



## **PUBLIC DISCLOSURE**

June 03, 2013

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

First National Bank  
Charter Number 5929

135 Section Line Road  
Hot Springs, AR 71903

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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

A Summary of the major factors supporting the institution's rating.

- First National Bank's (FNB) loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of FNB loans were made within the bank's assessment areas (AA).
- FNB's distribution of loans to low- and moderate-income (LMI) borrowers is reasonable.
- FNB's geographic distribution of loans is reasonable.
- FNB has an outstanding level of community development loans, qualified investments, and community development services.

### **Scope of Examination**

FNB was examined using the intermediate small bank (ISB) examination procedures. The evaluation period for this Community Reinvestment Act (CRA) Performance Evaluation (PE) covers from May 18, 2009 through June 3, 2013. Loan products used to assess the bank's performance under the Lending Test include home mortgage loans and a sample of business loans, which include loan originations from January 1, 2009, through December 31, 2011. Community development activities (loans, qualified investments, and services) were reviewed from January 1, 2009, through December 31, 2011.

### **Data Integrity**

Prior data integrity reviews for Home Mortgage Disclosure Act (HMDA) loans were determined accurate. The bank's internal auditors review HMDA quarterly prior to annual submission. Overall, HMDA data was found to be accurate. Additionally, community development loans, qualified investments, and community development services were reviewed to determine if these activities met the regulatory definition for community development.

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

Through December 31, 2011, FNB had four AAs: Hot Springs Metropolitan Statistical Area (MSA) - 26300, portions of the Little Rock-North Little Rock MSA - 30780, portions of the Texarkana MSA - 45500, and nine contiguous Non-MSA Counties located in Southwest Arkansas. The specific counties are Clark, Hempstead, Howard, Little River, Montgomery, Pike, Polk, Scott, and Sevier.

The Non-MSA Arkansas Counties AA and the Hot Springs, AR MSA were chosen for the full-scope review. Approximately 90% of all HMDA reportable transactions from January 1, 2009 through December 31, 2011 originated in the full-scope AAs. The Little Rock-North Little Rock MSA and the Texarkana MSA were chosen for the limited-scope review. Subsequent to the merger of First National Bank of Idabel in Oklahoma, FNB will have a fifth AA to review during the next CRA PE. This merger is discussed in further detail below.

**Description of Institution**

FNB is 100% owned by First National Security Company (FNSC), a multi-bank holding company headquartered in Hot Springs, Arkansas. As of this PE, FNSC owns FNB and Heritage Bank, National Association located in Jonesboro, Arkansas. FNSC owned the original charter of FNB located in De Queen, Arkansas and First National Bank located in Idabel, Oklahoma. In 2005, FNSC bought First Community Banking Corporation (FCBC), a multi-bank holding company based in Hot Springs, AR. FCBC held Arkansas banks in Mena, Mount Ida, Hot Springs, and Glenwood. Throughout 2005 and 2006 a series of mergers left FNSC with two Arkansas charters (Hot Springs & De Queen) and one Oklahoma charter. The remaining Arkansas charters merged in August 2007, with the De Queen charter becoming the surviving entity and main bank operations moving to Hot Springs. In August 2011, the Oklahoma charter was merged into FNB. Subsequent to the merger of the Arkansas and Oklahoma charters, total assets of FNB were \$718 million. As of December 31, 2012, FNB's total assets were \$723 million.

FNB has their main office located at 135 Section Line Road in Hot Springs, AR. FNB consists of 25 additional locations in Western, Southwestern, and Central Arkansas as well as Southeast Oklahoma. FNB has nineteen full-service branches with automated teller machines (ATM). Since the prior CRA examination, FNB has closed ten branches. These branch closings were primarily performed to consolidate redundant banking operations. FNB has numerous competitors in its four AAs, ranging from locally owned institutions to regional and nationwide institutions.

