



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 19, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pine Bluff National Bank
Charter Number 15482

912 South Poplar Street
Pine Bluff, AR 71611-0000

Office of the Comptroller of the Currency

ADC-LITTLE ROCK Field Office
Victory Building 1401 West Capitol Avenue
Little Rock, AR. 72201

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The loan-to-deposit ratio is reasonable as compared to peer average.

A majority of the bank's loans are within its assessment areas (AAs).

The bank's level of lending to borrowers of different income levels is reasonable.

The bank's geographic dispersion and penetration of loans by income levels are excellent.

The bank has demonstrated reasonable responsiveness to meeting the needs of its community through community development (CD) lending, investments, and providing CD services.

Scope of Examination

An onsite examination of the bank was performed to evaluate its performance under the Community Reinvestment Act (CRA). To determine its performance, the bank elected to be evaluated using Intermediate Small Bank CRA criteria. Loan information used for this evaluation included Home Mortgage Disclosure Act (HMDA) data from 2008, 2009, 2010, and 2011, and new business, farm, and consumer loans from 2010 and 2011. A data integrity examination of the bank's HMDA report was performed during February 2012, with no deficiencies noted. This performance evaluation starts from the date of the bank's previous CRA examination, and covers a five year period from November 3, 2007, to March 29, 2012. The bank was rated "Satisfactory" at the previous examination.

Description of Institution

Pine Bluff National Bank (PBNB) was chartered in 1965 and is headquartered in Pine Bluff, Arkansas. In addition to the main office located in Pine Bluff, PBNB operates seven offices in Pine Bluff, one office in the City of White Hall, and one office in the City of Redfield. All of these offices are located within Jefferson County. The bank has one additional office located in Star City, Arkansas, which is located in Lincoln County (contiguous to Jefferson County). While all offices are full service, most lending activity is conducted through the main office located on South Poplar Avenue in Pine Bluff, and the Star City office in Lincoln County. The bank offers a full range of loan and deposit products and services, and operates 9 automated teller machine (ATM) locations. In recent years, the bank has added trust services, Internet banking, insurance services, and title services.

PBNB is wholly-owned by Jefferson Bancshares, Inc. There are no financial impediments that would affect the bank's ability of meeting the credit needs of its AA. As of March 2012, the bank had total assets of \$394 million and total loans of \$256 million. Since the prior CRA evaluation that was performed as of September 2007, loan growth has been steady, increasing 15.2% over the period. The bank's primary lending focus is residential real estate, small business, consumer, and

agriculture loans. Loan products include home purchase, home improvement, automobile, agricultural, commercial, and small business. As of March 2012, the loan portfolio composition is as follows:

Loan Portfolio Composition		
Loan Type	Amount (000's)	Percent
Construction and Development	\$6,295	6
Farmland	43,459	15
1-4 Family Residential	27,939	34
Multifamily Residential	13,578	1
Commercial Real Estate	64,587	14
Total Real Estate Loans	155,858	70
Agriculture	60,293	15
Commercial and Industrial	21,340	9
Consumer and Other Loans	13,035	6
Other Loans	1,508	0
Total Gross Loans	256,000	100

Description of Assessment Area

The bank has selected all of Jefferson and Lincoln Counties as its AA for purposes of determining its performance under the CRA. Demographic data from the 2000 census for both counties was utilized and compared to the bank's loan files to determine its overall compliance with the CRA.

Jefferson and Lincoln Counties are included in the Arkansas Metropolitan Statistical Area (MSA) #38220. The bank's AA portion of the MSA is made up of 31 census tracts that include moderate, middle, and upper income tracts. There are no low-income census tracts located within this MSA.

The economy within the AA is stagnant, with unemployment levels exceeding state and national averages for both counties (see chart below). Pine Bluff is the county seat for Jefferson County, with a reported 2010 population for the city of 49,083, and 77,435 for the county. Major employers include Tyson Foods, Jefferson Regional Medical Center, Pine Bluff Arsenal, Evergreen Packaging, and the Department of Corrections. Star City is the county seat for Lincoln County, with a reported 2000 population for the city of 2,274, and 14,134 for the county. Major employers include the Arkansas Department of Corrections and School Apparel, Inc. While both counties have several industries that support the local economy, the agricultural industry has the most influence over its overall health.

