



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 08, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Blytheville
Charter Number 14389

116-120 South Second Street
Blytheville, AR 72315-0000

Office of the Comptroller of the Currency

Little Rock Field Office
10201 West Markham, Suite 105
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.

- The average loan-to-deposit ratio at 45% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The substantial majority of the bank's loans are located in its AA.
- The geographic distribution of commercial and farm loans reflects reasonable dispersion throughout the AA. However, the geographic distribution of home and auto loans reflects the need to improve dispersion throughout the AA.
- Although not required, the bank has made a concerted effort to participate in community development investment activities.

SCOPE OF EXAMINATION

An onsite examination of the bank was performed to assess its performance under the Community Reinvestment Act (CRA). Loan information used for this evaluation included home loans, auto loans, small farm loans, and small business loans. The bank was rated **Satisfactory** at the previous examination. This performance evaluation starts from the date of the bank's previous CRA examination covering the period from January 6, 2003 to July 31, 2008. Contacts were made with local community agencies with knowledge of the overall needs within the bank's AA, and used in the evaluation process.

DESCRIPTION OF INSTITUTION

First National Bank in Blytheville (FNB) had total assets of \$206.9 million and loans of \$82.5 million as of June 30, 2008. The bank is located in northeastern Arkansas approximately 100 miles northwest of Memphis, Tennessee.

FNB operates in Arkansas, with the main headquarters and four branches located in Blytheville, two branches in Manila, and one branch in Gosnell. The bank operates six automated teller machines (ATM) in its AA and also offers Saturday banking at the main headquarters; and branches in Blytheville and Manila.

The bank's primary business focus is real estate and agriculture loans with the loan portfolio representing approximately 40% of total assets. The loan portfolio composition is as follows:

Loan Portfolio Composition as of June 30, 2008		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	7,253	8.79%
Secured by Farmland	3,234	3.92%
One-to-Four Family Residential	17,354	21.03%
Commercial Real Estate	13,797	16.72%
Total Real Estate Loans	41,638	50.46%
Agricultural	20,327	24.64%
Commercial and Industrial	14,759	17.67%
Consumer	4,214	5.11%
Other	1,570	1.90%
Total Loans	82,508	100%

Source: *Report of Condition*

FNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the AA. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its AA.

FNB is a wholly owned subsidiary of First Delta Bankshares, Inc., a \$383.5 million multi-bank holding company. The holding company provides a full range of consumer and commercial financial products and services, and operates one nationally chartered financial institution in Blytheville and one state chartered financial institution in Trumann, Arkansas. The bank's last CRA examination was performed on January 6, 2003, and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's AA is Mississippi County. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are 13 Block Numbering Areas (BNAs)/Census Tracts (CTs) in the AA, four of which are moderate-income, six middle-income, and three upper-income. These BNAs/CTs are 1010 through 1130. The Median Family Income (MFI) for non-Metropolitan Statistical Areas (MSA) in Arkansas was \$34,611 in 2000. This income figure is used to determine the income level of individual BNAs. BNAs 1010, 1030, 1090, and 1100 are moderate-income tracts. The 2008 Housing and Urban Development (HUD) MFI for non-MSA in Arkansas was \$42,000. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follow: Low-Income = \$20,999 and under; Moderate-Income = \$21,000 - \$33,599; Middle-Income = \$33,600 - \$50,399; and Upper-Income = \$50,400 and above.

Blytheville is located in the northeastern part of the state. According to the 2005 Census Data, the population of Mississippi County was 51,979. The county is impacted by high unemployment and a high percentage of the population below the poverty level. As a result, the economy of the county is considered to have slow growth.

The largest employers in Mississippi County are American Greetings Corporation, Atlas Tube, Maverick Tube, and Nucor Steel. The unemployment rate at 7.2% is above the Arkansas average of 4.5% and the U.S. average of 6.1% as of July 2008.

The following table shows the demographic and economic characteristics of the AA.

