

PUBLIC DISCLOSURE

February 20, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Farmers Bank and Trust Company
RSSD #33147**

**400 West Main Street
Blytheville, Arkansas 72315**

Federal Reserve Bank of St. Louis

P.O. Box 442

St. Louis, Missouri 63166-0442

NOTE:

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 Reserve 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 **Farmers Bank and Trust Company** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of February 20, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Farmers Bank and Trust Company meets the standards for a satisfactory CRA performance rating. The bank extends a substantial majority of loans within its assessment area, and in doing so it lends to borrowers with differing income levels. In addition, its loans are reasonably dispersed throughout the assessment area. The bank's loan to deposit ratio is reasonable when examined in the context of its operating environment.

The following table indicates the performance level of Farmers Bank and Trust Company with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | FARMERS BANK & TRUST COMPANY PERFORMANCE LEVELS | | |
|--|--|--|--|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Standards | Does not meet Standards for Satisfactory Performance |
| Loan to Deposit Ratio | | X | |
| Lending in Assessment Area | X | | |
| Lending to Borrowers of Different Incomes and to Businesses of Different Sizes | | X | |
| Geographic Distribution of Loans | | X | |
| Response to Complaints | No complaints were received since the prior examination. | | |

DESCRIPTION OF INSTITUTION

Farmers Bank and Trust Company is a \$120 million commercial bank located in Blytheville, Arkansas. It has four business locations including its main office. Primary credit products include unsecured consumer loans, loans secured by 1-4 family residential properties and farm loans.

The bank is owned by Farmers Bancorp, Inc., a one-bank holding company. Blytheville, Arkansas is a community with a population of 23,002, in Mississippi County, Arkansas. Mississippi County has a population of 57,525. Blytheville is located approximately 69 miles north of Memphis, Tennessee off Interstate 55 and 215 miles south of St. Louis, Missouri off Interstate 55.

Competition in the area includes one other commercial bank, a branch of a nearby savings and loan and one credit union. The bank considers its major competitor to be the other commercial bank in Blytheville.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The Bureau of Census has outlined the City of Blytheville to include block numbering areas (BNAs) 101, 102, 103, 105 and 106. Bank management has also included BNAs 104 and 107 in its assessment area. The income level of the BNAs within the bank's assessment area are as follows:

- o 101 - moderate
- o 102 - middle
- o 103 - moderate
- o 104 - middle
- o 105 - middle
- o 106 - upper
- o 107 - middle

Major employers within the assessment area range from automotive- and steel-related companies to those producing computer-related products. The two major employers in the area include Nucor-Yamato Steel Company and Magnetek Manufacturing. Nucor is a producer of steel beams and structural shapes. This company has approximately 515 employees. Bank management indicated that this company has, within the past two years, built another plant, bringing its total employment figure to around 700 - 800. Magnetek Manufacturing employs approximately 450 people and is in the business of producing fluorescent and discharge ballasts.

The presence of Nucor Steel has made a substantial impact upon the community. Employees have the capability of earning two to three times the normal wage rate for the area.

The unemployment rate in Mississippi County is approximately 9.6%. This compares unfavorably with a state unemployment rate of 6.7%. Major industries within the county include manufacturing and the government, employing 7,852 and 6,631, respectively. As mentioned previously, Nucor Steel has made a tremendous impact upon the bank's assessment area. The high wages paid employees at this company are much higher than those reflected in current demographic data.

There was formerly a military base in the area within the 105 BNA area. The closing of this base has had a limited, negative impact upon the community.

The median family income for Mississippi County at the 1990 Census was \$21,467. The state median income for the same time period was \$25,395 and the non-metro state income was \$22,420. With respect to median family income for Mississippi County, 21.4% of the families are low income, 17.3% moderate income, 21.3% middle income and 40% upper income.

As for housing in the area, there are 22,323 total housing units within the county. Of these units, 49.9% are owner-occupied, 41.9% are rental and 10.9% are vacation units. Also, most of the units (or 84.6%) are 1-4 family units. Sixty-one percent of the 11,101 owner-occupied units are valued at \$60,000 or less.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is adequate. The past five-quarter average (from 12/31/94 to 12/31/95) is 50.27%. This compares favorably to the competition's past five-quarter ratio of 42.70%.

