



## **PUBLIC DISCLOSURE**

May 12, 2014

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

1st Bank, National Association  
Charter Number 9354

3625 Richmond Road  
Texarkana, TX 75503

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**

A summary of the major factors supporting the institution's rating:

- 1<sup>st</sup> Bank, National Association's (1<sup>st</sup> Bank) loan-to-deposit (LTD) ratio is more than reasonable.
- A majority of 1<sup>st</sup> Bank's loans were made within its assessment area (AA).
- 1<sup>st</sup> Bank's distribution of loans to low- and moderate-income (LMI) borrowers and small businesses within its AA is reasonable.
- 1<sup>st</sup> Bank's geographic distribution of loans within its AA is reasonable.

**SCOPE OF EXAMINATION**

1<sup>st</sup> Bank was examined using the small bank examination procedures. The evaluation period for this Community Reinvestment Act (CRA) Performance Evaluation (PE) was September 25, 2008, through May 12, 2014. Loan products used to assess the bank's performance under the Lending Test include residential real estate and commercial real estate (CRE). The loans were originated between January 1, 2012, and December 31, 2013.

Data Integrity

The bank's compliance officer reviews the adequacy of Home Mortgage Disclosure Act (HMDA) data quarterly. The most recent review, dated May 6, 2014, indicates that HMDA data for early 2014 is accurate. Additionally, 2012 and 2013 reviews show that HMDA data collected during these periods was accurate.

Selection of Areas for Full-Scope Review

As of March 31, 2014, 1<sup>st</sup> Bank has two AAs: two contiguous non-MSA counties in Southwest Arkansas, these include the Hempstead and Lafayette counties, and the Texarkana, Arkansas-Texas (AR-TX) Metropolitan Statistical Area (MSA) #45500 AA. The Texarkana AR-TX MSA AA consists of Bowie County, TX and Miller County, AR.

Both the non-MSA Arkansas counties AA and the Texarkana AR-TX MSA AA were selected for full-scope reviews during this evaluation. Approximately 52.3% of all HMDA reportable transactions from January 1, 2012, through December 31, 2013, originated within the non-MSA Arkansas counties AA, and 47.7% of all HMDA reportable transactions originated within the Texarkana AR-TX MSA AA. The amount of lending volume is sufficient in both assessment areas to conduct full-scope reviews.

## DESCRIPTION OF INSTITUTION

1<sup>st</sup> Bank is located in Texarkana (Bowie County), Texas and is 100% owned by First National Bancshares of Hempstead County, Inc., located in Hope, Arkansas. 1<sup>st</sup> Bank operates eight branches with four full service banking offices in New Boston and Texarkana, Texas, as well as Texarkana and Hope, AR. Additionally, the bank has four deposit taking offices located in the Hempstead and Lafayette counties.

The primary focus is real estate lending, which accounts for 75% of the loan portfolio. 1st Bank offers a variety of loan and deposit products, as well as traditional banking services to meet the needs of its AAs. Primary loan products are 1-4 family residential and CRE loans. Shown below, Table 1 reflects the composition of the loan portfolio as of March 31, 2014.

<b>Table 1 - Loan Portfolio Composition as of March 31, 2014</b>		
<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
Construction and Land Development	\$20,917	8.63%
Farmland	22,881	9.44%
1-4 Family Residential	62,551	25.81%
Multifamily (5 or more) Residential	6,989	2.88%
Commercial (nonfarm, nonresidential)	68,494	28.27%
<b>Total Real Estate Loans</b>	<b>\$181,832</b>	<b>75.03%</b>
Agriculture	16,352	6.75%
Commercial and Industrial	34,393	14.19%
Consumer and Other Loans	9,762	4.03%
<b>Total Gross Loans</b>	<b>\$242,339</b>	<b>100.00%</b>

*Source: Schedule RC-C: Call Report- March 31, 2014*

1<sup>st</sup> Bank does not have any legal or financial impediments that would limit its ability to meet the credit needs within its AAs. As of March 31, 2014, the bank reported total assets of \$308.9 million, including gross loans of \$242.3 million (78.40% of total assets). Deposits totaled \$271.6 million, and Tier 1 Capital was \$31.4 million, or 10.37% of adjusted average assets. 1<sup>st</sup> Bank's prior CRA PE was dated September 25, 2008, with a rating of Satisfactory.

