



## PUBLIC DISCLOSURE

April 21, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank  
Charter Number 10004

200 West Court Street  
Paragould, AR 72450

Office of the Comptroller of the Currency  
Little Rock Field Office  
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 Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

- The loan-to-deposit ratio is more-than-reasonable as compared to peer average.
- Lending in the assessment area (AA) meets the standard for satisfactory performance as a majority of the bank's loans were made inside the AA.
- The bank's level of lending to borrowers of different income levels and small farms is reasonable.
- The bank's geographic distribution of loans within its AA is reasonable.
- The bank has demonstrated adequate responsiveness to meeting the needs of its community through community development (CD) lending, investments, and providing CD services.

### **Scope of Examination**

An onsite examination of First National Bank (FNB) was performed to evaluate its performance under the Community Reinvestment Act (CRA). To determine its performance, the bank elected to be evaluated using Intermediate Small Bank CRA criteria. Loan information used for this evaluation included Home Mortgage Disclosure Act (HMDA) data from 2012, 2013 and 2014 for reported areas, a sample of residential real estate loans from 2012, 2013 and 2014, and a sample of new farm loans from 2012, 2013 and 2014. A data integrity examination of the bank's HMDA data was performed during November 2014, with no deficiencies noted. This performance evaluation starts from the date of the bank's previous CRA examination, and covers a three-year period from February 27, 2012, to December 31, 2014. The evaluation period for Community Development is also from February 27, 2012 to December 31, 2014. CD activities are dated from the last exam up to the current exam.

#### *Selection of Areas for Full-Scope Review*

Through December 31, 2014, FNB has four AA's: Greene and Clay Counties, Craighead County, which is a part of the Jonesboro Metropolitan Statistical Area (MSA), Cleburne County, and Benton County. The Greene and Clay Counties AA was chosen for a full-scope review due to the fact that 73 percent of HMDA loans originated in that AA. Data used for Clay and Greene Counties derives from real estate and farm lending samples. Craighead, Cleburne and Benton Counties were chosen for limited-scope reviews. Proper analysis could not be conducted for Cleburne and Benton Counties due to the lack of sufficient loan volume. Branches in these counties are new and there has been a limited amount of loan originations in the covered period.

## Description of Institution

FNB was chartered in 1889 and is headquartered in Paragould, Arkansas. As of December 31, 2014, FNB had total assets of \$850 million, and total capital totaling \$99 million. FNB's prior CRA examination was dated February 27, 2012. FNB's prior CRA rating was Satisfactory. FNB operates 12 offices in five counties located in Arkansas: Greene, Clay, Cleburne, Benton and Craighead. Bank offices include the main office and three branches located in Paragould (Greene County), three branches located in Jonesboro (Craighead County), three branches located in or near Corning (Clay County), one branch in Heber Springs (Cleburne County), and one branch in Rogers (Benton County). The Heber Springs and Rogers branches opened in late 2014 and did not generate enough loan volume to provide sufficient levels of data to conduct an analysis for this review. All branches provide a full range of products and services that include drive-up facilities and automated teller machines (ATMs). The bank also operates a stand-alone ATM in the Arkansas Methodist Hospital in Paragould.

The number of competing banks in the Jonesboro market continues to grow due to the growth of the Jonesboro MSA. There are over 20 different banks located in the Northeast Arkansas region, including local, statewide, regional, and nationwide banking institutions. Some of the more prominent competitors in the Northeast Arkansas region include Bear State Bank, N.A., Bancorp South, and Centennial Bank. FNB expanded into Northwest Arkansas in the fourth quarter of 2014. There are over 15 different banks servicing the Northwest Arkansas region, including Arvest Bank, Bank of Fayetteville, and First Security Bank.

The bank is 100% owned by First Paragould Bankshares Inc., a one-bank holding company also located in Paragould, Arkansas. FNB offers convenient banking hours and a variety of loan and deposit products to meet the community needs within its AA. The bank's primary lending focus is residential real estate and agriculture loans. FNB does not have any financial or legal impediments that would limit the bank's ability to help meet the credit needs of its AA.

Loan products provided by the bank include home purchase/refinance, home improvement, agricultural, commercial, small business and consumer loans. As of December 31, 2014, the loan portfolio composition is as follows:

<b>Loan Portfolio Composition</b>		
Loan Type	Amount (000's)	Percent
Construction and Development	\$41,531	7
Farmland	118,406	17
1-4 Family Residential	227,273	33
Multifamily Residential	7,804	1
Commercial Real Estate	106,168	15
<b>Total Real Estate Loans</b>	<b>501,182</b>	<b>73</b>
Agriculture	105,165	15
Commercial and Industrial	49,405	7
Consumer and Other Loans	28,931	5
Other Loans	744	0
<b>Total Gross Loans</b>	<b>685,427</b>	<b>100</b>

*Source: December 31, 2014 Call Report*

### **Description of Assessment Area(s)**

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. As stated earlier, the Greene & Clay County AA was chosen for a full-scope review. The bank operates full service branch locations in all the AAs.

