



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 05, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Helena National Bank
Charter Number 14429**

**302 Cherry Street
Helena, AR 72342**

**Comptroller of the Currency
Chris Dunn ADC-Little Rock (Memphis)
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.

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 operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institutions record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Helena National Bank (HNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of December 5, 2003. 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.**”

Our conclusion is based upon the following factors:

- **A substantial majority of loans are made within the assessment area.**
- **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms or different sizes which are representative of the demographics of the assessment area.**
- **The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.**
- **The loan-to-deposit ratio is adequate when compared to its primary competition within the assessment area.**

DESCRIPTION OF INSTITUTION

Helena National Bank (HNB) is a \$129 million institution located in Helena, Arkansas approximately 60 miles south of Memphis, Tennessee. The bank's primary business focus consists of consumer loans of \$500 or more (both secured and unsecured), residential real estate, commercial loans and agriculture credits due to the bank's proximity to the Mississippi Delta Region. The bank's loan portfolio composition as of September 30, 2003 is as follows:

Loan Type	\$ Volume (000's)	% Of Portfolio
Real Estate	\$25,241	38%
Agricultural	\$24,195	37%
Individual	\$9,110	14%
Commercial	\$7,452	11%
Other	\$145	<1%
TOTAL	\$66,143	100%

HNB operates within Phillips County, Arkansas with the main bank located in downtown Helena, and three other branches in Helena, West Helena and Marvell. In addition to offering a full range of banking services, there are four other automated teller machines (ATM) located outside the main bank. Additional ATMs are located at the West Helena and Marvell branches, as well as at two local convenience stores. There are no financial constraints that prohibit the bank from meeting the assessment area credit needs. The last CRA evaluation of HNB was performed as of January 11, 1999.

Bank competition in the local market consists of First National Bank of Phillips County. See the following table for a breakdown of deposit market share as of September 30, 2003 within the county.

DEPOSIT MARKET SHARE AND LOAN TO DEPOSIT RATIO WITHIN PHILLIPS COUNTY		
	Helena National Bank %	FNB-Phillips County %
Loan to Deposit Ratio (13 QTRS)	53.57	Not available
Deposit Market Share (9/30/2003)	41.89	57.50

DESCRIPTION OF THE ASSESSMENT AREA

HNB's assessment area consists of Phillips County, Arkansas. The 1990 U.S. Census median family income for non-metropolitan statistical areas in the assessment area is \$22,208. By the year-end 2002, median family income in the assessment area had improved to \$34,200. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. HNB's assessment area is comprised of four (4) moderate and two (2) middle-income BNAs. None of the BNAs is considered either low or upper income. The bank's primary competition within the assessment area is First National Bank of Phillips County, a \$186 million institution located in West Helena, AR.

According to the 1990 U.S. Census demographic data, Phillips County reported a population of 28,838. The Department of Housing and Urban Development (HUD) 2002 updated median family income is \$34,200. This income figure is updated annually and is used to determine the income level of individual applicants. There are 7,423 families in the assessment area of which: 2,673 (36%) are low income, 1,379 (19%) are moderate income, 1,260 (17%) are middle income, and 2,111 (28%) are upper income.

Local economic conditions are depressed with 23% of households receiving some form of public assistance and 39% of households showing income below the poverty level. Approximately 15% of the population or 4,410 people are over the age of 65 in Phillips County. Phillips County has had a long history of high unemployment with a current unemployment rate of 9.5% versus state and national unemployment figures of 6.2% and 5.9% respectively. The major employer within the county continues to be Phillips County Community College, which is affiliated with the University of Arkansas. Discussions with the local community contact, George Bingham, Executive Director of the local Chamber of Commerce, indicated that local banks are adequately meeting the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

HNB's loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and assessment area credit needs. HNB's loan-to-deposit ratio has averaged 54% over the 13-quarter period from September 2000 through September 2003. During this period, the loan-to-deposit ratio has ranged from a low of 46% to a high of 67%. These fluctuations can be attributed to the bank's seasonal agricultural lending. The primary competition, First National Bank of Phillips County, had a loan-to-deposit ratio of 61% as of September 30, 2003 versus 58% for HNB.

Lending in Assessment Area

HNB originates a substantial majority of loans within the assessment area. A sample of 80 loans in the real estate, agricultural, consumer and commercial areas were selected to determine the level of lending within the assessment area. Of these 80 loans, 85% of the number of loans reviewed and 84% of the dollar volume of loans were made within the bank's assessment area.

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

HNB has a satisfactory record of lending to individuals of different income levels (including low and moderate income). We used a sample of 40 real estate and consumer loans to determine the income distribution of borrowers. The following table shows that the number of consumer loans to borrowers of different income levels mirrors the demographics of the assessment area. Although the real estate loans (1-4 family) are skewed to upper income borrowers, this is understandable given the low median family income for the state of Arkansas and the limited amount of affordable housing within Phillips County. The bank still makes a significant portion of these type loans to moderate-income individuals. Upper income for this area is above \$41,040.

Distribution of Loans in the Assessment Area by Borrower Income								
Income Levels	Low	%	Moderate	%	Middle	%	Upper	%
Family Characteristics	2,673	36%	1,379	19%	1,263	17%	2,108	28%
Number of Consumer Loans	7	35%	5	25%	4	20%	4	20%
Number of Real Estate Loans	1	5%	8	40%	6	30%	5	25%

HNB has a good record of making loans to small businesses and small farms and to businesses of different sizes. A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million. A sample of 20 business and 20 farm loans was used to determine if HNB is making loans to businesses and farms of different sizes. The sample showed that 26 of the 40 business and farm loans or 65% were to businesses and farms with gross revenues of less than \$1 million. Of the 40 loans reviewed, 32 loans or 80% were within the assessment area.

Geographic Distribution of Loans

Geographic Distribution by Block Numbering Area				
Block Numbering Area (BNA)	Number of families	% of total	Number of loans within BNA	% of total loans within sample
9801 (Middle Income)	1168	16	5	6
9802 (Moderate Income)	1774	24	31	39
9803 (Middle Income)	1849	25	14	18
9804 (Moderate Income)	807	11	5	6
9805 (Moderate Income)	1078	14	17	21
9806 (Moderate Income)	747	10	8	10
TOTAL	7423	100	80	100

HNB's assessment is composed of four moderate and two middle income BNAs. A sample of 80 loans was reviewed to determine the geographic distribution of lending. As shown in the table above, the loan sample mirrors the population of each BNA except 9804, which was slightly below that of the population. Overall, 76% of loans in our sample were made in moderate-income areas, which composed 59% of the population.

Responses to Complaints

No complaints have been received from the public that specifically relate to the bank's performance in helping to meet community credit needs.

Fair Lending or Other Illegal Credit Practices Review

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