



PUBLIC DISCLOSURE

April 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Crossett
Charter Number 15504

218 Main Street
Crossett, AR 71635-2926

Office of the Comptroller of the Currency

Victory Building
1401 West Capitol Avenue
Suite 350
Little Rock, AR 72201

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 74% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans 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.
- A substantial majority of loans sampled, both by number and dollar volume, were originated within the bank's AA.
- Geographic distribution of the bank's lending performance during this evaluation period was not assessed. The analysis would not be meaningful since all the CTs in the AA are designated as middle-income or upper-income.

Scope of Examination

This review included a review of the bank's lending performance within its designated assessment area (AA). The types of loans reviewed included a sample of residential real estate, commercial, and consumer loans made from January 1, 2011, through March 31, 2013. Data from the U. S. Census of 2000 and 2010 was used in this evaluation. Loans made in 2011 were evaluated using 2000 census data and loans made in 2012 and 2013 were evaluated using 2010 census data. Small bank procedures were used to evaluate the bank's CRA activities. A sample of 50 residential loans, 50 consumer loans, and 50 commercial loans originated from January 1, 2011, through March 31, 2013, was reviewed to assess the bank's lending performance within its AA.

DESCRIPTION OF INSTITUTION

First National Bank of Crossett is located in the city of Crossett, Ashley County, Arkansas. As of December 31, 2012, the bank had total assets of \$141 million, total deposits of \$122 million, and total loans of \$76 million. The bank is 100% owned by Ashley Bancstock Company, a two-bank holding company headquartered in Crossett, Arkansas. Ashley Bancstock Company and its subsidiary have total assets of \$225 million as of December 31, 2012. Banking facilities include the main bank facility, three branches, and six automated teller machines (ATMs). The main office, lobby, drive through, and ATM facilities are located at 218 Main Street, Crossett; the North Crossett branch lobby, drive through, and ATM facilities are located at 1218 Highway 133 North, Crossett; the Hamburg branch lobby, drive through, and ATM facilities are located at 603 North Main, Hamburg; and the Fountain Hill branch (drive through only) is located at 105 Highway 160, Fountain Hill. Free standing ATM facilities are located in the city of Crossett located at 1310 North Main, 908 Unity Road, and 100 Mill Supply Road.

The bank is primarily a commercial lender with 70 per cent of the loan portfolio in commercial real estate and commercial loans and 29 per cent of the loan portfolio in residential real estate and consumer loans. The loan portfolio composition by type, as of December 31, 2012, is as follows:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	\$38,639	50%
Commercial Loans	\$15,130	20%
Residential Real Estate Loans	\$12,798	17%
Consumer Loans	\$9,315	12%
All other loans	\$402	1%
Total	\$76,284	100%

First National Bank of Crossett offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in 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's last CRA examination was performed as of May 23, 2006, and was rated **Satisfactory**.

DESCRIPTION OF ASHLEY COUNTY

First National Bank of Crossett's assessment area (AA) is defined as Ashley County, which is located in the southeastern part of Arkansas. The largest cities in the AA per the 2010 U. S. Census are Crossett, population of 5,507, and Hamburg, population of 2,857, which is the county seat of Ashley County. The AA includes no low- or moderate-income CTs, five middle-income CTs, and two upper-income CTs. The AA meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies. Data from the 2000 and the 2010 U. S. Census indicates that since the year 2000, there were no changes in the number of low- or moderate-income CTs; the number of middle-income CTs decreased from six to five; and the number of upper-income CTs increased from one to two. Data from the 2000 and the 2010 U. S. Census also indicate that since the year 2000, the population of the AA has decreased from 24,209 to 21,853. During this period, the Median Family Income (MFI) for the AA also increased from \$34,263 to \$42,249.

The economy of the area is in a slow growth mode. The unemployment rate in the AA, per the Bureau of Labor Statistics, as of December 2012 was 11.7 per cent, which is above the state of Arkansas unemployment rate of 7.1 per cent and the U.S. unemployment rate of 7.8 per cent. The primary industries are forestry/timber and paper products. The Georgia Pacific Corporation, a paper & wood product manufacturer, is the major employer in the area.

