



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 7, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust Company of Mountain Home
Charter No. 20412**

**502 South Hickory
Mountain Home, Arkansas 72653**

**Office of the Comptroller of the Currency
Little Rock Duty Station
10201 West Markham, Suite 105
Little Rock, Arkansas 72205-2180**

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 & Trust Company of Mountain Home** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 7, 1997**. 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 **OUTSTANDING**.

- The loan-to-deposit ratio is reasonable at 50%, given the bank's size, financial condition, and credit needs in the assessment area.
- A substantial majority (85%) of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans to borrowers reflects excellent penetration to individuals and businesses of different income levels, and does not exclude low-and moderate-income individuals and small businesses.

The following table indicates the performance level of **First National Bank & Trust Company of Mountain Home** with respect to each of the five CRA performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank & Trust Company of Mountain Home</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	Geographic distribution by income levels is not meaningful for the purposes of this performance criteria.		
Response to Complaints	No applicable CRA complaints were received since the prior evaluation.		

DESCRIPTION OF INSTITUTION

First National Bank & Trust Company of Mountain Home (FNB) is located in Mountain Home, Arkansas. Total assets were \$208 million as of March 31, 1997, and is 99.38% owned by Mountain Home Bancshares, Inc., a one-bank holding company. FNB offers a full range of loan and deposit products designed to meet both individual and business needs. Products and services are primarily delivered through a branching network. In addition to the main office located in downtown Mountain Home, the bank has one additional branch in the city and three automatic teller machines (ATM's). Two of these ATM's are at stand-alone locations that supplement the bank's branching network. Out of town locations include a branch and an ATM in the town of Gassville (22 miles southwest of Mountain Home), and a branch located in the town of Lakeview (14 miles northwest of the city).

The loan-to-deposit ratio was 54% at March 31, 1997, and the loan portfolio is distributed as follows: residential real estate (50%); commercial real estate (22%); commercial (9%); and, individual (19%). There were no factors identified during this evaluation period that would impede the bank's ability to fulfill its requirements under the CRA.

ASSESSMENT AREA DESCRIPTION

FNB has delineated all of Baxter County as its assessment area. This assessment area meets the requirements of the CRA, and does not arbitrarily exclude any low- or moderate-income neighborhoods. U.S. Census data for 1990 indicates that Baxter County is divided into nine block numbering areas (BNA's), all of which are designated as middle-income tracts. The population of Baxter County, by income, is characterized as follows: low-income (17%); moderate-income (21%); middle-income (26%); and, upper-income (36%). The updated median family income for Baxter County in 1997 is \$29,500.

Baxter County is located in the north-central part of Arkansas, and is bordered to the north by the state of Missouri. U.S. Census data for 1990 indicates that the population of the county increased from 15,319 in 1970 to 31,186 in 1990. The current population is estimated to be 33,491. Steady growth in the county is attributed to the effusion of retirees from the northern and western states. Employment opportunities are provided through manufacturing of durable and nondurable goods, construction, health services, tourism, agriculture, and forestry. The steady effusion of retirement money from retirees provide a steady source of funds that supports the economy during recessionary periods. The unemployment rate was 3.1% as of May 31, 1997.

Competition among financial institutions is strong. There are five banking institutions, and six professional investment firms located in the city of Mountain Home. The banking institutions include a state-chartered institution, and branches of a large savings and loan association, a regional bank, and a multinational bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable, given the bank's size, financial condition, credit needs in the assessment area, and comparison to other financial institutions. While there are several financial institutions located in Mountain Home, the most comparable is People's Bank & Trust Company of Mountain Home (People's), given the bank's size, branching network, and assessment area. The loan-to-deposit ratio for FNB was 54% as of March 31, 1997, and has averaged 50% since June 30, 1994, with the ratios ranging from 43% to 54%. The loan-to-deposit ratio is comparable to People's, which was 60% as of March 31, 1997, and has averaged 55% since June 30, 1994, with the ratios ranging from 44% to 61%.

Lending in Assessment Area

A substantial majority of loans and other lending related activities are in the bank's assessment area. FNB codes all loans to determine if borrowers are located inside or outside of its assessment area of Baxter County to monitor the bank's CRA performance. Table I reflects the level of loans granted by FNB to borrowers located in its assessment area:

FIRST NATIONAL BANK & TRUST COMPANY OF MOUNTAIN HOME LOANS MADE WITHIN THE ASSESSMENT AREA TABLE I					
LOAN TYPE	LOANS INSIDE BAXTER COUNTY	% OF LOANS INSIDE BAXTER COUNTY	LOANS OUTSIDE BAXTER COUNTY	% OF LOANS OUTSIDE BAXTER COUNTY	TOTAL
INDIVIDUAL & REAL ESTATE	2,055	84%	378	16%	2,433
COMMERCIAL	216	85%	37	15%	253
TOTAL	2,271	85%	415	15%	2,686

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of FNB loans reflects excellent penetration among individuals of different incomes, including low- and moderate-income individuals, and businesses of different sizes. The bank gathers income information from individuals and businesses to monitor this performance criteria. In comparison to the 1990 U.S. Census data, FNB's distribution of loans to borrowers of different income levels is highly comparable to its assessment area (Table II). Table III, on the following page, shows the distribution of loans to businesses of different sizes, based on gross annual sales, and demonstrates that most of FNB's commercial loans are to small businesses in its assessment area.

FIRST NATIONAL BANK & TRUST COMPANY OF MOUNTAIN HOME INDIVIDUAL AND REAL ESTATE LOANS TABLE II					
INCOME DISTRIBUTION	LOANS INSIDE BAXTER COUNTY	% OF LOANS INSIDE BAXTER COUNTY	% OF FAMILIES INSIDE BAXTER COUNTY (1990 CENSUS)	LOANS OUTSIDE BAXTER COUNTY	TOTAL
LOW (< \$15M)	320	16%	17%	56	376
MODERATE (\$15M - \$25M)	514	25%	21%	81	595
MIDDLE (\$25M - \$35M)	436	21%	26%	76	512
UPPER (> \$35M)	785	38%	36%	165	950
TOTAL	2,055	100%	100%	378	2,433

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes
(Continuation)**

FIRST NATIONAL BANK & TRUST COMPANY OF MOUNTAIN HOME COMMERCIAL LOANS TABLE III				
GROSS ANNUAL SALES	LOANS INSIDE BAXTER COUNTY	% OF LOANS INSIDE BAXTER COUNTY	LOANS OUTSIDE BAXTER COUNTY	TOTAL
< \$100M	146	68%	25	171
\$100M - \$500M	66	30%	10	76
\$500M - \$1MM	4	2%	1	5
> \$1MM	0	0%	1	1
TOTAL	216	100%	37	253

Geographic Distribution of Loans

FNB monitors the distribution of loans within Baxter County by voter precincts. While this information demonstrates that the bank makes loans throughout its assessment area, the 1990 U.S. Census data indicates that all nine BNA's in Baxter County are middle-income. Since the focus of this performance criteria is to assess the level of lending in low-and moderate-income BNA's, this performance criteria is not meaningful for the purposes of this evaluation.

Response to Substantiated Complaints

No CRA-related complaints have been received since the prior evaluation.

Discrimination or Other Illegal Credit Practices

Compliance with fair lending laws and regulations is satisfactory, and there is no evidence of disparate treatment or discrimination.