



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 13, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pine Bluff National Bank
Charter Number: 15482

912 South Poplar Street
Pine Bluff, AR 71611

Office of the Comptroller of the Currency

Little Rock (Memphis)
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 Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Satisfactory**.

The following performance factors were used in determining the bank's overall CRA rating:

- The average loan-to-deposit ratio at 75% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are located in its AA.
- The distribution of loans reflects satisfactory penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's AA.
- Community development lending and investment activities are satisfactory and responsive to AA needs.

Scope of Examination

An onsite examination of the bank was performed to evaluate its performance under the Community Reinvestment Act (CRA). To determine its performance, the bank elected to be evaluated using Intermediate Small Bank CRA criteria. Loan information used for this evaluation included 2006 Home Mortgage Disclosure Act (HMDA) data and other internal loan information. An examination of the bank's 2006 HMDA data was performed during June 2006 with no deficiencies noted. This performance evaluation starts from the date of the bank's previous CRA examination, and covers the period from July 15, 2003, to November 13, 2007. The bank was rated "**Satisfactory**" at the previous examination. Contacts were made with two local community agencies with knowledge of the overall needs within the bank's AA, and used in the evaluation process.

Description of Institution

Pine Bluff National Bank (PBNB) was chartered in 1965 and is headquartered in Pine Bluff, Arkansas. In addition to the main office located in Pine Bluff, PBNB operates seven offices in Pine Bluff, one office in the City of White Hall, and one office in the City of Redfield. All of these offices are located within Jefferson County. The bank has one additional office located in Star City, Arkansas. Star City is located in Lincoln County (contiguous to Jefferson County). While all offices are full service, most lending activity is conducted through the main office located on South Poplar Avenue in Pine Bluff, and the Star City office in Lincoln County. The bank offers a full range of loan and deposit products and services, and operates 10 automated teller machine (ATM) locations. In recent years, the bank has added trust services, Internet banking, insurance services, and title services.

PBNB is wholly-owned by Jefferson Bancshares, Inc. There are no financial impediments that would affect the bank's ability of meeting the credit needs of its AA. As of September, 2007, the bank had total assets of \$320 million and total loans of \$220 million. Since the prior CRA evaluation was performed as of July 15, 2003, loan growth has been steady, increasing 64.2% over the period. The bank's primary lending focus is residential real estate, small business, consumer, and agriculture loans. Loan products include home purchase, home improvement, automobile, agricultural, commercial, and small business. The loan portfolio composition as of September 30, 2007, is as follows:

Loan Category	\$(000)	%
Real Estate	\$126,891	58
Commercial	\$18,236	8
Agriculture	\$58,377	26
Consumer Loans	\$16,959	8
Total	\$220,463	100

Description of Assessment Area

The bank has selected all of Jefferson and Lincoln Counties as its AA for purposes of determining its performance under the CRA. Demographic data from the 2000 census for both counties was utilized and compared to the bank's loan files to determine its overall compliance with the CRA.

Jefferson and Lincoln Counties are included in the Arkansas Metropolitan Statistical Area (MSA) #38220. The bank's AA portion of the MSA is made up of 31 census tracts that include moderate, middle, and upper income tracts. There are no low-income census tracts located within this MSA.

The economy within the AA is stagnant, with unemployment levels exceeding state and national averages for both counties (see chart below). Pine Bluff is the county seat for Jefferson County, with a reported 2000 population for the city of 55,085, and 84,278 for the county. Major employers include Tyson Foods, Jefferson Regional Medical Center, Pine Bluff Arsenal, International Paper, and the Department of Corrections. Star City is the county seat for Lincoln County, with a reported 2000 population for the city of 2,471, and 14,492 for the county. Major employers include the Arkansas Department of Corrections, and School Apparel, Inc. While both counties have several industries that support the local economy, the agricultural industry has the most influence over its overall health.

The following table provides AA demographic data from the 2000 Census with updated unemployment data.