During the examination, two community contacts consisting of two local civic groups were reviewed to better assess the level of lending in the AA and responsiveness to community needs. The civic groups contacted were the City of Jonesboro Department of Community Development and the Paragould Chamber of Commerce. Both contacts indicated that the local economy appears to be more stable than that of many areas in the United States and that for the most part employment has remained stable. Both contacts indicated there are always additional opportunities for local financial institutions to get involved in regards to economic development and community development. The contact at the Paragould Chamber of Commerce indicated that all financial institutions in Paragould are members and are involved with economic development, provide good service, and meet the credit needs of local small businesses. The contact at the City of Jonesboro Department of Community Development stated that the area of North Jonesboro, located in Craighead County, is in need of community and economic development. The area, which includes approximately 30,000 residents, is comprised of predominantly low-income minority individuals. The contact noted that most residents do not have an existing banking relationship with a local bank or have checking accounts. This area is in need of job readiness classes, financial literacy classes, first time homebuyers training, and credit counseling.

## Assessment Area Demographic Characteristics

The charts below reference the Clay and Greene AA’s population, economic indicators, and annual unemployment rates from 2012 through 2014. In addition, the charts reflect unemployment rates, for comparison purposes, for the United States and Arkansas.

<b>Demographic and Economic Characteristics Greene and Clay AA</b>	
<b>Population</b>	
Population as of 2010	58,173
Number of Families	15,842
Number of Households	22,941
<b>Geographies</b>	
Number of Census Tracts/BNA	15
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	13.33%
% Middle-Income Census Tracts/BNA	73.34%
% Upper-Income Census Tracts/BNA	13.33%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$41,359
2014 HUD-Adjusted MFI	\$45,300
<b>Economic Indicators</b>	
Unemployment Rate 2014– Greene	9.3
Unemployment Rate 2014 – Clay	7.2
Median Housing Value as of 2010	\$80,750
% of Households Below Poverty Level	18.85%

Source: 2000 and 2010 U.S. Census Data, Bureau of Labor Statistics

	<b>2014 Unemployment Rate</b>	<b>2013 Unemployment Rate</b>	<b>2012 Unemployment Rate</b>
<b>United States</b>	7.8%	8.5%	9.3%
<b>Arkansas</b>	6.1%	7.4%	7.6%
<b>Greene County, AR</b>	9.3%	9.4%	7.6%
<b>Clay County, AR</b>	7.2%	8.4%	9.2%

Source: Data obtained from the Bureau of Labor Statistics.

## LENDING TEST

### Loan-to-Deposit Ratio

FNB’s loan-to-deposit ratio of 95.73 percent is more-than-reasonable given its size, financial condition, and AA credit needs. The chart below is a comparison of the bank’s average lending volume for the prior three years. For purposes of this analysis, four similarly situated banks conducting business in the bank’s AA were used to compare the bank’s performance for this criteria. These banks include Centennial Bank (statewide bank), Bear State Bank (statewide bank), Simmons First National Bank (regional bank), and First Security Bank (statewide bank).

<b>Financial Institution</b>	<b>Assets (000s) as of 12/31/2014</b>	<b>Average LTD Ratio</b>
<b>First National Bank</b>	<b>\$850,642</b>	<b>95.73</b>
Centennial Bank	\$7,500,728	80.54
Bear State Bank, National Association	\$1,474,650	72.64
Simmons First National Bank	\$4,645,464	62.10
First Security Bank	\$4,726,912	50.61

*Source: Call Report Data Loan-to-Deposit Report*

### Lending in Assessment Area

A majority of FNB’s lending occurred inside the AA and meets the standard for satisfactory performance. Approximately 85 percent of the number and 89 percent of the total dollar volume originated inside the bank’s AA’s. The table below reflects loans made during 2012 through 2014 in the following categories.

<b>Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Farm	40	76.92	12	23.08	52	2,435	75.96	771	24.03	3,206
Home Purchase, Improvement, and Refinance	60	92.00	5	8.00	65	5,125	96.23	201	3.77	5,326
Totals	100	85.47	17	14.53	117	7,560	88.61	972	11.39	8,532

*Source: Clay/Greene Counties Sample*

### Lending to Borrowers of Different Incomes and Farms of Different Sizes

Based on the demographics of the AAs, the bank’s distribution of loans meets the standard of satisfactory performance. The distribution reflects reasonable penetration for individuals for different income levels and excellent penetration for farms of different sizes.

Greene/Clay Counties AA

FNB has reasonable penetration of loans to LMI borrowers for home mortgage products within the Greene and Clay Counties AA and meets the standard for satisfactory performance. Loan distribution to LMI borrowers for home purchase, refinance, and home improvement loan is lower than the percentage of low-income families within the Greene and Clay Counties AA. The primary loan products in this AA are agriculture loans and consumer loans. The poor penetration of residential real estate loans to LMI borrowers is mitigated by high poverty and unemployment rates within the geography. Greene and Clay counties have unemployment rates of 9.3 percent and 7.2 percent respectively, which are both higher than the state unemployment rates. In addition, 18.85 percent of the AA’s households are below the poverty level. This makes lending in the AA difficult due to the financial requirements for qualifying for home mortgages.