Assessment Area Demographic Characteristics

Demographic and Economic Characteristics Pine Bluff MSA	
Population	
Population as of 2010	98,770
Number of Families	24,764
Number of Households	34,812
Geographies	
Number of Census Tracts/BNA	31
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	35
% Middle-Income Census Tracts/BNA	45
% Upper-Income Census Tracts/BNA	19
Median Family Income (MFI)	
2000 MFI for AA	\$37,881
2011 HUD-Adjusted MFI	\$47,800
Economic Indicators	
Unemployment Rate December 2011	9.5
Median Housing Value as of 2000	\$51,811
% of Households Below Poverty Level	19

Source: 2000 and 2010 U.S. Census data, Bureau of Labor Statistics

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

PBNB's loan-to-deposit ratio at 78% is reasonable given its size, financial condition, and AA credit needs. The chart below is a comparison of the bank's average lending volume for the past five years. For purposes of this analysis, three banks conducting business in the bank's AA were used to determine the banks performance for this criteria. These banks include: Simmons First National (part of multi-bank holding company) and The Bank of Star City (local bank).

Loan-to-Deposit Ratio						
Institution	2007	2008	2009	2010	2011	Average
Simmons	88	84	75	70	60	75
Bank of Star City	79	81	83	75	74	78
PBNB	75	84	83	74	74	78
Average	81	83	80	73	69	77

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

A majority of PBNB loans were made in the bank's AA. The table below reflects real estate loans made since the prior evaluation and new consumer loans made during 2010 and 2011. As indicated, 87% of the number of loans made was to customers located in the bank's AA, and 79% by dollar volume.

Table 1 - Lending in Jefferson and Lincoln Counties										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	122	81.88	27	18.12	149	7,658	73.85	2,711	26.15	10,369
Home Improvement	51	91.07	5	8.93	56	1,673	85.79	277	14.21	1,950
Refinancing	87	82.86	18	17.14	105	8,615	83.09	2,030	16.48	10,645
Consumer	599	88.60	77	11.40	676	4,482	85.20	778	14.80	5,260
Totals	859	87.12	127	12.88	986	22,428	79.46	5,796	20.54	28,224

Source: New loans 2010 and 2011; HMDA data

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

The bank’s level of lending to borrowers of different income levels is reasonable. The following table reflects the distribution of home purchase, home improvement, and refinance since the prior evaluation. As indicated in the demographic tables above, 19% of households located in the bank’s AA are below the national poverty level. The bank’s ability to qualify low-and moderate-income borrowers for home loans is somewhat limited based on loan down payment and term requirements. As indicated in table 2B, the volume of consumer loans to low and moderate income borrowers improved significantly, with the loans to moderate income households exceeding AA characteristics. This is somewhat attributed to lower loan amounts and down payment requirements for these loan products.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Jefferson and Lincoln Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	23.62	6.56	16.20	15.57	20.21	14.75	39.97	63.11
Improvement	23.62	11.76	16.20	11.76	20.21	17.65	39.97	58.82
Refinancing	23.62	3.45	16.20	14.94	20.21	16.09	39.97	65.52

Source: Data reported under HMDA; US Census Data

Table 2A - Borrower Distribution of Consumer Loans in Jefferson and Lincoln Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of #of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	25.58	18.18	15.74	39.39	16.34	27.27	42.35	15.16

Source: US Census data; New loans 2010 and 2011

The distribution of loans to businesses of different revenues is reasonable. As reflected in the following tables, the number of business loans made in 2010 and 2011 compare favorably to the overall business revenues in the AA indicating a high number of loans made to small businesses. The distribution of loans to farms of different revenues is also reasonable. While the number of loans made to farms with revenues less than \$1 million is satisfactory, as would be expected, loans to farms with revenues over \$1 million is high due to the high borrowing needs of the farming operations located in its bank's AA.

Table 2B - Borrower Distribution of Loans to Businesses in Jefferson and Lincoln Counties				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	71.42	2.23	26.35	100%
% of Bank Loans in AA by #	86.36	13.64		100%
% of Bank Loans in AA by \$	34.45	65.55		100%

Table 2C - Borrower Distribution of Loans to Farms in Jefferson and Lincoln Counties				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	97.90	0.35	1.75	100%
% of Bank Loans in AA by #	76.67	23.33		100%
% of Bank Loans in AA by \$	40.19	59.81		100%

Source: Dunn & Bradstreet data; New loans 2010 and 2011

Table 2D - Borrower Distribution of Loans to Businesses by Loan Size in Jefferson and Lincoln Counties				
Loan Size (000's)	Number of Loans	Percent of Number	\$ Volume of Loans(000's)	% of Dollar Volume
\$0 - \$100,000	21	70	716	14
\$100,001 - \$250,000	3	10	466	9
\$250,001 - \$500,000	3	10	912	17
\$500,001 - \$1,000,000	2	7	1,149	22
Over \$1,000,000	1	3	2,000	38

Source: New loans sampled 2010 and 2011

Table 2E - Borrower Distribution of Loans to Farms by Loan Size in Jefferson and Lincoln Counties				
Loan Size (000's)	Number of Loans	Percent of Number	\$ Volume of Loans(000's)	% of Dollar Volume
\$0 - \$100,000	3	10	147	1
\$100,001 - \$250,000	8	27	1,400	7
\$250,001 - \$500,000	4	13	1,600	8
Over \$500,000	15	50	17,800	84

