



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

September 30, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Wynne
Charter Number 10807

**528 East Merriman
Wynne, AR 72396**

Office of the Comptroller of the Currency

**Little Rock (Memphis)
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 average loan-to-deposit ratio at 77% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- ◆ A majority of loans (89% by number of loans) 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. There are two AAs: the non-Metropolitan Statistical Areas (MSA) consisting of Cross and St Francis Counties, and the MSA consisting of Poinsett County. Since the bank is a Home Mortgage Disclosure Act (HMDA) reporter, home purchase, home improvement and home refinancing loans for 2007 were used for this evaluation. Loan information used for this evaluation also included auto and agriculture/ business loans made during 2007.

DESCRIPTION OF INSTITUTION

The First National Bank of Wynne (FNB-W) is located in Wynne (Cross County), Arkansas (AR) which has a population of 8,615 according to the 2000 census. The bank has two banking facilities in Cross County and one branch in St Francis County. The bank also has a branch in Poinsett County, with Poinsett County being a part of the Jonesboro, AR, MSA. There are nine automated teller machines (ATM) with an ATM at each branch and four ATMs adjacent to convenience stores/gas stations. As of June 30, 2008, the bank reported total assets of \$270 million with \$190 million in deposits and \$169 million in net loans (63% of total assets). The bank reported total assets of \$247 million at year-end 2006, and \$268 million at year-end 2007.

The bank's primary business focus is residential real estate, agriculture, and business 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, 2008, is as follows:

Table 1 - Loan Portfolio Composition as of June 30, 2008		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	11,340	6.58%
Secured by Farmland	14,421	8.37%
One-to-Four Family Residential	21,299	12.36%
Commercial Real Estate	44,176	25.63%
Total Real Estate Loans	91,236	52.94%
Agricultural	43,165	25.05%
Commercial and Industrial	27,101	15.73%
Consumer	7,321	4.25%
Other	3,502	2.03%
Total Loans	172,325	100%

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 is 100% owned by First National Corporation, a one-bank holding company located in Wynne, AR. The bank's last CRA examination was performed as of May 5, 2003 and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREAS

Non- MSA

FNB-W's primary and non-MSA AA is Cross and St Francis Counties. Approximately 79% of the bank's deposits and 72% of the bank's loans are in the non-MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are 11 Block Numbering Areas (BNAs) in the AA, three of which are moderate-income and six are middle-income, and two are upper-income. The Median Family Income (MFI) for non- MSA in Arkansas was \$34,263 in 2000. This income figure is used to determine the income level of individual BNAs. BNAs 9501 in Cross County, and 9604 and 9606 in St Francis County are moderate-income tracts. The 2007 Housing and Urban Development (HUD) estimated MFI for non-MSA in AR was \$40,400. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follow: Low-Income = under \$20,200; Moderate-Income = \$20,200 - \$32,319; Middle-Income = \$32,320 - \$48,479; and, Upper-Income = above \$48,480.

MSA

FNB-W's MSA AA is two BNAs in Poinsett County, around the City of Harrisburg. Approximately 21% of the bank's deposits and 28% of the bank's loans are in the MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The Median Family Income (MFI) for the Jonesboro, AR, MSA was \$38,696 in 2000. This income figure is used to determine the income level of individual BNAs. The two BNAs in the MSA AA are both middle-income. The 2007 HUD estimated MFI for the Jonesboro MSA was \$44,200. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follow: Low-Income = under \$22,100; Moderate-Income = \$22,100 - \$35,359; Middle-Income = \$35,360 - \$53,039; and, Upper-Income = above \$53,040.

The AAs are located in the northeastern part of the state, approximately 60 miles west of Memphis, Tennessee (TN). According to 2000 Census Data, the population of Cross County was 19,526. St Francis County has a population of 29,329, and Poinsett County has a population of 25,614. 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 bank's AA is primarily agricultural, manufacturing, retail trade, and services related. Major employers within the AA are Addison Shoe with about 200 employees and Mueller Industries (rubber products) with about 400 employees.

