



PUBLIC DISCLOSURE

January 06, 2014

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Legacy National Bank
Charter Number 24573

4055 West Sunset
Springdale, AR 72762

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

- Legacy National Bank (LNB's) loan-to-deposit ratio is reasonable.
- A substantial majority of loans originated inside the assessment area.
- LNB's lending performance for borrower distribution demonstrated reasonable penetration throughout the assessment area.
- LNB's lending performance for geographic distribution demonstrated reasonable dispersion throughout the assessment area.
- Response to complaints is appropriate.

SCOPE OF EXAMINATION

Legacy National Bank was evaluated as a *Small Bank* under the Community Reinvestment Act (CRA). The bank has one assessment area, Washington County and the southern portion of Benton County, which is a full-scope assessment area. We evaluated loan data from 2010, 2011, 2012, and through September 30, 2013, for loans subject to the Home Mortgage Disclosure Act (HMDA). Additionally, a sample of eighty (80) small loans to businesses was used for the same period as the HMDA loan data. The loan sample consisted of commercial real estate loans and commercial and industrial loans. Loan data from 2010 and 2011 was compared to 2000 Census demographic data. Loan data from 2012 through September 30, 2013, was compared to 2010 Census demographic data. Affiliate loan data was not included as a part of this evaluation.

A data integrity review was conducted October 25, 2013. Data verification procedures included a review of 181 HMDA loans from 2010, 2011, and 2012. The sample consisted of 60 loans for each of the three years. No material errors were identified in the reported data, and the level of exceptions did not impair our ability to evaluate CRA performance.

DESCRIPTION OF INSTITUTION

LNB is headquartered in Springdale (Washington County), Arkansas in the northwest part of the state. Washington County is part of the Fayetteville-Springdale-Rogers, Arkansas (AR)-Missouri (MO) Metropolitan Statistical Area (MSA), but LNB only has banking offices in Washington and Benton Counties in AR. LNB is owned 21.95 percent by First National Bancorp, Incorporated and additional ownership is through private investors. As of September 30, 2013, the bank reported total assets of \$267 million with \$222 million in deposits and \$199 million in net loans (75 percent of total assets). LNB has been in business since March 28, 2005. The bank has five branches: three are located in Springdale, one in Fayetteville, and one in Rogers. All banking offices have drive-in facilities, and automated teller machines (ATM's). The bank's primary business focus is commercial real estate loans with residential real estate loans as a secondary focus.

Loan Category	\$ (000)	%
Commercial Real Estate	97,773	48%
Residential Real Estate	53,801	27%
Commercial and Industrial	26,359	13%
Agriculture	20,147	10%
Consumer	4,767	2%
Total	202,847	100%

Source: September 30, 2013 Call Report.

LNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. Mobile banking is also available via mobile devices (smart phones and tablets). There are no financial or legal impediments that would limit the bank's ability to help meet the credit needs in its assessment area. The last CRA Performance Evaluation is dated June 14, 2007. LNB received an overall rating of *Satisfactory*.

DESCRIPTION OF ASSESSMENT AREA(S)

LNB's assessment area is comprised of Washington County and census tracts (CTs) in the southern half of Benton County. Washington and Benton Counties are included in the Fayetteville-Springdale-Rogers Metropolitan Statistical Area (MSA). The MSA is a multistate MSA with counties in AR: Benton, Madison, and Washington; and one county in Missouri: McDonald. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The 2010 Census reported sixty-one (61) CTs in the bank's AA. The 2000 Census reported forty-nine (49) CTs. The Median Family Income (MFI) in 2010 was \$54,186 for the Fayetteville-Springdale-Rogers MSA. This figure increased by \$11,608 since the 2000 Census. The MFI figure is used to determine the income level of individual CTs. There were three (3) low-income CTs, ten (10) moderate-income CTs, thirty-two (32) middle-income CTs and sixteen (16) upper-income CTs. Since the 2000 Census, the income distribution of the CTs increased in the moderate-income and upper-income tracts. The 2013 HUD estimated MFI for the Fayetteville-Springdale-Rogers MSA was \$56,700. This figure increased by \$9,300 since 2007. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The percent of households below poverty level increased between the two census periods, from 13 percent in 2000 to 15 percent in 2010. The poverty level is considered high which means it was difficult for low-income individuals to qualify for mortgage financing.

Springdale, AR, is located in the Northwestern part of AR. According to the updated 2012 Census, the population of Washington County was 211,411, and the population of Benton County was 232,268. The Fayetteville-Springdale-Rogers MSA has been the primary growth area in Arkansas in the past decade. The MSA population grew 35 percent from 325,364 in 2000 to 440,121 in 2010.