<b>Borrower Distribution of Residential Real Estate Loans in Greene/Clay AA</b>								
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, Refinance & Improvements	17.66	5.83	18.08	6.13	22.79	14.18	41.47	73.87

Source: U.S. Census data & Loan Sample

The following table reflects that FNB has excellent penetration of loans to small farms with revenues of \$1 million or less within the Greene/Clay Counties AA. The number and dollar volume of loans to farms with revenues of \$1 million or less exceeds the percentage of farms in the AA that reported revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Farms in Greene/Clay AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	98.50	0.75	0.75	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; Dunn and Bradstreet data

Craighead County AA, Cleburne County AA and Benton County AA

Based on a limited-scope review, the bank’s performance in the Craighead County AA is not inconsistent with the bank’s overall performance. This is due to an overall reasonable penetration of loans within the AA. An analysis for the limited-scope AAs of Cleburne and Benton County was not conducted due to the lack of sufficient data to analyze.

***Geographic Distribution of Loans***

*Greene & Clay Counties AA*

Geographic distribution for home purchase, refinance and improvement loans reflects reasonable dispersion with the AA. There are no low-income geographies in the AA. The number of home purchase, refinance and improvement loans is somewhat lower than the percentage of owner-occupied housing in moderate-income geographies. However, the number of moderate-income geographies within the AA is low and should not affect geographic lending performance.

<b>Geographic Distribution of Residential Real Estate Loans in Greene &amp; Clay Counties AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
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, Refinance and Improvements	0.00	0.00	7.25	5.00	74.22	75.00	18.54	20.00

*Source: Loan Sample; U.S. Census data.*

Geographic distribution of farm loans reflects reasonable dispersion within the Greene and Clay Counties AA. There are no low-income CTs in the AA. There were no loans made to farms in moderate-income CTs, however, the number of farms located in moderate-income CTs is marginal and should not affect geographic lending performance. The vast majority of farms are located in middle-income CTs within the AA.

<b>Table 3A - Geographic Distribution of Loans to Farms in Greene and Clay Counties AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Farms	0.00	0.00	13.38	0.00	79.83	90.00	6.79	10.00

*Source: Loan Sample; U.S. Census data*

*Craighead County AA, Cleburne County AA and Benton County AA*

Based on a limited-scope review, the bank’s performance in the Craighead County AA is stronger than the bank’s overall performance. This is due to an excellent dispersion of loans within the AA. An analysis for the limited-scope AAs of Cleburne and Benton County was not conducted due to the lack of sufficient data to analyze.

## **Responses to Complaints**

The bank has not received any formal CRA complaints since the prior examination. Routine customer requests or complaints are answered in a timely manner with no outstanding complaints as of the date of this examination.

## **COMMUNITY DEVELOPMENT TEST**

The definition of community development includes the following: affordable housing for LMI individuals; community services targeted toward LMI individuals; activities that promote economic development by financing small businesses or farms; and activities that revitalize or stabilize LMI geographies. As of September 1, 2005, the following activities were added to the definition: activities that revitalize or stabilize LMI areas; designated disaster areas; and distressed or underserved non-metropolitan middle-income geographies that have been designated by the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

### **Number and Amount of Community Development Loans**

FNB has adequate responsiveness to the CD needs of the AA through CD lending.

- During the evaluation period, the bank made 165 loans, totaling \$43 million, to businesses in Clay County, which is designated as distressed due to its high poverty rate. These loans help to stabilize the local economy as these businesses provide employment to residents of the county.
- FNB provided \$957 thousand in loans to the Greene County Conservation District under the Arkansas Agriculture Water Quality Loan Program, which delivers clean drinking water to rural areas.
- Nineteen loans, totaling about \$5 million, originated for local non-profit organizations that serve the LMI areas/neighborhoods/individuals.

### **Number and Amount of Qualified Investments**

FNB has adequate responsiveness to CD needs of the AA through CD investments.

- The bank purchased 46 investments totaling approximately \$11 million in municipal securities, mostly school district, sales, and use, and water and sewer bonds. These investments were located in counties identified as distressed or underserved middle-income nonmetropolitan geographies.

### **Extent to Which the Bank Provides Community Development Services**

FNB has adequate responsiveness to CD needs of the AA through CD services.

Several officers and employees of the bank provided technical services and support to community development organizations. Bank employees routinely provide technical assistance and financial services by serving on boards, committees, or as members of organizations that provide community services to LMI individuals. The bank's CRA officer works with each

branch team to help them determine which charitable organizations and community development projects they would like to serve within their own communities. Community development services include working with local food banks and conducting coat drives for children. Bank officers also teach financial literacy at local schools during banking hours.

### **Responsiveness to Community Development Needs**

The bank participates in various programs designed to meet the needs of its community. During the evaluation period, FNB applied for several grants through the Partnership Grant Program with the Federal Home Loan Bank (FHLB) of Dallas. The grant program provides home purchasing assistance to low-income customers who need aid. The total amount disbursed to qualifying applicants was \$17 thousand during the review period.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no illegal evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.