## DESCRIPTION OF FULL SCOPE ASSESSMENT AREA

1<sup>st</sup> Bank's full scope AAs include a contiguous area of seven census-tracts (CT) located in Hempstead and Lafayette counties in Arkansas and a contiguous area of 30 CTs located within the Texarkana AR-TX MSA AA.

### Non-MSA Arkansas Counties: (Hempstead and Lafayette)

1<sup>st</sup> Bank's non-MSA AA consists of the entirety of Hempstead and Lafayette counties. As of the 2010 Census data, the population of the non-MSA AA is 30,254 persons. There are seven CTs in the non-MSA AA, including one moderate-income CT and six middle-income CTs. The non-MSA AA includes only whole CTs and does not arbitrarily exclude any low- or moderate-income areas. The delineation is in conformance with the CRA.

Local employment for the area is centered in services and retail trade. Table 2, shown below, reflects the demographic statistics for the Non-MSA AA based on the 2010 Census data.

<b>Table 2 - Demographic and Economic Characteristics</b>	
	<b>2010 Census</b>
<b>Population</b>	
Number of Families	8,281
Number of Households	11,490
<b>Geographies</b>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	14.29%
% Middle-Income Census Tracts/BNA	85.71%
% Upper-Income Census Tracts/BNA	0.00%
Not Applicable	0.00%
<b>Median Family Income (MFI)</b>	
MFI for Non-MSA AA	\$41,402
2013 HUD-Adjusted MFI	\$44,000
<b>Economic Indicators</b>	
Median Housing Value	\$62,093
% of Households Below Poverty Level	22.18%

*Source: 2010 US Census Data; US Department of Housing and Urban Development (HUD) Data*

Table 3 reflects the annual unemployment rates for each county in the non-MSA AA from 2010 to 2013. In addition, the chart reflects unemployment rates for the United States and Arkansas for comparison purposes.

<b>Table 3 – Unemployment Rates</b>				
	<b>2013 Unemployment Rate</b>	<b>2012 Unemployment Rate</b>	<b>2011 Unemployment Rate</b>	<b>2010 Unemployment Rate</b>
United States	7.4%	8.1%	8.9%	9.6%
Arkansas	7.5%	7.5%	8.0%	7.9%
Hempstead County	7.5%	7.3%	8.5%	9.2%
Lafayette County	10.4%	9.9%	9.8%	10.0%

*Source: Bureau of Labor Statistics*

#### Banking Competition within the Non-MSA Assessment Area

Banking competition within the non-MSA AA is moderate. There are seven financial institutions operating 15 branches in the two county AA including one multi-state regional institution and six local community institutions. The following table, illustrates the significant deposit market share within the AA as of June 30, 2013:

<b>Table 4 - Market Share</b>	
<b>Bank</b>	<b>Market Share</b>
1 <sup>st</sup> Bank, National Association	26.83%
BancorpSouth Bank	26.62%
Summit Bank	21.39%
Bodcaw Bank	13.64%
Community State Bank	5.10%
Diamond Bank	4.74%
The First National Bank of Tom Bean	1.68%
<b>Total</b>	<b>100.00%</b>

*Source: June 30, 2013 FDIC Deposit Market Share Data*

#### Texarkana AR-TX MSA Counties: (Miller County, AR and Bowie County, TX)

1<sup>st</sup> Bank's Texarkana AR-TX MSA AA consists entirely of Miller County, AR and Bowie County, TX. As of the 2010 census data, the population of the MSA AA is 136,027 persons. There are 30 CTs in the MSA AA, including four low-income, three moderate-income, 18 middle-income, and four upper-income CTs. One CT (9800) in the MSA AA has an unknown income level due to the very small population of the tract. This CT primarily consists of the Texarkana Regional Airport. The Texarkana AR-TX MSA AA does not arbitrarily exclude any low- or moderate-income areas. The delineation is in conformance with the CRA.

Local employment for the area is centered in services and retail trade. Table 5, shown below, reflects the demographic statistics for the Texarkana AR-TX MSA AA based on the 2010 Census data.

