



PUBLIC DISCLOSURE

October 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pine Bluff National Bank
Charter No. 15482**

**912 South Poplar Street
Pine Bluff, Arkansas 71611**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394**

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.
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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 **Pine Bluff National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 13, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

The conclusion is based on the following:

- ▶ The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- ▶ A majority of the bank's lending is within its assessment area.
- ▶ The distribution of borrowers reflects, given the demographics of the assessment area, a 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.

The following table indicates the performance level of **Pine Bluff National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Pine Bluff National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior evaluation.		

DESCRIPTION OF INSTITUTION

Pine Bluff National Bank (PBNB) is located in Pine Bluff, Arkansas, approximately 38 miles southeast from the state capital of Little Rock. PBNB has six banking locations and four automated teller machine (ATM) locations. All of these facilities are located in the Pine Bluff area except the branch in Redfield. PBNB is the smallest of the two independent banks in its market. The bank is wholly-owned by Jefferson Bancshares, Inc., a one bank holding company. As of June 30, 1998, the bank reported total assets of \$146 million with \$63 million in total loans.

Recent loan growth has been in agriculture and commercial loans. The bank's loan portfolio composition, as of June 30, 1998, is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
Commercial Real Estate	\$20,816	33%
Consumer	13,542	21%
Agricultural & Farmland	11,501	18%
1-4 Family Residential	11,371	18%
Commercial	5,946	9%
Other	245	1%
TOTAL	\$63,421	100%

The previous CRA evaluation was performed as of February 13, 1996, and the bank was rated Satisfactory. There are no financial impediments which would hinder the bank from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area is the entire Pine Bluff, Arkansas Metropolitan Statistical Area (MSA) #6240, which is Jefferson County.

The population of the assessment area is 85,487 based on 1990 Census Data. According to recent estimates from the U.S. Census Bureau, the population in Jefferson County has declined by 3.8% from 1990 to 1997. Pine Bluff is the county seat and is the largest city in the county with a population of 57,140. The assessment area includes 31 census tracts. Two of the census tracts, representing 6% of the total number of tracts, are not classified by income category and excluded from the following table. The table depicts the breakdown of the geographies and families located in the bank's assessment area.

Pine Bluff, Arkansas MSA															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
2	7%	5,568	25%	6	21%	3,173	14%	15	51%	4,280	19%	6	21%	9,073	41%

Source: Demographic Data - 1990 U.S. Census

In 1990, the median family income for the Pine Bluff MSA was \$26,360. This income figure is used to classify income level of the census tracts. The Department of Housing and Urban Development (HUD) has estimated that the median family income for the Pine Bluff MSA for 1997 and 1998 at \$34,300 and \$35,100, respectively. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually. According to 1990 Census Data, approximately 24% of the households in Jefferson County are living below the poverty level.

The local economy is stagnant. Major employers in the area are Tyson Foods, Jefferson Regional Medical Center, Pine Bluff Arsenal (army depot), and International Paper. Based on information from the 1990 Business Demographic Data, there are 2,378 businesses and 107 farms in the assessment area. Of those, 1,747 or 73% are businesses with annual gross revenues of less than \$1 million, and 96 or 90% are farms with annual gross revenues of less than \$1 million. The July 1998 Pine Bluff MSA unemployment rate was 8.2%. This rate is higher than the state and national average rate of 4.7%.

Community contacts conducted in the assessment area for 1996 and 1997 identified community needs as home ownership, small business loans, and available affordable housing. A community contact with a community based organization was conducted during this CRA evaluation. The contact identified housing development, credit counseling, and education of lending products as pressing concerns in the assessment area.

According to HUD's Consolidated Plan for Pine Bluff, the housing stock is aging, and approximately 25% of the housing stock needs some type of repair.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio since the February 1996 CRA examination is 40%. The bank's loan portfolio is growing and the loan-to-deposit ratio as of June 30, 1998 is 47%.

Lending in Assessment Area

A majority of the bank’s lending is within its assessment area. Out of 2,030 loans originated in 1998, 1,564 or 77% were made in Jefferson County. In terms of dollar volume, PBNB originated \$60 million as of October 30, 1998, of which \$30 million or 50% were made in the assessment area.

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

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. A review of home lending activity in 1998, and a sample review of 25 consumer loans originated in 1998 was performed during the examination.

The table below depicts the lending distribution by the borrower’s income.

Distribution of Loans in Assessment Area by Borrower Income								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	5,568	25%	3,173	14%	4,280	19%	9,073	41%
Home Loans								
Number of Loans	2	4%	2	4%	9	20%	34	72%
Dollar Volume	\$46,000	3%	\$14,000	1%	\$374,000	21%	\$1,309,000	75%
Consumer Loans								
Number of Loans	8	32%	7	28%	4	16%	6	24%
Dollar Volume	\$13,228	23%	\$7,900	14%	\$8,925	15%	\$27,338	48%

Source: U.S. Census Demographic Data and Bank Prepared Reports

PBNB has a satisfactory record of making loans to businesses of different sizes. PBNB geocodes all commercial loans by the revenue size of the business denoting whether the borrower is a small business or a business with revenues greater than \$1 million. Of the 253 business loans originated in 1998, 240 loans or 95% by number and 64% by dollar volume were made to small businesses. (Small businesses are defined as businesses with annual gross revenues less than \$1 million.) Since the prior evaluation, the bank began to offer agriculture loan products. The majority of these loans are in rural counties outside of the bank’s assessment area.

Geographic Distribution of Loans

The bank codes all loans by the census tracts within its assessment area. A review of bank prepared reports revealed a reasonable dispersion of the bank's lending throughout the assessment area. The table below reflects the bank's lending within the income geographies of its assessment area.

Distribution of Loan Originations YTD 1998 Within the Assessment Area By Income Level of the Census Tracts				
Tract Designations				
	#	%	\$ (000)	%
Low	27	2%	\$2,003	7%
Moderate	249	16%	\$4,834	16%
Middle	685	44%	\$11,552	38%
Upper	603	38%	\$12,021	39%
Total	1,574	100%	\$30,410	100%

Source: U.S. Census Demographic Data and Bank Prepared Reports

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA performance. No evidence of discrimination or disparate treatment was noted during this review. PBNB is also in technical compliance with fair lending laws and regulations.