



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 02, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank In Mena
Charter Number 13693**

**600 Highway 71 South
Mena, AR 71953**

**Comptroller of the Currency
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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.

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INSTITUTION'S CRA RATING

First National Bank in Mena is rated Satisfactory.

The major factors that support this rating include:

- A substantial majority of the bank's loans are made within the assessment area (AA).
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The bank has not received any consumer complaints regarding CRA performance.

First National Bank in Mena is committed to serving the community and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

First National Bank in Mena (FNB) is a \$123 million financial institution headquartered in Mena, Arkansas. FNB is a wholly owned subsidiary of First Community Banking Corporation, a multi-bank holding company located in Hot Springs, Arkansas. At June 30, 2002, First Community Banking Corporation had total assets of \$333 million. First National Bank located in Hot Springs, Arkansas, and First National Bank located in Mt. Ida, Arkansas are affiliates of First National Bank in Mena.

FNB's primary focus is residential real estate and commercial lending in the Polk County area. FNB offers a wide variety of loan and deposit products. The Main Office is located at 600 Highway 71 South in Mena, Arkansas. Two branches with Automated Teller Machines (ATM) are located in Mena. The Northside Branch is located at 601 Highway 71 North and the Wal-Mart Supercenter Branch is located at 600 Highway 71 North. FNB also has a branch in Cove, Arkansas, located at 5607 Highway 71 South.

As of June 30, 2002, FNB's total assets equaled \$123 million, of which \$71 million, or 58 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. FNB's loan portfolio is summarized below:

Loan Category	\$ (000)	%
Residential Real Estate Loans	28,071	39.77
Commercial Real Estate Loans	20,966	29.70
Commercial Loans	8,262	11.70
Agricultural Loans	7,411	10.50
Consumer Loans	5,879	8.33
Total	70,589	100.00

The bank received an overall rating of "Satisfactory" at the last Community Reinvestment Act evaluation dated November 28, 1997. There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area.

DESCRIPTION OF POLK COUNTY

The assessment area meets the requirements of the regulation, consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,084
Number of Households	6,840
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% 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>	
1990 MFI for AA	\$21,460
2001 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	2.31%
2001 Median Housing Value	\$34,910
% of Households Below Poverty Level	20.85%

The assessment area (AA) is identified as all of Polk County in Southwest Arkansas. All of the bank's operations are located in the AA. Based on 1990 data, the United States Census Bureau identifies all six-census tracts as middle-income. The total population of the AA approximates 17 thousand. Additionally, there were five thousand families and seven thousand households. Of the five thousand families, 19.4 percent, 20.1 percent, 24.6 percent, and 35.9 percent report low, moderate, middle, and upper-incomes, respectively. The AA contains eight thousand housing units with five thousand or 67 percent owner occupied. Households below the poverty level are high at 21 percent and households that receive public assistance total eight percent.

FNB's major competitors include one local financial institution, The Union Bank of Mena, and the branches of two similar sized banks and one large savings institution. The local economic conditions are in a downturn due to the loss of jobs from a major downsizing by a local company. Retail, manufacturing, and service sectors account for the majority of the employers in the AA. Major employers in Polk County include Tyson Foods, Inc. and Emerson Electrical Motors.

A community contact was conducted with an educator employed at a local community college in Mena. The educator's school serves the local area by providing educational opportunities to area students. The contact indicated that credit needs of the area revolve around the need for

additional job opportunities. A large local employer significantly reduced the number of employees within the last year. The contact further stated that this bank and the other financial institutions in the area are actively involved in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses the bank’s performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints. Because FNB’s AA does not include any low- or moderate-income census tracts, a geographic distribution of the bank’s loans within the AA was not performed.

In evaluating the bank’s lending performance a random sample of 79 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: home refinance loans (28), consumer loans (26), and loans to small businesses/farms (25).