The following tables show the demographic and economic characteristics of the AA that were taken from both the 2000 and 2010 U. S. Census:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA 2000 U.S. Census	
Population	
Number of Families	6,926
Number of Households	9,365
Geographies	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	86%
% Upper-Income Census Tracts/BNA	14%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,263
2011 HUD-Adjusted MFI	\$43,300
Economic Indicators	
Weighted Average of Median Housing	\$49,578
% of Households Below Poverty Level	18%

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA 2010 U.S. Census	
Population	
Number of Families	6,221
Number of Households	8,901
Geographies	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	71%
% Upper-Income Census Tracts/BNA	29%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$42,249
2012 HUD-Adjusted MFI	\$43,900
Economic Indicators	
Weighted Average of Median Housing	\$62,917
% of Households Below Poverty Level	20%

A community contact with the Director of the Arkansas Women's Business Center, a small business development organization, was conducted as part of this CRA examination. No specific credit needs were identified during this contact.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National Bank of Crossett's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

The bank's primary and similarly situated competitors are the four banks headquartered in Ashley County. These banks are the First State Bank of Crossett, the Farmers Bank of Hamburg, and the Home Bank of Arkansas, Portland. First National Bank of Crossett is the largest of the four similarly situated banks located in Ashley County and has the second highest average loan-to-deposit ratio.

The following table shows total assets as of December 31, 2012, and the average loan-to-deposit ratio from June 30, 2006, through December 31, 2012, (27 quarters) for these banks

Institution	Assets (as of 12/31/2012)	Average LTD Ratio
Home Bank of Arkansas – Portland	\$69 million	90%
First National Bank - Crossett	\$141 million	74%
First State Bank – Crossett	\$41 million	56%
Farmers Bank – Hamburg	\$42 million	38%

Lending in Assessment Area

A substantial majority of the loans sampled in this performance evaluation, by both number and dollar volume, were originated within the bank's AA. A sample of 50 residential loans, 50 consumer loans, and 50 commercial loans originated from January 1, 2011 through March 31, 2013, was reviewed to assess the bank's lending performance within its AA. Of the loans reviewed at this evaluation, 93% of the number and 96% of the dollar volume of loans originated were made within the bank's AA. Lending within the AA is detailed in the following table:

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential	44	88%	6	12%	50	\$1,839	86%	\$290	14%	\$2,129
Consumer	48	96%	2	96%	50	\$137	96%	\$6	4%	\$143
Commercial	48	96%	2	96%	50	\$4,941	100%	\$2	0%	\$4,943
Totals	140	93%	10	7%	150	\$6,917	96%	\$298	4%	\$7,215

Source: sample of loans originated from January 1, 2011 through March 31, 2013 .

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

Lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. The distribution of loans to borrowers of different incomes (including low-and moderate-income) and businesses of different sizes is reasonable considering the demographic and economic trends within the AA. The same sample of 50 one-to-four-family residential real estate loans, 50 commercial loans, and 50 consumer loans originated from January 1, through March 31, 2013, was used to assess lending performance within the AA was also used to determine lending within the various income levels.

The following tables show the distribution of residential real estate, small business, and consumer loans made to borrowers and businesses within the various income levels.

Lending to Borrowers of Different Income Levels - Residential Real Estate

The distribution of residential real estate loans sampled that were made to low- and moderate-income borrowers is excellent.

Borrower Distribution of Residential Real Estate Loans in AA in 2011								
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 Real Estate	19%	20%	14%	20%	21%	24%	44%	36%

Source: sample of loans.

The percentage of the number of residential real estate loans sampled that were originated to low-income borrowers in 2011 is equal to the percentage of low-income families within the AA. The percentage of the number of loans that originated to moderate-income borrowers in 2011 exceeds the percentage of moderate-income families within the AA. Most, or 65%, of the 25 one-to-four-family residential real estate loans originated in 2011 were made to upper- and middle-income borrowers. There were five residential real estate loans made to low-income borrowers and five residential real estate loans made to moderate-income borrowers.