The bank's primary business focus is commercial real estate, commercial, and residential real estate lending. FNB also offers a wide range of consumer loan products such as automobile, recreational vehicles, secured, unsecured, and fixed and adjustable rate real estate mortgage loans. FNB offers government-guaranteed/sponsored loan programs for residential mortgage and small business loans. FNB's loan portfolio composition as reported in the December 31, 2012 Report of Condition and Income is as follows:

<b>Loan Portfolio Composition as of December 31, 2012 (in 000s)</b>		
<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
Construction and Land Development	\$60,706	15.26%
Farmland	\$34,472	8.66%
1-4 Family Residential	\$97,423	24.48%
Multifamily (5 or more) Residential	\$4,571	1.15%
Commercial (nonfarm, nonresidential)	\$127,650	32.08%
<b>Total Real Estate Loans</b>	<b>\$324,822</b>	<b>81.64%</b>
Agriculture	\$7,283	1.83%
Commercial and Industrial	\$41,282	10.38%
Consumer	\$21,127	5.31%
Obligations of State and Political Subdivisions in the US.	\$2,563	.64%
Other Loans	\$816	.21%
<b>Total Gross Loans</b>	<b>\$397,893</b>	<b>100%</b>

Source: 12/31/2012 Call Report

FNB does not have any financial impediments that would limit its ability to meet the credit needs within its AAs. As of December 31, 2012, FNB's gross loans represented 55% of total assets and Tier 1 Capital was \$68 million. FNB's prior CRA PE was dated May 18, 2009. FNB's prior CRA rating was Satisfactory.

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

#### Hot Springs, AR MSA

This AA consists of 19 census tracts (CT) within Garland County, Arkansas. The 2000 Census data shows the population of this AA was 88,068 persons. The local economy is diversified with major employers that include medical, retail, tourism, education, and manufacturing. The table below reflects the demographic statistics for the AA based on 2000 Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF HOT SPRINGS MSA</b>	
<b>Population</b>	
Number of Families	25,396
Number of Households	37,796
<b>Geographies</b>	
Number of Census Tracts/BNA	19
% Low-Income Census Tracts/BNA	0.00%
% of Moderate-Income Census Tracts/BNA	31.58%
% of Middle-Income Census Tracts/BNA	57.89%
% of Upper-Income Census Tracts/BNA	10.53%
<b>Median Family Income (MFI)</b>	
2000 MFI for Assessment Area	\$38,002
2011 HUD-Adjusted MFI	\$48,800
<b>Economic Indicators</b>	
2000 Median Housing Value	\$76,803
% of Households Below Poverty Level	14%

The chart below references the Hot Springs MSA annual unemployment rates from 2009 through 2012. In addition, the chart reflects unemployment rates, for comparison purposes, for the United States and Arkansas.

	<b>2012 Unemployment Rate</b>	<b>2011 Unemployment Rate</b>	<b>2010 Unemployment Rate</b>	<b>2009 Unemployment Rate</b>
<b>United States</b>	7.8%	8.5%	9.3%	9.9%
<b>Arkansas</b>	7.3%	7.9%	7.9%	7.5%
<b>Hot Springs MSA</b>	7.5%	8.3%	8.0%	7.3%

*Source: Data obtained from the Bureau of Labor Statistics.*

*Non-MSA Arkansas Counties: (Clark, Hempstead, Howard, Little River, Montgomery, Pike, Polk, Scott, and Sevier)*

The nine counties and 29 CTs of this AA are located in the Southwestern portion of Arkansas. The 2000 Census reports the total population of the nine contiguous counties at 108,295 persons. All the counties have either distressed or underserved middle-income CTs. Distressed or underserved middle-income CTs can have activities that revitalize or stabilize an area and receive CRA consideration as “community development.” The table below reflects the demographic statistics for the AA based on 2000 Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF NON-MSA ARKANSAS COUNTIES</b>	
<b>Population</b>	
Number of Families	30,792
Number of Households	42,368
<b>Geographies</b>	
Number of Census Tracts/BNA	29
% Low-Income Census Tracts/BNA	0.00%
% of Moderate-Income Census Tracts/BNA	0.00%
% of Middle-Income Census Tracts/BNA	96.55%
% of Upper-Income Census Tracts/BNA	3.45%
<b>Median Family Income (MFI)</b>	
2000 MFI for Assessment Area	\$34,263
2011 HUD-Adjusted MFI	\$43,300
<b>Economic Indicators</b>	
2000 Median Housing Value	\$52,257
% of Households Below Poverty Level	18%

Local employment for the area is centered in manufacturing, medical, and retail. The chart below references the individual counties annual unemployment rates from 2009 through 2012. In addition, the chart reflects unemployment rates, for comparison purposes, for the United States and Arkansas.

