



PUBLIC DISCLOSURE

June 01, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Helena National Bank
Charter Number 14429

302 Cherry Street
Helena, AR 72342

Office of the Comptroller of the Currency

Victory Building
1401 West Capitol Avenue
Suite 350
Little Rock, AR 72201

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 major factors that support this rating include:

- Helena National Bank (HNB) has a **reasonable** loan-to-deposit (LTD) ratio.
- A **majority** of HNB's primary loan products are originated within the assessment areas (AA).
- HNB's overall borrower distribution for loans in the assessment area is **reasonable**.
- HNB's geographic distribution for loans in the assessment area is **reasonable**.
- HNB has not had any complaints made relating to its lending practices since the prior Community Reinvestment Act (CRA) examination dated April 22, 2009.

SCOPE OF EXAMINATION

HNB was examined using Small Bank examination procedures. The evaluation period for this CRA Performance Evaluation (PE) is January 1, 2013, through December 31, 2014. Loan products used to assess the bank's performance under the Lending Test include agricultural loans, which represent the institution's primary loan product. A sample of 40 agricultural loans that originated from January 1, 2013, through December 31, 2014, was selected for testing. While HNB is a Home Mortgage Disclosure Act (HMDA) reporting institution, residential real estate loans are not a primary loan product and the volume originated during the evaluation period was nominal. Therefore, we omitted Tables 2 and 3 that would have displayed the analyses of residential lending to borrowers of different incomes and the geographic distribution of residential loans. HNB has designated two AAs: Cross-Phillips County, AR Non - Metropolitan Statistical Area (MSA) AA and Crittenden County, AR AA, part of the Memphis TN-AR MSA. A review of HNB's loan originations during the evaluation period indicates that just 1.84 percent of loan originations occurred in the Crittenden County AA and the volume of loans is not sufficient to allow for a meaningful analysis. In addition, deposits in Crittenden County make up just 4.66 percent of total deposits as of June 30, 2014, and HNB's market share in Crittenden County is modest at 1.13 percent. As a result, the Crittenden County AA will be analyzed as a limited scope assessment area. HNB does not have any affiliates that are being considered for this examination. There have been no boundary changes in the MSAs or in the counties that make up the bank's AA, so we combined data to complete one analysis for the evaluation period.

DESCRIPTION OF INSTITUTION

As of December 31, 2014, HNB reported total assets of \$198.34 million including \$75.17 million in gross loans (37.90 percent of total assets). Deposits totaled \$170.76 million and Tier 1 Capital was \$27.44 million, or 13.90 percent of adjusted average assets.

HNB is wholly owned by Helena Bancshares, Inc., a one-bank holding company. HNB operates six branches. The main branch and two additional branches are located in Helena-West Helena and one branch is located in each of Marvell, Marion, and Wynne. All branches are located within the state of Arkansas. All six locations have automated teller machines (ATMs) and there are no stand-alone ATMs. All locations with the exception of the Wynne branch have a drive-through. All locations with the exception of the Mid-City branch (located in Helena-West Helena) provide onsite-lending services.

The bank's lending is primarily focused on agricultural loans. HNB also offers a wide range of other lending products including residential real estate, commercial real estate, farmland real estate, commercial and industrial loans, and secured and unsecured consumer installment loans. HNB's loan portfolio composition as reported in the December 31, 2014, Report of Condition and Income is as follows:

Loan Portfolio Composition		
December 31, 2014 (in 000s)		
Loan Type	Amount (000s)	Percent
Construction and Land Development	\$1,887	2.51%
Farmland	\$3,161	4.21%
1-4 Family Residential	\$7,139	9.50%
Multifamily (5 or more) Residential	\$0	0.00%
Commercial (nonfarm, nonresidential)	\$13,245	17.62%
Total Real Estate Loans	\$25,432	33.84%
Agriculture	\$34,084	45.35%
Commercial and Industrial	\$10,971	14.59%
Consumer Loans	\$4,035	5.37%
Other Loans	\$643	0.85%
Total Gross Loans	\$75,165	100.00%

Source: December 31, 2014 Report of Condition and Income (Call Report)