The local economy continues to recover from over-development in the real estate segment. The primary industries in Washington and Benton counties include retail, education, trucking, health care, and the production, distribution, and marketing of poultry and other protein products. Wal-Mart Stores, Inc., the world's largest retailer, is headquartered in Benton County and employs approximately 28,000 in the MSA. Poultry and meat processors Tyson Foods, Inc. and George's, Inc. are located in Springdale, and employ about 4,300 and 2,500 persons, respectively. Trucking company J.B. Hunt Transport Services, Inc. is headquartered in Benton County and employs approximately 2,500. The University of Arkansas (4,000 employees), the Springdale/Fayetteville school system (3,200 employees) and the Bentonville/Rogers school system (over 3,800 employees) are large employers in their respective counties. Also, the Mercy Health Care System in Benton County is a significant area employer with 1,200 employees. Wal-Mart, Tyson, and the University of Arkansas account for one fourth of the total number of jobs in the MSA.

Based on November 2013 statistics provided by the Bureau of Labor Statistics, the unemployment rate, non-seasonally adjusted (NSA) was 5.1 percent for Benton County and 4.8 percent for Washington County. The unemployment rates for Benton and Washington Counties are below the Arkansas average of 7.5 percent and the U.S. average of 6.7 percent.

The bank's assessment area is characterized by a high percentage of families classified as upper-income at 40.73 percent, followed by middle-income at 20.46 percent, moderate-income at 18.04 percent, and low-income at 20.78 percent. Banking competition is considered strong, with numerous branches of large regional banks, credit unions, finance companies, and mortgage companies located throughout the Fayetteville-Springdale-Rogers MSA.

A community contact was conducted with a city of Springdale government organization that rehabilitates housing for low- and moderate-income housing needs. The contact identified the primary needs in the Springdale area: affordable housing, rental assistance, and credit counseling. Local banks have assisted with home ownership and credit counseling. The contact stated that financing of homes is a major obstacle for low- and moderate-income individuals and that affordable housing loan programs are needed at local banks.

The following table shows the demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA FAYETTEVILLE-SPRINGDALE-ROGERS, AR MSA (WASHINGTON COUNTY and BENTON COUNTY)	
<i>Population</i>	
Number of Families	80,357
Number of Households	120,137
<i>Geographies</i>	
Number of Census Tracts	61
% Low-Income Census Tracts	4.92%
% Moderate-Income Census Tracts	16.39%
% Middle-Income Census Tracts	52.46%
% Upper-Income Census Tracts	26.23%
<i>Median Family Income (MFI)</i>	
2010 MFI for Assessment Area	\$54,186
2013 HUD-Adjusted MFI	56,700
<i>Economic Indicators</i>	
Unemployment Rate, November 2013, (Non-seasonally Adjusted)	
Benton County	5.1%
Washington County	4.8%
State of Arkansas	7.5%
United States	6.7%
Median Housing Value as of 2013	\$162,916
Median Housing Year Built as of 2010	1989
% of Households Below Poverty Level	15%

Source: 2010 U.S. Census Data, 2013 HUD Data, and 2013 Bureau of Labor Statistics

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**Loan-to-Deposit Ratio**

LNB's loan-to-deposit ratio is more than reasonable.

Institution	Total Assets (\$000) (09/30/2013)	Loan-to-Deposit Ratio
Legacy National Bank	266,595	93.71%
Arvest Bank	13,963,666	77.41%
Signature Bank of Arkansas	448,653	98.88%
Bank of Fayetteville	330,544	90.15%
United Bank	142,218	104.47%
Bank of Gravett	124,581	70.84%
Parkway Bank	123,772	81.78%
Decatur State Bank	123,484	93.30%
Pinnacle Bank	90,189	83.81%

The loan-to-deposit ratio was calculated over 26 quarterly averages going back to the date of this institution's prior CRA Performance Evaluation as of June 14, 2007 and ending September 30, 2013. Of the nine financial institutions located in the bank's assessment area, LNB had the third highest loan-to-deposit ratio.

Lending in Assessment Area

A substantial majority of the number and dollar volume of the bank's loans originated inside the assessment area for the 2010 through 2011 loans and the 2012 through September 30, 2013, loans.

2000 Census

Lending in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	47	87.04	7	12.96	54	7,410	90.37	790	9.63	8,200
Home Improvement	15	78.95	4	21.05	19	347	71.84	136	28.16	483
Refinance	83	87.37	12	12.63	95	11,244	87.58	1,594	12.42	12,838
Small Business	38	95.00	2	5.00	40	21,956	99.57	94	0.43	23,050
Totals	183	87.98	25	12.02	208	40,957	94.00	2,614	6.00	43,571

Source: Data reported under 2010 and 2011 HMDA.