<b>Table 5 - Demographic and Economic Characteristics</b>	
	<b>2010 Census</b>
<b>Population</b>	
Number of Families	34,423
Number of Households	50,150
<b>Geographies</b>	
Number of Census Tracts/BNA	30
% Low-Income Census Tracts/BNA	13.33%
% Moderate-Income Census Tracts/BNA	10.00%
% Middle-Income Census Tracts/BNA	60.00%
% Upper-Income Census Tracts/BNA	13.33%
Not Applicable	3.33%
<b>Median Family Income (MFI)</b>	
MFI for Texarkana AR-TX MSA AA	\$53,053
2013 HUD-Adjusted MFI	\$57,300
<b>Economic Indicators</b>	
Median Housing Value	\$91,481
% of Households Below Poverty Level	16.64%

*Source: 2010 US Census Data; US Department of Housing and Urban Development (HUD) Data*

The following page reflects the annual unemployment rates for each county in the Texarkana AR-TX MSA AA as well as the Texarkana AR-TX MSA from 2010 to 2013. In addition, the chart reflects unemployment rates for the United States, Arkansas, and Texas for comparison purposes.

	<b>2013 Unemployment Rate</b>	<b>2012 Unemployment Rate</b>	<b>2011 Unemployment Rate</b>	<b>2010 Unemployment Rate</b>
United States	7.4%	8.1%	8.9%	9.6%
Arkansas	7.5%	7.5%	8.0%	7.9%
Texas	6.3%	6.8%	7.9%	8.2%
Texarkana AR-TX MSA	7.3%	6.8%	7.5%	7.5%
Miller County, AR	7.4%	6.8%	6.9%	5.7%
Bowie County, TX	7.2%	6.8%	7.7%	8.3%

Source: Bureau of Labor Statistics

**Banking Competition within the Texarkana AR-TX MSA Assessment Area:**

Banking competition within the Texarkana AR-TX MSA AA is high. There are 16 financial institutions operating 41 branches in Bowie County, Texas, and 14 branches in Miller County, Arkansas. As demonstrated by the chart below, 1<sup>st</sup> Bank's primary focus is providing services within its AA, which allows the bank to remain competitive with larger national and regional institutions. Of the 16 institutions within the market, two are nationwide financial institutions; four are regional multi-state institutions; and 10 are local community institutions. Table 7 illustrates 1<sup>st</sup> Bank's deposit market share within the MSA AA as of June 30, 2013:

<b>Bank</b>	<b>Market Share</b>
Wells Fargo Bank, National Association	36.75%
Guaranty Bond Bank, National Association	10.63%
Capital One, National Association	10.35%
Regions Bank	9.34%
BancorpSouth Bank	8.78%
Commercial National Bank of Texarkana	7.94%
1 <sup>st</sup> Bank, National Association	5.55%
Bank of the Ozarks	3.36%
State Bank of De Kalb	3.01%
Texana Bank, National Association	1.80%
Farmers Bank & Trust Company	1.09%
MidSouth Bank, National Association	0.63%
The First National Bank of Hughes Springs	0.47%
First National Bank	0.17%
First National Bank Texas	0.07%
Woodforest National Bank	0.06%
<b>Total</b>	<b>100.00%</b>

Source: June 30, 2013 FDIC Deposit Market Share Data

Two community contacts were conducted in conjunction with this CRA examination. The contacts revealed that economic conditions within the Texarkana AR-TX MSA are good and continue to improve. Financial institutions are meeting the primary credit needs of the area. The area has seen significant growth since 2000 with the anticipation of two major interstates planned to go through the MSA. Interstate 49 will be extended from Louisiana northward, while Interstate 69 will follow the path of Highway 59 from Houston. Texarkana has already experienced considerable growth along Interstate 30.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

#### Loan-to-Deposit Ratio

1<sup>st</sup> Bank’s average LTD ratio of 93.36% is more than reasonable given its size, financial condition, funding sources, and the credit needs of its AAs. The average LTD ratio is derived from 22-quarters ranging from September 2008 to December 2013. For purposes of this analysis, four banks, with comparable asset sizes, conducting business within 1<sup>st</sup> Bank’s AAs were reviewed to determine 1<sup>st</sup> Bank’s performance relative to its competition. These banks include Bodcaw Bank in Stamps, AR; Commercial National Bank in Texarkana, TX; Community State Bank in Bradley, AR; and State Bank of De Kalb in De Kalb, TX. These four institutions had an overall average LTD ratio of 59.53% during the same period and possessed average LTD ratios ranging from a high of 73.13% to a low of 39.28%. 1<sup>st</sup> Bank had the highest LTD ratio of 93.36%.

