



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

September 20, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number - 10004**

**2nd and Court Street
Post Office Box 700
Paragould, Arkansas 72450**

**Office of the Comptroller of the Currency
Memphis Field Office
57 Germantown Court, Suite 309
Memphis, Tennessee 38018-7239**

<p>NOTE: 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.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of September 20, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

The bank was rated “Satisfactory” at the last CRA examination performed on June 12, 1996.

INSTITUTION'S CRA RATING

For Greene County Non-MSA and Craighead County - MSA: “Satisfactory”

This conclusion is based on the following:

- < **A substantial majority of loans are made in the assessment area.**

- < **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes which are representative of the demographics of the assessment area.**

- < **The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.**

DESCRIPTION OF INSTITUTION:

First National Bank (FNB) is a \$252 million institution located in Paragould, Arkansas, approximately 90 miles northwest of Memphis, Tennessee. The bank's net loans-to-total assets ratio as of 6/30/99 was 61.7%. The bank's primary lending emphasis is residential mortgages and consumer loans as indicated by the following table:

<i>LOAN ORIGINATIONS AND DOLLAR VOLUME BY YEAR AND LOAN TYPE FOR FIRST NATIONAL BANK</i>						
	1996		1997		1998	
	#	\$ Volume	#	\$ Volume	#	\$ Volume
Mortgage	735	23,858	677	33,894	848	49,619
Consumer	2,290	11,628	2,392	18,087	2,603	20,344
Agriculture	198	4,000	195	11,294	163	13,151
Commercial	151	2,483	124	5,313	167	4,844
Totals	3,374	41,969	3,388	68,588	3,781	87,958

The bank's loan portfolio composition as of June 30, 1999 is as follows:

<i>LOAN PORTFOLIO COMPOSITION</i>		
Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	80,701	50.5%
Individual	25,277	15.8%
Agricultural	18,975	11.9%
Commercial	34,576	21.7%
Other	93	0.1%
TOTAL	\$159,622	100%

FNB operates in Greene and Craighead Counties within Arkansas. The bank is 100% owned by First Paragould Bankshares Inc., a \$332 million multi-bank holding company located in Paragould, Arkansas. FNB has a subsidiary relationship with The Corning Bank (state chartered) a \$76 million institution which is part of First Paragould Bankshares, Inc. FNB has a main office in downtown Paragould and two limited-service branches within the city. All branches are within the bank's assessment area.

An additional branch was opened in Jonesboro, AR during late September 1998. This branch expanded the assessment area into Craighead County, AR. This resulted in the assessment area being expanded to include twelve census tracts within a Metropolitan Statistical Area (MSA). Saturday or extended hours are offered at three of the branches.

In addition to offering a full range of banking services, there are four full-service automated teller machines (ATM's) open 24 hours located at each of the branches. There are no financial or legal constraints that prohibit the bank from meeting assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA:

GREENE COUNTY:

FNB's assessment area consists of all of Greene County, Arkansas. This assessment area consists of (1) moderate-, (5) middle-, and (2) upper-income block numbering areas (BNA's). The 1990 U.S. Census median family income for non-metropolitan statistical areas in Arkansas, including the assessment area, is \$22,420. This number is used to determine the income level of the block numbering areas (BNA's) in the assessment area. The assessment area meets the requirement of the regulation and does not exclude low-to-moderate income geographies. None of the BNA's or census tracts are considered low-income.

According to the 1990 U. S. Census demographic data, Greene County assessment area population was 31,804. The Department of Housing and Urban Development (HUD) 1998 updated median family income is \$30,100. This income figure is updated annually and is used to determine the income level of individual applicants. There are 9,528 families in the assessment area of which 1,774 (19%) are low-income; 1,563 (16%) are moderate-income; 2,257 (24%) are middle-income; and 3,934 (41%) are upper-income.

Local economic conditions in Greene County are stable with only 9% of the households receiving some form of public assistance and with only 20% showing income below the poverty level. Approximately 15% or 4,923 persons are over the age of 65 in the assessment area. Greene County has a long history of low unemployment. In 1998, unemployment within the assessment area was only 3.5% below the national average.

FNB's assessment area in Greene County is primarily rural. The one large metropolitan area is the city of Paragould. This results in the bank's mix of residential real estate and agriculture lending. The major

employer within Greene County is Emerson Electric Company, a manufacturer of electric motors employing 1,452. Additional employers within Greene County consist of Tenneco Automotive (approximately 1,000 employees), Darling Store Fixtures (approximately 650 employees), and Arkansas Memorial Hospital (approximately 450 employees).