Demographic and Economic Characteristics	
Population	
Number of Families	24,764
Number of Households	34,814
Geographies	
Number of Census Tracts	31
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	36%
% Middle-Income Census Tracts	45%
% Upper-Income Census Tracts	19%
Median Family Income (MFI)	
2000 MFI for AA	\$37,881
2007 HUD-Adjusted MFI	\$44,100
Economic Indicators	
Unemployment Rate - Arkansas	5.3%
Unemployment Rate – Jefferson	7.2%
Unemployment Rate – Lincoln	7.4%
Unemployment Rate – US	4.7
2000 Median Housing Value	\$51,801
% of Households Below Poverty Level	19%

Source: 2000 Census Data

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit Ratio

PBNB's average loan-to-deposit ratio of 75% is reasonable given its size, financial condition, and AA credit needs. The loan-to-deposit ratio was calculated using quarterly averages since the bank's prior CRA evaluation that was performed as of July 15, 2003. The bank's average was then compared to Simmons First National Bank (Simmons) of Pine Bluff, and the Bank of Star City. Both financial institutions have branches located within the PBNB's AA of Jefferson and Lincoln Counties. Since Simmons is a much larger financial institution and conducts business throughout the state, the Bank of Star City was considered to be a similarly situated bank and more closely considered when rating the PBNB's performance.

Loans-to-Deposit Ratio						
Institution	2003	2004	2005	2006	2007	Average
Simmons	76	80	84	82	85	81
Bank of Star City	80	81	77	79	81	80
PBNB	69	77	75	75	79	75
Average	75	79	79	79	82	79

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

A majority of PBNB loans are located in its AA. The chart below reflects total loans made during 2006 in the following categories. As indicated, 85% of the number of loans made and 65% of the dollar volume was to borrowers located within the bank's AA.

Lending in Assessment Area								
Loan Type	Loans In Assessment Area				Loans Out of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Automobile	314	88	2,481	90	44	12	266	10
Home Purchase	46	85	3,515	90	8	15	405	10
Commercial	473	93	26,394	56	38	7	21,088	44
Agricultural	227	71	37,642	70	93	29	16,029	30
Total	1,060	85	70,032	65	183	15	37,788	35

Source: 2006 Bank Data

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

The bank’s level of lending to borrowers of different income levels is satisfactory. The following charts reflect the distribution of home purchase and automobile loans made by the bank in 2006 by borrower income levels. As indicated in the previous demographic chart, 19% of households located in the bank’s AA are below the national poverty level. The bank’s ability to qualify the low and moderate income sectors is somewhat limited due to down payment and term requirements. While lending to different income levels varied within the bank’s AA, the overall lending pattern is satisfactory.

Borrower Distribution – Home Purchase Loans								
Borrower Income Level	Low Income (less than \$22,050)		Moderate Income (\$22,050 to \$35,279)		Middle Income (\$35,280 to \$59,919)		Upper Income (over \$59,920)	
% of AA Families	24%		16%		20%		40%	
PBNB Loans Made 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	15	14	25	14	30	22	30	50

Source: 2006 Bank Data and 2000 Census Data

Borrower Distribution – Automobile Loans								
Borrower Income Level	Low Income (less than \$22,050)		Moderate Income (\$22,050 to \$35,279)		Middle Income (\$35,280 to \$59,919)		Upper Income (over \$59,920)	
% of AA Families	26%		16%		16%		42	
PBNB Loans Made 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	20	15	30	30	30	22	20	33

Source: 2006 Bank Data and 2000 Census Data

A sample of 20 business loans made during 2006 was reviewed to determine the level of loans made to businesses of different revenues as compared to business revenue data from the 2000 census. As the following table indicates, a majority of the bank’s business loans were to small businesses within the bank’s AA.

Borrower Distribution of Small Loans to Businesses		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	95%	5%
% of Bank Loans in AA #	97%	3%
% of Bank Loans in AA \$	72%	28%

Source: 2006 Bank Data and 2000 Census Data

Geographic Distribution of Loans

The geographic distribution of loans made by the bank reflects reasonable dispersion throughout its AA. The following charts compare the geographic distribution of home purchase and automobile loans made by the bank in 2006. While the number and volume of home purchase loans were centered in middle and upper income tracts, the distribution on automobile loans made by the bank was more in line with geographic income levels.

