



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 20, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Wynne  
Charter Number 10807

528 East Merriman Avenue  
Wynne, AR 72396

Office of the Comptroller of the Currency

Victory Building  
1401 West Capitol Avenue, Suite 350  
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 average loan-to-deposit ratio at 63% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans (73% by number of loans and 83% by dollar volume) originated in the bank's AA.
- The distribution of loans reflects excellent penetration among individuals of different income levels and businesses and farms of different sizes.
- The geographic distribution of loans reflects poor dispersion throughout the AA.
- The First National Bank of Wynne, Arkansas (FNB-W) has not had any CRA-related complaints.

## **SCOPE OF EXAMINATION**

The bank was evaluated using Small Bank CRA criteria. FNB-W assessment areas consist of two contiguous counties located in a non-Metropolitan Statistical Area (MSA): Cross and St Francis Counties, and Poinsett County which is part of the Jonesboro, AR MSA #27860. FNB-W is subject to the Home Mortgage Disclosure Act (HMDA); therefore, home purchase, home improvement and home refinancing loans originated in 2009 through 2011 were used for this evaluation. Additional loan information used for this evaluation included small business and small farm loans originated during 2010 and 2011.

## **DESCRIPTION OF INSTITUTION**

The FNB-W is located in Wynne (Cross County), Arkansas (AR). FNB-W is 100% owned by First National Corporation, a one-bank holding company located in Wynne, AR. The bank has three full-service banking facilities in Cross County and one full-service branch in St Francis County. The bank also has two full-service branches in Poinsett County (Jonesboro, AR MSA). FNB-W has five ATMs. In addition, there are two cash-dispensing walk-up ATMs located in convenience stores in Cross County. As of June 30, 2012, the bank reported total assets of \$273 million with \$234 million in deposits and \$143 million in net loans (52% of total assets). The bank reported total assets of \$259 million at year-end 2011, and \$261 million at year-end 2010.

The bank's primary business focus is agriculture, small business, and residential real estate loans. FNB-W offers residential real estate, home improvement, consumer, agriculture, commercial real estate, commercial and business loans. The loan portfolio composition as of June 30, 2012, is as follows:

<b>Table 1 - Loan Portfolio Composition as of June 30, 2012</b>		
<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	1,404	0.97%
Secured by Farmland	13,475	9.28%
One-to-Four Family, Multifamily Residential	18,967	13.06%
Commercial Real Estate	42,497	29.26%
<b>Total Real Estate Loans</b>	<b>76,343</b>	<b>52.57%</b>
Agricultural	44,709	30.79%
Commercial and Industrial	15,872	10.93%
Consumer	6,780	4.67%
Other	1,519	1.04%
<b>Total Loans</b>	<b>145,223</b>	<b>100.00%</b>

Source: Report of Condition

FNB-W offers convenient banking hours and a variety of loan and deposit products to meet the needs of the AAs. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its AA.

The bank's last CRA examination was performed as of September 30, 2008, and was rated **Satisfactory**.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB-W's AAs are located in the northeastern part of the state, approximately 110 miles northeast of Little Rock, Arkansas (AR) and 60 miles west of Memphis, Tennessee (TN). Unemployment rates for both AAs are similar to or higher than the US unemployment rate. The economy of Cross and St Francis Counties is considered to be in a slow growth mode. The economy of Poinsett County is considered to be in an average growth mode. The AA is primarily agricultural, manufacturing, retail trade, and services related.