HNB does not have any financial or regulatory impediments that would limit its ability to meet the credit needs within its AAs. HNB's prior CRA Periodic Examination, dated April 22, 2009, rated the institution Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Non-MSA Arkansas Counties: (Cross and Phillips)

Cross and Phillips Counties represent the bank's primary AA. This AA consists of two noncontiguous, non-MSA counties in Eastern Arkansas. According to the 2010 Census, the total population of the AA was 39,627. The AA includes 12 Census Tracts (CTs), six each in Cross County and Phillips County. The AA includes no low income CTs, five moderate income CTs, five middle income CTs, and two upper income CTs. The AA is appropriate given the bank's branch system, includes only whole CTs, and does not arbitrarily exclude any low or moderate income CTs.

Economic conditions in the AA are depressed with 24.30 percent of households below the poverty level. Other income demographic data indicates 17.58 percent of individuals are retired and 35.71 percent are receiving Social Security benefits. As of December 2014, the unemployment rate for Cross County was 6.30 percent and 8.40 percent for Phillips County. This indicates that many residents have fixed and/or limited incomes, reducing lending opportunities and demand for consumer credit within the AA. In addition, 14.99 percent of the population of the AA is over the age of 65. This demographic group generally does not have a high demand for credit.

The major employers within the county are Phillips County Community College, which is affiliated with the University of Arkansas, and county and local government agencies. Large private employers include several manufacturers that produce products such as flooring, swimming pools, chemicals, and piping. Agriculture remains a significant portion of the local economy, making up 16.37 percent of businesses within the AA. The retail or services industry makes up an additional 49.21 percent of businesses within the AA. In addition, 87.01 percent of businesses have only one location and 77.17 percent of businesses have less than 10 employees.

The following table reflects demographic data for the Cross-Phillips County AA and is derived from the 2010 Census. Income and unemployment data was obtained from government agencies' most recent reports.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS	
	2010 Census
Population	
Number of Families	10,486
Number of Households	14,963
Geographies	
Number of Census Tracts/BNA	12
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	41.67%
% Middle-Income Census Tracts/BNA	41.67%
% Upper-Income Census Tracts/BNA	16.67%
Not Applicable	0.00%
Median Family Income (MFI)	
MFI for AA	\$40,410
2014 HUD-Adjusted MFI	\$42,175
Economic Indicators	
Median Housing Value	\$68,666
% of Households Below Poverty Level	24.30%

Source: 2010 Census

Banking competition within the primary AA is high. There are currently seven banks operating in HNB's primary AA: five locally based community banks, one Arkansas based community bank with operations throughout Arkansas and Mississippi (Southern Bancorp Bank), and one multi-state regional bank (Regions Bank). Southern Bancorp is included as a peer bank in the Loan to Deposit Analysis below despite its materially large asset size as it is HNB's primary competition within the Phillips County market. The following table illustrates the deposit market share within the primary AA as of June 30, 2014:

Financial Institution	Market Share
Southern Bancorp Bank	27.29%
The First National Bank of Wynne	22.00%
Helena National Bank	21.49%
Cross County Bank	18.96%
Evolve Bank & Trust	6.18%
Regions Bank	2.11%
First National Bank of Eastern Arkansas	1.97%

Source: FDIC.gov

A community contact interview was conducted during the evaluation to identify credit needs within the community. The contact was with an organization that works to foster community

improvement and economic growth within Phillips County. The contact indicated that economic conditions in the area are depressed. They feel that prospects for the future are positive, due to new business startups and continuing efforts to stabilize and revitalize the community. The contact also indicated that there are opportunities for financial institutions to meet the credit needs of the community and assist in economic development through community involvement and providing small businesses with access to credit on affordable terms. They stated that local banks are helpful and willing to collaborate with several of the contact's programs in the area. HNB was identified as being an effective partner to their efforts. The key need identified by the contact was for less conservative underwriting to allow for additional financing for small businesses in the area.

