



## PUBLIC DISCLOSURE

April 04, 2016

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Eastern Arkansas  
Charter Number 13637

101 North Washington Street  
Forrest City, AR 72335

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.**

Summarize the major factors supporting the institution's rating.

- First National Bank of Eastern Arkansas' (FNBEA) net loan-to-deposit ratio is reasonable.
- A substantial majority of home mortgage, business, and farm loans originated in the bank's designated assessment areas (AA).
- Borrower distribution shows reasonable penetration to borrowers of different incomes and to businesses and farms of different sizes within the AAs.
- Geographic distribution shows reasonable dispersion to borrowers, businesses, and farms located in low- and moderate-income (LMI) census tracts (CT) within the AAs.
- Response to consumer complaints is appropriate.
- FNBEA has shown excellent responsiveness to the Community Development (CD) needs of the AAs through CD lending, qualified investments, and CD services.

## **Scope of Examination**

FNBEA is evaluated as an Intermediate Small Bank. Loan products used for this evaluation include samples of business and farm loans, and home mortgage loans [home purchase, home improvement, and home refinance reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR)] from January 1, 2014, through March 31, 2016. CD activities include loans, qualified investments, and services. The evaluation period for CD activities is May 15, 2012, through April 4, 2016.

Lending performance was evaluated by giving the most weight to certain loan products, consistent with the performance context and the bank's lending strategy. Specifically, the bank's overall lending performance to small business and small farms was given the most weight, as these products represent 52% and 24% of the loan portfolio, respectively. Additionally, performance within the Arkansas Non-Metropolitan Statistical Area (MSA) Counties AA was given more weight, as loan originations from the AA account for 74% of total loan originations within the evaluation period.

A data integrity examination assessing the reliability of HMDA LAR information was conducted on December 4, 2015. Testing included a sample of residential mortgage loans originated from January 1, 2013 through October 6, 2015. The bank's loan data was determined to be reliable and incorporated into this assessment.

All AAs were reviewed as full scope areas based on their significance to the bank in terms of volume of loans originated during the evaluation period; however, as mentioned above, certain products and AAs were given more weight. Refer to the "Description of Assessment Area(s)" section for further information.

## **Description of Institution**

FNBEA, Forrest City, is located in Eastern Arkansas, approximately 90 miles east of Little Rock, AR and 60 miles west of Memphis, TN. FNBEA is 100% owned by Bancshares of Eastern Arkansas, Inc., Forrest City, AR. The bank's main office is located at 101 North Washington, Forrest City, AR. The bank also has 12 branches and one loan production office at the following locations:

### Branches

- 2217 North Washington, Forrest City, St. Francis County, Arkansas
- 123 North IZard, Forrest City, St. Francis County, Arkansas
- 104 Old Military Road West, Colt, St. Francis County, Arkansas
- 103 First Street North, Hughes, St. Francis County, Arkansas
- 101 North Main, Palestine, St. Francis County, Arkansas
- 108 Little Rock Street, Wheatley, St. Francis County, Arkansas
- 363 East Union, Wynne, Cross County, Arkansas
- 456 Branch Road, Holly Grove, Monroe County, Arkansas
- 48 South Poplar, Marianna, Lee County, Arkansas
- 1460 West Keiser, Osceola, Mississippi, Arkansas
- 1146 Barton Road, Earle, Crittenden County, Arkansas
- 1382 Highway 64 West, Marion, Crittenden County, Arkansas

### Loan Production Office

- 5865 Ridgeway Center Parkway, Memphis, Shelby County, Tennessee

FNBEA offers a full range of banking services and automated teller machine (ATM) access is available at eight branch locations and two freestanding locations. The bank's primary lending focus is in business and farm loans, with expansion into the Memphis, TN commercial construction financing market that began in early 2014. FNBEA has numerous direct and indirect competitors in the markets that it serves. These include several large regional bank branches and community banks in Wynne, West Memphis, Marion, and Helena-West Helena, AR. There are no legal or financial impediments that limit the bank's ability to meet the credit needs in its AAs.