### Cross and St. Francis Counties, AR (Non- MSA counties)

Cross County is located in the eastern area of the state, and has rich, flat delta farmland in the east and west and rolling hills in the center. The county seat is Wynne. Agriculture and related enterprises are major to the county with rice bringing in more than half the county's revenues. Soybeans and cotton are other main crops while peaches and other fruit crops are predominate on Crowley's Ridge. Village Creek State Park, almost 7,000 acres on Crowley's Ridge, is a popular tourist area. St. Francis County is located in the eastern area of the state and, the landscape of the county is rich, flat farmland in the eastern and western halves and rolling hills in the center. The

county seat is Forrest City. St. Francis County, dependent on rural agriculture, now has light manufacturing to help its economy. Major employers within the AA are Addison Shoe with about 200 employees and Mueller Industries (rubber products) with about 400 employees.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are eleven (11) census tracts (CT) in the combined counties; three (3) are moderate-income, six (6) are middle-income, and two (2) are upper-income. CT 9601.00 (moderate-income tract) is excluded from St. Francis County. The CT is outside of the bank’s trade area and FNB-W does not have any banking offices in CT 9601.00. There are no low-income CTs in the AA. Refer to Table 2A - Demographic and Economic Characteristics of Cross and St Francis Counties for additional demographic data.

Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	11	0	27.27	54.55	18.18	0
Population by Geography	44,837	0	31.66	52.09	16.25	0
Owner-Occupied Housing by Geography	10,701	0	21.53	61.13	17.34	0
Businesses by Geography	3,094	0	19.84	50.42	29.73	0
Farms by Geography	308	0	10.06	74.35	15.58	0
Family distribution by Income Level	11,735	25.27	16.38	20.13	38.22	0
Distribution of Low and Moderate Income Families throughout AA Geographies	4,888	0	34.10	52.88	13.01	0
Median Family Income, 2000 Census		\$34,263	Median Housing Value (as of 2000)			\$53,929
HUD Adjusted Median Family Income for 2011		\$43,300	Unemployment Rate % July 2012 (Not-seasonally adjusted)			
Households Below Poverty Level		22.79	USA			8.3
			Arkansas			8.0
			Cross County			8.4
			St Francis County			10.8
% Businesses with Revenues < \$1 million		68.58	% Farms with Revenues < \$1 million			93.83
% Businesses with Revenues > \$1 million		2.59	% Farms with Revenues > \$1 million			3.25

Source: 2000 U.S. Census data; 2011 HUD updated income data; Dun and Bradstreet; Bureau of Labor Standards.

\* The N/A category consists of geographies that have not been assigned an income classification.

**Poinsett County, AR (Jonesboro, AR MSA)**

Poinsett County is located in the northeast area of the state. The county seat is Harrisburg. The landscape of the county is rich, flat, delta farmland in the east and west and rolling hills in the center of the county. Crowley’s Ridge splits the county. East of the ridge is cotton and soybeans and west of the ridge is rice. Along the ridge are beef and dairy cattle. The economic base of the county is agricultural.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. FNB-W has chosen two CTs in this county as the bank’s AA. Both CTs are middle-income. The CTs were chosen because the bank has branches located in these CTs. There are seven other financial institutions located in Poinsett County. Refer to Table 2A - Demographic and Economic Characteristics of Poinsett County for additional demographic data.

<b>Table 2B - Demographic and Economic Characteristics of the Poinsett County</b>						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	2	0	0	100	0	0
Population by Geography	8,560	0	0	100	0	0
Owner-Occupied Housing by Geography	2,529	0	0	100	0	0
Businesses by Geography	716	0	0	100	0	0
Farms by Geography	181	0	0	100	0	0
Family distribution by Income Level	2,437	31.23	16.99	19.74	32.05	0
Distribution of Low and Moderate Income Families throughout AA Geographies	1,175	0	0	100	0	0
Median Family Income, 2000 Census		\$38,696	Median Housing Value (as of 2000)			\$45,835
HUD Adjusted Median Family Income for 2011		\$49,500	Unemployment Rate % July 2012 (Not-seasonally adjusted)			
Households Below Poverty Level		20.37	USA			8.3
			Arkansas			8.0
			Poinsett County			8.7
% Businesses with Revenues < \$1 million		43.99	% Farms with Revenues < \$1 million			97.79
% Businesses with Revenues > \$1 million		2.09	% Farms with Revenues > \$1 million			0

Source: 2000 U.S. Census data; 2011 HUD updated income data; Dun and Bradstreet; Bureau of Labor Standards.

