

PUBLIC DISCLOSURE

July 8, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of Brinkley
11245**

**130 S. New Orleans
Brinkley, Arkansas 72021-0727**

**Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
5100 Poplar Avenue, Suite 1900
Memphis, Tennessee 38137**

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 financial supervisory agency concerning the safety and soundness of this financial institution.

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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 **Bank of Brinkley** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 8, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area. The following supports the bank's rating:

- A substantial majority of bank loans were originated within the defined assessment area.
- An analysis of loan originations revealed an acceptable record of residential real estate lending to low- and moderate-income borrowers. All of the bank's commercial/agriculture loans were made to small businesses and farms, which are defined as those businesses or farms with gross annual revenues of \$1 million or less.
- Overall, the geographic distribution of the bank's residential real estate and commercial/agriculture lending was reasonable, based upon the demographics of the assessment area geographies and the competition within the assessment area.
- The bank's lending levels, represented by a 40 percent average loan-to-deposit ratio, reflected an acceptable responsiveness to community credit needs.

DESCRIPTION OF INSTITUTION

The Bank of Brinkley is a \$99 million community bank headquartered in Brinkley, Arkansas. The institution is located approximately 75 miles west of Memphis, Tennessee and 50 miles east of Little Rock, Arkansas. The bank does not operate any branches but does operate one off-site Automated Teller Machine (ATM).

The bank is a subsidiary of Brinkley Bancshares, Inc., a one-bank holding company headquartered in Brinkley, Arkansas.

The bank's major asset categories as of March 31, 2002, were net loans at \$33 million (33%) and securities at \$57 million (58%). The other nine percent of assets were comprised primarily of cash and premises.

The loan portfolio consisted of the following loan types, as of March 31, 2002.

LOAN TYPE	AMOUNT	PERCENT
Construction and Land Development	4,396,000	13
Farmland	2,337,000	7
1-4 Family Residential	3,813,000	11
Multifamily (5 or more) Residential	0	0
Commercial (nonfarm, nonresidential)	3,686,000	11
Total Real Estate Loans	\$14,232,000	42
Agricultural Production	5,009,000	15
Commercial and Industrial	5,955,000	18
Consumer	4,696,000	14
Other	3,611,000	11
Total Loans	\$33,503,000	100
(Less Allowance for loan and lease losses)	317,000	N/A
(Less Unearned income)	6,000	N/A
Net Loans	\$33,180,000	N/A

Source: Consolidated Report of Condition

The bank offers a variety of loan products, including mortgage, business, agricultural and general-purpose consumer loans. As a result, the bank's loan portfolio is relatively diversified with 1-4 family residential loans constituting 11 percent, consumer loans 14 percent, commercial related loans including construction and land development 42 percent, and agricultural production and farmland related loans 22 percent. Commercial and agricultural loans were combined to obtain the business loan sample for this evaluation.

Other than competition, there are no known circumstances or legal impediments, which would hinder the bank’s performance under the Community Reinvestment Act.

DESCRIPTION OF *Monroe County and A Portion of Woodruff, St. Francis, Lee, and Prairie Counties, Arkansas*

The bank has defined its assessment area as all of the Block Numbering Area’s (BNA’s) in Monroe County, BNA 9901 in Woodruff County, BNA 9603 in St. Francis County, BNA 9702 in Lee County, and BNA 9603 in Prairie County. This assessment area contains a majority of the bank’s lending. Five of the BNA’s are classified as middle-income geographies and two are classified as moderate income. The bank is located in BNA 9501 of Monroe County, a moderate-income geography.

The assessment area is generally rural in nature with an economy dependent upon agriculture, services, and city and county government. Employment is limited to small industries, merchants, and shops generally employing 100 people or less. Major employers located in the bank’s assessment area include Brinkley Public Schools (175 employees) and a clothing manufacturing company (139 employees) according to Dun & Bradstreet. The unemployment rate for Monroe County in the fourth quarter of 2001 (latest figures available) was 6.7 percent, compared to 4.2 percent for the State of Arkansas.

