



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 04, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Crossett
Charter Number 15504**

**218 Main Street
Crossett, AR 71635**

**Comptroller of the Currency
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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	2Error! Bookmark not defined.
<u>DESCRIPTION OF Ashley County</u>	3Error! Bookmark not defined.
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	Error! Bookmark not defined.4

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- ◆ The average loan-to-deposit ratio at 65% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A substantial 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.

DESCRIPTION OF INSTITUTION

First National Bank of Crossett is located in Crossett, Arkansas, in Ashley County. The bank has three branches and five automated teller machines (ATM's). The bank has the main office in Crossett, a branch in North Crossett (3 miles north), a branch in Fountain Hill (20 miles north), and a branch in Hamburg (15 miles northeast of Crossett). The Hamburg branch was opened in October 1997 after the last CRA examination. There are ATM's at the main office and in all of the branches, and a stand-alone ATM at South Main Street and at the Georgia Pacific plant. As of September 30, 2001, the bank reported total assets of \$123 million with \$101million in deposits and \$71 million in loans (58% of total assets).

The bank's primary business focuses are forestry/timber and paper products. The loan portfolio composition as of September 30, 2001, is as follows:

Loan Category	\$ (000)	%
Commercial Loans	\$36,364	52%
Consumer Loans	\$17,825	25%
Real Estate Loans	\$16,378	23%
Total	\$70,567	100%

First National Bank of Crossett offers convenient banking hours and has 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 credit needs in its assessment area.

The bank is 100% owned by Ashley Bancstock Company, a one-bank holding company headquartered in Crossett, Arkansas. Ashley Bancstock Company and its subsidiary has total assets of \$123 million as of September 30, 2001. The bank's last CRA examination was performed as of June 30, 1997 and was rated **Satisfactory**.

DESCRIPTION OF ASHLEY COUNTY

First National Bank of Crossett's assessment area (AA) is Ashley County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies. Ashley County is located in the southeastern part of the state, and has a population of about 24,000 people according to the 2000 census data. Based on the Median Family Income (MFI) for 1990 of \$24,777, six of seven Block Numbering Area's (BNA's) in the assessment area are considered middle-income and one is considered upper-income. The principal cities are Crossett, with a population of 6,097, and Hamburg, the county seat with a population of 3,039. At the June 30, 1997 CRA examination, the assessment area was west Ashley County consisting of BNA's 9602, 9605, 9606, and 9607. With the opening of the Hamburg branch in October 1997, the assessment area was expanded to all of Ashley County including BNA's 9601.98, 9603, and 9604.

The economy of the area is considered to be in a slow growth mode. The unemployment rate for Ashley County as of November 2001 was 7.0%. The unemployment rate for Ashley County is substantially above the Arkansas average of 4.6% and the U.S. average of 5.6% as of November 2001.

The primary industries are forestry/timber and paper products. Georgia Pacific Corporation is the major employer in the area with a workforce of approximately 3,500 people.

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

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	6,822
Number of Households	8,886
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	86%
% Upper-Income Census Tracts/BNA	14%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$24,777
2001 HUD-Adjusted MFI	\$33,800
<i>Economic Indicators</i>	
Unemployment Rate	7.0%
1968 Median Housing Value	\$37,624
% of Households Below Poverty Level	21%

A community contact with the current mayor of Crossett, AR, was conducted in conjunction with this CRA examination. This contact revealed that there are no unmet credit needs in the area. The mayor feels that all of the banks with branches in the city are willing to make loans to

credit-worthy borrowers.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National Bank of Crossett's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's primary and similarly situated competitors are the six banks headquartered in Ashley County. These banks are the First National Bank of Crossett, the First State Bank of Crossett, the Farmers Bank of Hamburg, Delta Trust and Bank of Parkdale, Peoples Bank of Portland, and the Portland Bank of Portland. The Crossett Paper Mills Employee Credit Union at the Georgia Pacific plant provides strong competition for consumer and real estate loans.

The following table shows total assets as of September 30, 2001 and the average loan-to-deposit ratio from December 31, 1997 through September 30, 2001 (16 quarters) for these banks. The Crossett Paper Mills Employees Credit Union ratio is for September 30, 2001 only.

Institution	Assets (as of 9/30/2001)	Average LTD Ratio
First National Bank - Crossett	\$123 million	65%
First State Bank - Crossett	\$35 million	71%
Farmers Bank - Hamburg	\$49 million	68%
Delta Trust & Bank, Parkdale	\$117 million	73%
Peoples' Bank - Portland	\$ 8 million	49%
Portland Bank - Portland	\$56 million	80%
Crossett Paper Mills Employee Credit Union - Crossett	\$99 million	89%

First National Bank of Crossett has the second lowest average loan-to-deposit ratio of the six banks located in Ashley County but is also the largest bank. Peoples' Bank, with the lowest ratio, is the smallest bank and has only one office. All of the other banks have two or more offices, with Delta Trust and Bank having an office in Little Rock, AR.

Lending in Assessment Area

A substantial majority of First National Bank of Crossett's loans is within the bank's assessment area. A sample of 30 consumer loans, 30 residential real estate loans, and 30 commercial loans made during 2001 was taken to determine lending within the assessment area. Lending within the assessment area is detailed in the following table.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	28	93%	\$ 145	83%	2	7%	\$ 30	17%
Residential	26	87%	\$1,044	78%	4	13%	\$302	22%
Commercial	26	87%	\$1,371	89%	4	13%	\$175	11%
Total Reviewed	80	89%	\$2,627	84%	10	11%	\$507	16%

The bank engaged a local CPA firm to review compliance with CRA and conduct a self-assessment. The self-assessment for the period from January 1, 2000 to September 30, 2001, disclosed that 88% of the loans by number, and 96% by dollar volume, were made within the assessment area. The sample for the self-assessment was 10% each of all residential, business and consumer loans.

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. The same sample of 30 consumer loans, 30 residential real estate loans, and 30 commercial loans made during 2001 to determine lending within the assessment area, was also used to determine lending within the various income levels.

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	20%		16%		17%		47%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	4%	2%	20%	13%	24%	17%	52%	68%

Based on the sample, most of the residential real estate loans were made to upper-income borrowers. There were few residential real estate loans made to low-income borrowers. However, the number of residential real estate loans made to moderate-income borrowers was slightly above the population of moderate-income borrowers within the assessment area.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23%		14%		17%		47%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	18%	30%	32%	33%	18%	10%	32%	26%

Based on the sample, the bank is doing an excellent job of making consumer loans to low-and moderate-income borrowers. The number and dollar volume of consumer loans made to low-income borrowers is comparable to the amount of low-income population within the assessment area. In addition, the amount and dollar volume of consumer loans made to moderate-income borrowers was significantly above the moderate-income population within the assessment area.

The sample of 30 business loans made during 2001 was reviewed to determine lending to businesses. Based on the sample, the bank is doing a satisfactory job of making loans to small businesses and small farms. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	90%	10%
% of Bank Loans in AA #	64%	36%
% of Bank Loans in AA \$	39%	61%

Geographic Distribution of Loans

This Office did not perform an analysis of the geographic distribution of the bank's lending during this examination. The analysis would not be meaningful since all the BNA's in the assessment area are designated as middle-income or upper-income.

Responses to Complaints

First National Bank of Crossett has not received a formal CRA complaint 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 fair lending examination was performed in September 2000.