Table 8 illustrates 1st Bank’s average LTD ratio and that of similarly situated institutions:

<b>Table 8 – Loan To Deposit Ratio</b>		
<b>Financial Institution</b>	<b>Assets (000s) as of 12/31/2013</b>	<b>Average LTD Ratio</b>
<b>1<sup>st</sup> Bank, National Association</b>	<b>\$304,095</b>	<b>93.36%</b>
State Bank of de Kalb	\$146,600	73.13%
Commercial National Bank of Texarkana	\$194,715	64.26%
Community State Bank	\$24,674	61.43%
Bodcaw Bank	\$77,056	39.28%

*Source: Uniform Banking Performance Reports (Call Reports)*

#### Lending in Assessment Area

A majority of loans, 85.39% of the number and 85.58% of the dollar volume, originated by 1<sup>st</sup> Bank are located inside the AAs. 85.15% of the number and 88.09% of the dollar



volume of residential real estate loans were originated within the AAs. In addition, a sample of 20 loans within each AA was selected from the institution's primary loan type, CRE loans, excluding residential real estate loans. A majority, 87.50% of the number and 79.22% of the dollar volume, of CRE loans were originated within the AAs.

<b>Table 9 - Lending in AAs</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
						(in 000s)			(in 000s)	
Home Purchase	103	79.84	26	20.16	129	12,242	85.59	2,061	14.41	14,303
Home Improvement	118	88.06	16	11.94	134	2,450	85.04	431	14.96	2,881
Refinance	83	88.30	11	11.70	94	8,084	93.23	587	6.77	8,671
Commercial Real Estate	35	87.50	5	12.50	40	8,080	79.22	2,119	20.78	10,199
<b>Total</b>	<b>339</b>	<b>85.39</b>	<b>58</b>	<b>14.61</b>	<b>397</b>	<b>30,856</b>	<b>85.58</b>	<b>5,198</b>	<b>14.42</b>	<b>36,054</b>

*Source: 2012 & 2013 HMDA Data, Loan Samples*

## Lending to Borrowers of Different Incomes

1<sup>st</sup> Bank's residential real estate lending to borrowers of different incomes meets the standards for satisfactory performance in both AAs. The distribution reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

### Residential Real Estate Loans

#### Non-MSA Arkansas Counties AA (Hempstead and Lafayette):

Penetration of loans to low- or moderate-income (LMI) borrowers for residential real estate products within the non-MSA AA is reasonable. Table 10A reflects the loan distributions by type within the non-MSA AA. The loan distributions for home purchase and refinance lending to low-income borrowers are lower than the percentage of low-income families within the AA. However, the loan distribution for home improvement lending to low-income borrowers is near the percentage of low-income families in the AA. Additionally, the loan distributions for home improvement and refinance lending to moderate-income borrowers is near the percentage of moderate-income families. The distribution of home purchase lending to moderate-income borrowers exceeds the level of moderate-income families within the geography. The poor penetration of refinance loans and home purchase loans to low-income borrowers is mitigated by the 18.24% of families below the poverty line living in the geography. This high level of poverty makes it more difficult to qualify low-income borrowers for residential real estate loans while also maintaining sound underwriting standards.

<b>Table 10A - Borrower Distribution of Residential Real Estate Loans in Non-MSA 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	23.37	2.86	16.60	34.29	19.64	17.14	40.39	45.71
Home Improvement	23.37	20.00	16.60	15.00	19.64	26.25	40.39	38.75
Refinance	23.37	8.11	16.60	13.51	19.64	13.51	40.39	64.87

Source: 2012 & 2013 HMDA Data, 2010 US Census Data

Texarkana AR-TX MSA AA (Bowie County, TX and Miller County, AR):

1<sup>st</sup> Bank has reasonable penetration of loans to LMI borrowers for residential real estate products within the MSA AA. Table 10B reflects the loan distributions by loan type within the MSA AA. The loan distributions for home purchase, home improvement, and refinance lending to low-income borrowers are lower than the percentage of low-income families within the AA. However, loan distributions for home purchase, home improvement, and refinance lending to moderate-income borrowers exceed the percentage of moderate-income families within the MSA AA. As in the non-MSA AA, the poor penetration of residential real estate loans to low-income borrowers is mitigated by the elevated level of families with incomes below the poverty line within the MSA. At 13.8%, this high level of poverty makes it more difficult to qualify low-income borrowers for residential real estate loans while also maintaining sound underwriting standards.

