



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 09, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Izard County
Charter Number 21165**

**2005 Highway 56
Calico Rock, AR 72519**

**Comptroller of the Currency
Little Rock (Memphis) Field Office
10201 West Markham, Suite 105 Ozark National Life Bld.
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.

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

Based on this evaluation, First National Bank of IZARD County (FNBIC) has a satisfactory record of meeting the credit needs of its assessment area. This is demonstrated by the following:

- The average loan-to-deposit ratio of 68% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's loans are within its assessment area.
- The distribution of consumer and residential real estate loans to low- and moderate-income borrowers exceeds the demographics of the assessment area.
- The distribution of loans to businesses with revenues less than or equal to \$1 million is near the demographics of the assessment area.

Scope of Examination

An onsite examination of the bank was performed to evaluate its performance under the Community Reinvestment Act (CRA). Loan information used for this evaluation included 2006 loan data for 1-4 family residential real estate loans, consumer loans, and small business loans. The bank was rated "Satisfactory" at the previous examination.

DESCRIPTION OF INSTITUTION

FNBIC is located in Calico Rock, Arkansas, with branches located in IZARD and Stone Counties. FNBIC has five locations, four of which are in IZARD County, and one in adjoining Stone County in the City of Mountain View. FNBIC offers a full range of traditional loan and deposit products and services. Most lending activity is conducted at the Calico Rock, Melbourne, and Mountain View locations. All locations are easily accessible to the public and the bank has three ATM's that are operational at all times.

As of December 31, 2006 total assets were approximately \$122 million. FNBIC is owned by Wyatt Bancshares, a one-bank holding company. Based on FNBIC's financial performance, there are no impediments that would limit the bank's ability to meet the financial needs of its assessment area. As the table below indicates, the bank's loan portfolio has a large volume of real estate loans. These real estate loans include 1-4 family residential, small farms, and investment real estate in small farms and timberland. The volume of consumer loans is comparable to this bank's peer group.

Loan Portfolio	\$ (000)	%
Commercial Real Estate Loans	29,968	46
Commercial Loans	7,336	11
Residential Real Estate Loans	21,802	34
Consumer Loans	5,615	9
Total	64,721	100

DESCRIPTION OF IZARD AND STONE COUNTIES

FNBIC has identified all of Izard County and the eastern half of Stone County as its assessment area for purposes of the CRA. According to the 2000 Census, the total population for the bank's assessment area was 20,201. Izard County contains four Census Tracts/Block Numbering Areas (9601, 9602, 9603, and 9604) and the eastern half of Stone County has one CT/BNA (9502). Based on 2000 Census data, all five CT's/BNA's are middle income. The assessment area, as selected by the bank, is appropriate given the bank's distribution system and includes whole geographies. There are numerous financial institution branches located in Izard and Stone Counties. FNBIC of Izard County and The Bank of Mountain View are the only banks with their main offices located in the counties.

The bank's assessment area is located in north central Arkansas and is considered mostly rural. Izard and Stone Counties are large in terms of land coverage with large tracts of farm and timberland. Both counties have large agricultural communities with income derived from the cattle, poultry and timber industries. The vast majority of businesses in the area are considered to be small business operations. As in other areas of north Arkansas, both counties benefit from tourism and retirement relocation.

A community contact was conducted as part of this evaluation with the Mayor of Calico Rock. The contact indicated that the primary lending needs within the assessment area includes home loans, small business/farm loans, and consumer loans. He indicated that local financial institutions adequately provide loans for affordable housing to low- and moderate-income borrowers.