\* The N/A category consists of geographies that have not been assigned an income classification.

A community contact with an officer of a local downtown revitalization organization was conducted in conjunction with this CRA examination. This contact revealed that local banks are meeting the primary credit needs in the area. The contact stated that all banks located in the AA should offer more start-up capital to small business owners.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB-W's loan-to-deposit ratio meets the standard for satisfactory performance. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

Table 3 shows the quarterly average loan-to-deposit ratio from December 31, 2008, through June 30, 2012, for FNB-W and similarly situated banks.

Table 3 - Average Net Loan-to-Deposit Ratios		
Institution	Assets (millions) as of 6-30-2012	Average LTD Ratio
<b>FNB, Wynne, AR</b>	<b>\$273</b>	<b>63.20%</b>
Cross County Bank, Wynne, AR	\$178	84.11%
FNB-Eastern AR, Forrest City, AR,	\$342	41.98%
Forrest City Bank, N.A., Forrest City, AR	\$50	58.96%
First Delta Bank, Marked Tree, AR	\$60	50.07%
Little River Bank, Lepanto, AR	\$42	57.27%

Source: Institution Reports of Condition June 30, 2012.

### Lending in Assessment Area

Lending in the assessment area meets the standard for satisfactory performance. A majority of FNB-W loans (73% by number of loans and 83% by dollar volume) originated in the bank's AA. All HMDA related loans (home purchase, home improvement, and home refinancing) originated between 2009 and 2011. Small business loans and small farm loans originated between 2010 and 2011. Lending within the AA is detailed in the following table.

Table 4 - Lending in Cross, St. Francis, and Poinsett Counties										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family RE	169	59.30	116	40.70	285	8,569	65.86	4,442	34.14	13,011
Small Bus	124	91.18	12	8.82	136	7,379	88.03	1,003	11.97	8,382
Small Farm	79	92.94	6	7.06	85	19,351	92.06	1,670	7.94	21,021
Totals	372	73.52	134	26.48	506	35,299	83.22	7,115	16.78	42,414

Source: Data reported under HMDA FNB-W small business and small farm loans.

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

Lending to borrowers of different incomes and to businesses of different sizes exceeds the standard for satisfactory performance. The distribution of borrowers reflects excellent penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes.

**Residential Real Estate Loans:**

Table 5A - Borrower Distribution of Residential Real Estate Loans in Cross, 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	25.27	9.52	16.38	11.90	20.13	16.67	38.22	61.90
Home Improvement	25.27	12.50	16.38	15.00	20.13	17.50	38.22	55.00
Refinance	25.27	4.00	16.38	28.00	20.13	16.00	38.22	52.00

Source: Data reported under HMDA; U.S. Census data.

Table 5A shows that FNB-W has reasonable penetration to low- and moderate-income borrowers for residential real estate loans. Although the bank’s loan penetration to low-income borrowers is lower than the percentage of families that are low-income, this is mitigated by the moderate level of households that fall below the poverty level. The demographic data shows that 23% of households in Cross and St. Francis Counties are below the poverty level. A financial institution’s ability to qualify low-income borrowers for residential loans is somewhat limited due to stricter underwriting criteria.

Table 5B - Borrower Distribution of Residential Real Estate Loans in Poinsett County - Jonesboro MSA								
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	31.23	17.39	16.99	26.09	19.74	17.39	32.05	39.13
Home Improvement	31.23	18.75	16.99	31.25	19.74	31.25	32.05	18.75
Refinance	31.23	53.33	16.99	20.00	19.74	13.33	32.05	13.33

Source: Data reported under HMDA; U.S. Census data.

Table 5B shows that FNB-W had excellent penetration of residential real estate loans to low- and moderate-income borrowers. The percentage of bank loans to low-income borrowers is lower than the percentage of low-income families. The poverty level for households in Poinsett County is 20.37%. As stated above, a financial institution’s ability to qualify low-income borrowers for residential loans is somewhat limited due to stricter underwriting criteria. Bank loans show excellent penetration to moderate-income borrowers. The percentage of bank loans exceeds the percentage of moderate-income families.

