



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 08, 2007**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Berryville  
Charter Number 10406**

**305-307 Public Square  
Berryville, AR 72616**

**Comptroller of the Currency  
Little Rock (Memphis) Field Office  
10201 West Markham, Suite 105 Ozark National Life Building  
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.**

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

- ◆ The average loan-to-deposit ratio at 89% is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects 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.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Berryville (FNB) is located in Berryville (Carroll County), Arkansas (AR) which has a population of 4,433 according to the 2000 census. The bank has the main office in downtown Berryville, a branch in Green Forest, a branch in Eureka Springs, AR, a branch in the Holiday Island community and a branch in Huntsville, AR. All of the offices have drive-in facilities, there are automated teller machines (ATM's) in all the branches, and there is a stand-alone ATM at the Williams Shopping Center in Berryville. The Huntsville office was opened May 2004, and there were no offices closed since the previous CRA examination. As of September 30, 2006, the bank reported total assets of \$121 million with \$101 million in deposits and \$99 million in loans (82% of total assets).

The bank's primary business focus is residential real estate loans, commercial and commercial real estate loans, and agriculture and agriculture real estate loans. FNBB offers residential real estate, home improvement, consumer, agriculture, commercial real estate, commercial and business loans. The loan portfolio composition as of September 30, 2006, is as follows

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Residential Real Estate Loans	\$35,925	36%
Commercial & Commercial Real Estate Loans	\$34,594	35%
Agriculture and Agri RE Loans	\$19,323	20%
Consumer Loans	\$9,358	9%
<b>Total</b>	<b>\$99,200</b>	<b>100%</b>

FNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by First Carroll Bankshares Inc. (FCBI), a one-bank holding company headquartered in Berryville, Arkansas. FCBI has total assets of \$23 million as of December 31, 2006, including, investments in a banking subsidiary of \$18 million. The bank's last CRA examination was performed by the OCC as of January 7, 2002 and was rated **Satisfactory**.

## **DESCRIPTION OF CARROLL AND MADISON COUNTIES**

FNB's assessment area (AA) is Carroll County and Madison County. Madison County is part of the Fayetteville-Springdale-Roger Metropolitan Statistical Area. Madison County was included in the AA since the previous CRA examination. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

There are five Block Numbering Areas (BNAs) in Carroll County. The Median Family Income (MFI) for non Metropolitan Statistical Areas (MSA) in Arkansas was \$34,263 in 2000. This income figure is used to determine the income level of individual BNA. According to the 2000 census, all of the BNA's in Carroll County are middle-income. The 2006 Housing and Urban Development (HUD) estimated MFI for non-MSA in Arkansas is \$38,000. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants.

Madison County has four Census Tracts (CTs), three of which are moderate-income CTs and one middle-income CT (Huntsville). The MFI for the Fayetteville-Springdale MSA in was \$42,578 in 2000. The 2006 HUD estimated MFI for the Fayetteville-Springdale-Roger MSA is \$47,400.

Berryville, AR is located in the northwestern part of AR. According to the 2000 Census, the population of Carroll County was 25,357, and the population of Madison County was 14,243. The population of the Fayetteville-Springdale MSA was 311,121 according to the 2000 Census.

The primary industries in Carroll County are agriculture (poultry) and tourism. Tyson Foods, Incorporated, an integrated poultry company, has poultry processing plants located in Berryville and in Green Forest. Each plant has about 1,500 employees. In addition, Tyson and other poultry companies have numerous contracts to farmers in the area to grow chicken broilers. The tourism sector, centered in nearby Eureka Springs, has suffered some slow down in the past few years. The economy of Carroll County is considered to be in a moderate growth mode.

The largest employers in Madison County include Conagra Poultry Company – Butterball Turkey Company, located in Huntsville with about 750 employees and LaBarge Inc., also in Huntsville, with about 250 employees. The economy of Madison County is also considered to be in a moderate growth mode.

Unemployment as of November 2006 was 3.4% for Carroll County and 2.9% for Madison County. The unemployment rates for Carroll and Madison Counties are below the Arkansas average of 4.7% and the U.S. average of 4.5% as of November 2006.

The following table shows the demographic and economic characteristics of Carroll and Madison Counties.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA CARROLL COUNTY</b>	
Population	
Number of Families	7,147
Number of Households	10,199
Geographies	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,263
2006 HUD-Adjusted MFI	\$38,000
Economic Indicators	
Unemployment Rate November 2006	3.4%
Median Housing Value as of 2000	\$85,300
Median Housing Year Built as of 2000	1978
% of Households Below Poverty Level	16%

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA MADISON COUNTY</b>	
Population	
Number of Families	4,087
Number of Households	5,457
Geographies	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	75%
% Middle-Income Census Tracts/BNA	25%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$42,578
2006 HUD-Adjusted MFI	\$47,400
Economic Indicators	

Unemployment Rate - November 2006	2.9%
Median Housing Value as of 2000	\$70,464
Median Housing Year Built as of 2000	1976
% of Households Below Poverty Level	20%

A community contact with the county judge of Carroll County was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area, which he considered to be residential real estate and small business loans.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. There are six financial institutions in Carroll County and four financial institutions in Madison County. There is one other bank that is similarly situated in the AA, First National Bank of Green Forest, Green Forest, AR which has three offices in Carroll County and two offices in Madison County. The following table shows total assets as of September 30, 2006 and the quarterly average loan-to-deposit ratio from March 31, 2002 through September 30, 2006 (19 quarters) for these two similarly situated banks.