As of December 31, 2015, FNBEA reported total assets of \$378 million and \$337 million in deposits. Gross loans totaled \$131 million or 35% of total assets and 39% of total deposits. The loan portfolio composition as of December 31, 2015, is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>% of Total</b>
Commercial Real Estate	43,842	33
Residential Real Estate	19,632	15
Commercial and Industrial	24,993	19
Agriculture	30,877	24
Consumer	8,306	6
Other	3,305	3
<b>Total</b>	<b>\$130,955</b>	<b>100%</b>

*Source: December 31, 2015 Call Report.*

The prior CRA performance evaluation (PE) for FNBEA is dated May 14, 2012, and the bank received a rating of "Satisfactory."

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

FNBEA has two AAs, one of which is within a Multi-State MSA. The Arkansas Non-MSA Counties AA includes all CTs within St. Francis, Lee, Cross, Monroe, Phillips, Mississippi, and Woodruff Counties. The Memphis, TN-MS-AR Multi-State MSA #32820 AA includes all CTs within Crittenden County, AR, Shelby County, TN, and Desoto County, MS. FNBEA's AAs consist of whole geographies and do not arbitrarily exclude LMI CTs. Of the 313 total CTs, 133 are LMI CTs. The AAs are consistent with the legal requirements of 12 CFR § 25.41.

Community credit needs in the AAs were determined by reviewing CRA PE's of other banks operating in the same AAs and by conducting one community contact with an economic development organization. The primary credit needs in the AAs are small business lending, agriculture production operating funds, and affordable housing.

The narratives below include information on economic and demographic factors relevant to the bank's performance in meeting the credit needs of the markets that it serves.

### **Arkansas Non-MSA Counties AA**

FNBEA has 11 full-service offices and two freestanding ATMs located within the AA. Two of the branches are located in LMI CTs. As of June 30, 2015, FNBEA's total deposits were \$337 million, according to the Federal Deposit Insurance Corporation (FDIC) Summary of Deposits (SOD). Of these deposits, 96% were derived from branches within this AA. For the period of January 1, 2014, through March 31, 2016, approximately 74% of loans originated were from branches within this AA.

The AA includes seven counties and 39 CTs. There are 13 LMI CTs within this AA and all 22 middle-income CTs are designated as “Distressed Middle-Income Nonmetropolitan Tracts” for the evaluation period. The statewide unemployment rate as of December 31, 2015 shows an improving trend from over 7% at the previous CRA evaluation to slightly under 5% as of year-end 2015, according to the Bureau of Labor Statistics (BLS). The AA has a total population of 140,198 persons. Of this population, there are 35,448 families and 51,543 households residing in the AA. The 2010 Census Bureau Median Family income (MFI) of \$42,175 was used to determine the tract income level for each CT in the AA. The 2015 MFI, as estimated by the Department of Housing and Urban Development (HUD), is \$46,300. The HUD estimated MFI is used to designate the income category of each FNBEA borrower. The U.S. Census Bureau Small Area Income and Poverty Estimates for 2010 show that over 25% of households have incomes below the poverty level, which is a decrease of 2% since the prior CRA evaluation, but remains high. The level of households below the poverty level can have a negative impact on the number of individuals that can qualify for traditional lending products. LMI families represent 45% of total families in the AA.

CT Category	# of CTs	% of Total
Low Income	0	0
Moderate Income	13	33
Middle Income	22	57
Upper Income	4	10
<b>Total</b>	<b>39</b>	<b>100%</b>

Source: 2010 U.S. Census Data

Income Category	% of Families in the AA	Tract Category	% of Families Residing in Tracts
Low Income Families	27	Low Income Tracts	0
Moderate Income Families	18	Moderate Income Tracts	30
Middle Income Families	18	Middle Income Tracts	56
Upper Income Families	37	Upper Income Tracts	14
<b>Total</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>

Source: 2010 U.S. Census Data

Source: 2010 U.S. Census Data

Major industries consist of agriculture production, manufacturing, and services. The largest employers of the AA include a national deli meat producer and distributor, as well as a federal corrections facility. Two large manufacturing companies and several small retail franchises in the AA ceased operations during the evaluation period. Closure of these businesses negatively affected employment within the area.