Demographic and Economic Characteristics of the Mississippi County						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	13	0	31	46	23	0
Population by Geography	51,979	0	32	41	27	0
Owner-Occupied Housing by Geography	11,389	0	25	44	31	0
Businesses by Geography	3,034	0	36	37	27	0
Farms by Geography	259	0	21	46	33	0
Family distribution by Income Level	13,970	0	30	42	28	0
Distribution of Low and Moderate Income Families throughout AA Geographies	13,970	0	44	38	18	0
Median Family Income, last Census 2000	\$33,431	Median Housing Value			\$50M	
HUD Adjusted Median Family Income for 2008	\$42,000	Unemployment Rate			7.2%	
Households Below Poverty Level	23%					
% Businesses with Revenues < \$1 million	95%	% Farms with Revenues < \$1 million			96%	
% Businesses with Revenues > \$1 million	5%	% Farms with Revenues > \$1 million			4%	

Source: 2000 U.S. Census data; 2008 HUD updated income data; Dun and Bradstreet; Bureau of Labor Standards. * The N/A category consists of geographies that have not been assigned an income classification.

A community contact with a representative of the Arkansas Aeroplex was conducted in conjunction with this CRA examination. Arkansas Aeroplex is a multi-modal transportation facility located on the former Eaker Air Force Base in Blytheville, Arkansas. The Arkansas Aeroplex is designated an Enterprise Zone. This contact revealed that local banks are meeting the primary credit needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio (LTD) of 45% is reasonable given the bank's size, financial condition, and AA credit needs and is satisfactory. The LTD ratio was calculated using quarterly averages since the prior CRA evaluation as of January 6, 2003. FNB is primarily an agriculture bank and loan demand is seasonal. FNB's average LTD during its peak (2nd quarter) is 62%. The bank's average was then compared to the banks listed below all having offices located within the bank's AA. FNB LTD ratio performance was not compared to Farmers Bank & Trust, Heritage Bank, and Southern Bank of Commerce due to the following:

- Farmers Bank & Trust has two branches located in the Nashville-Davidson (Tennessee) MSA;
- Heritage Bank primarily operates outside of the bank's AA; and
- Southern Bank of Commerce is smaller size financial institution.

Loan-to-Deposit Ratios		
Institution	Assets (as of 6-30-08)	Average LTD Ratio
Farmers Bank & Trust	\$339 million	100%
Heritage Bank	\$236 million	93%
Southern Bank of Commerce	\$31 million	77%
FNB	\$203 million	45%

Source: *Institution Reports of Condition*.

Lending in Assessment Area

A majority of FNB loans are in the bank's AA. A sample of 21 home loans, 20 auto loans, 20 agriculture loans, and 24 commercial loans made during 2007 and 2008 was reviewed to determine lending within the AA. Lending within the AA is detailed in the following table:

Lending in Mississippi County										
Loan Type	Number of Loans				Dollars of Loans					
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	20	95	1	5	21	1,668	95	90	5	1,758
Auto Loans	20	100	0	0	20	138	100	0	0	138
Agriculture	20	100	0	0	20	9,506	100	0	0	9,506
Business	20	83	4	17	24	1,198	60	801	40	2,000
Totals	80	94	5	6	85	12,511	93	891	7	13,402

Source: *Sample of loans used for CRA performance analysis*.

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

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses/farms of different sizes and is satisfactory. The same samples for lending within the AA were used to determine lending to borrowers of different incomes.

The following tables demonstrate the distribution of home and auto loans within the various income levels.

Borrower Distribution of Home Loans in Mississippi County								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	24		17		20		39	
Loan Type	% of Number	% of Amount						
FNB Home Loans	0	0	25	9	20	10	55	81

Source: *Loan sample and U.S. Census data.*

The home loan sample consisted of home purchase loans. The above table reveals that home loans were made to moderate-income borrowers. However, there were no home loans made to low-income borrowers. U.S. Census data indicates 23% of households located in the bank's AA are below the national poverty level. The bank's ability to qualify low-income sectors is somewhat limited due to down payment and term requirements.

