



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

November 05, 2007

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank at Marianna  
Charter Number: 14097

33 W Main Street  
Marianna, AR 72360

Office of the Comptroller of the Currency

Little Rock (memphis)  
10201 West Markham, Suite 105 Ozark National Life Bld.  
Little Rock, AR 72205

**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 40% is reasonable given the bank's size, financial condition, and assessment area 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.
- ◆ The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

An onsite examination of First National Bank at Marianna was performed to determine its performance under the Community Reinvestment Act (CRA). The bank was evaluated using Small Bank CRA criteria. Loan information used for this evaluation included 2006 - 2007 consumer, residential, agriculture, and small business loans. More weight is given for agriculture and commercial loans than lending for residential and consumer loans since two-thirds of the bank's loans are in agriculture and business loans. The bank is not located in a Metropolitan Statistical Area (MSA), therefore the bank was not required to complete the Home Mortgage Disclosure Act (HMDA) reporting log.

**DESCRIPTION OF INSTITUTION**

First National Bank is located in Marianna, Arkansas, in Lee County. The bank has its main office in Marianna and a paying and receiving branch in Moro, AR. The bank has no automated teller machines (ATMs). As of June 30, 2007, the bank reported total assets of \$54 million with \$47 million in deposits and \$19 million in loans (35% of total assets).

The bank's primary business focuses are agricultural loans, commercial, and commercial real estate loans. The bank also makes a large amount of residential real estate loans and consumer loans. The loan portfolio composition as of June 30, 2007, was as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agriculture Related Loans	\$8,466	45%
Commercial & Commercial Real Estate Loans	\$3,768	20%
Residential Real Estate Loans	\$3,606	19%
Consumer Loans	\$3,028	16%
<b>Total</b>	<b>\$18,868</b>	<b>100%</b>

*Source: 2007 Call Report*

First National Bank at Marianna 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 (AA).

The bank is 92.8% owned by Lee County Bancshares, Inc., a one-bank holding company headquartered in Marianna, Arkansas. Lee County Bancshares, Inc. and its subsidiary have total assets of \$54 million as of June 30, 2007. The bank's last CRA examination was performed as of October 8, 2002, and was rated **Satisfactory**.

## **DESCRIPTION OF ASSESSMENT LEE COUNTY**

First National Bank at Marianna's AA is Lee County, AR. The AA meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies. Lee County is located in the northeastern part of the state, and has a population of about 12,580 people according to the 2000 census data. There are four Block Numbering Areas (BNAs) in the AA. Based on the Medium Family Income (MFI) for 2000 of \$34,263, two of the BNAs are considered moderate-income and two are considered middle-income. The principal city in the county is Marianna, with a population of 5,181.

The economy of the area is considered to be in a depressed mode due to high unemployment and high poverty rate. In 2007, a family of two adults and two children with total income below \$20,650 was considered below the poverty level. The unemployment rate for Lee County as of July 2007 was 11.9%, non-seasonally adjusted (NSA). The unemployment rate for Lee County was substantially above the Arkansas average of 5.9% and the U.S. average of 4.9% as of July 2007. Based on the 2000 census, 31% of the population was below the poverty level.

The bank's AA is primarily agricultural, manufacturing, retail trade, and services related. Major employers within the AA consist of the State Correctional Facility with about 300 employees, and Lee County Schools with about 270 employees.

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

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
Population	
Number of Families	3,017
Number of Households	4,208
Geographies	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	50%
% Middle-Income Census Tracts/BNA	50%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,263
2007 HUD-Adjusted MFI	\$40,400
Economic Indicators	
Unemployment Rate, July 2007, NSA	
Lee County	11.9%
State of Arkansas	5.9%
U.S.A	4.9%
Median Housing Value as of 2000	\$38,469
Median Housing Year Built as of 2000	1970
% of Households Below Poverty Level	31%

*Source: 2000 Census Data*

The bank's AA is characterized by a high percentage of families classified as low-income at 34%, followed by moderate-income at 18%, middle-income at 19%, and upper-income at 29%. Based on the 2007 HUD-Adjusted MFI of \$40,400, low-income is under \$20,200; moderate-income is between \$20,200 and \$32,319; middle-income is between \$32,320 and \$48,479; and upper-income is over \$48,480. The Federal Financial Institution Examination Council has designated Lee County to be a distressed county due to a high level of poverty and unemployment level.

A community contact was conducted with the accounting officer of a local community development (CDC) nonprofit organization based in Marianna. The mission of the CDC is to improve the quality of life for residents of Lee, St. Francis and Phillip Counties by offering community economic development activities including affordable housing opportunities and job skill development leading to self sufficiency. A bank in Phillips County participates with the CDC but none of the banks with offices in Lee County are currently participating in the program. However, local banks are meeting most of the credit needs in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

First National Bank at Marianna’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and AA credit needs. First National Bank at Marianna is the only bank that is headquartered in Lee County; therefore, there are no similarly situated competitors in Lee County. There are two banks located in Lee County: First National Bank at Marianna with 59% of the deposits, and the First National Bank of Eastern Arkansas, Forrest City, AR (headquartered in adjacent Saint Francis County) with 41% of the deposits. The First National Bank of Eastern Arkansas has approximately 15% of its total deposits in Lee County.