**Memphis, TN-MS-AR Multi-State MSA AA**

FNBEA has two full-service branches and a loan production office located within the AA. One of the branches is located in a LMI CT. As of June 30, 2015, only 4% of FNBEA’s deposits were derived from branches within this AA. However, lending volumes from these branches and the loan production office for the period of January 1, 2014 through March 31, 2016 were meaningful and represented approximately 26% of total loans originated during the period.

The AA includes three counties and 274 CTs. There are 120 LMI CTs within this AA. Also, the City of Memphis is designated as an Urban Renewal Community Zone. Five CTs are not categorized by income level, given that there are no housing units or persons that reside within those CTs. According to the BLS, the unemployment rate as of December 31, 2015 shows an improving trend from over 8% at the previous CRA evaluation to 6% as of year-end 2015. The AA has a total population of 1,139,798 persons. Of this population, there are 279,131 families and 414,928 households residing in the AA. The 2010 Census Bureau MFI of \$56,100 was used to determine the tract income level for each CT in the AA. The 2015 MFI, as estimated by HUD, is \$60,400. The HUD estimated MFI is used to designate the income category of each FNBEA borrower. The U.S. Census Bureau Small Area Income and Poverty Estimates for 2010 show that over 16% of households have incomes below the poverty level, which is elevated. The level of households below the poverty level can have a negative impact on the number of individuals that can qualify for traditional lending products. LMI families represent 40% of total families in the AA.

CT Category	# of CTs	% of Total
Low Income	59	22
Moderate Income	61	22
Middle Income	69	25
Upper Income	80	29
Not Applicable	5	2
<b>Total</b>	<b>274</b>	<b>100%</b>

Source: 2010 U.S. Census Data

Income Category	% of Families in the AA	Tract Category	% of Families Residing in Tracts
Low Income Families	24	Low Income Tracts	14
Moderate Income Families	16	Moderate Income Tracts	20
Middle Income Families	17	Middle Income Tracts	25
Upper Income Families	43	Upper Income Tracts	41
<b>Total</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>

Source: 2010 U.S. Census Data

Source: 2010 U.S. Census Data

Major industries consist of agriculture production, transportation and shipping, and tourism. The largest employers of the AA include a global shipping distributor and several large retail chains.

## Conclusions with Respect to Performance Tests

### LENDING TEST

FNBEA's performance under the Lending Test is **Satisfactory**. The loan-to-deposit ratio is reasonable. A substantial majority of loans originated inside FNBEA's AAs. Borrower distribution shows reasonable penetration. Geographic distribution shows reasonable dispersion. Bank management has shown an appropriate response to consumer complaints.

## Loan-to-Deposit Ratio

FNBEA's average loan-to-deposit ratio is **reasonable**.

The bank's quarterly average ratio was calculated at 39% for the preceding 16 quarters from this assessment date. Compared to other similarly situated financial institutions in the AAs, FNBEA has the second lowest average net loan-to-deposit ratio. The high poverty rates and lack of economic expansion in the bank's AAs limit demand for credit from qualified borrowers. In addition, the seasonal aspect of crop production lending also has an influence on the quarterly loan-to-deposit ratio. These factors limit FNBEA's ability to maintain an elevated net loan-to-deposit ratio. However, FNBEA's primary loan products address the defined credit needs within the AAs.