The table on the following page reflects demographic data for the assessment area and is derived from the 2000 Census. Income and unemployment data was obtained from government agencies from their most recent reports.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	6,013
Number of Households	8,563
Geographies	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	17%
% Middle-Income Census Tracts/BNA	83%
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,263
2006 HUD-Adjusted MFI	\$38,000
Economic Indicators	
Unemployment Rate: (February 2007)	
Izard County	6.9%
Stone County	6.8%
Arkansas	5.8%
US	5.0%
Median Housing Value as of 2000	\$60,231
Median Housing Year Built as of 2000	1977
% of Households Below Poverty Level	18%

Source: 2000 U.S. Census Data

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBIC's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area credit needs. In order to compare the bank's level of lending to other financial institutions in the assessment area, it was necessary to select similarly situated banks that compare to the bank's size, lending philosophy, and financial condition. Based on these criteria, the Bank of Mountain View, Mountain View, AR, and the First National Bank of Sharp County, Ash Flat, AR, were selected. Sharp County is adjacent to Izard County. The First National Bank of Sharp County has branches in Izard County. The loan-to-deposit ratio stated below is derived by calculating the quarterly averages since the bank's prior CRA examination in 2001.

Institution	2002	2003	2004	2005	2006	Average	Assets 12/31/2006
FNB Izard County	66	71	67	64	72	68	\$121,996,000
Bank of Mountain View	55	50	48	49	51	51	\$214,413,000
FNB-Sharp County	94	94	93	98	102	96	\$374,840,000

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

A majority of FNBIC's loans are to customers within the bank's assessment area. All of the following loans were originated in 2006. Bank records contain sufficient information to determine if loans are granted to customers located in or out of the bank's assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	313	81%	\$2,526	84%	75	19%	\$490	16%
Residential Real Estate	214	78%	\$11,995	76%	62	22%	\$3,770	24%
Commercial	194	83%	\$3,351	76%	41	17%	\$1,084	24%
Total Review	721	80%	\$17,872	77%	178	20%	\$5,344	23%j

Source: 2006 Bank Data

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

The distribution of loans to borrowers and businesses of different incomes and businesses of different sizes is excellent given the demographics of the assessment area. A total of 20 1-4 family residential real estate, 20 consumer, and 20 business loans, originated during 2006, were sampled to determine borrowers' income levels. Census income information is updated by HUD annually to reflect current family income levels and was used for residential real estate and consumer loan comparisons. The table below reflects the distribution of 1-4 family residential, consumer, and business loans within its assessment area.

1-4 FAMILY RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families (Census)	22%		22%		24%		32%	
Bank Loans	% of Number	% of Amount						
Total	30%	34%	20%	21%	20%	14%	30%	31%

Source: 2006 Bank Data

The table above indicates that percentage of 1-4 family residential real estate loans made to low-income individuals exceed the percentage of low-income individuals in the assessment area. The percentage of 1-4 family residential real estate loans made to moderate-income individuals is similar to the percentage of moderate-income individuals in the assessment area.

AUTO AND SECURED CONSUMER LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households (Census)	28%		20%		20%		32%	
Bank Loans	% of Number	% of Amount						
Total	35%	21%	25%	24%	10%	6%	30%	48%

Source: 2006 Bank Data

The table above indicates that percentage of consumer loans made to low- and moderate-income individuals exceeds the percentage of low- and moderate-income individuals in the assessment area.

DISTRIBUTION OF LOANS TO BUSINESSES OF DIFFERENT SIZES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses (Census)	95%	5%
% of Bank Loans in AA #	90%	10%
% of Bank Loans in AA \$	66%	34%

Source: 2006 Bank Data

The table above indicates that percentage of loans made to businesses with revenues less than or equal to \$1 million is near the percentage of businesses with revenues less than or equal to \$1 million in the assessment area.

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's lending during this examination was not performed. The analysis would not be meaningful since all of the CT's/BNA's in the assessment area are designated as middle-income.

Responses to Complaints

FNBIC has not received any formal CRA complaints since the prior CRA examination in 2001. A CRA file is maintained by the bank containing all required public disclosures.

Fair Lending or Other Illegal Credit Practices Review

No evidence was found of illegal discrimination or other illegal credit practices inconsistent with helping to meet community credit needs.