Geographic Distribution – Home Purchase Loans								
Census Tracts Income Level	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
% of AA Owner Occupied	None		31%		40%		29%	
PBNB Loans Made 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	N/A	N/A	9	6	65	48	26	46

Source: 2006 Bank Data and 2000 Census Data

Geographic Distribution – Automobile Loans								
Borrower Income Level	Low Income Tracts		Moderate Income Tracts		Middle Income Tracts		Upper Income Tracts	
% of AA Households	None		36%		39%		26%	
PBNB Loans Made 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	N/A	N/A	26%	26%	51%	46%	23%	28%

Source: 2006 Bank Data and 2000 Census Data

COMMUNITY DEVELOPMENT TEST

Performance under the community development test is satisfactory. The bank provides a satisfactory level of community development lending, CRA qualified investments, and community development services in relation to the overall needs and opportunities in its AA.

Community Development Lending

The definition of community development includes the following: affordable housing for low- and moderate-income individuals, community services targeted toward low- and moderate-income individuals, activities that promote economic development by financing small businesses or farms, and activities that revitalize or stabilize low- and moderate-income geographies. As of September 1, 2005, the following activities were added to the definition: activities that revitalize or stabilize low-or-moderate-income areas, designated disaster areas, and distressed or underserved non-metropolitan middle-income geographies that have been designated by the Federal Reserve, the OTS, the FDIC, and the OCC.

PBNB's performance for granting community development loans during the evaluation period is satisfactory. For purposes of the CRA, the bank granted the following qualifying community development loans totaling approximately \$6 million during the evaluation period. This equates to approximately 19% of the bank's capital.

- PBNB made nine loans totaling \$4 million on nine multi-family units. These multi-family units have a majority of low- to-moderate-income tenants, below market rents, and/or special government housing support, including HUD Section 8. Seven of these loans totaling \$2.3 million were within the AA. Two additional loans totaling \$1.7 million were outside the AA, but located in distressed or underserved non-metropolitan middle-income geographies.
- PBNB granted 19 loans totaling \$1.6 million under the Arkansas Agriculture Water Quality Loan Program, with each loan at \$100 thousand or less. This program provides low-interest rate loans to small farms for water pollution control.
- PBNB made 3 loans under a small business grant program. The program is designed to create and retain jobs, and to assist member institutions in providing capital to underserved areas or underserved populations. Loans under this program total \$392 thousand, and grants total \$58 thousand.

Community Development Investments

PBNB's performance of purchasing qualified CRA investments is satisfactory. Total qualifying investments purchased during the evaluation period include \$1.7 million for school districts and other bonds, and \$39 thousand total CRA-related donations. Investments and donations represent 5% of bank capital.

- PBNB has purchased nine issues of school district and capital improvement bonds totaling \$1.3 million from eight different Arkansas Counties that have been designated as an underserved non-metropolitan middle-income geography by the Federal Reserve, the OTS, the FDIC, and the OCC. These represent 4% of the bank's equity capital.
- PBNB also purchased four issues of school district and capital improvement bonds totaling \$400 thousand from three different Arkansas Counties that have been designated as an underserved non-metropolitan middle-income geography by the Federal Reserve, the OTS, the FDIC, and the OCC. These represent 1% of the bank's equity capital.
- PBNB made 30 various donations totaling \$39 thousand to non-profit organizations that serve low and moderate income individuals and families.

Community Development Services

PBNB offers a satisfactory level of community development services based on its capacity and needs in the AA.

- PBNB employees provide technical assistance and financial services by serving on boards, committees, or as members of 20 organizations that provide community service to low-and-moderate individuals or families. Although none of the activities are innovative or complex, these activities are encouraged by the bank by allowing the attendance at meetings and activities during normal banking hours and payment of membership dues.
- PBNB employees have pledged to collectively donate \$25 thousand to the United Way of Southeast Arkansas. PBNB is in the process of matching their contributions in the form of its 2007 corporate gift. The executive director of the United Way of Southeast Arkansas has written that based on the analysis of its expenditures, almost 70% of all funds are spent to support services for low-to moderate-income families.

Responses to Complaints

No formal CRA complains have been received since the prior examination. The bank has a formal process of receiving and responding to customer complaints.

Fair Lending or Other Illegal Credit Practices Review

The OCC performed a fair lending examination of the bank as of May 16, 2005, to determine compliance with fair lending laws and regulations, and found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.