



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 09, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fidelity National Bank
Charter Number 15608

330 West Broadway
West Memphis, AR 72301-0000

Office of the Comptroller of the Currency

LITTLE ROCK (MEMPHIS)
10201 West Markham, Suite 105 Ozark National Life Bld.
Little Rock, AR 72205-2180

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.

CRA performance in the Crittenden County, Arkansas Assessment Area (AA) is rated Satisfactory.

CRA performance in the Lee-St. Francis County Arkansas Assessment Area (AA) is rated Satisfactory.

- The average loan-to-deposit ratio at 46% is reasonable given the bank's size, financial condition, and AA credit needs.
- A substantial majority of the number and dollar volume of loans originated by Fidelity National Bank (FNB) are in the bank's AA.
- The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

The bank was evaluated using Small Bank CRA criteria. The bank is located in the Memphis Tennessee/Mississippi/Arkansas Metropolitan Statistical Area (MSA). Loan information used for this evaluation included residential real estate mortgages originated in 2007 and 2008 and a sample of small business//farms loans originated from 2007 to 2008. This evaluation's ratings are based on data from Crittenden County due to the fact that 96% of HMDA loans reported in 2007-2008 were originated in Crittenden County. The bank originated very few small business loans outside of Crittenden County during the evaluation period.

DESCRIPTION OF INSTITUTION

Fidelity National Bank (FNB), West Memphis, is located in eastern Arkansas, approximately five miles west of Memphis, Tennessee. The bank's main banking office is located at 330 West Broadway, West Memphis, Arkansas. The bank also has four branches at the following locations:

350 West Service Road, West Memphis, Crittenden County, Arkansas
1200 State Highway 77, Marion, Crittenden County, Arkansas
384 Military Road, Marion, Crittenden County, Arkansas
211 Broadway, Hughes, Saint Francis County, Arkansas

FNB offers a full range of banking services and all branches, except the Hughes branch,

have automated teller machines (ATM). The bank's primary lending focus is in small business, home mortgage, and consumer loans. FNB has numerous direct and indirect competitors in the Memphis Metropolitan Statistical Area (MSA) and in St. Francis and Lee Counties. These include several large regional banks and their branches and community banks in Forrest City, Marianna, Marion, and Parkin, Arkansas. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area. FNB is 100% owned by Carlson Bancshares, Inc., West Memphis, Arkansas. As of December 31, 2008, Carlson Bancshares, Inc., had total assets of \$284 million. The bank's last Community Reinvestment Act (CRA) examination was performed as of May 27, 2003 and was rated **Satisfactory**.

As of December 31, 2008, the bank reported total assets of \$284 million and \$25 million in deposits. Gross loans totaled \$112 million or 39% of total assets and 45% of total deposits. The loan portfolio composition as of December 31, 2008 is as follows:

Loan Category	\$ (000)	%
Commercial Loans	\$10,430	9%
Commercial Real Estate and Development	\$53,660	48%
Residential RE	\$36,274	32%
Installment	\$9,837	9%
Agriculture Loans	\$1,839	2%
Total	\$112,040	100%

DESCRIPTION OF ASSESSMENT AREA

FNB's Assessment Area (AA) includes all sixteen census-tracts (CT) located in Crittenden County, one CT located in eastern Saint Francis County, and two CTs located in eastern Lee County. All census tracts are located in Arkansas and constitute one singular and contiguous geographic area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Crittenden County (population 50,866) is located directly across the Mississippi River and to the west of Memphis, Shelby County, Tennessee. Crittenden County is part of the Memphis, TN-MS-AR MSA #32820. The 2000 Median Family Income (MFI) for Crittenden County was \$46,771. This income figure is used to determine the income level of each of the individual CTs within Crittenden County. The income level of the sixteen CTs located in Crittenden County are as follows - six (38%) are low-income; five (31%) are moderate-income; four (25%) are middle-income; and one (6%) are upper-income. The Housing and Urban Development (HUD) estimated 2008 MFI for Crittenden County is \$53,200. The HUD MFI is updated annually and used to determine the income level of individual applicants within the MSA portion of the bank's AA. The income level of families located in Crittenden County is as follows – 33% are low-income; 20% are moderate-income; 19% are middle-income; and 28% are upper-income. Approximately 23% of the families in Crittenden County have incomes below poverty level. As of February 2009, the unemployment rate for Crittenden County was 9.0%, compared to 6.6% for the state of

Arkansas and 8.1% for the U.S. Major employers in Crittenden County include education, health care, retail, trucking, and gaming.

