



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 04, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank In Green Forest
Charter Number 13543**

**100 First National Avenue
Green Forest, AR 72638**

**Comptroller of the Currency
Little Rock, Arkansas
10201 West Markham, Suite 105
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.

The bank's lending practices indicate satisfactory performance in meeting the credit needs of its assessment area. This rating is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 82% is reasonable given its size, financial condition, and assessment area credit needs.
- A majority of the bank's loans are made within its defined assessment area.
- Given the demographics within the bank's assessment area, the distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

Established in 1931, First National Bank in Green Forest is headquartered in Green Forest, Arkansas. In addition to the main office located in Green Forest, the bank operates 6 branch offices in cities located in Carroll, Boone, and Madison counties. Locations include Green Forest (2 offices), Berryville (1 office), Harrison (2 offices), Kingston (1 office), and Huntsville (1 office). The Kingston and Huntsville offices were added through the purchase of the former Madison Bank and Trust in late 2003. The bank also operates 5 ATM locations. While all offices are considered full service, most lending activity has been conducted through the main office in Green Forest, Berryville, and both Harrison offices. The bank offers a full range of loan and deposit products and services. Since the prior CRA evaluation, the bank developed an Internet product that is primarily directed to customers within its assessment area.

The bank is 100% owned by First National BanCorp, Inc., a one-bank holding company. There are no financial impediments that would affect the bank's ability of meeting the credit needs within its assessment area. As of June 30, 2003, the bank had total assets of \$280 million and total loans of \$191 million. Since the prior CRA evaluation was performed as of November 1, 1999, loan growth has been significant, increasing approximately \$70 million. A large percent of this increase has been in commercial and residential real estate loans. The bank was rated "Satisfactory" for the prior CRA evaluation period.

The following represents the bank's loan portfolio by category as of September 30, 2003.

Loan Category	\$ (000)	%
Commercial and Agricultural Real Estate Loans	\$119,583	63%
Commercial Loans	\$23,011	12%
Residential Real Estate Loans	\$31,471	16%
Consumer Loans	\$16,900	9%
Total	190,965	100%

DESCRIPTION OF CARROLL, BOONE, AND MADISON COUNTIES.

The bank has selected most of Carroll County (that portion east of the Kings River), all of Boone County, and all of Madison County as its assessment area (AA) for determining performance under the CRA. According to the 2000 Census, there are thirteen Census Tracts within the assessment area, all middle-income. Economic conditions within the assessment area are considered stable. Major employers include: Tyson Foods, North Arkansas Medical Center, Milbrook Industries, FedEx Freight, and Pace Industries. Additional demographic and economic information is provided in the following table.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	18,776
Number of Households	25,797
<i>Geographies</i>	
Number of Census Tracts/BNA	13
% Low-Income Census Tracts/BNA	None
% Moderate-Income Census Tracts/BNA	None
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	None
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,709
2003 HUD-Adjusted MFI	\$38,500
<i>Economic Indicators</i>	
Unemployment Rates (as of 10/30/03):	
Carroll County	2.5%
Boone County	4.4%
Madison County	2.9%
Median Housing Value	\$70,942
% of Households Below Poverty Level	16%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio of 82% is reasonable given its size, financial condition, and assessment area credit needs. The loan-to-deposit ratio was calculated using quarterly averages since the bank's prior CRA evaluation was performed on November 1, 1999. The bank's average was then compared to First National Bank of Berryville, and Community First Bank. Both financial institutions have offices located within the bank's assessment area, and for purposes of the CRA, are considered to be similarly situated for determining performance under this criteria.

Institution	Assets 000's (as of 09/30/03)	Average LTD Ratio
First National Bank of Berryville	\$126,145	82%
Community First Bank	\$254,100	93%
First National Bank of Green Forest	\$280,258	82%

Lending in Assessment Area

A majority of the bank's loans were made to customers located within the assessment area. The following table reflects the volume of loans made to borrowers both inside and outside of the assessment area since June 30, 2002. As the following percentages indicate, by number of loans, 89% were made to customers within the bank's assessment area, and 80% by dollar volume. Loans made to borrowers outside of the assessment area were centered in large commercial loans.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer	81	81%	\$1,241	74%	36	19%	\$436	26%
Real Estate	366	92%	\$14,852	90%	33	8%	\$1,658	10%
Commercial	784	90%	\$32,359	77%	83	10%	\$9,692	23%
Total	1,231	89%	\$48,452	80%	152	11%	\$11,786	20%

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

The distribution of loans to borrowers of different income levels is reasonable given the demographics of the bank's assessment area. A sample of home and consumer auto loans made since June 30, 2002 were reviewed to determine performance under this criteria. Using 2002 Census data, income levels for borrowers of home loans and consumer auto loans were compared to the income distribution of the assessment area. The following 2 tables reflect this distribution. The data indicates a high volume of home loans were made to upper and middle-income borrowers. This is primarily attributed to the increased income levels necessary to qualify for home loans. However, a majority of the consumer auto loans were made to borrowers with low and moderate-income and exceed the income percentages of the assessment area.

HOME LOANS								
INCOME LEVEL	LOW INCOME (\$19,250 and less)		MODERATE INCOME (\$19,251 to \$30,415)		MIDDLE INCOME (\$30,416 to \$45,815)		UPPER INCOME (\$45,816 and up)	
% of AA Families	19%		19%		25%		37%	
Loans by Income Level	% of Number 4%	% of Amount 2%	% of Number 4%	% of Amount 5%	% of Number 36%	% of Amount 31%	% of Number 56%	% of Amount 63%

CONSUMER AUTO LOANS								
INCOME LEVEL	LOW INCOME (\$19,250 and less)		MODERATE INCOME (\$19,251 to \$30,415)		MIDDLE INCOME (\$30,416 to \$45,815)		UPPER INCOME (\$45,816 and up)	
% of AA Households	23%		16%		24%		37%	
Loans By Income Level	% of Number 32%	% of Amount 27%	% of Number 36%	% of Amount 41%	% of Number 24%	% of Amount 21%	% of Number 8%	% of Amount 11%

The distribution of loans to businesses of different revenues is reasonable given the revenue distribution of the assessment area. A sample of business loans made since June 30, 2002 was reviewed to determine performance under this criteria. Using 2002 Census data, borrower revenues for business loans were compared to the revenues of businesses in the assessment area. As the following table indicates, by number, 84% of loans were made to small businesses (revenues with less than \$1 million), and 54% by amount.

DISTRIBUTION OF LOANS TO BUSINESSES		
Business Revenues Within The AA	Businesses With Revenues ≤\$1,000,000	Business With Revenues >\$1,000,000
% Of Businesses By Revenues	95%	5%
% of Bank Loans By Number	84%	16%
% of Bank Loans By Amount	54%	46%

Responses to Complaints

The bank has not received any CRA-related complaints since the prior evaluation.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices. An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1999.