Source: New loans 2010 and 2011

Geographic Distribution of Loans

The bank’s geographic dispersion and penetration of loans by income levels are excellent. As indicated in the following tables, the bank’s lending volumes for home improvement, consumer, and business loans are in line with the income levels within the bank’s assessment area. In addition, the bank has a significant volume of loans to famers located in the rural areas of Jefferson and Lincoln Counties. These areas are primarily comprised of moderate income census tracts.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Jefferson and Lincoln Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	31.14	17.21	39.82	58.20	29.04	24.59
Improvement	0.00	0.00	31.14	35.29	39.82	45.10	29.04	19.61
Refinancing	0.00	0.00	31.14	13.79	39.82	49.43	29.04	36.78

Source: Data reported under HMDA; US Census data

Table 3A - Geographic Distribution of Consumer Loans in Jefferson and Lincoln Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	0.00	0.00	36.42	30.30	39.03	57.57	24.55	12.13

Source: Dunn & Bradstreet data; New loans 2010 and 2011

Table 3B - Geographic Distribution of Loans to Businesses in Jefferson and Lincoln Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	0.00	0.00	31.19	30.00	40.98	40.00	27.83	20.00

Source: Dunn & Bradstreet data; New loans 2010 and 2011

Responses to Complaints

The bank has not received any formal CRA complaints since the prior examination. Routine customer requests or complaints are answered in a timely manner with no outstanding complaints as of the date of this examination.

COMMUNITY DEVELOPMENT TEST

PBNB’s performance under the community development test over the five year evaluation period is reasonable. The bank provides a satisfactory level of community development lending, CRA qualified investments, and community development services in relation to the overall needs and opportunities within its assessment areas.

The definition of community development includes the following: affordable housing for low-and-moderate-income individuals; community services targeted toward low-and moderate-income individuals; activities that promote economic development by financing small businesses or farms; and activities that revitalize or stabilize low- and moderate-income geographies. As of September 1, 2005, the following activities were added to the definition: activities that revitalize or stabilize low-or-moderate-income areas; designated disaster areas; and distressed or underserved non-metropolitan middle-income geographies that have been designated by the Federal Reserve, the FDIC, and the OCC.

Number and Amount of Community Development Loans

- PBNB has a block of credits as Community Development Loans for CRA purposes as classified such by the OCC. The multi-family loans that PBNB has classified under this category include projects that have majority low-to moderate-income tenants, below market rents, and/or special government housing support including Section 8. Since the prior evaluation, the bank has made 11 loans totaling \$3.9 million under this program.
- The bank administers a loan program sponsored by the University of Arkansas at Pine Bluff and the City of Pine Bluff. The UAPB-City of Pine Bluff Loan Program aids 16 small businesses located in the area. Loans are targeted to small businesses with loans having a 5 year term and ranging from \$7 thousand to \$10 thousand. Combined 2011 sales from the small businesses were \$490 thousand with about \$25 thousand paid back in sales taxes and

\$60 thousand paid to local contractors.

Number and Amount of Qualified Investments

- The bank purchased 30 investments since the prior evaluation totaling approximately \$4.6 million in municipal securities, mostly school district, sales, and use, and water and sewer bonds. These investments were located in counties identified as distressed or underserved middle-income nonmetropolitan geographies.

Extent to Which the Bank Provides Community Development Services

- Bank officers and employees routinely provide technical assistance and financial services by serving on boards, committees, or as members of organizations that provide community services to low and moderate income individuals. The bank and its employees contribute annually to the South East Arkansas United Way that provides financial support to 26 supporting agencies located in the area. Agencies include the Arkansas Food Bank, CASA Women Shelter, Literacy Council of Pine Bluff, and the local Salvation Army. The bank's contribution averaged approximately \$25 thousand per year over the evaluation period.

Responsiveness to Community Development Needs

- The Federal Home Loan Bank EDP Plus grants program is a Small Business Grant Program. It is designed to promote and enhance small business development, to foster relationships among member institutions of the FHLB, small businesses, and small business development organizations. It is designed to create and retain jobs and to assist the member institutions in providing capital to underserved areas or to underserved populations. Each member institution may apply for a maximum of \$100,000 per year, and up to \$25,000 may be granted to any one small business. To qualify, each small business owner must contribute an amount equal to at least 15% of the member institution's EDP advance. PBNB used this program over the past 4 years to provide customers with the assistance needed to create or retain jobs in its area. Since the prior evaluation, the bank made 6 loans totaling \$727 thousand under this program.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs

The bank performs a comprehensive fair lending audit that includes review of loan policy, comparative file analysis, checklist from Comptroller's Handbook for Fair Lending, and assessment of the level of withdrawn and denied loan applications.