



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 23, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Crossett
Charter Number 15504**

**218 Main Street
Crossett, AR 71635**

**Comptroller of the Currency
Little Rock Field Office
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 70% 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.

DESCRIPTION OF INSTITUTION

First National Bank of Crossett is located in Crossett, Arkansas, in Ashley County. The bank has three branches and five automated teller machines (ATMs). The bank has the main office in Crossett, a branch in North Crossett (3 miles north), a branch in Fountain Hill (20 miles north), and a branch in Hamburg (15 miles northeast of Crossett). There are ATMs at the main office and in all of the branches, and a stand-alone ATM at South Main Street and at the Georgia Pacific plant. As of March 31, 2006, the bank reported total assets of \$146 million with \$119 million in deposits and \$78 million in loans (53% of total assets).

The bank's primary business focuses are forestry/timber and paper products. The loan portfolio composition as of March 31, 2006, is as follows:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	\$26,161	34%
Commercial Loans	\$25,321	33%
Consumer Loans	\$15,392	20%
Residential Real Estate Loans	\$10,657	13%
Total	\$77,531	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 is 100% owned by Ashley Bancstock Company, a one-bank holding company headquartered in Crossett, Arkansas. Ashley Bancstock Company and its subsidiary have total assets of \$140 million as of December 31, 2005. The bank's last CRA examination was performed as of February 2, 2002, and was rated **Satisfactory**.

DESCRIPTION OF ASHLEY COUNTY

First National Bank of Crossett's AA is Ashley County. The AA meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies. Ashley County is located in the southeastern part of the state, and has a population of about 24,000 people according to the 2000 census data. Based on the Median Family Income (MFI) for 2000 of \$34,263 six of the seven Block Numbering Areas (BNAs) in the AA are considered middle-income and one is considered upper-income. The principal cities are Crossett, with a population of 6,097, and Hamburg, the county seat, with a population of 3,039.

The economy of the area is considered to be in a slow growth mode. The unemployment rate for Ashley County as of March 2006 was 8.0%. The unemployment rate for Ashley County is substantially above the Arkansas average of 5.0% and the U.S. average of 4.7% as of March 2006.

The primary industries are forestry/timber and paper products. Georgia Pacific Corporation is the major employer in the area with a workforce of approximately 3,500 people.

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

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
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
2005 HUD-Adjusted MFI	\$40,000
Economic Indicators	
Unemployment Rate (March 2006)	8.0%
1972 Median Housing Value	\$49,578
% of Households Below Poverty Level	18%

A community contact with the Executive Director of the Crossett Economic Development Foundation was conducted in conjunction with this CRA examination. This contact revealed that there are no unmet credit needs in the area. The executive director feels that all of the banks with branches in the city are willing to make loans to credit-worthy borrowers.

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, Delta Trust and Bank of Parkdale, and the Home Bank of Arkansas, Portland. The Crossett Paper Mills Employee Credit Union at the Georgia Pacific plant provides strong competition for consumer and residential real estate loans.

The following table shows total assets as of March 31, 2006, and the average loan-to-deposit ratio from December 31, 2000, through March 31, 2006, (22 quarters) for these banks. The Crossett Paper Mills Employees Credit Union loan-to-deposit ratio is for March 31, 2006, only.

Institution	Assets (as of 3/31/2006)	Average LTD Ratio
First National Bank - Crossett	\$146 million	70%
First State Bank – Crossett	\$25 million	69%
Farmers Bank – Hamburg	\$39 million	58%
Delta Trust & Bank, Parkdale	\$210 million	83%
Home Bank of Arkansas – Portland	\$45 million	81%
Crossett Paper Mills Employee Credit Union – Crossett	\$100 million	72%

First National Bank of Crossett has the third highest average loan-to-deposit ratio of the five banks located in Ashley County but is the second largest bank. All of the other banks have two or more offices, with Delta Trust and Bank having three offices in Little Rock, Arkansas.

Lending in Assessment Area

A substantial majority of First National Bank of Crossett's loans, particularly by number, is within the bank's AA. A sample of 41 consumer loans, 30 residential real estate loans, and 40 commercial loans made during 2005 through May 31, 2006, 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	37	90%	\$283	95%	4	10%	\$15	5%
Residential	29	97%	\$1,036	98%	1	3%	\$31	2%
Commercial	33	83%	\$2,173	60%	7	17%	\$1,469	40%
Total Reviewed	99	89%	\$3,492	70%	12	11%	\$1,515	30%

The bank engaged a local CPA firm to review compliance with CRA and conduct a self-assessment. Based on the total loans outstanding as of November 28, 2005, 98% of the loans by number, and 99% by dollar volume, were made within the AA. The self-assessment included loan distribution by income levels for loans made during January 1, 2005, through October 31, 2005. Based on the sample, the bank makes reasonable number of loans to borrowers in all income levels. The sample for the self-assessment was 10% each of all residential, business and consumer loans.

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 41 consumer loans, 30 residential real estate loans, and 40 commercial loans made during 2005 -2006 to determine lending within the AA, was also used to determine lending within the various income levels.

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	19%		14%		22%		45%	
LOANS BY YEAR	% of Number	% of Amount						
2005 - 2006	0%	0%	23%	16%	19%	14%	58%	69%

Based on the sample, most of the residential real estate loans were made to upper-income borrowers. There were no residential real estate loans made to low-income borrowers. However, the number and dollar amount of residential real estate loans made to moderate-income borrowers were above the population of moderate-income borrowers within the AA.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24%		12%		18%		46%	
LOANS BY YEAR	% of Number	% of Amount						
2005 - 2006	10%	9%	25%	12%	25%	17%	40%	62%

Based on the sample, the bank is doing a satisfactory job of making consumer loans to low-and moderate-income borrowers. The number and dollar volume of consumer loans made to low-income borrowers is below the amount of low-income population within the AA. However, the number of consumer loans made to moderate-income borrowers was significantly above the moderate-income population within the AA, while the dollar volume is comparable to the amount of moderate-income borrowers.

The sample of 40 business loans made during 2005 - 2006 was reviewed to determine lending to businesses. Based on the sample, the bank is doing a satisfactory job of making loans to small businesses, particularly in the percentage of loans by dollar volume. The following table shows lending to small businesses:

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	92%	8%
% of Bank Loans in AA #	50%	50%
% of Bank Loans in AA \$	76%	24%

Geographic Distribution of Loans

This Office did not perform an analysis of the geographic distribution of the bank’s lending during this examination. The analysis would not be meaningful since all the BNAs 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 examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.