The three CTs (population 12,572) located in eastern St. Francis County and eastern Lee County adjoins Crittenden County on the southern part of its western border. Neither St. Francis nor Lee County is considered part of the Memphis MSA. The 2000 MFI for the three CTs located in St. Francis County and Lee County was \$34,263. This income figure is used to determine the income level of each of the individual CTs. Lee County has one moderate-income CT and one middle-income CT; and St. Francis County has one moderate-income CT. HUD estimated 2008 MFI for St. Francis County and Lee County is \$40,400. This income figure is used to determine the income level of individual applicants within the non-MSA portion of the bank’s AA. The income level of families within the CTs located in St. Francis County and Lee County is as follows – 36% are low-income; 18% are moderate-income, 18% are middle-income; and 29% are upper-income. Approximately 33% of the families in St. Francis County and Lee County have incomes below poverty level. As of February 2009, the unemployment rate for Lee County was 8.1% and for St. Francis County 9.5%, compared to 6.6% for the state of Arkansas and 8.1% for the U.S. The major employer in Lee County consists of education. Major employers in St. Francis County include education, manufacturing, retail, and health care.

Crittenden County, AR

The Memphis, TN-MS-AR MSA (#32820) is comprised of eight counties across Tennessee, Mississippi, and Arkansas. The leading industries in Crittenden County, Arkansas are educational, health and social services, manufacturing, and retail trade. The following table shows the demographic and economic characteristics of the AA.

Demographic Information for: Memphis MSA-AR 2008						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	37.5	31.25	25.00	6.25	0.00
Population by Geography	50,866	21.5	35.5	36.91	6.09	0.00
Owner-Occupied Housing by Geography	11,138	16.5	31.42	42.22	9.85	0.00
Business by Geography	3,034	12.59	34.48	49.47	3.46	0.00
Farms by Geography	148	10.14	41.22	44.59	4.05	0.00
Family Distribution by Income Level	13,444	32.98	19.85	19.24	27.92	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,103	27.30	41.32	29.47	1.91	0.00
Median Family Income		\$46,771	Median Housing Value		\$66,189	
HUD Adjusted Median Family Income for 2008		\$53,200	Unemployment Rate (2000 U.S. Census)		3.01%	
Households Below Poverty Level		23.07%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, 2008 HUD updated MFI, Bureau of Labor Standards (BLS)

Lee-St. Francis County AA

Lee and St. Francis Counties are located in eastern Arkansas, adjoining Crittenden County which is part of the Memphis MSA. The economy of Lee and St. Francis counties is considered to be stable. The leading industries in the Lee-St. Francis County AA include education, healthcare and social services, manufacturing, retail trade, and agriculture. The following table shows the demographic and economic characteristics of the AA.

Demographic Information for: Lee-St Francis County AR 2008						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0.00	66.67	33.33	0.00	0.00
Population by Geography	12,572	0.00	74.25	25.75	0.00	0.00
Owner-Occupied Housing by Geography	2,298	0.00	82.03	17.97	0.00	0.00
Business by Geography	618	0.00	89.64	10.36	0.00	0.00
Farms by Geography	77	0.00	76.62	23.38	0.00	0.00
Family Distribution by Income Level	2,878	36.24	17.72	18.17	27.87	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,553	0.00	86.54	13.46	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2008 Households Below Poverty Level		34,263 40,400 33%	Median Housing Value Unemployment Rate (2000 US Census)		38,687 4.54%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2008 HUD updated MFI

A community contact with the Director of the City of West Memphis – Department of Community Planning and Development was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB’s overall lending performance is satisfactory. FNB’s loan to deposit ratio is reasonable and a substantial majority of the number and dollar volume of their loans are within the AA. The distribution of loans reflects adequate distribution to low- and moderate-income borrowers, small businesses, and farms. The geographic distribution of FNB’s loans reflects adequate distribution in low- and moderate-income geographies.

Loan-to-Deposit Ratio is Satisfactory.