Borrower Distribution of Auto Loans in Mississippi County								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	27		16		17		40	
Loan Type	% of Number	% of Amount						
FNB Auto Loans	25	17	20	15	10	10	45	58

Source: *Loan Sample and U.S. Census data.*

The above table shows that auto loans to low-income borrowers is slightly below the number of low-income borrowers in the AA and is considered good. Additionally, auto loans to moderate-income borrowers are above the number of moderate-income borrowers in the AA and are considered outstanding.

The following table displays the distribution of business and farm loans of different sizes.

Borrower Distribution of Loans to Businesses in Mississippi County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	55	3	42
% of Bank Loans in AA by #	60	15	25
% of Bank Loans in AA by \$	52	31	17

Source: *Loan Sample and U.S. Census data.*

The above table reflects that small business loans to businesses with revenues under \$1,000,000, by number of loans, exceed the number of small businesses with revenues under \$1,000,000 in the AA and are considered outstanding.

Borrower Distribution of Loans to Farms in Mississippi County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Farms	96	4	0
% of Bank Loans in AA by #	65	20	15
% of Bank Loans in AA by \$	43	52	5

Source: Loan Sample and U.S. Census data.

The above table displays that small farm loans to farms with revenues under \$1,000,000, by number of loans, are below the number of small farms with revenues under \$1,000,000 in the AA and are considered satisfactory.

Geographic Distribution of Loans

The geographic distribution of business and farm loans made by the bank reflects reasonable dispersion throughout its AA. However, the geographic distribution of home and auto loans made by the bank reflects poor dispersion throughout its AA. The same samples for lending within the AA were used to determine lending to borrowers of various income areas. The following tables show the distribution of home, auto, business, and farm loans within the various BNA income levels.

Geographic Distribution of Homes Loans in Mississippi County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Owner Occupied Housing	None		25		44		31	
Loan type	% of Number	% of Amount						
FNB Home Loans	None	None	10	1	60	62	30	37

Source: Loan sample and U.S. Census data.

Geographic Distribution of Auto Loans in Mississippi County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Households	None		31		42		27	
Loan type	% of Number	% of Amount						
FNB Auto Loans	None	None	5	1	70	61	25	38

Source: Loan sample and U.S. Census data.

The above tables demonstrate that the bank is making home and auto loans significantly below the number of borrowers located in the moderate-income BNAs and is considered poor.

Geographic Distribution of Loans to Businesses in Mississippi County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Businesses	None		36		37		27	
Loan Type	% of Number	% of Amount						
	None	None	30	34	30	34	40	32

Source: Loan sample and U.S. Census data.

The above table shows that small business loans to businesses located in the moderate-income BNAs, by number of loans, is slightly lower than the number of businesses located within the moderate-income BNAs and are considered good.

Geographic Distribution of Loans to Farms in Mississippi County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Farms	None		21		46		33	
Loan Type	% of Number	% of Amount						
	None	None	15	12	25	14	60	74

Source: Loan sample and U.S. Census data.

The above table demonstrates that small farm loans to farms located in the moderate-income BNAs, by the number of loans, are below the number of farms located within the moderate-income BNAs and are considered satisfactory.

Qualified Investments

Under the small bank performance evaluation, FNB is not required to purchase qualified CRA investments. However, FNB has purchased \$25,000 of stock from Enterprise Corporation of the Delta (ECD). ECD is a private, nonprofit community development financial institution (CDFI), that provides commercial financing, mortgage loans, and technical assistance to support businesses, entrepreneurs, home buyers, and community development projects. ECD's mission is to strengthen communities, build assets, and improve lives of people in economically distressed areas of Arkansas, Louisiana, Mississippi, and Memphis, Tennessee.

Responses to Complaints

FNB has not received a formal CRA complaint since the previous examination.

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 needs.