Institution	Total Assets as of 12/31/2015 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The First National Bank of Wynne	290,916	59
Helena National Bank	187,993	49
<b>First National Bank of Eastern Arkansas</b>	<b>377,542</b>	<b>39</b>
Fidelity National Bank	385,820	37

Source: Call Reports within Date Range from 03/31/2012 to 12/31/2015

## Lending in Assessment Area

FNBEA originated a **substantial majority of loans inside** the designated AAs.

Overall, 92% of the number of loans and 86% of the dollar volume of loans originated within the bank's AAs. For business and farm loans, 100% of the number and dollar volume originated in the AAs. For home mortgage loans, 91% of the number and 77% of the dollar volume of loans originated in the AAs.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	75	89.29	9	10.71	84	5,593	71.93	2,183	28.07	7,776
Home Improvement	40	93.02	3	6.98	43	1,319	82.13	287	17.87	1,606
Refinancing	53	91.38	5	8.62	58	4,563	84.03	867	15.97	5,430
Business	14	100.00	0	0.00	14	6,850	100.00	0	0.00	6,850
Farm	6	100.00	0	0.00	6	1,555	100.00	0	0.00	1,555
Totals	188	91.71	17	8.29	205	19,880	85.63	3,337	14.37	23,217

Source: 2014-2015 HMDA Data and 2014-2016 Sample of Business and Farm Loans

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

FNBEA’s borrower distribution shows **reasonable penetration** to businesses and farms of different sizes and to borrowers of different incomes within the AAs.

**Arkansas Non-MSA Counties AA**

FNBEA’s borrower distribution within this AA shows excellent penetration to small businesses, reasonable penetration to small farms, and reasonable penetration to borrowers of different incomes, after consideration is given to the bank’s performance context.

The poverty rate for the AA is elevated at 25% according to the 2010 U.S Census, which negatively affects borrower eligibility in the AA. The high poverty rate in the AA limits the bank’s ability to make home purchase, home improvement, or refinance loans to qualified borrowers.

As mentioned in the “Scope of Examination” section, more weight was placed on the bank’s lending performance to small businesses and small farms, as well as this AA, in determining the overall borrower distribution.

**Business**

Borrower distribution of business loans shows excellent penetration. The percentages of bank loans, by both number and dollar volume, to businesses with revenues of \$1 million or less exceeds the percentage of businesses in the AA with revenues of \$1 million or less.

<b>Table 2 - Borrower Distribution of Loans to Businesses in Arkansas Non-MSA Counties AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	71.66	4.30	24.04	100%
% of Bank Loans in AA by #	95.65	4.35	0.00	100%
% of Bank Loans in AA by \$	95.85	4.15	0.00	100%

*Source: 2014 Dunn & Bradstreet Data and 2014-2016 Sample of Business Loans*

**Farm**

Borrower distribution of farm loans show reasonable penetration. The percentage of bank loans (by number) to farms with revenues of \$1 million or less is somewhat lower than the percentage of farms in the AA with revenues of \$1 million or less. By dollar volume, the percentage of bank loans to farms with revenues of \$1 million or less is lower than the percentage of farms in the AA with revenues of \$1 million or less. See Table 2 on the following page for specific details.



<b>Table 2 - Borrower Distribution of Loans to Farms in Arkansas Non-MSA Counties AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	96.37	2.58	1.05	100%
% of Bank Loans in AA by #	76.19	23.81	0.00	100%
% of Bank Loans in AA by \$	40.26	59.74	0.00	100%

Source: 2014 Dunn & Bradstreet Data and 2014-2016 Sample of Farm Loans

### Residential Real Estate

Borrower distribution of residential real estate loans shows poor penetration in the home purchase and refinance segment, but reasonable penetration in the home improvement segment when comparing HMDA and 2010 U.S. Census data. For residential real estate loans, the percentages of bank loans to LMI borrowers are lower than the percentages of LMI families. When considering the high poverty level within the AA, the borrower distribution of residential real estate loans shows reasonable penetration.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Arkansas Non-MSA Counties AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	26.79	0.00	17.94	5.00	18.41	8.33	36.86	78.33
Home Improvement	26.79	10.81	17.94	16.22	18.41	10.81	36.86	54.05
Refinancing	26.79	8.33	17.94	6.25	18.41	6.25	36.86	62.50

Source: 2014-2015 HMDA Data and 2010 U.S. Census Data

NOTE: The percentage of home purchase, home improvement, and refinancing loans accounted for within the above table are 91.66%, 91.89%, and 83.33%, respectively. Loans to investors compose the remaining percentages for each type to total 100.00%. Income information for investor loans is not reported for HMDA purposes and thus excluded from the above table.