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, economic environment and AA. There are nine banks with branches in FNB's AA. However, only three of these banks are of similar size and considered similarly situated. These banks are First Community Bank of Eastern Arkansas, Evolve Bank and Trust, and First National Bank of Eastern Arkansas. Both First Community Bank of Eastern Arkansas and Evolve Bank and Trust have fewer loans and fewer deposits than FNB. FNB's loan portfolio totals \$110 million compared to \$72 million and \$59 million for First Community Bank of Eastern Arkansas and Evolve Bank and Trust respectively. Also, FNB has \$88 million in public funds.

FNB has 26.70% of the deposit market share based on the June 30, 2008 FDIC Deposit Market Share Report, ranking first. First National Bank of Eastern Arkansas had 24.54% of the deposit market share ranking 2nd. First Community Bank of Eastern Arkansas had 8.73% of the deposit market share ranking 5th.

The following table shows total assets as of December 31, 2008 and the quarterly average loan-to-deposit ratio from September 30, 2003 through December 31, 2008 (22 quarters) for these four banks.

Loan-to-Deposit Ratios		
Institution	Total Assets(\$000s) As of 12/31/08	Average Loan-to-Deposit Ratio
First Community Bank of Eastern Arkansas	\$101,879	74%
Evolve Bank & Trust	\$123,758	68%
Fidelity National Bank	\$284,068	46%
First National Bank of Eastern Arkansas	\$272,247	45%

Source: Institution Reports of Condition from September 2003 to December 2008.

Lending in Assessment Area is Outstanding.

A substantial majority of the number and dollar volume of FNB's loans are within the bank's AA. A sample of 20 commercial/business loans made during 2007 and 2008 were reviewed to determine lending within the assessment area. Since the bank is a Home Mortgage Disclosure Act (HMDA) reporter, all HMDA reportable loans (purchased residential home loans, home improvement loans, and refinanced residential home loans) made during 2007 and 2008 were also used to determine lending within the assessment area. Lending within the assessment area is detailed in the following table.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2007-2008 Residential	319	91.93	28	8.07	347	8,529	94.15	530	5.85	9,059
2007-2008 Business	19	95.00	1	5.00	20	2,715	98.91	30	1.09	2,745
Totals	338	92.10	29	7.90	367	11,244	95.26	560	4.74	11,804

Source: 2007-2008 data reported under HMDA, sample of loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes Meets the Standard for Satisfactory Performance.

The loan samples previously described to determine FNB’s lending performance within the AA were also used to determine FNB’s lending performance to borrowers, businesses, and farms of different income levels from January 1, 2007 through December 31, 2008.

Home Purchase

The overall lending for home purchase loans in the Crittenden County AA is adequate. The bank did not originate any home purchase loans to low-income borrowers. However, the number of households in the AA below the poverty level is high at 23%. The high poverty rate limits the bank’s opportunity to make loans to low-income borrowers. The percentage of bank loans to moderate-income borrowers is somewhat lower than the percentage of moderate-income families in the AA. Based on information from community contacts, affordable housing is a predominate need in the AA. The median price of homes in the county is \$66 thousand, making it difficult for many low- and moderate-income applicants to find affordable housing to purchase.

Home Improvement

The overall lending for home improvement loans in the Crittenden County AA is good. The percentage of bank loans to low-income borrowers is lower than the percentage of low-income families in the AA. The percentage of moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The average age of housing in the AA is 33 years, indicating that home improvement loans are a need in the AA.

Home Refinance

The overall lending for home refinance loans in the Crittenden County AA is good. The percentage of bank loans to low-income borrowers is lower than the percentage of low-income families in the AA. As noted above, the AA’s poverty level and lack of affordable housing hinders the bank’s ability to make loans to low-income borrowers. The percentage of moderate-income borrowers exceeds the percentage of moderate-income families in the AA.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Crittenden County								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	32.98	0.00	19.85	10.91	19.24	28.18	27.92	60.91
Home Improvement	32.98	11.95	19.85	40.25	19.24	29.56	27.92	18.24
Home Refinance	32.98	11.11	19.85	33.33	19.24	11.11	27.92	44.44

Source: 2007-2008 HMDA; 2000 U.S. Census data.