<b>Table 10B- Borrower Distribution of Residential Real Estate Loans in Texarkana MSA 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	23.49	3.92	16.34	17.65	20.15	19.61	40.02	58.82
Home Improvement	23.49	9.09	16.34	21.21	20.15	21.21	40.02	48.49
Refinance	23.49	5.13	16.34	20.51	20.15	25.64	40.02	48.72

Source: 2012 & 2013 HMDA Data, 2010 US Census Data

## Small Business Loans

### Non-MSA Arkansas Counties (Hempstead and Lafayette):

Table 10C below reflects that 1<sup>st</sup> Bank has a reasonable penetration of loans to business with revenues of \$1 million or less within the non-MSA AA. The number of loans to business with revenues of \$1 million or less exceeds the percentage of businesses in the non-MSA AA that reported revenues of \$1 million or less. The dollar volume of loans to businesses with revenues of \$1 million or less is somewhat lower than the percentage of businesses in the non-MSA AA that reported revenues of \$1 million or less. The distribution by dollar volume is somewhat lower due to a larger number of smaller credits to small borrowers and the presence of a small number of relatively large loans included in the loan sample.

<b>Table 10C - Borrower Distribution of Loans to Businesses in Non MSA AA</b>				
<b>Business Revenues (or Sales)</b>	<b>&lt;\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unknown</b>	<b>Total</b>
% of AA Businesses	71.75	3.22	25.03	100.00%
% of Bank Loans in AA by #	75.00	25.00	0.00	100.00%
% of Bank Loans in AA by \$	37.24	62.76	0.00	100.00%

*Source: Loan Sample; 2010 US Census Data*

To supplement the business lending review, the distribution of loans by loan size was analyzed as a proxy for business size. The business loan sample primarily consisted of loans less than \$250 thousand, which is indicative of a reasonable level of lending to small businesses. As illustrated in Table 10D below, 50% of loans by number were under \$250 thousand, which indicates a reasonable amount of loans to smaller borrowers within the non-MSA AA.

<b>Table 10D - Borrower Distribution of Loans to Businesses by Loan Size in Non-MSA AA</b>				
<b>Loan Size</b>	<b>Number of Loans</b>	<b>Percent of Number</b>	<b>Dollar Volume of Loans (\$000s)</b>	<b>Percent of Dollar Volume</b>
\$0 - \$100,000	8	40.00%	\$188,962	3.19%
\$100,001 - \$250,000	2	10.00%	\$255,446	4.31%
\$250,001 - \$500,000	8	40.00%	\$2,985,385	50.35%
\$500,001 - \$1,000,000	1	5.00%	\$1,000,000	16.85%
Over \$1,000,000	1	5.00%	\$1,500,000	25.30%

*Source: Loan Sample; 2010 US Census Data*

Texarkana AR-TX MSA AA (Bowie County, TX and Miller County, AR)

Table 10E below reflects that 1<sup>st</sup> Bank has excellent penetration of loans to businesses with revenues of \$1 million or less within the MSA AA from 2012 to 2013. The number of loans to businesses with revenues of \$1 million or less exceeds the percentage of businesses in the MSA AA that reported revenues of \$1 million or less. The dollar volume of loans to businesses with revenues of \$1 million or less is also higher than average due to the high number of small loans that were sampled. There were no loans included in the sample with unknown incomes.

<b>Table 10E - Borrower Distribution of Loans to Businesses in Texarkana MSA AA</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unknown</b>	<b>Total</b>
% of AA Businesses	72.94	3.63	23.43	100.00%
% of Bank Loans in AA by #	95.00	5.00	0.00	100.00%
% of Bank Loans in AA by \$	98.18	1.82	0.00	100.00%

*Source: Loan Sample; 2010 US Census Data*

To supplement the business lending review, the distribution of loans by loan size was analyzed as a proxy for business size. The business loan sample primarily consisted of loans less than \$250 thousand, which is indicative of a reasonable level of lending to small businesses. As illustrated in Table 10F below, 85% of loans by number were under \$250 thousand, which indicates a high level of loans to smaller borrowers. These loans represent just 32% of the dollar volume of loans sampled. This distribution by dollar volume is due to a larger number of smaller credits to small borrowers and the presence of a small number of relatively large loans included in the loan sample.

<b>Table 10F - Borrower Distribution of Loans to Businesses by Loan Size in Texarkana MSA AA</b>				
<b>Loan Size</b>	<b>Number of Loans</b>	<b>Percent of Number</b>	<b>Dollar Volume of Loans (\$000s)</b>	<b>Percent of Dollar Volume</b>
\$0 - \$100,000	10	50.00%	\$472,046	9.13%
\$100,001 - \$250,000	7	35.00%	\$1,194,400	23.11%
\$250,001 - \$500,000	0	0.00%	\$0	0.00%
\$500,001 - \$1,000,000	2	10.00%	\$1,527,000	29.54%
Over \$1,000,000	1	5.00%	\$1,975,000	38.21%

*Source: Loan Sample; 2010 US Census Data*

## Geographic Distribution of Loans

The analysis indicates that 1<sup>st</sup> Bank originated loans in the low-income CT, moderate-income CT, middle-income CT, and upper income CT within the AA during the evaluation period. A review of the distribution of the loan sample by CT does not indicate any significant material gaps in lending coverage. 1<sup>st</sup> Bank's geographic dispersion of loans meets the standards for satisfactory performance. The distribution reflects reasonable dispersion for individuals in LMI geographies.

