



PUBLIC DISCLOSURE

August 31, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of DeQueen
Charter No. 5929

Third and Gilson Streets
De Queen, Arkansas 71832

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 **The First National Bank of DeQueen** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **August 31, 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 substantial 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 following table indicates the performance level of *The First National Bank of DeQueen* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of DeQueen</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	Not meaningful for analysis purposes since all block numbering areas are middle-income.		
Response to Complaints	No applicable CRA complaints have been received since the prior evaluation.		

DESCRIPTION OF INSTITUTION

The First National Bank of DeQueen (FNB-DeQueen) has a main office in downtown DeQueen, a drive-in branch located two blocks from the main office, and the Highway 70 branch located about two miles from the main office. Only deposit services are available at the branches, and the bank does not yet utilize automated teller machines (ATM's). As of June 30, 1998, the bank reported total assets of \$113 million with \$40 million in total loans.

The bank's primary business focus is timber and agricultural (poultry and swine) loans. The bank's loan portfolio composition, as of June 30, 1998, is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	\$12,909	32%
Commercial	7,530	19%
Consumer	6,866	17%
Farmland	6,173	15%
Commercial Real Estate	5,012	13%
Agricultural Production	1,499	4%
TOTAL	39,989	100%

FNB-DeQueen 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 meet the credit needs in its assessment area.

The bank is 100% owned by First National Security Company (FNSC), a multi-bank holding company. As of June 30, 1998, FNSC reported total assets of \$414 million. This Office performed the previous CRA examination as of March 15, 1995, and the bank was rated Satisfactory.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area is Sevier County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. DeQueen (with a population of 4,633), Horatio (793) and Lockesburg (608) are the largest towns in Sevier County. There are four block numbering areas (BNAs) in the assessment area, all of which are designated as middle-income areas.

According to 1990 Census Data, the population of Sevier County was 13,637. In 1990, the median family income for non-Metropolitan Statistical Areas (MSA) in Arkansas was \$22,420. This income figure is used to determine the income level of the individual BNAs. The Department of Housing and Urban Development (HUD) has estimated the median family income (MFI) in Arkansas for 1997 and 1998 at \$29,500 and \$30,100, respectively. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

The following table shows the income distribution of BNAs and families that comprises the bank’s assessment area, and the 1998 income ranges for the four income levels:

Income Distribution of BNAs and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Under \$15,050				\$15,050 - \$23,779				\$24,080 - \$35,819				Over \$36,120			
BNA		Families		BNA		Families		BNA		Families		BNA		Families	
0	0%	652	17%	0	0%	674	18%	4	100%	861	23%	0	0%	1,604	42%

Source: 1990 U.S. Census, 1998 HUD

Income levels are defined as follows: low-income = less than 50% of MFI ; moderate-income = 50% to 79% of MFI; middle-income = 80% to 119% of MFI; and upper-income = more than 120% of MFI.

The local economy is stable. The June 1998 unemployment rate for Sevier County was 4.9 %. Unemployment rate for the state of Arkansas was 5.0%, and the national unemployment rate was 4.5%. Most of the workforce are employed in timber or poultry related industries. Pilgrims Pride Corporation, a chicken processing plant, is the largest employer and employs over 1,200 people. The 1990 Business Demographic Data reported 25 farms and 359 businesses in the Sevier County assessment area, of which 25 farms and 283 businesses have gross annual revenues of \$1 million or less. There are four independent financial institutions located in the assessment area with FNB-DeQueen being the largest.

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 March 1995 CRA examination is 46%. In comparison , the average loan-to-deposit ratios for competing institutions range from 55% to 62% for the same evaluation period.

Lending in Assessment Area

A substantial majority of the bank's lending is within its assessment area. The bank's CRA Officer performs a quarterly analysis of the geographic distribution of all loans made during each quarter, and for the calendar year. The following table reflects the bank's loan originations from January 1, 1997 through June 30, 1998 within its assessment area.

Loan Originations in 1997 and YTD 1998 Within the Assessment Area						
	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Total 1997	2,267	\$18,957	1,986	88%	\$16,539	87%
Total YTD 1998	1,135	\$11,925	1,024	90%	\$9,801	82%
Grand Total	3,402	\$30,882	3,010	88%	\$26,340	85%

Source: Bank Prepared Reports

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 sample of 70 loans originated in 1997 and 1998 was taken during the examination. The sample consisted of 38 consumer and residential real estate loans, and 32 commercial loans.

The table below depicts the distribution of the sample consumer and residential real estate loans by the borrower's income.

Distribution of Loans in Assessment Area by Borrower Income								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	652	17%	674	18%	861	23%	1,604	42%
Number of Loans	7	18%	5	13%	11	29%	15	40%
Dollar Volume	\$63,532	8%	\$44,307	6%	\$285,540	38%	\$369,859	48%

Based on the sample of 32 commercial loans taken during this examination, FNB-DeQueen has a satisfactory record of making loans to businesses and farms of different sizes. All 16 farm loans

sampled were made to small farms. Of the 16 business loans, 13 loans or 81% by number and 55% by dollar volume were made to small businesses. (Small businesses or farms are defined as businesses or farms with annual gross revenues less than \$1 million.)

Geographic Distribution of Loans

This Office did not perform a geographic distribution analysis of the bank's lending performance during the examination. The analysis would not be meaningful since all BNAs in the assessment area are designated as middle-income areas. However, a review of the bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Response to Complaints

FNB-DeQueen has not received any formal complaints regarding its performance in meeting assessment area credit needs since the previous examination.

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. FNB-DeQueen is also in technical compliance with fair lending laws and regulations.