Borrower Distribution of Residential Real Estate Loans in AA 2012 – 2013								
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 Real Estate	18%	20%	18%	20%	19%	32%	44%	28%

The percentage of the number of residential real estate loans sampled that originated to low- and moderate-income borrowers in 2012 and through the first quarter of 2013 exceeds both the percentage of low- and moderate-income families within the AA. Most, or 60%, of the 25 one-to-four-family residential real estate loans originated in 2012 through the first quarter of 2013 were originated to upper- and middle-income borrowers. There were five residential real estate loans made to low-income borrowers and five residential real estate loans were originated to moderate-income borrowers.

Lending to Small Businesses

Small loans to businesses had adequate penetration to businesses with different sizes, particularly businesses with revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in AA in 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	70%	2%	26%	100%
% of Bank Loans in AA by #	56%	40%	0%	96%
% of Bank Loans in AA by \$	9%	90%	0%	99%

Source: Loan sample; Dunn and Bradstreet data.

The percentage of loans sampled that were originated to businesses with annual gross revenues less than or equal to \$1 million in 2011 is somewhat lower than the percentage of businesses within the AA with annual gross revenues less than or equal to \$1 million. The percentage of the dollar volume of loans that originated to businesses with annual gross revenues less than or equal to \$1 million in 2011 is lower than the percentage of businesses within the AA with annual gross revenues less than or equal to \$1 million.

Borrower Distribution of Loans to Businesses in AA 2012 - 2013				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73%	3%	23%	100%
% of Bank Loans in AA by #	64%	32%	0%	96%
% of Bank Loans in AA by \$	53%	47%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

The percentage of the number of loans that originated to businesses with annual gross revenues less than or equal to \$1 million in 2012 through the first quarter of 2013 is near to or equal to the percentage of businesses within the AA with annual gross revenues less than or equal to \$1 million. The percentage of the dollar volume of loans that originated to businesses with annual gross revenues less than or equal to \$1 million in 2011 is somewhat lower than the percentage of businesses within the AA with annual gross revenues less than or equal to \$1 million. A sample of 25 business loans, totaling \$3.4 million, originated in 2012 through the first quarter of 2013 were reviewed to assess lending performance to small businesses with different income levels. Sixteen of these loans, totaling \$1.8 million, were originated to businesses with revenues of \$1 million or less and all 16 of these businesses were within the AA. Nine of the loans sampled, totaling \$1.6 million were to businesses with gross revenues exceeding \$1 million.

Lending to Borrowers of Different Income Levels – Consumer

The distribution of the sample of consumer loans made within the AA to low- and moderate-income borrowers is excellent.

Borrower Distribution of Consumer Loans in AA in 2011								
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	24%	28%	11%	28%	18%	24%	46%	20%

Source: loan sample; U.S. Census data.

The percentage of the number of consumer loans that originated to low- and moderate-income borrowers in 2011 exceeds the percentage of both low- and moderate-income families within the AA. Most of the 25 consumer loans sampled that originated in 2011 were made to low- and moderate-income borrowers. There were seven consumer loans made to low-income borrowers and five consumer loans made to moderate-income borrowers. The percentage of the number of consumer loans made to both low- and moderate-income borrowers exceeds the percentage of both low- and moderate-income families within the AA.

Borrower Distribution of Consumer Loans in AA in 2012 - 2013								
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	25%	36%	15%	12%	15%	20%	43%	32%

Source: loan sample; U.S. Census data.

The percentage of the number of consumer loans that originated to low- income borrowers in 2011 exceeds the percentage of low- families within the AA. The percentage of the number of consumer loans that originated to moderate- income borrowers in 2011 somewhat lower than the percentage of moderate-income families within the AA. Most of the 25 consumer loans sampled that originated in 2012 through the first quarter of 2013 originated to middle- and upper-income borrowers. There were nine consumer loans made to low-income borrowers and three consumer loans made to moderate-income borrowers.

Geographic Distribution of Loans

Geographic distribution of the bank's lending performance during this examination was not conducted. The analysis would not be meaningful since all the CTs in the AA are designated as middle-income or upper-income.

Responses to Complaints

First National Bank of Crossett has not received a formal CRA complaint since the previous performance evaluation.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no illegal evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.