



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 26, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Eastern Arkansas
Charter Number 13637**

**101 North Washington Street
Forrest City, AR 72335**

**Comptroller of the Currency
Little Rock Field Office
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.

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 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 CRA performance of **First National Bank of Eastern Arkansas (FNBEA)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of August 31, 2005. 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.”

- **The loan-to-deposit ratio is satisfactory when compared to its primary competition within the assessment area (AA).**
- **A majority of loans are made within the AA.**
- **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes, which are representative of the demographics of the AA.**
- **The geographic distribution of loans reflects a reasonable dispersion throughout the AA.**
- **Community Development services and investments benefit low and moderate individuals and geographies.**

DESCRIPTION OF INSTITUTION

First National Bank of Eastern Arkansas (FNBEA) is a \$238 million institution located in Forrest City, Arkansas approximately 45 miles from West Memphis, Arkansas and is a wholly owned subsidiary of Bancshares of Eastern Arkansas, a \$243 million single bank holding company. The bank's primary business focus consists of consumer loans of 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 August 31, 2005, is as follows:

| Loan Type | \$ Volume (000's) | % Of Portfolio |
|------------------|------------------------------|-----------------------|
| Real Estate | \$56,878 | 57% |
| Agricultural | \$19,965 | 20% |
| Individual | \$15,318 | 15% |
| Commercial | \$2,495 | 3% |
| Other | \$5,155 | 5% |
| TOTAL | \$99,811 | 100% |

FNBEA operates in the counties of St. Francis, Lee, Cross, Monroe, Crittenden and Phillips Counties, located in Eastern, Arkansas with the main facility located in downtown Forrest City, in St. Francis County. The bank offers a full range of banking services with 13 locations and 10 automated teller machines (ATM) with 2 ATMs being free standing, 1 in Forrest City and 1 in Wynne. The main facility and two branches are located in Forrest City, and one branch each in the communities of Marianna, Wynne, Wheatley, Hughes, Holly Grove, Colt, Palestine, Barton, Earle and Marion. There are no financial constraints that prohibit the bank from meeting the assessment area credit needs. The last CRA evaluation of FNBEA was performed as of October 13, 1998.

Bank competition in the local market consists of 16 other financial institutions in the bank's 6 county assessment area, with 4 being regional banks with branches in the assessment area and 12 local financial institutions. Based on the FDIC summary of deposits as of 6/30/04 (the most recent information available), the bank ranked first in relation to market share in the assessment area. The top 5 are as follows:

| DEPOSIT MARKET SHARE WITHIN THE SIX COUNTY ASSESSMENT AREA | |
|--|---|
| Financial Institution | Deposit Market Share as of June 30, 2004 |
| First National Bank of Eastern Arkansas | 13.22% |
| Fidelity National Bank | 12.13% |
| First National Bank of Wynne | 9.85% |
| First Bank of the Delta, NA | 9.56% |
| Cross County Bank | 8.10% |
| The remaining 47.15% is spread among the remaining 12 financial institutions | |

DESCRIPTION OF ASSESSMENT AREA

FNBEA's AA consists of St. Francis, Lee, Cross, Monroe, Crittenden and Phillips Counties, located in Eastern Arkansas. The updated 2000 U.S. Census median family income for non-metropolitan statistical areas in the AA is \$32,014. This number is used to determine the income level of the BNAs in the AA. FNBEA's AA is comprised of six (6) low-income, fifteen (15) moderate-income, seventeen (17) middle-income and three (3) upper-income BNAs. None of the BNAs are considered upper-income.

According to the 2004 U.S. Census demographic data, the six county assessment area reported a population of 149,000. The Department of Housing and Urban Development (HUD) 2004 updated median family income is \$44,878. This income figure is updated annually and is used to determine the income level of individual applicants. There are 38,808 families in the AA of which 2,569 (6%) are low-income, 14,061 (36%) are moderate-income, 19,193 (50%) are middle income, and 2,985 (8%) are upper income.

Local economic conditions are depressed with 5% of households receiving some form of public assistance and 26% of households showing income below the poverty level. Approximately 12% of the population or 149,000 people are over the age of 65 in the AA. The AA has had a long history of high unemployment with a current combined unemployment rate of 8.87% versus state and national unemployment figures of 5.1% and 5.1%.