The following table shows total assets as of June 30, 2007, and the average loan-to-deposit ratio from June 30, 2002 through June 30, 2007 (21 quarters) for these two banks.

Institution	Assets (as of 6/30/2007)	Average LTD Ratio
First National Bank at Marianna	\$54 million	40%
First National Bank of Eastern Arkansas	\$266 million	44%

*Source: Uniform Banking Performance Reports (Call Reports)*

### Lending in Assessment Area

A substantial majority of First National Bank at Marianna’s loans are within the bank’s AA, and lending in the AA is considered to be satisfactory. A sample of 26 consumer loans, 25 residential real estate loans, and 20 agriculture & commercial loans made during 2006 through October 2007 was taken to determine lending within the AA. Lending within the AA is detailed in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer	24	92%	127	96%	2	8%	5	4%
Residential	23	92%	557	89%	2	8%	68	11%
Agriculture & Commercial	19	95%	3,608	90%	1	5%	400	10%
Total Reviewed	66	93%	4,292	90%	5	7%	473	10%

*Source: 2006 – 2007 Bank Data*

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

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. The same sample of 26 consumer loans, 25 residential real estate loans, and 20 agriculture & commercial loans made during 2006 -2007 to determine lending within the AA, was also used to determine lending within the various income levels. More weight is given for agriculture and commercial loans than lending for residential and consumer loans since two-thirds of the bank’s loans are in agriculture and business loans.

The following tables show the distribution of residential real estate and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	34%		18%		19%		29%	
LOANS BY YEAR	% of Number	% of Amount						
2006 – 2007	24%	21%	24%	27%	24%	31%	29%	21%

*Source: 2000 Census Data and 2006 - 2007 Bank Data*

Based on the sample, most of the residential real estate loans were made to middle-income and upper-income borrowers. Residential real estate loans made to low-income borrowers were somewhat lower than the population of low-income borrowers within the AA, but are considered to be adequate. However, the number and dollar amount of residential real estate loans made to moderate-income borrowers exceed the population of moderate-income borrowers within the AA and is considered to be excellent.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	36%		18%		15%		31%	
LOANS BY YEAR	% of Number	% of Amount						
2006– 2007	33%	10%	33%	60%	25%	21%	8%	9%

*Source: 2000 Census Data and 2006 - 2007 Bank Data*

Based on the sample, the bank is doing an excellent job of making consumer loans to low-and moderate-income borrowers. The number of consumer loans made to low-income borrowers is near to the amount of low-income population within the assessment area and is considered to be good. Consumer loans by number and dollar volume made to moderate-income borrowers exceeds the moderate-income population within the assessment area and are considered to be excellent.

BORROWER DISTRIBUTION OF SMALL AGRICULTURE AND BUSINESS LOANS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97%	3%
% of Bank Loans in AA #	79%	21%
% of Bank Loans in AA \$	56%	44%

Source: 2000 Census Data and 2006 - 2007 Bank Data

The sample of 20 business loans made during 2006 - 2007 was reviewed to determine lending to businesses. Based on the sample, the bank is doing a satisfactory job of making loans to small businesses. This rating carries more weight than lending for residential and consumer loans since two-thirds of the bank’s loans are in agriculture and business loans.

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area for residential, consumer, agriculture, and business loans.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0%		61%		39%		0%	
	% of Number	% of Amount						
2006 -2007	0%	0%	75%	59%	25%	41%	0%	0%

Source: 2000 Census Data and 2006 - 2007 Bank Data

The above table shows that residential loans by number in moderate-income areas exceed the percentage of owner-occupied homes and are considered to be excellent. Residential loans by dollar volume approximate the percentage of owner-occupied homes in moderate-income areas and are considered to be good.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		67%		33%		0%	
	% of Number	% of Amount						
2006 -2007	0%	0%	79%	49%	21%	51%	0%	0%

Source: 2000 Census Data and 2006 - 2007 Bank Data

The above table shows that consumer loans by number in moderate-income areas exceed the percentage of households residing in moderate-income areas and are considered to be excellent. The above table also shows that consumer loans by dollar volume made to borrowers residing in moderate-income geographies are somewhat lower than the percentage of borrowers residing in moderate-income geographies and are considered to be adequate.

AGRICULTURE AND COMMERCIAL LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0%		69%		31%		0%	
	% of Number	% of Amount						
2006 – 2007	0%	0%	63%	66%	37%	34%	0%	0%

*Source: 2000 Census Data and 2006 - 2007 Bank Data*

Agriculture and business loans, by number and dollar volume, made to businesses residing in moderate-income geographies are near to the percentage of businesses located in moderate-income areas and are considered to be good. This rating carries more weight than lending for residential and consumer loans since two-thirds of the bank’s loans are in agriculture and business loans.

**Responses to Complaints**

First National Bank at Marianna has not received a formal CRA complaint since the previous examination.

**Fair Lending or Other Illegal Credit Practices Review**

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