FNB's competition within Greene County during 1998 consisted of four branches of Union Planters Bank (national chartered), two branches of Peoples Bank (now Regions Bank - state chartered), one branch of Arkansas Bank (state chartered), and a branch of UNICO Bank (a Federal savings bank). Additional bank branches that have opened since June 1998 within Greene County are: Bank of Paragould (state chartered), American State (state chartered), Southern Bank of Commerce (state chartered in Missouri), and Pochontas Federal Savings & Loan (Located in Wal-Mart Superstore). FNB is the only locally-owned bank within Greene County. Within Greene County, the bank had 50.3% of the deposit market share as of 6/30/98 (Deposit market share for Craighead County/ Jonesboro area was unavailable since FNB's branch in Jonesboro didn't open until after 6/30/98).

Two community contacts were made during this review. Two local political officials were contacted concerning community reinvestment and community development within Paragould and Greene County. The contacts revealed that there is a need for credit counseling for home purchasing and consumer loans. There is also a need for down payment assistance for home purchases.

CRAIGHEAD COUNTY:

An addition to the bank's assessment area was made in 1998 with the opening of the Jonesboro, Arkansas branch. This added twelve new census tracts within Craighead County, Arkansas. This assessment area consists of (2) moderate, (8) middle, and (2) upper-income census tracts within the 3700 Metropolitan Statistical Area (MSA). The 1990 U. S. Census median family income for non-MSA's/MSA's in Arkansas for this assessment area was \$27,169. This number is used to determine the income level of the various census tracts in the assessment area. The assessment area meets the requirement of the regulation and does not exclude low-to-moderate income geographies. None of the census tracts within the assessment area are considered low-income.

According to the 1990 U. S. Census demographic data, Craighead County area population was 68,956. The Department of Housing and Urban Development (HUD) 1998 updated median family income for Craighead County is \$37,600. This income figure is updated annually and is used to determine the income level of individual applicants. There are 19,141 families in the assessment area of which 4,081 (21%) are low-income; 3,240 (17%) are moderate-income; 4,525 (24%) are middle-income; and 7,295 (38%) are upper-income.

Local economic conditions in Craighead County are stable with only 7% of the households receiving some form of public assistance, and 19% of the households showing income below the poverty level in the bank's assessment area. Approximately 12% or 8,292 persons are over the age of 65 in the county. In 1998, unemployment within all of Craighead County was only 2.6% well below the national average.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending in the Assessment Area

FNB originates a substantial majority of loans within their assessment area. Although the bank uses loan information provided by the Centrax Group for 1996, 1997, and 1998, we had questions regarding the company's categorization of loans to individuals in rural areas using zip codes. As a result, a sample was selected to assess lending within/outside the bank's assessment area. A sample of 40 consumer loans, 40 various home mortgage products, 15 farm loans (the Jonesboro branch only originated 6 farm loans), and 20 business loans was used for this assessment. The sample revealed that 83% of the loans were originated within the bank's assessment area of Greene and Craighead Counties. See the tables below for a breakdown by product type:

<i>LENDING WITHIN THE BANK'S ASSESSMENT AREA OF GREENE COUNTY</i>			
PRODUCT TYPE	SAMPLE SIZE	# OF LOANS INSIDE ASSESSMENT AREA	% OF LOANS INSIDE ASSESSMENT AREA
HOME MORTGAGE	20	17	85.0
CONSUMER	20	19	95.0
FARM	10	10	100.0
BUSINESS	10	8	80.0
TOTAL	60	54	90.0

<i>LENDING WITHIN THE BANK'S ASSESSMENT AREA OF CRAIGHEAD COUNTY</i>			
PRODUCT TYPE	SAMPLE SIZE	# OF LOANS INSIDE ASSESSMENT AREA	% OF LOANS INSIDE ASSESSMENT AREA
HOME MORTGAGE	20	17	85.0
CONSUMER	20	14	70.0
FARM	5	3	60.0
BUSINESS	10	7	70.0
TOTAL	55	41	74.5

Lending to Borrowers of Different Incomes

FNB has a good record of lending to individuals of different income levels (including low- and moderate-income). We used the same sample used for lending within the assessment area to determine the income distribution of borrowers. The following tables show that the number of consumer loans and home mortgages to borrowers of different income levels mirrors the demographics of the assessment area.

