUD) estimated MFI for non-MSA in Arkansas was \$42,000. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follow: Low-Income = under \$21,000; Moderate-Income = \$21,000 - \$33,599; Middle-Income = \$33,600 - \$50,400; and, Upper-Income = above \$50,400.

Forrest City is located in the eastern part of the state about 95 miles east of Little Rock, AR, the state capital and about 55 miles west of Memphis, TN. According to the 2000 Census Data, the population of St Francis County was 29,329. The economy of the county is considered to be in a slow growth mode.

The largest employers in St Francis County are: Sanyo Manufacturing Corporation (electronics), Forrest City Grocery Company (grocery distributor) and Boar's Head Provisions Company (meat distributor), each with more than 500 employees.

Unemployment as of August 2008 was 8.3%, non-seasonably adjusted, for St Francis County. The unemployment rate is above the Arkansas average of 4.6% and the U.S. average of 6.1% as of August 2008.

The following table shows the demographic and economic characteristics of the assessment area.

Table 2 - Demographic and Economic Characteristics of St Francis County						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	6	0%	50.00%	33.33%	16.67%	
Population by Geography	29,329	0%	54.66%	33.06%	12.28%	
Owner-Occupied Housing by Geography	11,242	0%	42.05%	45.25%	12.69%	
Businesses by Geography	1,805	0%	35.29%	32.41%	32.30%	
Farms by Geography	125	0%	28.80%	57.60%	13.60%	
Family distribution by Income Level	7,238	28.81%	16.23%	19.15%	35.81%	
Distribution of Low and Moderate Income Families throughout AA Geographies	3,260	0%	58.74%	31.47%	9.79%	
Median Family Income, 2000 Census		\$34,263	Median Housing Value (as of 2000)			\$51,880
HUD Adjusted Median Family Income for 2008		\$42,000	Unemployment Rate: August 2008 (not seasonally adjusted)			
Households Below Poverty Level		26.82%				
			United States 6.1% Arkansas 4.6% St. Francis County 8.3%			
% Businesses with Revenues < \$1 million		58.23%	% Farms with Revenues < \$1 million		93.60	
% Businesses with Revenues > \$1 million		3.10	% Farms with Revenues > \$1 million		3.20	

Source: 2000 U.S. Census data; 2007 HUD updated income data; Dun and Bradstreet; Bureau of Labor Standards.
 * The N/A category consists of geographies that have not been assigned an income classification.

A community contact with the executive director of the Forrest City Chamber of Commerce was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FCB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs and is satisfactory. There are two other banks that are somewhat similarly situated in the AA. These banks are the First National Bank of Eastern Arkansas, Forrest City, AR and the First National Bank of Wynne, Wynne, AR. There are

five banks with branches in St Francis County and FCB has 14.22% of the deposit market share based on the June 30, 2008 FDIC Deposit Market Share Report. FNB is ranked second. FNB-Eastern AR is ranked first with 58.96% of the deposit market share and FNB-Wynne is ranked third with 11.06% of the deposit market share. The following table shows total assets as of June 30, 2008 and the quarterly average loan-to-deposit ratio from March 30, 2003 through June 30, 2008 (22 quarters) for these three similarly situated banks.

Table 3 - Loan-to-Deposit Ratios		
Institution	Assets (as of 6-30-2008)	Average LTD Ratio
FCB, Forrest City, AR	\$49 million	57.87%
FNB-Eastern AR, Forrest City, AR	\$283 million	43.64%
FNB-Wynne, Wynne, AR	\$271 million	78.82%

Source: Institution Reports of Condition.

Lending in Assessment Area

A majority of FCB loans (87%) are in the bank’s assessment area and is satisfactory. A sample of 25 residential real estate loans, 25 consumer loans and 25 business/commercial loans made during 2008 was reviewed to determine lending within the assessment area. Lending within the assessment area is detailed in the following table.

Table 4 - Lending in St Francis County										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	18	72%	7	28%	25	732	55%	609	45%	1,341
Consumer	23	92%	2	8%	25	227	95%	13	5%	240
Business	24	96%	1	4%	25	2,649	99%	19	1%	2,668
Totals	65	87%	10	13%	75	3,608	85%	641	15%	4,249

Source: sample of loans used for CRA performance analysis.