### Memphis, TN-MS-AR Multi-State MSA AA

FNBEA’s borrower distribution within this AA shows reasonable penetration to small businesses, small farms, and borrowers of different incomes, after consideration is given to the bank’s performance context.

The poverty rate for the AA is elevated at 16% according to the 2010 U.S Census, which negatively affects borrower eligibility in the AA. The high poverty rate in the AA limits the bank’s ability to make home purchase, home improvement, or refinance loans to qualified borrowers.

As mentioned in the “Scope of Examination” section, more weight was placed on the bank’s lending performance to small businesses and small farms for this AA in determining the overall borrower distribution.

Business

Borrower distribution of business loans shows reasonable penetration. The percentages of bank loans, by both number and dollar volume, to businesses with revenues of \$1 million or less is somewhat lower than the percentage of businesses in the AA with revenues of \$1 million or less.

<b>Table 2 - Borrower Distribution of Loans to Businesses in Memphis, TN-MS-AR Multi-State MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	74.07	5.81	20.12	100%
% of Bank Loans in AA by #	56.52	43.48	0.00	100%
% of Bank Loans in AA by \$	44.24	55.76	0.00	100%

*Source: 2014 Dunn & Bradstreet Data and 2014-2016 Sample of Business Loans*

Farm

Borrower distribution of farm loans shows reasonable penetration. The percentages of bank loans, by both number and dollar volume, to farms with revenues of \$1 million or less is somewhat lower than the percentage of farms in the AA with revenues of \$1 million or less.

<b>Table 2 - Borrower Distribution of Loans to Farms in Memphis, TN-MS-AR Multi-State MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	94.52	3.24	2.24	100%
% of Bank Loans in AA by #	71.43	28.57	0.00	100%
% of Bank Loans in AA by \$	54.80	45.20	0.00	100%

*Source: 2014 Dunn & Bradstreet Data and 2014-2016 Sample of Farm Loans*

Residential Real Estate

Borrower distribution of residential real estate loans shows reasonable penetration in the home purchase segment, but poor penetration in the home improvement and refinancing segments when comparing HMDA and 2010 U.S. Census data. For residential real estate loans, the percentages of bank loans to LMI borrowers are lower than the percentages of LMI families. When considering the high poverty level within the AA, the borrower distribution of residential real estate loans shows reasonable penetration. See Table 2 on the following page for specific details.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Memphis, TN-MS-AR Multi-State MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	24.12	6.67	15.93	6.67	17.24	0.00	42.71	33.33
Home Improvement	24.12	0.00	15.93	0.00	17.24	0.00	42.71	66.67
Refinancing	24.12	0.00	15.93	0.00	17.24	20.00	42.71	20.00

Source: 2014-2015 HMDA Data and 2010 U.S. Census Data

NOTE: The percentage of home purchase, home improvement, and refinancing loans accounted for within the above table are 46.67%, 66.67%, and 40.00%, respectively. Loans to investors compose the remaining percentages for each type to total 100.00%. Income information for investor loans is not reported for HMDA purposes and thus excluded from the above table.

### Geographic Distribution of Loans

FNBEA's geographic distribution shows **reasonable dispersion** to businesses, farms, and borrowers, located in LMI CTs within the AAs.