The unemployment rates, non-seasonably adjusted (NSA) as of August 2008 for Cross, Poinsett, and St Francis Counties, were 5.9%, 5.1%, and 8.3% respectively. The unemployment rate as of August 2008 for the state of Arkansas was 4.6% and the unemployment rate for the U.S.A. was 6.1%.

The following table shows the demographic and economic characteristics of the AA.

Non-MSA

Table 2 - Demographic and Economic Characteristics of Cross and St Francis Counties						
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	2,954	0	19.80	46.61	33.58	0
Farms by Geography	238	0	0.66	72.69	17.65	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	52.89	13.01	0
Median Family Income, 2000 Census		\$34,263	Median Housing Value (as of 2000)			\$53,929
HUD Adjusted Median Family Income for 2007		\$40,400	Unemployment Rate % August 2008 (Not-seasonally adjusted)			
Households Below Poverty Level		22.79	USA			6.1
			Arkansas			4.6
			Cross County			5.9
			St Francis County			8.3
% Businesses with Revenues < \$1 million		57.18	% Farms with Revenues < \$1 million			92.86
% Businesses with Revenues > \$1 million		3.08	% Farms with Revenues > \$1 million			3.78

Source: 2000 U.S. Census data; 2007 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.

MSA

Table 2A - Demographic and Economic Characteristics of the Poinsett County						
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	1,275	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 2007		\$44,200	Unemployment Rate % August 2008 (Not-seasonally adjusted)			
Households Below Poverty Level		20.37	USA			6.1
			Arkansas			4.6
			Poinsett County			5.1
% 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; 2007 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 the executive director of the Cross County Chamber of Commerce 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

Loan-to-Deposit Ratio

FNB-W's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs and is satisfactory. There are two other banks that are headquartered and similarly situated in the AAs. These banks are Cross County Bank, Wynne, AR, and the First National Bank of Eastern Arkansas, Forrest City, AR. There are nine banks with branches in Cross, Poinsett, and St Francis Counties and FNB-W has 31.65% of the deposit market share based on the June 30, 2008, FDIC Deposit Market Share Report. FNB-W is ranked first. FNB-Eastern Arkansas is ranked second with 25.47% of the deposit market share and Cross County Bank is ranked third with 17.17% of the deposit market share.

The following table shows total assets as of June 30, 2008, and the quarterly average loan-to-deposit ratio from June 30, 2003 through June 30, 2008 (20 quarters) for these three similarly situated banks.

Table 3 - Loan-to-Deposit Ratios		
Institution	Assets (as of 6-30-2008)	Average LTD Ratio
FNB, Wynne, AR	\$271 million	77%
Cross County Bank, Wynne, AR	\$177 million	90%
FNB-Eastern AR, Forrest City, AR,	\$283 million	40%

Source: Institution Reports of Condition.

Lending in Assessment Area

A majority of FNB-W loans (89% by number of loans) are in the bank's AA and is satisfactory. All HMDA related loans (home purchase, home improvement, and home refinancing), auto loans, agriculture loans, and business/commercial loans made during 2007 were used to determine lending within the AA. Lending within the AA is detailed in the following table.

Table 4 - Lending in Cross, Poinsett, and St Francis Counties										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	51	81	12	19	63	3,061	79	831	21	3,892
Home Improvement	60	92	5	8	65	844	93	62	7	906
Home Refinancing	49	91	5	9	54	2,657	88	356	12	3,013
Auto	156	91	15	9	171	1,301	93	100	7	1,401
Agriculture	183	90	20	10	203	21,524	85	3,878	15	25,402
Business	112	84	21	16	133	6,064	87	879	13	6,943
Totals	611	89	78	11	689	35,451	85	6,106	15	41,557

Source: All HMDA loans, and bank data from loans originated in 2007

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

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes and is satisfactory. The bank's level of lending to borrowers of different income levels is satisfactory. As indicated in the previous demographic chart, 20% of households located in the bank's AA are below the national poverty level. The bank's ability to qualify the low income borrowers for residential loans is somewhat limited due to down payment and term requirements. While lending to different

income levels varied within the bank's AA, the overall lending pattern is satisfactory.