Overall, LNB originated 88 percent of the number of loans in the assessment area and 94 percent of the dollar volume of loans in the assessment area. LNB originated 86 percent of the number

of home mortgage loans and 88 percent of the dollar volume of home mortgage loans inside the assessment area. The bank originated 95 percent of the number of small loans to businesses and 99.6 percent of the dollar volume of small loans to businesses.

2010 Census

Lending in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	68	82.93	14	17.07	82	12,415	87.00	1,855	13.00	14,270
Home Improvement	16	72.73	6	27.27	22	436	30.30	1,003	69.70	1,439
Refinance	61	88.41	8	11.59	69	12,595	93.43	886	6.57	13,481
Small Business	37	92.50	3	7.50	40	15,892	97.70	374	2.30	16,266
Totals	182	85.45	31	14.55	213	41,338	90.94	4,118	9.06	45,456

Source: Data reported under 2012 through September 30, 2013 HMDA.

Overall, LNB originated 85 percent of the number of loans in the assessment area and 91 percent of the dollar volume of loans in the assessment area. LNB originated 83 percent of the number of home mortgage loans and 87 percent of the dollar volume of home mortgage loans inside the assessment area. The bank originated 92 percent of the number of small loans to businesses and 97 percent of the dollar volume of small loans to businesses.

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

Lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. LNB's lending demonstrated reasonable penetration throughout the assessment area.

Home Mortgage Loans

2000 Census

Borrower Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers MSA (Washington & Benton 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	18.37	2.44	18.08	9.76	23.46	19.51	40.09	68.29
Home Improvement	18.37	8.33	18.08	25.00	23.46	8.33	40.09	58.33
Refinance	18.37	7.25	18.08	10.14	23.46	20.29	40.09	62.32

Source: Data reported under 2010 and 2011 HMDA; U.S. 2000 Census data.

Home purchase loan originations are adequate. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of households below the poverty level was high at 13 percent during the 2000 Census. The poverty level makes it more difficult for low-income individuals to qualify for mortgage financing. The percentage of bank loans to moderate-income borrowers is somewhat lower than the percentage of moderate-income families.

Home improvement loan originations are good. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of households below the poverty level was high at 13 percent, which was a factor in the low loan penetration to low-income borrowers. The percentage of bank loans to moderate-income borrowers exceeds the percentage of moderate-income families.

Refinance loan originations are adequate. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of households below the poverty level was high at 13 percent, which was a factor in the low loan penetration to low-income borrowers. The percentage of bank loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families.

2010 Census

Borrower Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers MSA (Washington & Benton 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	20.78	3.33	18.04	15.00	20.46	15.00	40.73	66.67
Home Improvement	20.78	0.00	18.04	14.29	20.46	0.00	40.73	85.71
Refinance	20.78	2.22	18.04	6.67	20.46	17.78	40.73	73.33

Source: Data reported from 2012 through September 30, 2013 HMDA; U.S. 2010 Census data.

Home purchase loan originations are adequate. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of households below the poverty level was high at 15 percent during the 2010 Census. The poverty level makes it more difficult for low-income individuals to qualify for mortgage financing. The percentage of bank loans to moderate-income borrowers is near to the percentage of moderate-income families.

Home improvement loan originations are adequate. The percentage of bank loans to low-income borrowers was lower than the percentage of low-income families. The percentage of households below the poverty level was high at 15 percent, which was a factor in the low loan penetration to low-income borrowers. The percentage of bank loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families.

Refinance loan originations are poor. The percentage of bank loans to low- and moderate-income borrowers was lower than the percentage of low- and moderate-income families. The percentage of households below the poverty level was high at 15 percent, which was a factor in the low loan penetration to low-income borrowers. In the mortgage industry, underwriting standards were stricter for home refinance loans, which made it more difficult for low- and moderate-income applicants to obtain financing.

Small Business Loans

2000 Census

Borrower Distribution of Loans to Businesses in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	68.46%	2.62%
% of Bank Loans in AA by #	65.79%	21.05%
% of Bank Loans in AA by \$	24.19%	52.89%

Source: Loan sample; 2011 Dun & Bradstreet Data. *28.93% of AA businesses did not report revenue data.

The distribution of small loans to businesses is good. The percentage of the number of bank loans with revenues of \$1 million or less is near to the percentage of businesses with revenues of \$1 million or less located in the assessment area.