### Arkansas Non-MSA Counties AA

FNBEA's geographic distribution within this AA shows reasonable dispersion to businesses, reasonable dispersion to farms, and excellent dispersion to borrowers located in LMI and distressed and underserved CTs after consideration is given to the bank's performance context.

The analysis of the bank's geographic distribution of loans includes loans made to borrowers located in moderate- and middle-income CTs. There are no low-income CTs within the AA and all middle-income CTs are designated as distressed and underserved. The analysis reflects lending in most CTs and no significant gaps in lending coverage. Refer to the "Description of Assessment Area(s)" section for further information.

As mentioned in the "Scope of Examination" section, more weight was placed on the bank's lending performance to businesses and farms located in LMI and distressed and underserved CTs, as well as this AA, in determining the overall geographic distribution.

### Business

Geographic distribution of business loans shows reasonable dispersion. The percentage of bank loans to businesses located in moderate-income CTs is somewhat lower than the percentage of businesses located in moderate-income CTs. The percentage of bank loans to businesses located in middle-income distressed and underserved CTs exceeds the percentage of bank loans to businesses located in middle income CTs.

Farm

Geographic distribution of farm loans shows reasonable dispersion. The percentage of bank loans to farms located in moderate-income CTs is lower than the percentage of farms located in moderate-income CTs. The percentage of bank loans to farms located in middle-income distressed and underserved CTs exceeds the percentage of bank loans to farms located in middle income CTs.

Table 3 - Geographic Distribution of Loans to Businesses and Farms in Arkansas Non-MSA Counties AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	0.00	0.00	32.97	21.74	54.47	78.26	12.56	0.00
Farms	0.00	0.00	18.50	4.76	69.22	95.24	12.28	0.00

Source: 2014 Dunn & Bradstreet Data and 2014-2016 Sample of Business and Farm Loans

Residential Real Estate

Geographic distribution of residential real estate loans shows excellent dispersion. For residential real estate loans, the percentage of bank loans to borrowers located in moderate-income CTs exceeds the percentage of owner-occupied housing units in moderate-income CTs. The percentage of bank loans to borrowers located in middle-income distressed and underserved CTs is near to the percentage of owner-occupied housing units in middle-income CTs.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Arkansas Non-MSA Counties AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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 Purchasing	0.00	0.00	24.39	35.00	59.72	58.33	15.89	6.67
Home Improvement	0.00	0.00	24.39	43.24	59.72	43.24	15.89	13.52
Refinancing	0.00	0.00	24.39	39.58	59.72	56.25	15.89	4.17

Source: 2014-2015 HMDA Data and 2010 U.S. Census Data

Memphis, TN-MS-AR Multi-State MSA AA

FNBEA's geographic distribution within this AA shows reasonable dispersion to businesses, reasonable dispersion to farms, and reasonable dispersion to borrowers located in LMI CTs after consideration is given to the bank's performance context.

The bank’s lending activities in this AA are primarily associated with agriculture lending and commercial construction loans. Agriculture loans within this AA originate from the Crittenden County, AR branches, while the majority of the commercial construction loans in this AA originate from the Memphis, TN loan production office. Commercial loans made from the loan production office are mostly to residential real estate developers that are categorized as small businesses under the borrower distribution analysis. These developers operate where residential growth and economic expansion opportunities are present, which is primarily limited to the eastern portion of the City of Memphis. Upper-income CTs make up the majority of the eastern Memphis area. Refer to the “Description of Assessment Area(s)” section for further information.

As mentioned in the “Scope of Examination” section, more weight was placed on the bank’s lending performance to businesses and farms located in LMI and distressed and underserved CTs for this AA in determining the overall geographic distribution.

**Business**

Geographic distribution of business loans shows poor dispersion when comparing business loan sample results to 2014 Dunn & Bradstreet data. The percentage of bank loans to businesses located in low-income CTs is significantly lower than the percentage of businesses located in low-income CTs. The percentage of bank loans to businesses located in moderate-income CTs is lower than the percentage of businesses located in moderate-income CTs. When considering the performance context issues of isolated economic development to the eastern portion of Memphis, the geographic distribution of business loans shows reasonable dispersion.

