



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 22, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ozark Heritage Bank, National Association
Charter Number 14731

802 East Main Street
Mountain View, AR 72560

Office of the Comptroller of the Currency

LITTLE ROCK (MEMPHIS) Field Office
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Little Rock, AR. 72205-2180

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.

CRA performance in the Pine Bluff, Arkansas MSA Assessment Area (AA) is rated Satisfactory.

- The average loan-to-deposit ratio of 79% is reasonable given the bank's size, financial condition, and AA credit needs.
- A majority of the number and dollar volume of loans originated by Ozark Heritage Bank, N.A. (OHB) are in the bank's AA.
- 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 AA.

SCOPE OF EXAMINATION

This performance evaluation is based on the period July 1, 2003 through June 30, 2009. For comparative purposes, financial information from the March 31, 2009 Consolidated Report of Condition and Income (Call Report) was used where appropriate. The bank was evaluated using Small Bank CRA criteria. Loan information used for this evaluation included residential real estate mortgages and consumer loans originated in 2007, 2008 and 2009. This evaluation's ratings are based on a full scope review of the Pine Bluff, Arkansas Metropolitan Statistical Area (MSA) #38220 AA.

DESCRIPTION OF INSTITUTION

Ozark Heritage Bank, N.A., is located in north-central Arkansas, approximately 106 miles north of Little Rock, AR. Current ownership acquired the First National Bank of Altheimer, AR on March 31, 2009 and moved the home office to 802 East Main Street, Mountain View, AR. The Mountain View office was officially opened May 1, 2009, but was not included in this assessment as there were no significant contributions to the lending activities of OHB in the short time it had been operational. The bank also retained the branch located at 302 East Front Street, Altheimer, AR, a part of the Pine Bluff, Arkansas MSA.

OHB offers a full range of banking services. The bank's primary lending focus is residential mortgage and consumer products. OHB has numerous direct and indirect competitors. These include several large regional banks and their respective branches, and community banks in Pine Bluff, AR and Mountain View, AR. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

As of March 31, 2009 the bank reported total assets of \$11 million and \$9 million in

deposits. Gross loans totaled approximately \$7 million or 64% of total assets and 78% of total deposits. The loan portfolio composition as of March 31, 2009 is as follows:

Loan Category	\$ (000)	%
Commercial and Industrial	\$2,608	38%
Residential RE	\$2,291	34%
Loans to Individuals	\$1,635	24%
Agriculture Loans	\$289	4%
Total	\$6,823	100%

Source: March 31, 2009 Call Report

DESCRIPTION OF ASSESSMENT AREA(S)

OHB has two Assessment Areas (AA). The first AA, Pine Bluff, AR MSA, includes nine census-tracts (CT) located in North and Eastern Jefferson County which is a part of the Pine Bluff, AR MSA. The census tracts constitute one singular and contiguous geographic area. The second AA, Mountain View, AR, was recently established and is comprised of both CTs located in Stone County, two CTs located in North and Eastern Van Buren County, two CTs located in Eastern Searcy County, one CT located in Southern Izard County and one CT located in Northern Cleburne County. All census tracts in the Mountain View AA are one contiguous geographic area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Pine Bluff, AR (population 55,085) is located south of Little Rock, AR and is part of the Pine Bluff, AR MSA #38220. The bank's AA includes nine census tracts (population 25,515) located in the MSA. The 2000 Median Family Income (MFI) for the Pine Bluff MSA was \$37,881. This income figure is used to determine the income level of each of the individual CTs within the MSA. The income level of the nine CTs located in the Pine Bluff, AR MSA are as follows - three (33%) are moderate-income; three (33%) are middle-income; and three (33%) are upper-income. There are no low-income census tracts in the AA. The Housing and Urban Development (HUD) estimated 2008 MFI for Jefferson County is \$44,100. The HUD MFI is updated annually and used to determine the income level of individual applicants within the MSA portion of the bank's AA. The income level of families located in these census tracts is as follows – 21% are low-income; 17% are moderate-income; 20% are middle-income; and 42% are upper-income. Approximately 20% of the families in the AA have incomes below poverty level. As of May 2009, the unemployment rate, not seasonally adjusted, for the Pine Bluff, AR MSA was 8.6%, compared to 6.9% for the state of Arkansas and 9.1% for the United States.