2010 Census

Borrower Distribution of Loans to Businesses in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	71.38%	3.83%
% of Bank Loans in AA by #	72.97%	24.32%
% of Bank Loans in AA by \$	65.37%	29.59%

Source: Loan sample; 2013 Dun and Bradstreet data. *24.79% of AA businesses did not report revenue data.

The distribution of small loans to business is excellent. The percentage of the number of bank loans with revenues of \$1 million or less exceeds the percentage of businesses with revenues of \$1 million or less located in the assessment area.

Geographic Distribution of Loans

Geographic distribution of home mortgage loans and small loans to businesses meets the standard for satisfactory performance. LNB's lending performance demonstrated reasonable dispersion throughout the assessment area.

Home Mortgage Loans

2000 Census

Geographic Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)								
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	0.34	0.00	4.65	4.26	73.61	61.70	21.39	34.04
Home Improvement	0.34	0.00	4.65	6.67	73.61	73.33	21.39	20.00
Refinance	0.34	2.44	4.65	2.44	73.61	65.85	21.39	29.27

Source: Data reported with 2010 and 2011 HMDA; U.S. 2000 Census data.

Geographic distribution for home purchase loans is good. LNB did not originate home purchase loans in low-income CTs. The percentage of owner-occupied housing units was very low at less than one percent, which indicates few opportunities to originate home purchase loans in low-income CTs. The percentage of bank loans in moderate-income geographies is near to the percentage of owner-occupied housing units in moderate-income geographies.

Geographic distribution for home improvement loans is excellent. LNB did not originate home improvement loans in low-income CTs. The percentage of owner-occupied housing units was very low at less than one percent, which indicates few opportunities to originate home mortgage loans in low-income CTs. The percentage of bank loans in moderate-income geographies exceeds the percentage of owner-occupied housing units in moderate-income geographies.

Geographic distribution for refinance loans is good. The percentage of bank loans in low-income geographies exceeds the percentage of owner-occupied housing units in low-income geographies. The percentage of bank loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units in moderate-income geographies.

2010 Census

Geographic Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers MSA (Washington & south Benton Counties)								
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	2.33	2.99	10.68	4.48	55.58	37.31	31.41	55.22
Home Improvement	2.33	0.00	10.68	6.25	55.58	43.75	31.41	50.00
Refinance	2.33	3.51	10.68	8.77	55.58	45.61	31.41	42.11

Source: Data reported under 2012 through September 30, 2013 HMDA; U.S. 2010 Census data.

Geographic distribution for home purchase loans is adequate. The percentage of bank loans in low-income CTs exceeds the percentage of owner-occupied housing units in low-income CTs. The percentage of bank loans in moderate-income geographies is lower than the percentage of owner-occupied housing units in moderate-income geographies.

Geographic distribution for home improvement loans is adequate. LNB did not originate home improvement loans in low-income CTs. The percentage of owner-occupied housing units was low at approximately two percent, which indicates few opportunities to originate home mortgage loans in low-income CTs. The percentage of bank loans in moderate-income geographies is somewhat lower than the percentage of owner-occupied housing units in moderate-income geographies.

Geographic distribution for refinance loans is good. The percentage of bank loans in low-income geographies exceeds the percentage of owner-occupied housing units in low-income geographies. The percentage of bank loans in moderate-income geographies is near to the percentage of owner-occupied housing units in moderate-income geographies.

Small Business Loans

2000 Census

Geographic Distribution of Loans to Businesses in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)								
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
Small Business	1.02%	0.00%	11.13%	18.42%	64.68%	63.16%	23.18%	18.42%

Source: Loan sample and 2011 Dun & Bradstreet Data.

LNB’s geographic distribution for small loans to businesses is excellent. LNB did not originate any bank loans in low-income CTs, but the percentage of businesses located in low-income CTs is very low at approximately one percent. This indicates there are few opportunities to originate small loans to businesses in low-income CTs. The percentage of bank loans in moderate-income CTs exceeds the percentage of businesses located in moderate-income CTs.

2010 Census

Geographic Distribution of Loans to Businesses in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)								
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
Small Business	4.00%	5.41%	20.48%	40.54%	45.91%	24.32%	29.61%	29.73%

Source: Loan sample or data collected by bank; 2013 Dun & Bradstreet data..

LNB’s geographic distribution for small loans to businesses is excellent. The percentage of bank loans in low-income CTs exceeds the percentage of businesses located in low-income CTs. The percentage of bank loans in moderate-income CTs exceeds the percentage of businesses located in moderate-income CTs.

Responses to Complaints

LNB’s response to complaints is appropriate. LNB did not have any complaints of a CRA-related nature. Per the bank’s CRA policy, the CRA Officer processes written CRA-related complaints. The CRA Officer is responsible for handling and issuing a response to the complaint.

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.