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes and is satisfactory. The poverty level in the AA at 26.82% hinders the bank’s ability to make loans to low and moderate income borrowers, particularly for residential real estate loans, due to down payment and term requirements. The poverty level in the AA equals to approximately 93.09% of the low income AA families. The same samples for lending within the assessment area were used to determine lending to borrowers of different incomes. While lending to different income levels varied within the bank’s AA, the overall lending pattern is satisfactory.

Table 5 - Borrower Distribution of Residential Real Estate Loans in St Francis County								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	28.81		16.23		19.15		35.81	
Loan Year	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2008								
Home Purchase	5.56%	2.48%	5.56%	4.15%	11.11%	6.83%	77.78%	86.54%

Source: Loan sample and U.S. Census data.

The above table shows that residential real estate loans were made to low-income and moderate-income borrowers. Residential real estate loans, by number and dollar amount, made to low-and moderate-income borrowers is lower than the percentage of low- and moderate-income families in the assessment area and is considered to be poor performance.

Table 5A - Borrower Distribution of Consumer Loans in St Francis County								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	31.70		13.62		17.65		37.03	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2008								
Motor Vehicle	13.04%	5.75%	34.78%	27.79%	21.74%	17.44%	30.43%	49.03%

Source: Loan sample and U.S. Census data.

The above table shows that consumer loans were made to low-income and moderate-income borrowers. Consumer loans, by number and dollar amount, made to low income borrowers is lower than the percentage of low-income households in the assessment area and are considered to be poor performance. Consumer loans, by number and dollar amount, made to moderate income borrowers exceeds the percentage of low- and moderate-income households in the assessment area and are considered to be outstanding.

Table 5B – Borrower Distribution of Loans to Businesses in St Francis County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	58.23	3.10	38.67
% of Bank Loans in AA by #	79.17%	12.50%	8.33%
% of Bank Loans in AA by \$	76.11%	20.13%	3.76%

Source: Loan sample and Dun and Bradstreet data.

The above table shows that small business loans to borrowers with revenues under \$1,000,000, by number and dollar volume of loans, exceed the numbers of small businesses with revenues under \$1,000,000 in the assessment area and are considered to be outstanding.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and is satisfactory. The same samples for lending within the assessment area were used to determine lending to borrowers of various geographic areas. The following tables show the distribution of residential real estate, consumer and business/commercial loans within the various BNA income levels.

Table 6 - Geographic Distribution of Residential Real Estate Loans in St Francis County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
%of AA Owner Occupied Housing	0		42.05		42.25		12.70	
Loan Year 2008	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	0	0	61.11%	45.01%	22.22%	42.02%	16.67%	12.97%

Source: Loan sample and U.S. Census data.

The above table shows that the bank is making residential real estate to borrowers located in the moderate-income BNAs. The sample of residential real estate loans, by number and dollar amount, made to borrowers residing in moderate-income tracts exceeds the percentage of owner-occupied houses in moderate-income tracts and is considered to be outstanding.

Table 6A - Geographic Distribution of Consumer Loans in St Francis County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Households	0		49.59		36.50		13.91	
Loan Year 2008	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Motor Vehicle	0	0	30.43%	25.16%	47.83%	43.96%	21.74%	30.88%

Source: Loan sample and U.S. Census data.

The above table shows that the bank is making consumer loans to borrowers located in the moderate-income BNAs. The sample of consumer loans, by number and dollar amount, made to borrowers residing in moderate-income tracts is considered to be adequate performance.

Table 6B - Geographic Distribution of Business Loans in St Francis County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Businesses	0		35.29		32.41		32.30	
Loan Year	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2008	0	0	33.33%	29.33%	58.33%	40.25%	8.33%	30.42%

Source: Loan sample and U.S. Census data.

The above tables show that the bank is making business/commercial loans to borrowers located in the moderate-income BNAs. The sample of business loans, by number, made to borrowers residing in moderate-income tracts substantially meets the percentage of businesses located in the moderate-income BNAs and is considered good. The sample of business loans, by dollar amount, made to borrowers residing in moderate-income tracts is near to the percentage of businesses located in the moderate-income BNAs and is considered good.

Responses to Complaints

Forrest City Bank, N.A. has not received a formal CRA complaint since the previous examination.

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.