The following table shows the distribution of residential real estate loans within the various income levels.

Non-MSA

Table 5 - Borrower Distribution of Residential Real Estate Loans in Cross and St Francis Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	25.27		16.38		20.13		38.22	
Loan Year	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007								
Home Purchase	0.00	0.00	10.53	5.32	23.68	17.65	65.78	77.03
Home Improvement	11.11	4.32	13.33	5.15	26.67	28.07	48.89	62.46
Home Refinancing	6.06	0.80	18.18	10.93	18.18	12.00	57.58	72.26

Source: 2007 HMDA loans, and U.S. Census data.

The residential real estate sample consists of all home purchase loans, home improvement and refinancing loans made during 2007. The above table shows that residential real estate loans were made to low-income and moderate-income borrowers. Residential real estate loans, by number and dollar amount, made to low-income borrowers in the non-MSA are below the percentage of low-income families in the AA and are considered to be poor.

However, loans to moderate-income borrowers by number is adequate for home purchase, good for home improvement and outstanding for home refinancing, with the overall rating for residential loans considered to be satisfactory for the non-MSA.

MSA

Table 5 - Borrower Distribution of Residential Real Estate Loans in Poinsett County								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Families	31.23		16.99		19.74		32.05	
Loan Year	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007								
Home Purchase	30.77	21.33	15.38	5.39	23.08	11.48	30.77	61.83
Home Improvement	13.33	5.79	13.33	4.55	46.67	46.28	26.67	43.39
Home Refinancing	18.75	7.84	18.75	24.02	25.00	14.79	37.50	53.35

Source: 2007 HMDA loans, and U.S. Census data.

The above table shows that residential real estate loans were made to low-income and moderate-income borrowers. Residential real estate loans, by number, made to low-income borrowers in the MSA are good for home purchase, poor for home improvement, and adequate for home refinancing and are considered satisfactory overall.

Residential loans to moderate-income borrowers by number are good for home purchase, adequate for home improvement and outstanding for home refinancing and are considered good overall. The overall rating for residential loans is considered to be satisfactory for the MSA.

Non-MSA

Table 5A - Borrower Distribution of Consumer Loans in Cross and St Francis Counties								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	27.55		14.71		18.01		39.72	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Motor Vehicle	40.00	37.39	33.33	46.99	13.33	11.30	13.33	4.33

Source: Loan sample and U.S. Census data.

Based on the sample, the bank is doing an excellent job of making consumer loans to low-and moderate-income borrowers in the non-MSA since the number and dollar volume of consumer loans made to low-income and moderate-income borrowers exceed the percentage of low-income and moderate-income population within the AA and are considered to be outstanding.

MSA

Table 5A - Borrower Distribution of Consumer Loans in Poinsett County								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	27.85		17.53		16.77		37.84	
Loan Type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Motor Vehicle	25.00	13.62	15.00	6.14	30.00	46.37	30.00	33.87

Source: Loan sample and U.S. Census data.

Consumer loans to low-and moderate-income borrowers in the MSA by number and dollar volume of consumer loans are near to the percentage of low-income and moderate-income population within the AA and are considered to be good.