Financial competition within the assessment area is relatively strong. First United Bank and BancorpSouth have offices in Brinkley. Farm Credit Services of Central Arkansas competes for agriculture related loans within the assessment area. A United States Department of Agriculture (USDA) Rural Development office is located in nearby Clarendon originating low- and moderate-income loans. In addition, John Deere and Case/International Credit offices originate farm equipment loans at lower interest rates than the area banks.

The following table details selected demographic and housing information regarding the assessment area.

Population	Households (HH)	Families	Housing Units: % Owner Occupied	Housing Units: % Renter Occupied	HH % Public Assistance	Families % Below Poverty
25,314	9,481	6,805	58	29	19	27

Source: 1990 U.S. Census

The 1990 Statewide Non-MSA Median Family Income (MFI) of \$22,208 was used for calculations concerning geographic distribution. The following table displays the income levels, percent of MFI used to determine ranges, and the income ranges.

INCOME LEVEL	PERCENTAGE OF MFI	1990 RANGE
Low	Less than 50%	Less than \$11,104
Moderate	50% to less than 80%	\$11,104 to less than \$17,766
Middle	80% to less than 120%	\$17,766 to less than \$26,650
Upper	120% and over	\$26,650 and over

Based on the above data, two geographies in the bank's assessment area are considered moderate-income and the remaining five geographies are considered middle-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance evaluation is based upon a review of the bank's residential real estate and commercial/agricultural loans (the bank's two largest loan categories) originated between July 1, 2001 and June 30, 2002. The residential real estate loan sample consisted of 30 loans totaling \$703,686 from a universe of 36 loans totaling \$813,518. Commercial and agricultural loans reviewed consisted of 35 loans totaling \$2,631,819 from a universe of 133 loans totaling \$10,044,933. A local community leader was interviewed during the evaluation to obtain current information concerning the assessment area.

Lending in Assessment Area

As illustrated in the following tables, the bank originates a substantial majority of its loans within the assessment area.

Specifically, 93 percent by number and 99 percent by dollar amount of the bank's residential real estate loans were originated in the assessment area.

RESIDENTIAL REAL ESTATE LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	28	93	693,686	99
Outside Assessment Area	2	7	10,000	1
TOTAL	30	100	\$703,686	100

Source: Bank Files

As depicted below, 86 percent by number and 94 percent by dollar amount of the bank's commercial/agriculture loans were originated in the assessment area.

COMMERCIAL/AGRICULTURE LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	30	86	2,474,861	94
Outside Assessment Area	5	14	156,958	6
TOTAL	35	100	\$2,631,819	100

Source: Bank Files

Based on the fact that an overall total of 89 percent by number and 95 percent by dollar amount of the bank's loans were inside the assessment area, the bank's lending is considered excellent.

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

Overall, the bank exhibits a good record of lending to borrowers of different incomes and to businesses of different sizes.

The 2001 HUD estimated Arkansas statewide Non-MSA Median Family Income of \$33,800 was used for the borrower distribution analysis. The following table provides information on how each income level is defined.

INCOME LEVEL	PERCENTAGE OF MFI	2001 INCOME RANGE
Low	Less than 50%	Less than \$16,900
Moderate	50% to less than 80%	\$16,900 to less than \$27,040
Middle	80% to less than 120%	\$27,040 to less than \$40,560
Upper	120% and over	\$40,560 and over

The following table reflects the lending distribution of the residential real estate loans reviewed. For comparative purposes, the table includes the percentage of families within each income level. The analysis only includes the loans that were originated within the assessment area.

RESIDENTIAL REAL ESTATE LOANS					
BORROWER INCOME LEVEL	PERCENT OF FAMILIES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Low	30	5	18	60,516	9
Moderate	19	3	11	56,582	8
Middle	20	7	25	106,388	15
Upper	31	13	46	470,200	68
TOTAL	100	28	100	\$693,686	100

Source: 1990 U.S. Census and Bank Files

As illustrated above, the bank's residential real estate lending to low- and moderate-income families is somewhat lower (29%), than the percentage of families (49%) within the assessment area. Even considering the limited lending to low-income borrowers, the bank's performance is considered adequate due to the nature of mortgage lending and the demographics of the assessment area. In addition, 1,845 (91%) of the 2,038 low-income families in the assessment area live below the poverty level which severely limits their ability to qualify for mortgage loans. New industry was identified as the most important need in the assessment area by a local community leader. In his opinion, the assessment area has adequate low-income housing.