	<b>2012 Unemployment Rate</b>	<b>2011 Unemployment Rate</b>	<b>2010 Unemployment Rate</b>	<b>2009 Unemployment Rate</b>
<b>United States</b>	7.8%	8.5%	9.3%	9.9%
<b>Arkansas</b>	7.3%	7.9%	7.9%	7.5%
<b>Clark Co., AR</b>	9.3%	9.4%	7.6%	7.7%
<b>Hempstead Co., AR</b>	7.2%	8.4%	9.2%	7.9%
<b>Howard Co., AR</b>	7.1%	7.8%	8.2%	7.7%
<b>Little River Co., AR</b>	6.9%	7.6%	7.5%	5.8%
<b>Montgomery Co., AR</b>	7.7%	8.5%	8.0%	6.8%
<b>Pike Co., AR</b>	8.7%	9.5%	8.7%	7.3%
<b>Polk Co., AR</b>	7.7%	8.1%	7.7%	7.3%
<b>Scott Co., AR</b>	6.6%	6.9%	6.9%	6.5%
<b>Sevier Co., AR</b>	7.8%	8.2%	6.3%	5.6%

*Source: Data obtained from the Bureau of Labor Statistics.*

### **Community Contact**

A community contact was conducted in Hot Springs, Arkansas. The information cited in this evaluation was taken from this contact. This contact provides programs, opportunities, and business-building initiatives for Hot Springs, Arkansas. The contact stated the economic conditions in the area are consistent and stable when compared to the remainder of the state.

The contact indicated there are opportunities for local financial institutions to get involved in regards to economic development and community development. The contact indicated that financial institutions are involved with economic development, provide good service, and meet the credit needs of local small businesses.

### Conclusions with Respect to Performance Tests

#### LENDING TEST

##### Loan-to-Deposit Ratio

FNB's LTD ratio meets the standard for satisfactory performance. The LTD ratio is reasonable given its size, financial condition, and AAs credit needs. The bank, as it currently exists, was formed August 2011. Refer to the **Description of Institution** for information on merger activity. The LTD ratio was calculated over 15 quarters beginning with the second quarter of 2009 to the fourth quarter of 2012. FNB's average LTD ratio was 75.74%. Similarly, situated banks' LTD ratios ranged from a low of 71.61% to a high of 85.80%. The following table shows FNB's average LTD ratio and similarly situated institutions.

<b>Financial Institution</b>	<b>Assets (000s) as of 12/31/2012</b>	<b>Average LTD Ratio</b>
The Union Bank of Mena	\$184,558	85.80
Diamond Bank	\$418,531	72.67
<b>First National Bank</b>	<b>\$722,403</b>	<b>75.74</b>
Southern Bancorp Bank	\$1,117,585	71.61
Summit Bank	\$1,160,858	79.45

##### Lending in Assessment Area

FNB's lending within the AA exceeds the standard for satisfactory performance. A substantial majority of FNB loans were made to borrowers located within the bank's AA. Approximately 91% of the number and 85% of the dollar volume of total loans were originated in the bank's AAs. Approximately 91% of the number and 86% of the dollar volume of home mortgage loans originated in the bank's AAs. A sample of 20 loans to businesses was used in the lending analysis of this PE. A substantial majority, 90% of the number and 82% percent of the dollar volume, of loans to businesses originated in the bank's AAs.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	178	86.41	28	13.59		13,669	81.65	3,071	18.35	
Home Improvement	54	90.00	6	10.00		1,694	95.28	84	4.72	
Refinance	208	95.41	10	4.59		15,708	88.40	2,062	11.60	
Commercial	18	90.00	2	10.00		3,868	82.33	830	17.67	
Totals	458	90.87	46	9.13	504	34,939	85.26	6047	14.75	40,986

Source: Data reported under HMDA from 2009 through 2011 and a sample of business loans from 2009 through 2011.