The major employers within the AA are Sanyo and Boars Head Meats. Discussions with the community contact indicate that local banks are adequately meeting the credit needs of the community. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The 2004 Business Demographic Data of the businesses reporting shows 766 farms and 739 businesses in the AA, of which 710 farms (93%) and 4,281 businesses (94%) had gross annual income of \$1 million or less and are considered to be small businesses.

The following table reflects the demographic and economic characteristics of the AA.

| DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA | |
|--|----------|
| Population | |
| Number of Families | 38,808 |
| Number of Households | 53,923 |
| Geographies | |
| Number of Census Tracts/BNA | 41 |
| % Low-Income Census Tracts/BNA | 15% |
| % Moderate-Income Census Tracts/BNA | 37% |
| % Middle-Income Census Tracts/BNA | 41% |
| % Upper-Income Census Tracts/BNA | 7% |
| Median Family Income (MFI) | |
| 2000 MFI for AA | \$32,014 |
| 2004 HUD-Adjusted MFI | \$44,878 |
| Economic Indicators | |
| Unemployment Rate (August 2005) | 8.87% |
| 2004 Median Housing Value | \$53,190 |
| % Of Households Below Poverty Level | 26% |

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBEA's loan-to-deposit ratio is satisfactory and meets the standards given the bank's size, financial condition, and AA credit needs. FNBEA's loan-to-deposit ratio has averaged 49% over the 22-quarter period from September 2000 through September 2005. Recent information on the bank's primary competition, Helena National Bank and First Bank of the Delta had loan-to-deposit ratios of 57% and 55% respectively. The low loan-to deposit ratio is primarily attributed to poor economic conditions and lack of growth.

Lending in Assessment Area

FNBEA originates the majority of loans within the AA. Based on the review of the level of lending inside and outside the assessment area the bank exceeds the standards. As of August 31, 2005, the bank had a total loan portfolio consisting of 5,599 loans for \$106,783,537. The bank recently started tracking loans inside and outside the assessment area. Rather than relying on our small loan sample, it was determined to use all loans for 2005 tracked year to date to be more accurate. The assessment area consists of St. Francis, Lee, Cross, Monroe, Crittenden and Phillips Counties, located in Eastern Arkansas. Lending within the AA is detailed in the following table.

| TOTAL LOAN PORTFOLIO | | | | | | | | |
|----------------------|--------------------------|-----|-----------|-----|------------------------------|----|-----------|----|
| | LOANS IN ASSESSMENT AREA | | | | LOANS OUT OF ASSESSMENT AREA | | | |
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Total Loans | 2,888 | 97% | \$68,008 | 94% | 96 | 3% | \$4,622 | 6% |

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

FNBEA has a good record of lending to individuals of different income levels (including low and moderate income). Based on the review, the level of lending to borrowers of different income levels, the bank meets the standards. 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 AA. The bank makes a significant portion of these type loans to moderate-income individuals. Upper income for this area is above \$53,845.

| CONSUMER AND RESIDENTIAL REAL ESTATE LOANS | | | | |
|--|------------|-----------------|---------------|--------------|
| Borrower Income Level | LOW INCOME | MODERATE INCOME | MIDDLE INCOME | UPPER INCOME |
| % Of AA Households From updated Census | 30% | 15% | 17% | 38% |
| Bank Loans By Income Levels | 35% | 28% | 20% | 18% |

FNBEA 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 FNBEA is making loans to businesses and farms of different sizes. The sample demonstrated that 35 of the 40 business and farm loans or 88% were to businesses and farms that had an original loan amount of less than \$1 million, with all 40 for 100% having gross revenues of less than \$1 million.

Geographic Distribution of Loans

As shown in the table below FNBEA has reasonable dispersion by geography. Based on the review, the Geographical Distribution of Loans by the bank meets the standards. FNBEA’s AA is composed of 6 low, 15 moderate, 17 middle and 3 upper income BNAs. A total of 2,792 loans within the assessment area were reviewed determine the geographic distribution of lending.

| 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 |
| Low-Income | 2,569 | 6% | 32 | 1% |
| Moderate Income | 14,061 | 36% | 1,293 | 46% |
| Middle Income | 19,193 | 50% | 1,231 | 45% |
| Upper Income | 2,985 | 8% | 235 | 8% |
| TOTAL | 38,808 | 100% | 2,791 | 100% |

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

A fair lending examination was performed as of March 31, 2005. We found no evidence of illegal discrimination or other illegal credit practices.