Memphis TN-AR MSA: Crittenden County

Crittenden County is part of the Memphis TN-AR MSA and represents a separate, limited scope AA. The 2010 Census indicated that the total population of this AA is 50,902 and the poverty rate was 24.14 percent. This AA contains 20 CTs, including six low income, seven moderate income, four middle income, and three upper income CTs. Agriculture remains a major portion of the local economy, with the retail, services, and industrial sectors providing the bulk of employment in the county. Crittenden County does not represent a primary market for HNB and, as such, is analyzed as a limited scope AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit Ratio

HNB's average LTD ratio of 53.17 percent is reasonable given its size, financial condition, business strategy, funding sources, and the credit needs of its AAs. The average LTD ratio was derived from a 23 quarter average taken from June 2009 to December 2014.

For purposes of this analysis, four banks with comparable asset sizes and/or conducting business within the bank's primary AA were reviewed to determine the bank's performance relative to its competition. These banks include: First National Bank of Wynne in Wynne, AR; Cross County Bank in Wynne, AR; First National Bank of Eastern Arkansas in Forrest City, AR; and, Southern Bancorp in Arkadelphia, AR. In addition, one regional bank (Regions Bank) and another smaller community bank operates within HNB's primary AA. Regions Bank is considerably larger than HNB and is therefore not considered a direct competitor for this analysis. The community bank operates within the primary AA, but has a focus on residential and commercial real estate lending within the Memphis, TN market and operates a national Small Business Administration (SBA) lending program and is not considered a primary competitor of HNB. The four comparable institutions had an overall average LTD ratio of 65.54 percent during the same period. These institutions had average LTD ratios ranging from a high of 85.78 percent to a low of 40.62 percent.

The following table illustrates HNB’s average LTD ratio and that of similarly situated institutions:

Financial Institution	Assets (000s) as of December 31, 2014	Average LTD Ratio
First National Bank of Eastern Arkansas	\$386,786	40.62%
Helena National Bank	\$198,335	53.17%
First National Bank of Wynne	\$272,221	61.13%
Southern Bancorp Bank	\$1,172,557	74.62%
Cross County Bank	\$213,606	85.78%

Source: Call Report data

HNB has the second lowest LTD Ratio among this peer group; however, it should be noted that HNB is the only bank headquartered in Phillips County. Two of the peer banks are headquartered in Cross County, one in St. Francis County, and one in Clark County (with operations throughout Arkansas and Mississippi). HNB’s primary AA is characterized by a high poverty rate, which limits the demand for credit among residents within the area and limits the amount of creditworthy borrowers. In addition, HNB is primarily an agricultural lender and the annual crop cycle results in a considerable degree of volatility in its LTD Ratio from quarter to quarter, the ratio peaking between the second and third quarter of each year. While several of the peer banks identified are also agricultural lenders, these other banks are also operating in other markets and have greater diversity in other loan products.

Lending in Assessment Area

A majority of loans, 60 percent of the number and 52.65 percent of the dollar volume, originated by HNB are located inside the AAs. A sample of 40 loans from the bank’s primary loan product, agricultural loans, was used to determine the level of lending in the assessment area.

Loan Type	Number of Loans				Total	Dollars of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
						(in 000s)		(in 000s)		
Agricultural Loans	24	60.00	16	40.00	40	\$7,439,418	52.65	\$6,691,381	47.35	\$14,130,799
Total	24	60.00	16	40.00	40	\$7,439,418	52.65	\$6,691,381	47.35	\$14,130,799

Source: Loan Sample

Non-MSA Arkansas Counties: (Cross and Phillips)

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

Lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance and reflects an overall reasonable penetration of agricultural loans to small farms within the primary AA. While the distribution of loans to farms of different sizes is poor compared to the demographic trends of the primary AA, the level of small farm loans (loans originated under \$500 thousand) granted within the AA is good.

Lending to Borrowers of Different Income Levels - Farm Loans

The distribution of loans to farmers of different sizes reflects poor distribution considering the demographic trends within the AA. The number and dollar volume of HNB’s loans to small farms (farms with revenues of \$1 million or less) is significantly lower than the percentage of small farms in the AA. Due to the increased cost of farm equipment and other required capital expenditures, it is difficult to operate a viable farming operation in the AA without gross revenues less than \$1 million. In addition, many smaller farms qualify for financing through government guaranteed lending programs at other institutions or are able to support their operations through internal cash flow. The percentage of loans to small farms originated by the bank and the percentage of small farms in the AA is depicted in the following table.