Although the bank's ratio may seem slightly low, the fact that Mississippi County's unemployment rate of 9.6% is well above the state average of 6.7% may have a negative impact on a bank's lending activities.

Lending in Assessment Area

The bank's efforts to lend within its assessment area exceeds the standards for satisfactory performance. The percentage of loans within the assessment area (BNA #s 101 - 107) ranged from 82% to 89%. To be rated satisfactory requires a majority of loans to be within the assessment area.

In this case, the bank extended a substantial majority of loans within its assessment area, thus exceeding the satisfactory standard.

Number and Percent of Loans by Location

| Type | Sample Size | Inside | Percent | Outside | Percent |
|------------------------|--------------------|---------------|----------------|----------------|----------------|
| Unsecured Consumer | 90 | 74 | 82% | 16 | 18% |
| 1-4 Family Residential | 53 | 47 | 89% | 6 | 11% |

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank lends to borrowers of different incomes in a satisfactory manner, reflecting reasonable penetration among different income levels. Loans to customers in the low- and moderate income levels is roughly 18% (17 of 90) for unsecured and only 2% for loans secured by 1-4 family residential mortgages. However, of some significance is the fact that the bank's assessment area does not contain any low- income BNAs and only two of the seven assessment area BNAs are moderate income areas. This, coupled with the fact that the presence of Nucor has substantially increased the incomes of some residents, partially explains the reason the distribution of loans among different income levels appears skewed.

Loans by Percent of NonMetro State Median Income

| Type | 0<50% | 50%<80% | 80%<120% | >120% |
|------------------------|-----------------|-------------------|--------------------|-----------------|
| Unsecured Loans | 4 | 13 | 19 | 54 |
| 1-4 Family Residential | 0 | 1 | 6 | 46 |

The bank's loan files did not always document the gross annual income of the farm. Therefore, the adequacy of lending among different size farms was determined by using the amount of the loan outstanding or the total amount of the borrower's line of credit as a proxy for revenue size.

Loans by Origination Amount/Credit Limit (in '000s)

| Type | 0<\$50 | \$50<\$100 | \$100<\$500 | >\$500 |
|-------------|------------------|----------------------|-----------------------|------------------|
| Farm Loans | 9 | 6 | 11 | 3 |

As the chart above shows, farm loans of various amounts have been originated by the bank, from which it can be concluded that the distribution of loans to farms of different sizes is likely to be reasonable.

Geographic Distribution of Loans

The bank's geographic distribution of loans is satisfactory. Bank management was very familiar with its borrowers and was able to use a borrower's address to approximate the location of the loan within its respective BNA.

The following is a summary of this distribution:

Unsecured Consumer Loans

| BNA # | # Loans | Percent | Loans in \$000's | Percent |
|--------------|----------------|----------------|-------------------------|----------------|
| 101 | 9 | 12% | \$20 | 10% |
| 102 | 28 | 38% | \$62 | 30% |
| 103 | 2 | 3% | \$2 | 1% |
| 104 | 2 | 3% | \$1 | 1% |
| 105 | 0 | 0% | \$0 | 0% |
| 106 | 27 | 36% | \$115 | 56% |
| 107 | 6 | 8% | \$4 | 2% |

Secured By 1-4 Family Residential Mortgage Loans

| BNA # | # Loans | Percent | Loans in \$000's | Percent |
|--------------|----------------|----------------|-------------------------|----------------|
| 101 | 1 | 2% | \$36 | 2% |
| 102 | 13 | 28% | \$372 | 23% |
| 103 | 7 | 15% | \$97 | 6% |
| 104 | 4 | 9% | \$178 | 11% |
| 105 | 0 | 0% | \$0 | 0% |
| 106 | 17 | 36% | \$755 | 47% |
| 107 | 5 | 10% | \$166 | 10% |

Based upon the above tables, there is reasonable distribution throughout the bank's assessment area.

Review of Complaints

There were no complaints related to the Community Reinvestment Act available to review.

Record of Compliance with Anti-discrimination Laws

The examination included a review of the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of a substantive nature were identified during this review.