

PUBLIC DISCLOSURE

November 26, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Marianna
Charter Number 14097**

**33 West Main Street
Marianna, Arkansas 72360**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

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 **First National Bank (FNB) of Marianna, Arkansas** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 20, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

First National Bank of Marianna meets the standards for satisfactory performance with regards to each of the CRA performance criteria. The bank's average loan-to-deposit ratio was approximately 38% over the past twelve quarters. A substantial majority of the bank's loans are within their assessment area. The bank has reasonably penetrated all income segments within their assessment area. There have been no complaints about the bank's community development efforts and compliance with fair lending laws was deemed satisfactory.

DESCRIPTION OF INSTITUTION

First National Bank of Marianna (FNB) is the only independent community bank in Lee County and had total assets of \$45 million on September 30, 1997. A majority of the bank's loan portfolio (dollar volume) consists of agriculture/business loans. As of September 30, 1997, the bank's loan portfolio totaled \$18 million with 64% in business loans and 36% in consumer debt. The bank's main office is located in the City of Marianna and FNB has one branch in Moro, Arkansas (situated in the western part of Lee County). FNB continues to have the largest market share of deposits within Lee County. As of June 30, 1996 (the most recent information available), FNB's deposits totaled \$39 million and represented 60% of the total deposits in the county.

FNB is a wholly owned subsidiary of Lee County Bancshares, Inc. (a bank holding company). As of the evaluation date, there were no legal or financial impediments which would limit the bank from fulfilling its obligation to meet the credit needs of its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNB's assessment area consists of Lee County, Arkansas. In 1995, the State Bureau of Economic Analysis indicated the population of Lee County was 12,889. Agriculture provides the major economic emphasis within the bank's community. The county is comprised of four block numbering areas (BNAs), all of which are categorized as moderate-income according to 1990 Census information.

Lee County continues to be an economically depressed area. The county's 1995 per capita income (\$11,537) ranked 73rd out of 75 counties in Arkansas, and represented only 64% of the State average (\$18,097), and only 50% of the national average (\$23,196). The local unemployment rate also compares unfavorably to that of other counties in the State. In 1996, Lee County's unemployment rate was 11.8% versus the State average of 5.4%. Furthermore, the 1990 Census indicated that 26% of the households in Lee County received some form of public assistance.

There is only one other depository institution operating within the county. First National Bank of Eastern Arkansas (headquartered in Forrest City, Arkansas) also has an office/branch in Marianna.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Analysis:

The bank's average loan-to-deposit ratio of 38% is reasonable. The ratio was calculated by adding the quarterly loan-to-deposit ratios, since the previous compliance examination (September 12, 1994), and dividing by the number of quarters. For purposes of this calculation we used net loans and leases to total deposits. Historically, the loan-to-deposit ratio has fluctuated each year due to the bank's large portfolio of agriculture production loans. Since the previous compliance examination, this ratio has gone from a low of 31%, in December 1994, to a high of 47%, in September of 1995. Although the bank's loan-to-deposit ratio appears low, it is considered reasonable in light of the adverse economic factors present in the bank's assessment area.

Comparison of Credit Extended Inside and Outside the Bank's Assessment Area:

A substantial majority of the Bank's loans are within their assessment area. Bank management does not track loans made within their assessment area or loans made outside the assessment area. However, a random sample of 40 loans (20 instalment and 20 real estate loans) revealed that 93% of these loans were made within the bank's assessment area and only 7% were made outside the assessment area.

Distribution of Credit Within the Assessment Area by Geography:

A geographic distribution analysis of the bank's loans was not performed during this examination. All of the geographies (BNA's) in the bank's assessment area are defined as moderate-income, therefore it would not have been meaningful to perform such an analysis.

Distribution of Credit within the Assessment Area by Borrower Income:

FNB has a reasonable distribution of loans to borrowers of different incomes. In 1990, bank management began tracking loan originations by the income level of the applicant. Results for the most recent year are shown in the following table:

LOAN ORIGINATIONS IN 1996

APPLICANT INCOME LEVEL	NUMBER OF ORIGINATIONS
Income under \$10,000	316
Income between \$10,000 and \$25,000	487
Income over \$25,000	95

Based on the information in this table, the bank made roughly 90% of their loans to low- and moderate-income borrowers and 10% of their loans to middle and upper income borrowers.

FNB also has a reasonable distribution of loans to small businesses and small farms. In fact, all of the bank's commercial/business loans and all but one of their farm loans (outstanding as of June 30, 1997) were made to small businesses and small farms as defined in the Federal Financial Institutions Examining Council's (FFIEC) Call Report instructions. At June 30, 1997, the bank had 106 small business loans totaling \$3.3 million and 159 small farm loans totaling \$7.2 million in its loan portfolio.

Response to Complaints:

FNB has not received any complaints from members of the community regarding the bank's CRA performance.

Compliance with Fair Lending legislation:

The bank was found to have satisfactory compliance with the substantive provisions of the antidiscrimination laws and regulations.