**Small Business and Small Farm Loans:**

<b>Table 6A - Borrower Distribution of Loans to Businesses in Cross, St. Francis Counties</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Businesses	68.58%	2.59%	28.83%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Loan sample; Dun and Bradstreet data.

<b>Table 6B - Borrower Distribution of Loans to Farms in Cross, St. Francis Counties</b>				
<b>Farm Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Farms	93.83%	3.25%	2.92%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Loan sample; Dun and Bradstreet data.

Tables 6A and 6B demonstrates that FNB-W originates small business and small farm loans to businesses and farms that report revenues of \$1 million or less. The percentage of bank loans to businesses and farms that reported revenues less than or equal to \$1 million exceeds the percentage of businesses and farms that reported revenues of \$1 million or less in the AA.

<b>Table 6C - Borrower Distribution of Loans to Businesses in Jonesboro MSA – Poinsett County</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Businesses	70.65%	2.45%	26.91%	100%
% of Bank Loans in AA by #	100%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100%	0.00%	0.00%	100%

Source: Loan sample; Dun and Bradstreet data.

<b>Table 6D - Borrower Distribution of Loans to Farms in Jonesboro MSA – Poinsett County</b>				
<b>Farm Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
% of AA Farms	97.85%	0.00%	2.15%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Loan sample; Dun and Bradstreet data.

Tables 6C and 6D indicates that FNB-W originates small business and small farm loans to businesses and farms that have revenues of \$1 million or less. The percentage of bank loans to businesses and farms that reported revenues less than or equal to \$1 million exceeds the percentage of businesses and farms that reported revenues of \$1 million or less in the AA.

**Geographic Distribution of Loans**

Geographic distribution of loans does not meet the standard for satisfactory performance. The geographic distribution of loans reflects poor dispersion throughout the assessment area for residential real estate, small business, and small farm loans. The census tracts for Poinsett County are middle-income; therefore, an analysis would not be meaningful. The geographic distribution of loans was performed only in Cross and St. Francis counties. There is less opportunity to lend in moderate-income CTs in Cross and St. Francis counties.

<b>Table 7 Geographic Distribution of Residential Real Estate Loans in Cross, St. Francis Counties</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
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	21.53	1.96	61.13	74.51	17.34	23.53
Home Improvement	0.00	0.00	21.53	7.14	61.13	73.81	17.34	19.05
Refinance	0.00	0.00	21.53	8.00	61.13	60.00	17.34	32.00

*Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.*

Table 7 above shows the percentage of home mortgage loans in moderate-income CTs is below the percentage of owner-occupied housing units. 2000 Census data reports that moderate-income CTs for Cross and St. Francis Counties have a higher percentage of renter occupied units (45%) and vacant units (41%) than owner-occupied units (22%). This indicates there are fewer opportunities to originate loans to home owners in moderate-income CTs.

<b>Table 8A - Geographic Distribution of Loans to Businesses in Cross, St. Francis Counties</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
Loan Type	% of AA Businesses	% of Number of Loans						
Small Business	0.00%	0.00%	19.84%	2.22%	50.42%	83.33%	29.73%	14.44%

*Source: Data collected by bank; U.S. Census data.*

<b>Table 8B - Geographic Distribution of Loans to Farms in Cross, St. Francis Counties</b>								
<b>Census Tract Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Small Farm	0.00%	0.00%	10.06%	2.17%	74.35%	84.78%	15.58%	10.87%

Source: Data collected by bank; U.S. Census data.

Tables 8A and 8B shows poor dispersion of small business and small farm loans in moderate-income CTs. FNB-W. As the tables reflect, there are more small businesses and farms located in middle- and upper-income CTs than moderate-income CTs. There is less opportunity to lend in moderate-income CTs.

**Responses to Complaints**

FNB-W’s responses to complaints meet the standard for satisfactory performance. The bank conducts appropriate responses to all complaints received. FNB-W has not received any CRA-related formal complaints.

**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.