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

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

#### Hot Springs, AR MSA

FNB has reasonable penetration of loans to LMI borrowers for home mortgage products within the AA. Loan distribution to low-income borrowers for home purchase and refinance are low compared to the percentage of low-income families within the AA. However, demographic data shows that 14% of households within the AA are below the poverty level. This makes it more difficult to extend credit to low-income applicants. Loan distribution to low-income borrowers for home improvements is somewhat lower than the percentage of low-income families within the AA.

The bank's loan distribution for home purchase and home improvement to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. The percentage of loans for refinance moderate-income borrowers is somewhat lower than the percentage of moderate-income AA families.

Borrower Distribution of Residential Real Estate Loans in the Hot Springs, AR AA								
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	19.07	2.94	18.11	23.53	23.06	17.65	39.75	41.18
Home Improvement	19.07	14.29	18.11	28.57	23.06	14.29	39.75	42.86
Refinance	19.07	4.55	18.11	9.09	23.06	22.73	39.75	59.09

Source: Data reported under HMDA from 2009 through 2011. 2000 U.S. Census data. No income information was available on 14.84% of home purchase and 4.55% of refinance loans.

The following table reflects that FNB has excellent penetration of loans to businesses with revenues of \$1 million or less within the AA. The number of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses in the AA that reported revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in the Hot Springs, AR AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69.18	2.45	28.37	100%
% of Bank Loans in AA by #	70.00	30.00	0.00	100%
% of Bank Loans in AA by \$	75.44	24.56	0.00	100%

*Source: A sample of business loans from 2009 through 2011 and Dunn and Bradstreet data.*

The following table reflects the number and dollar volume of sampled business loans.

<b>Borrower Distribution of Loans to Businesses by Loan Size in the Hot Springs, AR AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	10	50.00%	\$673,983.00	20.05%
\$100,001 - \$250,000	7	35.00%	\$1,017,632.00	30.27%
\$250,001 - \$500,000	2	10.00%	\$826,099.00	24.57%
\$500,001 - \$1,000,000	1	5.00%	\$844,556.00	25.12%
Over \$1,000,000	0	0.00%	\$0.00	0.00%

*Source: A sample of business loans from 2009 through 2011.*

*Non-MSA Arkansas Counties: (Clark, Hempstead, Howard, Little River, Montgomery, Pike, Polk, Scott, and Sevier)*

FNB has reasonable penetration loan to LMI borrowers for home mortgage products within the AA. The table below reflects the percentage of loans to low-income borrowers for home purchase and refinance is lower than the percentage of low-income families within the AA. Loan distribution to low-income borrowers for home improvements is somewhat lower than the percentage of low-income families within the AA. However, demographic data shows that 18% of households within the AA are below the poverty level. This poverty level makes it more difficult to extend credit to low-income applicants.

The percentage of loans to moderate-income borrowers for home purchase and home improvement loans is near the percentage of moderate-income families in the AA. The percentage of loans for refinance to moderate-income borrowers is somewhat lower than the percentage of moderate-income AA families.

<b>Borrower Distribution of Residential Real Estate Loans in Non-MSA Arkansas Counties 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	19.92	4.29	19.50	16.43	22.23	20.00	38.35	56.43
Home Improvement	19.92	10.87	19.50	17.39	22.23	30.43	38.35	36.96
Refinance	19.92	8.11	19.50	9.73	22.23	23.24	38.35	56.76

*Source: Data reported under HMDA from 2009 through 2011. 2000 U.S. Census data. No income information was available on 2.85% of home purchase, 4.35% of home improvement, and 2.16% of refinance loans.*

The following table reflects that FNB has excellent penetration of loans to businesses with revenues of \$1 million or less within the AA. The number of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses in the AA that reported revenues of \$1 million or less.