During the evaluation period FNB originated two home purchase loans and 12 home improvement loans in the Lee-St. Francis County AA. The bank did not originate any home refinance loans in the AA during the evaluation period.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Lee & St. Francis Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	36.24	50.00	17.72	0.00	18.17	0.00	27.87	50.00
Home Improvement	36.24	0.00	17.72	66.67	18.17	0.00	27.87	33.33
Home Refinance	36.24	0.00	17.72	0.00	18.17	0.00	27.87	0.00

Source: 2007-2008 HMDA; 2000 U.S. Census data.

Small Loans to Businesses

The overall lending for small business loans in the Crittenden County AA is excellent. The table below shows the distribution of the number of loans to businesses with revenues under \$1,000,000 exceeds the percentage of businesses with revenues under \$1,000,000 in the Memphis AA. Also, the dollar volume of loans to businesses with revenues under \$1,000,000 exceeds the percentage of businesses with revenues under \$1,000,000 in the AA.

Borrower Distribution of Loans to Businesses in the Crittenden County AA			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	61.44%	3.52%	35.04%
% of FNB's Loans in AA by #	68.42%	31.58%	0.00%
% of FNB's Loans in AA by \$	64.66%	35.34%	0.00%

Source: Loan sample and Dun and Bradstreet data

The bank originated four small business and farm loans in the Lee-St. Francis County AA during the evaluation period.

Borrower Distribution of Loans to Businesses in the Lee-St. Francis County AA			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	59.28%	2.30%	38.42%
% of FNB's Loans in AA by #	83.33%	16.67%	0.00%
% of FNB's Loans in AA by \$	78.10%	21.90%	0.00%

Source: Loan sample and Dun and Bradstreet data

Geographic Distribution of Loans Meets the Standard for Satisfactory Performance

Home Purchase

The overall lending for home purchase loans in the Crittenden County MSA is excellent. The percentage of bank loans in low- and moderate-income census tracts exceeds the percentage of owner-occupied housing units in low- and moderate-income geographies.

Home Improvement

The overall lending for home improvement loans in the Crittenden County MSA is good. The percentage of bank loans in low-income census tracts exceeds the percentage of owner-occupied housing units in low-income geographies. The percentage of bank loans in moderate-income census tracts is somewhat lower than the percentage of owner-occupied housing units in moderate-income geographies.

Home Refinance

The overall lending for home refinance loans in the Crittenden County MSA is adequate. The percentage of bank loans in low-income census tracts is lower than the percentage of owner-occupied housing units in low-income geographies. The percentage of bank loans in moderate-income census tracts exceeds the percentage of owner-occupied housing units in moderate-income geographies.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Crittenden County								
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	16.50	30.00	31.42	32.73	42.22	35.45	9.85	1.82
Home Improvement	16.50	21.38	31.42	22.01	42.22	42.14	9.85	14.47
Home Refinance	16.50	2.78	31.42	36.11	42.22	50.00	9.85	11.11

Source: 2007-2008 data reported under HMDA; 2000 U.S. Census data

During the evaluation period FNB originated two home purchase loans and 12 home improvement loans in the Lee-St. Francis County AA. The bank did not originate any home refinance loans in the AA during the evaluation period.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Lee-St. Francis 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	82.03	100.00	17.97	0.00	0.00	0.00
Home Improvement	0.00	0.00	82.03	100.00	17.97	0.00	0.00	0.00
Home Refinance	0.00	0.00	82.03	0.00	17.97	0.00	0.00	0.00

Source: 2007-2008 data reported under HMDA; 2000 U.S. Census data.

Small Loans to Businesses

The overall lending for small business loans in the Crittenden County AA is adequate. The table below shows that the number of business loans in low-income census tracts is near to the percentage of low-income census tracts in the Crittenden County AA. The number of business loans in moderate-income census tracts is somewhat lower than the percentage of moderate-income census tracts in the AA.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Crittenden County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
2007-2008 Business/Farm	12.48	10.53	34.79	21.05	49.24	68.42	3.49	0.00

Source: 2007-2008 loan sample; 2000 U.S. Census data.

The bank originated four small business and farm loans in the Lee-St. Francis County AA during the evaluation period.

Table 3A - Geographic Distribution of Loans to Businesses/Farms in Lee-St. Francis Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
2007-2008 Business/Farm	0.00	0.00	88.20	100.00	11.80	0.00	0.00	0.00

Source: 2007-2008 loan sample; 2000 U.S. Census data.

Responses to Complaints

Fidelity National Bank has not received any formal CRA complaints since the previous examination.

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.