GREENE COUNTY:

<i>Distribution of Consumer and Home Mortgage Loans within the Assessment Area by Family Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
Number of Families	1,774	19%	1,563	16%	2,257	24%	3,934	41%
Number of Consumer Loans	4	21%	6	31%	7	37%	2	11%
Number of Home Mortgage Loans	0	0%	5	29%	3	18%	9	53%
Total Loans	4	11%	11	31%	10	27%	11	31%

FNB also has a good record of making loans to small businesses and small farms within Greene County. A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million. Based on the loan sample data, 70% or seven loans were to small businesses. Of these seven loans, six loans or 86% were within the bank’s assessment area. Within the same time frame, the sample of ten farm loans within the assessment area revealed that all of the loans were made to small farms. Within the sample, all ten loans or 100% were within the bank’s assessment area.

CRAIGHEAD COUNTY:

<i>Distribution of Consumer and Home Mortgage Loans within the Assessment Area by Family Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
Number of Families	4,081	21%	3,240	17%	4,525	24%	7,295	38%
Number of Consumer Loans	5	36%	2	14%	5	36%	2	14%
Number of Home Mortgage Loans	3	17%	4	24%	6	35%	4	24%
Total Loans	8	26%	6	19%	11	36%	6	19%

FNB’s record of making loans to small businesses and small farms within Craighead County is satisfactory. A small business or small farm is defined as an entity with annual gross revenues of less than \$1 million. Based on the loan sample data, nine of the ten business loans or 90% were considered small business. Of these ten loans, eight or 80% were within the bank’s assessment area. Within the same time frame, the sample of five farm loans (the bank only originated six farm loans since the opening of the branch) revealed that three of the five or 60% were originated within the assessment area.

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is favorable given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio for the past thirteen quarters (6/96 to 6/99) is 65.04%. Peer average for the same time frame is 64.32%. Over the thirteen quarter period from June 1996 to June 1999, the loan-to-deposit ratio for FNB has been as low as 57% on 12/31/96 to a high of 75% on 6/30/99. The loan-to-deposit ratio has fluctuated due to the bank's seasonal agriculture loans. Crop loans are typically funded during the second quarter of the year and paid off during the fourth quarter of the year. The addition of the Jonesboro branch has added home loans thus increasing the bank's overall loan-to-deposit ratio.

FNB sells home mortgage loans in the secondary market. During the time period under review for this CRA examination, the bank originated and sold 56 home mortgage loans totaling \$ 4.2 million. These loans were not counted in the calculation for the bank's loan-to-deposit ratio, and as a result, the bank's overall loan-to-deposit ratio would have been higher.

Geographic Distribution

As shown in the table below, the loan sample mirrors the population of each BNA/Census tract except the two moderate income areas. Geocoding of the installment and home mortgage sample was reviewed to determine the geographic distribution of lending. Population sparsity in BNA 9807 in Greene County is due to a majority of the area being farmland. An additional moderate income census tract (MSA 3700 Census Tract 06) is where the new branch in Jonesboro is located. Loan sparsity is due to the fact that the branch has not been open very long. Census Tract 3700 05 is where the Craighead County Industrial Park, the Airport, and Arkansas State University are located resulting in fewer loan originations in this middle income census tract.

The geographic distribution of loans within the upper income BNA's or Census Tracts has a higher percentage of loans in the sample than the actual population. This is a result of the data including home mortgage purchases which are usually made to higher income families.

GREENE COUNTY:

<i>Geographic distribution by Block Numbering Area (BNA)</i>				
Block Numbering Areas (BNA) or Census Tracts	Number of families	% of total families	Number of loans in BNA	% of total loans
LOW-INCOME	0	0	0	0%
MODERATE-INCOME	531	6	1	3%
MIDDLE-INCOME	5,553	58	18	50%
UPPER-INCOME	3,444	36	17	47%
TOTAL	9,528	100	36	100

CRAIGHEAD COUNTY:

<i>Geographic distribution by Census Tract</i>				
Block Numbering Areas (BNA) or Census Tracts	Number of families	% of total families	Number of loans in BNA	% of total loans
LOW-INCOME	0	0	0	0%
MODERATE-INCOME	3,474	18	2	07%
MIDDLE-INCOME	12,212	64	23	74%
UPPER-INCOME	3,455	18	6	19%
TOTAL	19,141	100	31	100

Response to Complaints

No complaints have been received from the public that specifically relate to the bank's performance in helping to meet community credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

During this evaluation, we performed a fair lending review at FNB. The benchmark approach was used on first purchase mortgage loans to determine if applicants were being treated equally. A sample of 5 denied females was compared to 20 approved male loan applicants within 1999.

Our review did not detect any evidence of discriminatory practices in home mortgage lending. We noted no violations of the substantive provisions of anti-discrimination laws and regulations, or any other illegal credit practices performed by this bank.