<b>Borrower Distribution of Loans to Businesses in Non-MSA Arkansas Counties AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.13	1.40	25.48	100%
% of Bank Loans in AA by #	75.00	25.00	0.00	100%
% of Bank Loans in AA by \$	58.11	41.89	0.00	100%

*Source: A sample of business loans from 2009 through 2011 and Dunn and Bradstreet data.*

The following table reflects the number and dollar volume of sampled business loans.

<b>Borrower Distribution of Loans to Businesses by Loan Size in Non-MSA Arkansas Counties AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	8	40.00%	\$482,105.00	13.47%
\$100,001 - \$250,000	8	40.00%	\$1,345,796.50	37.60%
\$250,001 - \$500,000	3	15.00%	\$851,098.00	23.78%
\$500,001 - \$1,000,000	1	5.00%	\$900,000.00	25.15%
Over \$1,000,000	0	0.00%	\$0.00	0.00%

*Source: A sample of business loans from 2009 through 2011.*

#### Texarkana MSA and Little Rock-North Little Rock MSA

Lending activity within both AAs were based on a limited-scope assessment. As of June 30, 2012, the Deposit Market Share Report (DMSR) provided by the Federal Deposit Insurance Corporation (FDIC) indicates FNB has a .18% share of total deposits within the Texarkana MSA. Also as of June 30, 2012, the DMSR indicates FNB has a .16% share of total deposits within the Little Rock-North Little Rock MSA. The Texarkana MSA was added when the bank merged with FNB DeQueen in 2007. The Little Rock-North Little Rock MSA was added in 2008. FNB has one branch in each MSA.

## Geographic Distribution of Loans

Based on the full-scope AA geographies, FNB's geographic distribution of loans meets the standard for satisfactory performance. Geographic distribution reflects reasonable dispersion among moderate and distressed/underserved middle-income CTs. The Hot Springs, AR MSA has no low-income CTs. Approximately 32% of the CTs are designated moderate-income geographies. Geographic distribution of residential real estate loans was reasonable; while, geographic distribution of business loans is considered excellent.

The Non-MSA Arkansas Counties do not include any LMI CTs. The absence of these geographies limits geographic distribution assessment. However, all middle-income CTs are designated as distressed, underserved, or both. Middle-income CTs represent 97% of the geography.

### Hot Springs, AR MSA

Geographic distribution for home mortgage loans has reasonable dispersion within the AA. The percentage of refinance loans is near to the percentage of owner-occupied housing in moderate-income geographies. The percentage of home purchase loans is lower than the percentage of owner-occupied housing in moderate-income geographies. There are no home improvement originations in moderate-income geographies for the evaluation period.

Geographic Distribution of Residential Real Estate Loans in the Hot Springs, AR AA								
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	0.00	0.00	15.07	5.88	71.45	70.59	13.48	23.53
Home Improvement	0.00	0.00	15.07	0.00	71.45	85.71	13.48	14.29
Refinance	0.00	0.00	15.07	13.64	71.45	81.82	13.48	4.55

*Source: Data reported under HMDA from 2009 through 2011. 2000 U.S. Census data.*

Geographic distribution of business loans reflects excellent dispersion within the AA. The number of loans to businesses originated within moderate-income CTs exceed the percentage of AA businesses.

Geographic Distribution of Loans to Businesses in the Hot Springs, AR AA								
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
Commercial	0.00	0.00	23.49	25.00	63.20	65.00	13.31	10.00

Source: A sample of business loans from 2009 through 2011 and Dunn and Bradstreet data.

Non-MSA Arkansas Counties: (Clark, Hempstead, Howard, Little River, Montgomery, Pike, Polk, Scott, and Sevier)

Geographic distribution for residential real estate loans within the Non-MSA Arkansas Counties AA was not analyzed. However, FNB has substantial lending activity in middle-income CTs designated distressed, underserved, or both. Refer to summary under **Geographic Distribution of Loans** for further detail.