Non-MSA

Table 5B – Borrower Distribution of Loans to Farms in Cross and St Francis Counties			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Farms	92.86	3.78	3.36
% of Bank Loans in AA by #	100.00	0.00	0.00
% of Bank Loans in AA by \$	100.00	0.00	0.00

Source: Loan sample and Dun and Bradstreet data

MSA

Table 5B – Borrower Distribution of Loans to Farms in Poinsett County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Farms	97.79	0.00	2.21
% of Bank Loans in AA by #	100.00	0.00	0.00
% of Bank Loans in AA by \$	100.00	0.00	0.00

Source: Loan sample and Dun and Bradstreet data

The above tables show that small farm loans to borrowers with revenues under \$1,000,000, by number and dollar volume of loans, exceed the numbers of farms with revenues under \$1,000,000 in the AA and are considered outstanding for both the non-MSA and MSA.

Non-MSA

Table 5C – Borrower Distribution of Loans to Businesses in Cross and St Francis Counties			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	57.18	3.08	39.74
% of Bank Loans in AA by #	93.33	6.67	0.00
% of Bank Loans in AA by \$	73.34	26.66	0.00

Source: Loan sample and Dun and Bradstreet data

MSA

Table 5C – Borrower Distribution of Loans to Businesses in Poinsett County			
Business Revenues(or Sales)	≤\$1,000,000	>\$1,000,000	Revenues not known
% of AA Businesses	43.99	2.09	53.91
% of Bank Loans in AA by #	60.00	40.00	0.00
% of Bank Loans in AA by \$	87.88	12.12	0.00

Source: Loan sample and U.S. Census data.

The above tables show that small business loans to borrowers with revenues under \$1,000,000, by number and dollar volume of loans, exceed the numbers of small businesses with revenues under \$1,000,000 in both the non-MSA and MSA AAs and are considered to be outstanding.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the AA and is satisfactory. The geographic distribution of loans was performed only in the Non-MSA AA since all BNA/CTs in the MSA are middle-income. The following tables show the distribution of residential real estate, consumer, farm, and business/commercial loans within the various BNA income levels.

Table 6 - Geographic Distribution of Residential Real Estate Loans in Cross and St Francis Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
%of AA Owner Occupied Housing	0		21.53		61.13		17.34	
Loan Year 2007	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase	0	0	10.53	4.94	68.42	65.00	21.05	30.07
Home Improvement	0	0	2.22	0.50	84.44	92.52	13.33	6.98
Home Refinancing	0	0	3.03	0.32	72.73	64.31	24.24	35.37

Source: 2007 HMDA and U.S. Census data.

Table 6A - Geographic Distribution of Consumer Loans in Cross and St Francis Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Households	0		27.13		55.38		17.49	
Loan type	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Motor Vehicle	0	0	7.63	5.80	77.12	80.50	15.25	13.70

Source: Loan sample and U.S. Census data.

Table 6B – Geographic Distribution of Loans to Farms in Cross and St Francis Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Farms	0		9.66		72.69		17.65	
Loan Year	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	0	0	7.79	4.79	92.31	95.21	0.00	0.00

Source: Loan sample and U.S. Census data.

Table 6C - Geographic Distribution of Loans to Businesses in Cross and St Francis Counties								
Census Tract Income Level	Low		Moderate		Middle		Upper	
% of AA Businesses	0		19.80		46.61		33.59	
Loan Year	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
2007	0	0	6.67	1.16	80.00	94.85	13.33	3.99

Source: Loan sample and U.S. Census data.

The above tables show that residential real estate loans are below the percentage of owner-occupied houses in moderate-income tracts and are considered to be poor. Consumer loans are below the percentage of owner-occupied houses in moderate-income tracts and are also considered to be poor. Business/commercial loans to borrowers located in the moderate-income BNA's are also below the percentage of businesses located in the moderate-income BNA's and are considered to be poor. However, farm loans, by number of loans, made to borrowers in moderate-income tracts are near to the percentage of farms in moderate-income tracts and are considered to be good. Farm loans are the largest single block of loans made by the bank comprising over 25% of the loan portfolio. The bank's overall performance for the geographic distribution of loans is considered to be low satisfactory.

Responses to Complaints

The First National Bank of Wynne has not received a formal CRA complaint 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.