



SMALL BANK

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

PUBLIC DISCLOSURE

April 19, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of DeQueen
Charter Number 5929**

**Third And Gilson
DeQueen, AR 71832**

**Comptroller of the Currency
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.

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 First National Bank of DeQueen, DeQueen AR as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of April 19, 2004. 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 average loan-to-deposit ratio of 57% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of the bank's loans are made to borrowers located within the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

First National Bank of DeQueen (FNB) is located in the city of DeQueen (Sevier County), Arkansas. DeQueen is located in the southwestern part of the state, approximately 55 miles north of Texarkana. According to the 2000 census, the city had a population of 5,765, an increase from 4,633 in 1990. The bank's main office is located in DeQueen's downtown business district. The bank has two branch offices, a drive-up facility located downtown, and a branch located in the north part of the city on US Highway 70. All locations have drive-up access and the north branch has an automated teller machine (ATM). Loans are only available at the main office. As of December 31, 2003, the bank had total assets of \$115 million, \$91 million in deposits, and \$50 million in loans.

The bank's primary lending focus is on residential real estate loans. The bank also loans to small business that includes forestry and timber, and agriculture. The loan portfolio composition as of December 31, 2003 is as follows:

Loan Category	\$ (000)	%
Residential Real Estate Loans	\$39,927	79%
Commercial Loans	\$4,537	9%
Consumer Loans	\$4,682	9%
Agriculture Loans	\$1,246	3%
Total	\$50,392	100%

FNB offers convenient banking hours and has a variety of loan and deposit products and services. There are no financial impediments that would restrict the bank's ability to meet the credit needs of its assessment area. The bank is 100% owned by First National Security Company, a multi-bank holding company headquartered in DeQueen, Arkansas. As of December 31, 2003, First National Security Company had total assets of approximately \$500 million. The deposit share within the assessment area includes FNB with 37%, four community banks with 54%, and one regional bank with 9%. The bank's last CRA performance evaluation was performed as of August 31, 1998, and rated **Satisfactory**.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area (AA) is Sevier County, Arkansas containing four Block Numbering Areas (BNAs). The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. Sevier County has a population of 15,757 according to the 2000 census, an increase from 13,687 in 1990. Based on the 2000 medium family income (MFI) of \$34,356 for non-metropolitan statistical areas (MSA) in Arkansas, all BNAs in the assessment area are considered to be middle-income. In 2003, the Department of Housing and Urban Development (HUD) estimated the MFI for non-MSA in Arkansas to be \$38,500. The HUD estimated MFI is updated annually and for purposes of this evaluation was used to determine income levels of borrowers.

The assessment area has a history of low unemployment when compared to state and national averages. Unemployment data for March 2004 indicates a national unemployment rate of 5.7%, the state of Arkansas at 5.4%, and Sevier County at 3.7%. The low unemployment rate for the county is attributed to a stable economic market. The average cost of housing in the assessment area is \$50,722, with owner occupied housing representing 66% of the population.

Primary industries in the assessment area include services, retail trade, and agricultural. Pilgrims Pride Corporation, a poultry processing plant, is the largest employer in the county with over 1,200 employees. There are several smaller businesses located in the area, including DeQueen Hospital, Weyerhaeuser Lumber, and Wal-Mart. The 2003 business demographic report indicated there were 57 farms and 513 businesses located in Sevier County, of which 57 farms (100%) and 481 businesses (94%) had gross annual income of \$1 million or less and considered to be small businesses.

The following table reflects the demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	4,246
Number of Households	5,709
Geographies	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
Median Family Income (MFI)	
2000 MFI for AA	\$35,356
2003 HUD-Adjusted MFI	\$38,500
Economic Indicators	
Unemployment Rate (March 2004)	3.7%
1974 Median Housing Value	\$50,722
% of Households Below Poverty Level	19%

A community contact with a member of the local chamber of commerce was conducted in conjunction with this CRA performance evaluation. According to the contact person, there were no credit needs identified that have not been adequately satisfied by financial institutions within the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio (LTD) is reasonable given its size, financial condition, and assessment area credit needs. The First State Bank of DeQueen is considered to be a similarly situated institution and used to determine the bank's performance for this criteria. The following table reflects total assets as of December 31, 2003, and the average loan-to-deposit ratio from December 31, 1998 through December 31, 2003.

Financial Institution	Assets (as of 12/31/2003)	Average LTD Ratio
First State Bank of DeQueen	\$42 million	72%
First National Bank of DeQueen	\$115 million	57%

Lending in Assessment Area

A majority of FNB loans were made to borrowers located within its assessment area. The bank tracks all loans to determine if borrowers are located in or out of the banks assessment area. For 2003, the bank made 590 loans totaling \$14.9 million. Of the 590 loans, 496 were for consumer and real estate loans, and 94 were for commercial and agricultural loans. Lending within the assessment area is detailed in the following table.

TOTAL LOANS MADE FOR 2003								
	LOANS IN ASSESSMENT AREA				LOANS OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total Loans	498	84%	\$9,000	60%	92	16%	\$5,900	40%

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

Based on the demographics of the assessment area, the bank's distribution of loans reflects reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes.

The following table reflects the income distribution for borrowers of consumer and residential real estate loans made in 2003 as compared to the income distribution from the 2000 census. As the data indicates, consumer and residential real estate loans made by the bank to both low- and moderate-income borrowers exceed the low- and moderate-income population levels of the assessment area.

CONSUMER AND RESIDENTIAL REAL ESTATE LOANS				
Borrower Income Level	LOW INCOME	MODERATE INCOME	MIDDLE INCOME	UPPER INCOME
% of AA Households From 2000 Census	22%	16%	20%	43%
Bank Loans By Income Levels	28%	23%	23%	26%

The following table reflects the distribution of loans made by the bank in 2003 to businesses of different sizes. For purposes of the CRA, a small business loan is defined as a business having gross annual income of less than \$1 million. As the following data indicates, by number, 91% of loans made were to small businesses. By dollar volume this decreases to 67%, with 33% being made to large businesses.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	94%	6%
% of Bank Loans in AA #	91%	9%
% of Bank Loans in AA \$	67%	33%

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's lending was not performed as part of this evaluation. The analysis would not be meaningful since all four BNAs in the assessment area are designated as middle-income.

Response to Complaints

FNB has not received any formal CRA complaints since the previous examination.

Fair Lending Review

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1998.