Geographic Distribution of Residential Real Estate Loans in the Non-MSA Arkansas Counties AA								
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	0.00	0.00	0.00	0.00	97.99	98.57	2.01	1.43
Home Improvement	0.00	0.00	0.00	0.00	97.99	97.83	2.01	2.17
Refinance	0.00	0.00	0.00	0.00	97.99	99.46	2.01	0.54

Source: Data reported under HMDA from 2009 through 2011. 2000 U.S. Census data.

Geographic distribution for loans to businesses within the Non-MSA Arkansas Counties AA was not analyzed. However, FNB has substantial lending activity in Middle Income CTs designated distressed, underserved, or both. Refer to summary under **Geographic Distribution of Loans** for further detail.

Geographic Distribution of Loans to Businesses in the Non-MSA Arkansas Counties AA								
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
Commercial	0.00	0.00	0.00	0.00	98.57	100.00	1.43	0.00

Source: A sample of business loans from 2009 through 2011 and Dunn and Bradstreet data.

Texarkana MSA and Little Rock-North Little Rock MSA

An analysis for the limited-scope AAs was not conducted. The Little Rock-North Little Rock MSA has two upper-income CTs. The Texarkana MSA has LMI CTs, but all loan originations were made in middle-income geographies.

**Responses to Complaints**

FNB did not have any complaints relating to its lending practices.

**COMMUNITY DEVELOPMENT TEST**

FNB's community development performance demonstrates excellent responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services.

**Number and Amount of Community Development Loans**

FNB's origination of community development related loans reflects excellent responsiveness. During the evaluation period, FNB originated 23 loans totaling \$15 million to entities that meet the definition of community development or are located in a distressed and/or underserved middle-income CT. The most notable loan is to a Community Development Financial Institution (CDFI). FNB has a \$12 million commitment to the CDFI.

Approximately 19 of the community development loan originations were in the full-scope AAs. The remaining four were originated outside of the bank's AA. The CRA regulation allows for consideration of community development activity outside of a bank's AAs to be included as long as the bank has adequately met the needs of its AAs. Going forward, the bank plans to increase lending volume in regards to the Federal Home Loan Bank's EDP<sup>plus</sup> grant program. This is a small business grant program, designed to assist member institutions in providing capital to under-served areas or to under-served populations.

**Number and Amount of Qualified Investments**

FNB's number and amount of qualified investments reflects excellent responsiveness. FNB made thirty-three (33) grants/donations/qualified investments totaling \$11,787. A majority of donations were made in the Non-MSA Arkansas Counties AA.

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

The level of community development services reflects excellent responsiveness. FNB employees and officers have actively participated in 23 community development service activities. The services provided financial expertise to various organizations that provide services to LMI individuals and families in the bank's AAs.

**Responsiveness to Community Development Needs**

FNB is responsive to community development opportunities throughout its AAs. Community development activity addressed services, revitalization and economic development needs and provided services to LMI individuals. The delivery systems of the bank are reasonably accessible to geographies and individuals of different income levels in its AAs.

The Hot Springs, AR MSA has no low-income CTs. Approximately 32% of the CTs are designated moderate-income geographies. The bank does not have any branch locations within the Hot Spring, AR MSA located in a moderate-income CT. The Non-MSA Arkansas Counties AA do not include any LMI CTs. However, all middle-income CTs are designated as distressed, underserved, or both. Middle-income CTs represent 97% of the geography. The limited-scope AAs do not have branch locations within LMI CTs. The Texarkana MSA has a branch located within a middle-income CT. The Little Rock-North Little Rock MSA has branch locations located in middle- and upper-income CTs.

Wide ranges of financial services are provided at each branch and are consistent throughout the bank's branch network. The bank offers ATM service, telephone banking, Internet Banking, ACH deposits, and low cost checking accounts. FNB offers residential loans through the secondary market. In addition to retail banking services, bank officers are active in numerous local organizations that promote community development.

**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 evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.