### Residential Real Estate Loans

#### Non-MSA Arkansas Counties (Hempstead and Lafayette):

1<sup>st</sup> Bank's overall geographic dispersion for residential real estate loans within the non-MSA AA is excellent. Table 11A below shows the geographic dispersion of residential real estate loans within the non-MSA AA. There are no low-income CTs in this AA, and only one moderate-income CT. The level of lending within the moderate-income CT exceeds the level of owner-occupied housing within the same geography for the three residential real estate loan types: home purchase, home improvement, and refinance.

<b>Table 11A - Geographic Distribution of Residential Real Estate Loans in Non-MSA 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	0.00	0.00	8.08	25.64	91.92	74.36	0.00	0.00
Home Improvement	0.00	0.00	8.08	18.52	91.92	81.48	0.00	0.00
Refinance	0.00	0.00	8.08	23.08	91.92	76.92	0.00	0.00

Source: 2012 & 2013 HMDA Data, 2010 US Census Data

#### Texarkana AR-TX MSA AA (Bowie County, TX and Miller County, AR):

1<sup>st</sup> Bank's overall geographic dispersion for residential real estate loans within the Texarkana AR-TX MSA AA is reasonable. Table 11B displays the geographic dispersion of residential real estate loans within the MSA AA. The level of lending within low-income CTs exceeds the level of owner-occupied housing within low-income CTs for home improvement and refinance loans. However, the level of lending within low-income CTs for home purchase loans is lower than the level of owner-occupied housing within low-income CTs. Additionally, the level of lending within moderate-income CTs exceeds the level of owner-occupied housing units within moderate-income CTs for home purchase loans and is somewhat lower for refinance loans. The level of lending within moderate-income CTs for home improvement loans is lower than the

owner-occupied housing units within the same geographies. Of the 30 CTs in the Texarkana MSA AA, only four CTs are low-income and three are moderate-income. The poor dispersion within these geographies is attributed to the small amount of CTs. Additionally, only 32% and 38% of housing units in these tracts are owner-occupied. This greatly reduces the number of lending opportunities within these geographies.

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	4.17	1.56	5.90	9.38	66.50	71.88	23.37	17.18
Home Improvement	4.17	8.11	5.90	2.70	66.50	62.16	23.37	27.03
Refinance	4.17	4.55	5.90	4.55	66.50	52.27	23.37	38.63

Source: 2012 & 2013 HMDA Data, 2010 US Census Data

**Small Business Loans**

Non-MSA Arkansas Counties (Hempstead and Lafayette):

1<sup>st</sup> Bank’s geographic distribution of business loans reflects excellent dispersion within the non-MSA AA. Table 11C below reflects the geographical dispersion of small business loans within the non-MSA AA. The percentage of loans to businesses located within a moderate-income CT exceeds the percentage of businesses located within a moderate-income CT. There are no low-income CTs within the bank’s non-MSA AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
CRE Loans	% 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
	0.00	0.00	13.47	20.00	86.53	80.00	0.00	0.00

Source: Loan Sample; 2010 US Census Data

Texarkana AR-TX MSA Counties: (Miller County, AR and Bowie County, TX)

1<sup>st</sup> Bank’s geographic distribution of business loans reflects good dispersion within the MSA AA. Table 11D, reflects the geographical dispersion of small business loans within the MSA AA. The level of lending within low-income CTs is near the percentage of

businesses within low-income CTs. The level of lending within moderate-income CTs exceeds the level of businesses within the same geography.

<b>Table 11D - Geographic Distribution of Loans to Businesses in Texarkana MSA 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
	10.42	10.00	9.28	25.00	54.25	45.00	25.94	20.00

*Source: Loan Sample; 2010US Census Data*

**Responses to Complaints**

1<sup>st</sup> Bank has not had any complaints made relating to the Community Reinvestment Act since the prior examination dated September 25, 2008.

**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.