Eight CTs (population 33,723) located in Stone County, North and Eastern Van Buren County, Eastern Searcy County, Southern Izard County and Northern Cleburne County comprise the Mountain View AA. The 2000 MFI for these CTs was \$34,263. This income figure is used to determine the income level of each of the individual CTs. This AA has one moderate-income CT and seven middle-income CTs. Included in these middle-income CTs are five CTs that have been identified as distressed or underserved CTs for 2009. There are no low- or upper-income CTs in this AA. HUD estimated 2008 MFI for this AA is

\$40,400. This income figure is used to determine the income level of individual applicants within the non-MSA portion of the bank's AA. The income level of families within the AA is as follows – 22% are low-income; 21% are moderate-income, 23% are middle-income; and 34% are upper-income. Approximately 18% of the families in the AA have incomes below poverty level.

Pine Bluff, AR MSA #38220

The Pine Bluff, Arkansas MSA (#38220) is comprised of three counties in central Arkansas. The leading industries in the Pine Bluff, Arkansas MSA are education, healthcare and social services, manufacturing, and retail trade. The following table shows the demographic and economic characteristics of the AA.

Demographic Information for: Pine Bluff, AR MSA-AR 2008						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	9	0.00	33.33	33.33	33.33	0.00
Population by Geography	25,515	0.00	39.63	20.73	39.64	0.00
Owner-Occupied Housing by Geography	5,921	0.00	34.79	22.12	43.08	0.00
Business by Geography	1,591	0.00	35.64	23.51	40.85	0.00
Farms by Geography	84	0.00	73.81	8.33	17.86	0.00
Family Distribution by Income Level	6,283	20.75	16.78	20.71	41.76	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,358	0.00	54.03	22.18	23.79	0.00
Median Family Income		\$37,881	Median Housing Value		\$46,841	
HUD Adjusted Median Family Income for 2008		\$44,100	Unemployment Rate (2000 U.S. Census)		4.18%	
Households Below Poverty Level		20%				

(*) The NA category consists of geographies that have not been assigned an income classification. *Source: 2000 U.S. Census, 2008 HUD updated MFI, Bureau of Labor Standards (BLS)*

Mountain View AA

Mountain View is located in North Central Arkansas. The economies of the counties in the AA are considered to be stable. The leading industries in the AA include education, healthcare and social services, manufacturing, retail trade, and arts, entertainment, recreation, accommodation and food services. The following table shows the demographic and economic characteristics of the AA.

Demographic Information for: Mountain View, AR AA 2008						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	8	0.00	12.50	87.50	0.00	0.00
Population by Geography	33,723	0.00	7.04	92.96	0.00	0.00
Owner-Occupied Housing by Geography	11,585	0.00	7.23	92.77	0.00	0.00
Business by Geography	3,362	0.00	5.00	95.00	0.00	0.00
Farms by Geography	105	0.00	8.57	91.43	0.00	0.00
Family Distribution by Income Level	10,299	22.40	20.80	23.37	33.43	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	4,449	0.00	8.79	91.21	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2008 Households Below Poverty Level		34,263 40,400 18%	Median Housing Value Unemployment Rate (2000 US Census)		\$61,275 1.98%	

(*) The NA category consists of geographies that have not been assigned an income classification. *Source: 2000 US Census and 2008 HUD updated MFI*

A community contact with the Assistant Director of the City of Pine Bluff Economic Development Department 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

OHB's overall lending performance is satisfactory. OHB's loan to deposit ratio is reasonable and a majority of the number and dollar volume of their loans are within the AA. The distribution of loans reflects reasonable penetration to low- and moderate-income borrowers. The geographic distribution of OHB's loans reflects reasonable dispersion in moderate-income geographies.

Loan-to-Deposit Ratio Meets the Standard for Satisfactory Performance.