Table 2A - Borrower Distribution of Loans to Farms in Cross-Phillips County Non-MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	95.49	3.56	0.95	100.00
% of Bank Loans in AA by #	41.67	41.67	16.66	100.00
% of Bank Loans in AA by \$	30.58	42.74	26.68	100.00

Source: Loan Sample; Dunn & Bradstreet data

Lending to Borrowers of Different Income Levels – Small Farm Loans

In addition to the above analysis of loans to small farms, the loan sample was analyzed to determine the level of small farm loans (loans under \$500 thousand) originated in the primary AA during the evaluation period. The loan sample primarily consisted of loans less than \$500 thousand (79.16 percent of the number of loans), which is indicative of a good level of small farm lending.

The following table shows the distribution of agricultural loans made within different loan size ranges.

Borrower Distribution of Loans to Farms by Loan Size in Cross-Phillips County Non-MSA AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	15	62.50	\$552,379	7.43
\$100,001 - \$250,000	2	8.33	\$247,566	3.33
\$250,001 - \$500,000	2	8.33	\$842,260	11.32
\$500,001 - \$1,000,000	2	8.33	\$1,672,497	22.48
Over \$1,000,000	3	12.50	\$4,124,716	55.44

Source: Loan Sample

Geographic Distributions of Loans

The geographic distribution of business and farm loans reflects reasonable dispersion within the AA. The percentage of loans to farms located within a moderate income CT is near to the percentage of AA farms located within a moderate-income CT. Additionally, it should be noted that the analysis is based on the borrower’s primary address, as most farmers operate over a variety of tracts of land that can often be spread over a wide geographic area, including different CTs.

Table 3A - Geographic Distribution of Loans to Farms in Cross-Phillips County Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0	0.00	24.47	20.83	59.14	79.17	16.39	0.00

Source: Loan Sample; Dunn & Bradstreet data

The loan sample indicates a reasonable distribution of loans within the AA by CT. There were a total of seven CTs identified where no agricultural loans were originated during the evaluation period. A review of AA maps and discussions with management indicated that four of CTs (4804.00 and 4805.00 in Phillips County and 9509.00 and 9506.00 in Cross County) are primarily made up of the city limits of Helena-West Helena and Wynne, respectively. There is a lower density of agricultural borrowers within city limits versus the more rural portions of the AA. Another CT (4801.00 in Phillips County) consists largely of a portion of the St. Francis National Forest and limits lending opportunities within this CT. The remaining two CTs, (9501.00 and 9504.00 in Cross County), represent areas where HNB has not received any loan applications.

Geographic Distribution by CT of Loans to Farms in Cross-Phillips County Non-MSA AA				
Census Tract	# of Loans	% of Loans	\$ of Loans	% of \$ of Loans
4801.00	0	0.00%	\$0	0.00%
4802.00	16	66.67%	\$4,794,080	64.44%
4803.00	2	8.33%	\$100,924	1.36%
4804.00	0	0.00%	\$0	0.00%
4805.00	0	0.00%	\$0	0.00%
4806.00	3	12.50%	\$155,132	2.09%
9501.00	0	0.00%	\$0	0.00%
9502.00	1	4.17%	\$882,497	11.86%
9503.00	2	8.33%	\$1,506,785	20.25%
9504.00	0	0.00%	\$0	0.00%
9505.00	0	0.00%	\$0	0.00%
9506.00	0	0.00%	\$0	0.00%
Total	24	100.00%	\$7,439,418	100.00%

Memphis TN-AR MSA: Crittenden County

HNB did not originate any loans from the bank's primary loan product (agriculture loans) during the evaluation period within this limited scope AA. As a result, an analysis of borrower or geographic distribution is not meaningful.

Responses to Complaints

HNB has not had any complaints made relating to its lending practices since the prior examination dated April 22, 2009.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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