The following table depicts the bank's commercial/agriculture lending within the assessment area to businesses and farms of different sizes. For comparative purposes, the table includes the percentage of businesses and farms within each gross revenue level according to Dun & Bradstreet data.

COMMERCIAL/AGRICULTURE LOANS					
GROSS REVENUES	PERCENT OF FARMS/ BUSINESSES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Less than \$500,000	87	26	87	1,580,861	64
\$500,00 to \$1,000,000	3	4	13	894,000	36
Over \$1,000,000	6	0	0	0	0
Revenues not reported	4	NA	NA	NA	NA
TOTAL	100	30	100	\$2,474,861	100

Source: Dun & Bradstreet and Bank Files

As the above data reveals, the bank’s lending to small businesses and farms (i.e. businesses and farms with gross annual revenues of \$1 million or less) is excellent. In fact, 100 percent of the bank’s commercial/agriculture loans by number and by dollar were made to small businesses or farms. This lending is very favorable to the economic demographics of the assessment area which indicate that 90 percent of local businesses and farms have revenues of \$1 million or less. In addition, based on information obtained recently from a community contact, small business financing is needed in the county, as small businesses are a vital component of the local economy. The Bank of Brinkley is helping to address this need.

Geographic Distribution of Loans

The bank has a reasonable geographic distribution of loans, considering the location of its banking office and the demographics of the assessment area.

The following table illustrates the distribution of the bank’s residential real estate lending. For comparison purposes, the distribution of the assessment area’s 6,374 owner-occupied housing units for each geography income level is also shown. As stated previously, two geographies in the assessment area are considered moderate-income and five geographies are considered middle-income. Again, this analysis only includes loans originated in the assessment area.

RESIDENTIAL REAL ESTATE LOANS					
BNA INCOME LEVEL	PERCENT TOTAL OWNER-OCCUPIED HOUSING UNITS	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Moderate	27	14	50	199,343	29
Middle	73	14	50	494,343	71
TOTAL	100	28	100	\$693,686	100

Source: 1990 U.S. Census and Bank Files

As illustrated above, the bank’s lending in the assessment area is excellent based on the demographics of the geographies. It was noted that the banking office is located in BNA 9501, a moderate-income geography. The bank’s lending is dispersed evenly throughout the assessment area.

The following table presents the geographic dispersion of the bank’s commercial loans located within the assessment area. The percentage of assessment area businesses located in each geography is provided for comparison.

COMMERCIAL/AGRICULTURE LOANS					
GEOGRAPHY INCOME LEVEL	PERCENT OF FARMS/ BUSINESSES	NUMBER	PERCENT	DOLLAR AMOUNT	PERCENT
Moderate	43	9	30	429,276	17
Middle	57	21	70	2,045,585	83
TOTAL	100	30	100	\$2,474,861	100

Source: Dun & Bradstreet and Bank Files

The geographic dispersion of the bank's commercial/agriculture loans is considered reasonable, although somewhat lower than assessment area demographics.

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is approximately 40 percent and indicates an acceptable responsiveness to area credit needs. This ratio is based on the 17 quarters since the last evaluation as of March 30, 1998. The bank's loan-to-deposit ratio as of March 31, 2002 indicated 39 percent.

The following circumstances contribute to the bank's relatively low loan-to-deposit ratio:

- The Town of Brinkley's demographics, which include a large percentage of families with incomes below the poverty level and a high percentage of families receiving public assistance.
- The stable but stagnant economy, with little commercial loan possibilities.
- Competition from banks, Farm Services Agency, USDA Rural Development office, John Deere Credit, and Case/International Credit.
- The fact that most of the loan demand in the area is for small dollar amounts that do not significantly increase the bank's loan volume.

There are no other banks in the assessment area that are similarly situated in terms of size, asset structure, branching network, and loan products; however, a nearby institution located within the county had an average loan-to-deposit ratio of 33 percent over the same 17-quarter time frame. Considering the above factors, the bank's overall level of lending is considered reasonable.

Response to CRA-Related Complaints

The bank did not receive any CRA-related complaints since the previous examination.

Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.