Consistent with available resources and capabilities, the bank is meeting the credit needs of the entire AA in a satisfactory manner.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory. This determination is based on the bank’s quarterly average loan-to-deposit ratio of 84 percent. The actual ratio at June 30, 2002 was 70 percent. The average loan-to-deposit ratio for the 19 banks in Polk and the surrounding counties at June 30, 2002, was 68 percent, with actual ratios ranging from 37 percent to 90 percent. The average loan-to-deposit ratio for The Union Bank of Mena that bank management considers to be similar to FNB (listed in table below) was 78 percent at June 30, 2002. The other banks considered to be primary competitors in the Mena area are branches of banks with several locations.

Institution	Assets as of 6/30/02 (000s)	Average LTD Ratio
The Union Bank of Mena	133,000	78.11%
<i>First National Bank in Mena</i>	<i>123,000</i>	<i>84.16%</i>

Lending in Assessment Area

FNB's lending in the AA is excellent. A substantial majority of the home refinance, consumer, and small businesses/farms loans sampled were originated within the bank's AA, as illustrated in the table below.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Refinance	26	92.86	1,499	96.59	2	7.14	54	3.41
Consumer	25	96.15	163	91.47	1	3.85	15	8.53
Business/Ag	23	92.00	284	94.40	2	8.00	17	5.60
Total Reviewed	74	93.67	1,946	95.81	5	6.33	86	4.19

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

FNB overall distribution of loans by income level of borrowers meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 28 home refinance loans, 23 consumer loans, and 20 commercial/agricultural loans located in the AA.

FNB's distribution of home refinance loans by income level is satisfactory. The percentage of the number of home purchase loans to low-income and moderate-income borrowers is lower than the percentage of low-income and moderate-income families in the AA. The distribution of home purchase loans by dollar amount does not provide a significant basis for comparison due to the fact that loans to low- and moderate-income individuals are typically smaller in amounts than loans to higher-income individuals. The bank's performance is satisfactory in light of the fact that 14.71 percent of the families in the AA have incomes below the poverty level.

HOME REFINANCE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	19.43		20.14		24.57		35.86	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	16.67	7.69	0.00	0.00	50.00	41.25	33.33	51.06
2001	0.00	0.00	9.09	2.71	18.18	26.36	72.73	70.94
2002	0.00	0.00	36.36	13.89	36.36	40.02	27.27	46.08
Total	3.57	1.42	17.86	6.68	32.14	34.56	46.43	57.34

FNB's distribution of consumer loans by income levels is satisfactory. The percentage of the number of consumer loans to low-income and moderate-income borrowers is lower than the percentage of low-income and moderate-income families in the AA. Less weight is given to the distribution of loans by the dollar amount for the reasons explained above. This distribution is satisfactory in light of the fact that 20.85 percent of the households in the AA have incomes below the poverty level.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25.28		16.52		20.42		37.78	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2000	50.00	61.76	0.00	0.00	0.00	0.00	50.00	38.24
2001	14.29	7.82	28.57	32.07	28.57	32.00	28.57	28.11
2002	14.29	5.71	0.00	0.00	50.00	38.21	35.71	56.08
Total	17.39	14.90	8.70	10.98	43.48	33.29	30.43	40.82

FNB's loan distribution to small businesses/farms in the AA is excellent. The percentage of bank loans to businesses/farms with revenues less than \$1 million is significantly higher than the percentage of businesses/farms with revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	72.94	3.92
% of Bank Loans in AA #	95.00	98.47
% of Bank Loans in AA \$	5.00	1.31

Note: Businesses/farms not reporting revenues was 23.14 percent.

Other Information

FNB was the lead bank in a \$12 million line of credit extended to Southern Development Bancorporation, Inc., Arkadelphia, Arkansas (SDB). FNB's share of this loan is \$1.25 million. SDB is the holding company for several banks classified as Community Development Financial Institutions. SDB was incorporated in 1986 for the purpose of engaging in activities to foster economic growth in economically challenged, rural communities. SDB has helped to finance and refinance debt related to community development with grants and low interest rate loans.

Geographic Distribution of Loans

A meaningful geographical analysis cannot be performed because the bank's AA does not contain any low- or moderate-income census tracts.

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

Record of Compliance with Anti-discrimination Laws

An analysis of public comments and consumer complaint information received during 1997 - 2002 indicates that the bank has a good history of complying with anti-discrimination laws. Based on the 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.