OHB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, economic environment and AA. There are 24 banks with branches in OHB's two AAs. However, only four of these banks are of similar size and considered similarly situated. These banks are Bank of Star City, Fordyce Bank and Trust Co., Union Bank and Trust Co., and The Bank of Rison.

The following table shows total assets as of March 31, 2009 and the quarterly average

loan-to-deposit ratio from September 30, 2003 through March 31, 2009 (23 quarters) for these five banks.

Loan-to-Deposit Ratios		
Institution	Total Assets(\$000s) As of 3/31/09	Average Loan-to-Deposit Ratio
Bank of Star City	\$92,461	81%
Fordyce Bank and Trust, Co.	\$107,129	81%
Union Bank and Trust, Co.	\$181,529	79%
Ozark Heritage Bank, N.A.	\$10,717	79%
The Bank of Rison	\$27,998	55%

Source: Call Reports from September 2003 to March 2009.

Lending in Assessment Area Meets the Standard for Satisfactory Performance.

A majority of the number and dollar volume of OHB’s loans are within the bank’s AA. A sample of 20 residential and 20 consumer loans were reviewed, indicating 80% of the number and 86% of the dollars were in the bank’s AA. Specific findings are detailed in the following table.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	17	85.00	3	15.00	20	1,486	86.77	227	13.23	1,714
Consumer	15	75.00	5	25.00	20	121	82.99	25	17.01	146
Totals	32	80.00	8	20.00	40	1,607	86.40	252	13.55	1,860

Source: Loan Sample.

Lending to Borrowers of Different Incomes Meets the Standard for Satisfactory Performance.

Residential Real Estate

The overall lending for residential real estate loans in the Pine Bluff AA reflects reasonable penetration. The percentage of mortgage loans to low-income borrowers is below area demographics in the AA. However, the level is considered reasonable given a 20% poverty level. The high poverty rate reflects a limited opportunity to make loans to qualified, low-income borrowers. The percentage of moderate-income borrowers is in line with area demographics. The following table provides specific information on the distribution of 20 residential loans sampled.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Pine Bluff 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
Residential RE	20.75	5.00	16.78	15.00	20.71	15.00	41.76	65.00

Source: Loan Sample; 2000 U.S. Census data.

Consumer

The overall lending for consumer loans in the Pine Bluff AA reflects excellent penetration. Twenty consumer loans originated during the review period reflect a level of lending to low-income individuals exceeds AA demographics. The percentage of bank loans to moderate-income individuals also significantly exceeds the percentage of moderate-income households in the AA.

Table 2B - Borrower Distribution of Consumer Loans in Pine Bluff AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	26.42	30.77	14.91	23.08	17.26	7.69	41.41	38.46

Source: Loan sample; 2000 U.S. Census data.

Geographic Distribution of Loans Meets the Standard for Satisfactory Performance

Residential Real Estate

The overall lending for residential real estate loans in the Pine Bluff AA reflects reasonable dispersion. There are no low-income census tracts in the bank’s AA. The percentage of bank loans in moderate-income census tracts is below area demographics. However, a review of AA maps indicates major highway right-of-way and farm land making up much of the moderate-income tracts which effectively limits opportunities to lend in these areas.

Table 3 – Geographic Distribution of Residential Real Estate Loans in Pine Bluff 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
Residential RE	0.00	0.00	34.79	15.00	22.12	10.00	43.08	75.00

Source: Loan Sample; 2000 U.S. Census data

Consumer

The overall lending for consumer loans in the Pine Bluff AA reflects excellent dispersion.

The percentage of bank loans in moderate-income census tracts significantly exceeds the percentage of households in moderate-income geographies.

Table 3B - Geographic Distribution of Consumer Loans in Pine Bluff AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Numbe r of Loans	% of AA Households	% of Numbe r of Loans	% of AA Household s	% of Numbe r of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	40.89	53.85	22.66	15.38	36.45	30.77

Source: Loan sample; 2000 U.S. Census data

Responses to Complaints

Ozark Heritage Bank, N.A. has not received any formal CRA complaints since the previous CRA evaluation.

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.