Institution	Assets (as of 9/30/2006)	Average LTD Ratio
FNB-Berryville, AR	\$131 million	89%
FNB-Green Forest, AR	\$330 million	85%

### Lending in Assessment Area

A majority of FNB's loans are in the bank's assessment area. The bank run a special report of all loans originated during 2006 by zip codes during the examination. These loans were further subdivided into consumer, residential and commercial and agriculture loans by Call Report codes. Lending within the assessment area for 2006 is detailed in the following table.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	705	82%	\$3,633	73%	157	18%	\$1,331	27%
Residential	168	67%	\$11,602	69%	81	33%	\$5,273	31%
Com'l & Agri	239	66%	\$5,319	66%	123	34%	\$2,703	34%
Total Reviewed	1,112	75%	\$20,555	69%	361	25%	\$9,305	31%

### 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. All residential home purchased loans listed in the 2005 Home Mortgage Disclosure Act Loan Applicant Register for 2005 (the 2006 LAR was not yet available), and a sample of 20 consumer loans and 20 business loans for Carroll County and a sample of 20 consumer loans and 20 business loans for Madison County were used to determine lending to borrowers of different incomes. The following tables show the distribution of residential real estate and consumer loans within the various income levels.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families <b>Carroll County</b>	19%		20%		22%		39%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2005	8%	3%	20%	8%	18%	15%	54%	74%
% of AA Families <b>Madison County</b>	28%		24%		25%		23%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2005	33%	15%	11%	5%	11%	16%	44%	64%

The above tables show that residential real estate loans in Carroll County to low-income borrowers are lower than the percentage of low-income borrowers. This is due, in part, to the poverty level of 16% in the county. Residential real estate loans to moderate-income borrowers are good and are equal to the percentage of moderate-income people in the in Carroll County. Residential loans to low-and-moderate-income borrowers in Carroll County are satisfactory

Residential real estate loans in Madison County to low-income borrowers are excellent and exceed the percentage of low-income borrowers. Residential real estate loans to moderate-income borrowers are lower than the percentage of moderate-income people in the in Madison County.

Residential loans to low-and-moderate-income borrowers in Madison County are satisfactory.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households <b>Carroll County</b>	22%		18%		20%		40%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2006	33%	14%	33%	47%	17%	16%	17%	23%
% of AA Households <b>Madison County</b>	24%		17%		19%		40%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2006	44%	51%	22%	14%	17%	11%	17%	24%

The above tables show that consumer loans made to low-income and moderate-income borrowers are exceed the percentage of low-income and moderate-income people in the assessment area.

The distribution of business and agriculture loans reflects more than reasonable penetration among businesses of different sizes. Loans made to businesses with revenues under \$1 million are near to or exceed the number of businesses with revenues under \$1 million. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS		
<i>CARROLL COUNTY</i>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	97%	3%
% of Bank Loans in AA #	95%	5%
% of Bank Loans in AA \$	70%	30%

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS		
<i>MADISON COUNTY</i>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses <sup>3</sup>	96%	4%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The geographic distribution of loans was performed for Madison County only, which has three moderate-income tracts. All BNA's for Carroll County are middle to upper-income and the geographic distribution of loans would not be meaningful.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0%		81%		19%		0%	
Madison County	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2005	0%	0%	10%	14%	90%	86%	%	%

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0%		79%		21%		0%	
Madison County	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2006	0%	0%	25%	28%	75%	72%	0%	0%

The above tables show that the bank is making residential and consumer loans in moderate-income areas. The above tables also show that residential and consumer loans made to borrowers residing in moderate-income geographies are lower than the percentage of borrowers residing in moderate-income geographies in Madison County. The bank has been in Madison County for only two and one-half years, has only the one branch in Huntsville which is located in the middle-income area, and has emphasized business lending.

AGRICULTURE AND BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	%		30%		70%		0%	
Madison County	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2006	0%	0%	29%	11%	71%	89%	0%	0%

Agriculture and business loans made to borrowers residing in moderate-income geographies are good and near to the percentage of borrowers residing in moderate-income geographies in Madison County. The bank's primary emphasize in Madison County is agriculture and business loans.

### Responses to Complaints

The First National Bank of Berryville has not received a formal CRA complaint since the previous examination.



## **Fair Lending or Other Illegal Credit Practices Review**

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