



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 29, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Sheridan
Charter No. 23200**

**215 North Oak Street
Sheridan, Arkansas 72150-2131**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, TX 75201**

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 the **First National Bank of Sheridan** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 29, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

- ▶ FNB's average net loans-to-deposits ratio is reasonable at 63%.
- ▶ A substantial majority of the bank's loans originated in the assessment area.
- ▶ The distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- ▶ The geographic distribution of loans is reasonable.
- ▶ The bank has taken appropriate action in response to substantiated complaints about its performance in meeting assessment area credit needs.

The following table indicates the performance level of the **First National Bank of Sheridan** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank of Sheridan</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	✓		
Geographic Distribution of Loans		✓	
Response to Complaints		✓	

DESCRIPTION OF INSTITUTION

First National Bank of Sheridan (FNB) is located in Sheridan, Arkansas. The bank reported total assets of \$31 million as of June 30, 1997. FNB is 100% owned by MNB Bancshares, Inc. (MNBBI), a multi-bank holding company. As of June 30, 1997, MNBBI reported total assets of \$226 million. MNBBI also owns Malvern National Bank in Malvern, Arkansas. FNB has two full service banking offices. The main office is located in Sheridan (Grant County) with a branch office in East End (Saline County). FNB has two automated teller machines (ATMs)--one at the main office in Sheridan and one in East End. Banking offices and hours are convenient for the entire assessment area. FNB has a variety of loan and deposit products to meet most banking needs. The loan portfolio composition as of June 30, 1997 consists of the following: 19% commercial, 18% commercial real estate, 1% agriculture and farmland, 26% installment, and 36% residential real estate. FNB's primary business focus is retail or consumer.

FNB is one of four financial institutions in Grant county. Local competition consists of branches of larger banks and savings and loan institutions.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Grant County and the census tract (CT) where the East End branch is located in Saline County. The assessment area consists of four block numbering areas (BNAs) in Grant County and one census tract in Saline County (CT #104.02). The 1990 Census reported a total population of 13,948 for Grant County and 7,579 for CT #104.02 in Saline County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas.

Grant County

Grant County has four BNAs. There is one middle-income BNA and three upper-income BNAs. The 1990 Census reported 4,079 families in the county of which 16% are low-income, 13% moderate-income, 19% middle-income, and 52% upper-income. The 1990 Census median family income (MFI) for non-Metropolitan Statistical Areas (MSAs) was \$22,420. The 1997 Updated MFI for non-MSAs is \$29,500. The Updated MFI for non-MSAs is provided annually by the Department of Housing and Urban Development (HUD) and is used to determine the income level of individual borrowers.

The economy of Grant County is based primarily on timber. There are several small-to-medium size manufacturing plants for aerospace, architectural wall panels, brass and plastic plumbing products, decorative white rock, and inflatable dunnage bags. Based on 1990 Census information, there are 12 farms and 189 businesses in Grant County. All 12 farms and 154 of the businesses reported gross annual revenues of less than \$1 million.

Saline County

Saline County is one of four counties that comprise the Little Rock/North Little Rock MSA. The East End community is in CT tract #104.02, which is located in the southeastern corner of Saline County. The CT is designated as middle-income. There are 2,137 families in CT #104.02 of which 8% are low-income, 19% are moderate-income, 34% middle-income, and 39% upper-income. The 1990 Census MFI for the Little Rock/North Little Rock MSA was \$31,597. The 1990 MFI for CT #104.02 was \$32,998. The 1997 Updated MFI for the MSA is \$42,200.

The East End community is considered a suburb of Little Rock, as such, the local economy is based out of Little Rock. In 1990, CT #104.02 reported 1 farm and 25 businesses, all of which had gross annual revenues of less than \$1 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOANS-TO-DEPOSITS

FNB's average net loans-to-deposits ratio is 63%. The ratio is reasonable given that there are four financial institutions in the bank's assessment area. Information was not available on FNB's three competitors.

ASSESSMENT AREA CONCENTRATION

A substantial majority of the bank's loans are made in its assessment area. From January 1, 1997 to September 2, 1997, FNB originated 705 loans totaling \$9,990,719. Of this amount, 87% of the number and 68% of the dollar volume was originated in FNB's assessment area. All loan types are represented in these totals, i.e., commercial, agriculture, residential real estate, and consumer.

BORROWERS' PROFILE

Given the demographics of the assessment area, the distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The loans in the table below represent all types of loans the bank offers, i.e., consumer, residential real estate, commercial, and agricultural. All loans made to businesses originated at \$400,000 or less and are considered small business loans. And, the majority of businesses in the assessment area are considered small businesses as their gross annual revenues are less than \$1 million.

Loans Originated in Assessment Area by Borrower Income January 1, 1997 - September 2, 1997				
Income Level	Count	%	\$000's	%
Low	143	23.2%	846	12.5%
Moderate	128	20.8%	826	12.1%
Middle	136	22.1%	1,216	17.9%
Upper	113	18.4%	1,734	25.5%
Unknown	95	15.4%	2,176	32.0%
TOTAL	615	100.0%	9,414	100.0%

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans is reasonable. There are no low- or moderate-income tracts in the assessment area. Of the number of loans made in the assessment area, 26% originated in middle-income tracts and 74% originated in upper-income tracts. In dollar volumes, 33% originated in middle-income tracts and 67% originated in upper-income tracts. Approximately 42% of the number and 47% of the dollar volume of loans in the assessment area originated in BNA #9704, which is the BNA for the city of Sheridan.

RESPONSE TO COMPLAINTS

Two consumer complaints were filed against FNB in early 1997. The bank has taken appropriate action in response to substantiated complaints about its performance.

ADDITIONAL INFORMATION

DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

The Fair Lending procedures performed during this evaluation disclosed no violations of the substantive provisions of the antidiscrimination laws and regulations.