



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 7, 2002

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
F. Christian Dunn, Assistant Deputy Comptroller
10201 West Markham, Suite 105
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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- ◆ The average loan-to-deposit ratio at 76% is 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.

DESCRIPTION OF INSTITUTION

First National Bank of Berryville is located in Berryville, Arkansas in Carroll County. The bank has four branches and four automated teller machines (ATM's). The bank has the main office and a branch on Highway 62 West in Berryville, and a branch each in Eureka Springs, Green Forest, and Holiday Island (a retirement community). There are ATM's at the Eureka Springs, Green Forest and Holiday Island branches and a stand-alone ATM at the Williams Shopping Center in Berryville. As of September 30, 2001, the bank reported total assets of \$124 million with \$102 million in deposits and \$85 million in loans (69% of total assets).

The bank's primary business focus is agricultural lending (poultry), residential real estate, and tourism (primarily in Eureka Springs). The loan portfolio composition as of September 30, 2001, is as follows:

Loan Category	\$ (000)	%
Commercial Loans	\$28,612	34%
Agriculture Loans	\$17,437	20%
Residential Real Estate Loans	\$30,326	36%
Consumer Loans	\$8,777	10%
Total	\$85,162	100%

First National Bank of Berryville offers convenient banking hours and has a variety of loan and deposit products to meet the service needs in 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 September 30, 2001, including investments in a banking subsidiary of \$18 million. The bank's last CRA examination was performed as of March 22, 1996 and was rated **Outstanding**.

DESCRIPTION OF CARROLL COUNTY

First National Bank of Berryville's assessment area (AA) is Carroll County. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies. Carroll County is located in the northwestern part of the state, and has a population of about 25,000 people according to the 2000 census data. There are three principal cities in Carroll County: Berryville (located in the middle of the county with a population of 4,433), Eureka Springs (located 12 miles west of Berryville with a population of 2,278) and Green Forest (located eight miles east of Berryville with a population of 3,042). There are five Block Numbering Areas (BNAs) in Carroll County. Based on the Medium Family Income (MFI) for 1990 of \$22,208, all BNAs in the assessment area are considered middle-income.

The economy of the area is considered to be in a slow growth mode. The unemployment rate for Carroll County as of November 2001 was 2.9%. The unemployment rate for Carroll County is substantially below the Arkansas average of 4.3% and the U.S. average of 5.6% as of November 2001.

The primary industries 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 following table shows the demographic and economic characteristic of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,498
Number of Households	7,597
<i>Geographies</i>	
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>	
1990 MFI for AA	\$22,208
2001 HUD-Adjusted MFI	\$33,800
<i>Economic Indicators</i>	
Unemployment Rate	2.9%
1970 Median Housing Value	\$51,928
% of Households Below Poverty Level	16%

A community contact with the current mayor of Berryville 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 Berryville's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's primary competitors are the two banks headquartered in Carroll County. These banks are the Bank of Eureka Springs, Eureka Springs, AR and the First National Bank of Green Forest, Green Forest, AR. The three banks are somewhat similarly situated, but there are some differences. First National Bank of Berryville has the main office and a branch on Highway 62 West in Berryville, and a branch each in Eureka Springs, Green Forest, and Holiday Island. The Bank of Eureka Springs has the main office and a branch in Eureka Springs, and in Holiday Island. The First National Bank of Green Forest has the main office in Green Forest, a branch in Berryville, and two branches in Harrison, (Boone County) AR located 33 miles east of Berryville. Most of the growth at the First National Bank of Green Forest in recent years has come from the Harrison area. There are two other banks with offices in Berryville, Arvest Bank and First Community Bank, but they are not similarly situated with the three county banks. Arvest Bank is a multi-state bank and First Community Bank is a relatively new bank that is headquartered in Harrison. The Arvest branch

is, however, considered a significant competitive force.

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 three banks.

Institution	Assets (as of 9/30/01)	Average LTD Ratio
FNB - Berryville	\$124 million	76%
Bank of Eureka Springs	\$78 million	71%
FNB - Green Forest	\$221 million	77%

Lending in Assessment Area

A majority of First National Bank of Berryville's loans are within the bank's assessment area. A sample of 30 consumer loans, a sample of 30 residential real estate loans, and a sample of 30 agriculture and 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	25	83%	\$134	80%	5	17%	\$35	20%
Residential	23	77%	\$1,160	77%	7	23%	\$348	23%
Agri & Com'l	23	77%	\$1,508	83%	7	23%	\$303	17%
Total Reviewed	71	79%	\$2,802	80%	19	21%	\$686	20%

The bank conducts an annual CRA self-assessment. The self-assessment for the period from March 31, 2000 to April 1, 2001, disclosed that 85% of the loans, by dollar volume, were made within the assessment area.

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 agriculture and 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	16%		18%		23%		43%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	4%	3%	30%	22%	3%	15%	52%	61%

The bank does a good job of lending to moderate-income individuals. The number and dollar volume of residential real estate loans made to moderate-income borrowers were above the population of moderate-income borrowers within the assessment area. (There were few residential real estate loans made to low-income borrowers.)

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	19%		17%		17%		47%	
LOANS BY YEAR	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2001	20%	19%	56%	54%	16%	19%	8%	7%

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 and farm loans made during 2001 was reviewed to determine lending to businesses and small farms. Five were farm loans with the remaining 25 being business loans. All of the farm loans and 23 of the 25 business loans were to entities with revenues under \$1 million. 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	96%	4%
% of Bank Loans in AA #	91%	9%
% of Bank Loans in AA \$	90%	10%

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.

Responses to Complaints

First National Bank of Berryville 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 comprehensive fair lending examination was performed in December 1999.