



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank in Blytheville
Charter Number 14389**

**116 -120 South Second
Blytheville, AR 72315**

**Comptroller of the Currency
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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.

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 in Blytheville, Blytheville, AR as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 6, 2003. 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 of different sizes.**
- **The loan-to-deposit ratio is good given the bank's size, financial condition, and the assessment area credit needs.**
- **The geographic distribution of lending reflects a reasonable distribution of loans throughout the assessment area.**

DESCRIPTION OF INSTITUTION

First National Bank in Blytheville (FNB) had total assets of \$192.9 million and loans of \$91.7 million as of September 30, 2002. The bank is located in northeastern Arkansas approximately 100 miles northwest of Memphis, TN.

The bank's primary business focus is real estate and agricultural loans with the loan portfolio representing approximately 48% of total assets. As a percentage of Tier 1 Capital, real estate loans totaled 320%, agricultural 83%, commercial 62%, with consumer and others 45%. The loan portfolio composition is as follows:

Loan Type	\$ Volume (000)	% Of Portfolio
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Real Estate	\$57,569	63%
Agricultural	\$14,943	16%
Commercial	\$11,158	12%
Consumer & Other	\$ 8,030	9%
Total	\$91,700	100%

FNB operates only in Arkansas, with 4 branches located in Blytheville, AR, 1 in Gosnell, AR, and 1 in Manila, AR. The bank has no stand alone ATMs. The main facility is located in Blytheville, AR. The bank offers a full range of banking services that are accessible at all locations. Holding Company for this bank is First Delta Bancshares, Inc. They are not an interstate bank and are 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 last CRA evaluation is dated December 1997, with the rating being Satisfactory and the assessment area meeting the legal requirements of the regulation.

Within their assessment area, the bank's deposit competition consists of 3 regional banks and 3 local state and national banks. See the table below for a breakdown of deposit market shares as of June 30, 2002.

Deposit Market Share Within Assessment Area			
	FNB	Three Regional Banks	Three Local Banks
As of 6/30/02	31.92%	24.36%	43.72%

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of Mississippi county in northeast Arkansas. The updated 1990 U.S. Census median family income for non-Metropolitan Statistical Areas in Arkansas, including the assessment area for the three counties was \$34,200. This number is used to determine the income level of the census tracts in the assessment area. FNB's assessment area is comprised of four (4) moderate-income, seven (7) middle-income and two (2) upper-income census tracts. None of BNAs in the assessment area were considered low-income. The bank's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low and moderate-income geography.

According to the updated 1990 U.S Census demographic data, the reported population of the assessment area was 75,525. Twenty-five percent of the households showed income below the poverty level. The 2002-updated median family income is \$34,200. This income figure is updated annually and is used to determine the income level of individual applicants. There are 15,468 families in the assessment area of which: 3,578 (23.1%) are low-income, 2,734 (17.7%) are moderate-income, 3,147 (20.3%) are middle-income and 6,009 (38.8%) are upper-income families. The average cost of housing in the assessment area is \$38,418 with owner occupied housing representing 49.93% of the population.

The assessment area has a history of high unemployment, compared to the State of Arkansas and national averages. The latest unemployment data as of shows the national unemployment

average of 6%. The state of Arkansas shows 6%, with the assessment area of Mississippi County 11.4%. The high unemployment can best be explained by the lack of economic growth that supplies employment opportunities in that market.

The bank's assessment area industries are primarily services, retail trade, and agricultural related. Major employers within the assessment area consist of American Greetings Corporation, Maverick Tube, and Nucor Steel. There are several smaller businesses located in the area such as Baptist Hospital and Milwaukee Tool.

One community contact was made during this CRA review period. According to the contact person, there were no credit needs identified that have not been adequately satisfied by area financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The calculated loan-to-deposit ratio is 70%. For purposes of the loan-to-deposit ratio, the quarterly loan-to-deposit ratio was calculated for the 19 quarters since the last CRA review. The bank's capacity to lend is good. There is one similarly situated institution whose loan to deposit ratio as of September 30, 2002 was 66%.

Lending in Assessment Area

The level of lending inside and outside the assessment area meets the standards. A majority of loans and other lending-related activities are in the bank's assessment area. As of the examination date, there were a total of 4,770 loans (91%) for a dollar amount of \$70.4 million (75%) inside the assessment area and 922 loans for \$23 million outside the assessment area. The assessment area is Mississippi County in northeastern Arkansas.

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

Lending to borrowers of different income meet the standards. The distribution of loans from a sample a total of eighty loans were reviewed, with 20 loans for each of the major loan types for the Borrower Income Distribution Performance Criteria. The primary loan types are Real Estate, Consumer, and Commercial. The distribution of loans reflects reasonable penetration among individuals in all income levels (including low and moderate income), given the demographics of the assessment area.

Distribution of Consumer and Real Estate Loans in Assessment Area by Borrower Income					
	Low	Moderate	Middle	Upper	Total

	#	%	#	%	#	%	#	%	#	%
Family within Census Tracts	3,578	23%	2,734	18%	3,147	20%	6,009	39%	15,468	100%
Borrower Distribution of Loans	3	8%	6	15%	9	35%	17	42%	40	100%

FNB also has a satisfactory record of making loans to small businesses and small farms of different sizes. The loan sample reviewed showed that the bank made loans to businesses with revenues under \$1 million and over \$1 million. However, the sample did not show any loans to businesses with an original amount of greater the \$1 million.

Distribution of Business and Farm Loans in Assessment Area by Revenue and Loan Size										
	Revenue Under \$1 Million		Revenue Over \$1 Million		Loan Size Under \$1 Million		Loan Size Over \$1 Million		Total	
	#	%	#	%	#	%	#	%	#	%
Business & Farms Loans	38	95%	2	5%	40	100%	0	0%	40	100%

Geographic Distribution of Loans

FNB's geographic lending performance meets the standards and reflects a reasonable distribution of loans throughout the assessment area. The assessment area consists of Mississippi County in northeast Arkansas. (4 census tracts are moderate-income, 7 are middle-income, and 2 are upper-income. There are no low-income census tracts.) We assessed this performance by utilizing the bank internal reports that track the entire loan portfolio. We verified the accuracy of the reports by checking the location code assigned by the bank, using the same loan sample from the income analysis.

The analysis of the bank generated geographic distribution reports as of the examination date showed the loan portfolio breakdown as follows: Total portfolio of 4,770 loans for \$93.4 million, with assessment area totals being 3,848 for \$70.3 million. The geographic breakdown of the loan portfolio is as follows: No conspicuous gaps were identified.

Geographic Distribution of Loans by Census Tract Income Level				
Census Tract Income Level	Number of Loans	Percentage	Dollar Amount in Millions	Percentage
Low	0	0%	\$ 0	0%
Moderate	358	9%	\$6.9	10%
Middle	3,029	79%	\$51.5	73%
Upper	461	12%	\$11.9	17%
Total	3,848	100%	\$70.3	100%

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 1998.