**Farm**

Geographic distribution of farm loans shows reasonable dispersion. The percentage of bank loans to farms located in low-income CTs exceeds the percentage of farms located in low-income CTs. The percentage of bank loans to farms located in moderate-income CTs is lower than the percentage of farms located in moderate-income CTs.

<b>Table 3 - Geographic Distribution of Loans to Businesses and Farms in Memphis, TN-MS-AR Multi-State MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	10.08	0.00	18.28	4.35	24.14	4.35	46.58	91.30
Farms	7.72	85.71	15.06	4.76	25.20	9.53	51.65	0.00

Source: 2014 Dunn & Bradstreet Data and 2014-2016 Sample of Business and Farm Loans  
 NOTE: The percentage of businesses accounted for within the above table is 99.02%. The remaining 0.98% of businesses are located with the five CTs of the AA that have no income designation. See “Description of Assessment Area(s)” section for further information.

## Residential Real Estate

Geographic distribution of residential real estate loans shows excellent dispersion. For residential real estate loans, the percentage of bank loans to borrowers located in low-income CTs is near to the percentage of owner-occupied housing units in low-income CTs. The percentage of bank loans to borrowers located in moderate-income CTs exceeds the percentage of owner-occupied housing units in moderate-income CTs.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Memphis, TN-MS-AR Multi-State MSA 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 Purchasing	9.09	6.67	17.18	60.00	26.23	13.33	47.50	20.00
Home Improvement	9.09	0.00	17.18	33.33	26.23	0.00	47.50	66.67
Refinancing	9.09	20.00	17.18	40.00	26.23	40.00	47.50	0.00

Source: 2014-2015 HMDA Data and 2010 U.S. Census Data

## Responses to Complaints

FNBEA has an **appropriate** process of receiving and responding to customer complaints. No CRA related complaints were received by the Comptroller of the Currency since the previous CRA evaluation dated May 14, 2012.

## COMMUNITY DEVELOPMENT TEST

FNBEA demonstrated **excellent responsiveness** to CD through its level of CD loans, qualified investments, and CD services in each of its AAs.

## Number and Amount of Community Development Loans

FNBEA demonstrated excellent responsiveness to CD needs through lending activities within the AAs during the evaluation period. FNBEA originated 16 loans totaling \$5.4 million that qualify as CD loans between May 15, 2012, and April 4, 2016. Fifteen of the loans, which totaled \$3.9 million, were to finance activities that revitalize or stabilize distressed and underserved communities within the Arkansas Non-MSA Counties AA. One loan, which totaled \$1.5 million, was to a real estate developer for the renovation of numerous affordable housing apartment complexes in the City of Memphis.

## Number and Amount of Qualified Investments

FNBEA demonstrated excellent responsiveness to CD needs through qualified investment activities within the AAs.

During the evaluation period, FNBEA purchased 11 municipal investment securities, which totaled \$2.6 million, issued by Title I school districts located within the Arkansas Non-MSA Counties AA. Additionally, FNBEA purchased six municipal investment securities, which totaled \$1.3 million, issued by Title I school districts located within Crittenden County, AR, which is part of the Memphis, TN-MS-AR Multi-State MSA AA. The purpose of all Title I municipal school district securities purchased was for capital improvements, revitalization, and stabilization. The number of issuances within the bank's AAs is limited, and the bank purchased a portion of most all issuances from the AAs during the evaluation period. An additional \$30.1 million in municipal bonds were purchased from school districts located outside of the bank's AAs during the evaluation period, which were also for the benefit of Title I school districts.

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

FNBEA demonstrated adequate responsiveness to CD needs by offering qualifying services to LMI individuals within the AAs during the evaluation period. Bank officers and employees have engaged in CD services that provide financial expertise to organizations that support the growth and development of small business. In addition, the organizations provide scholarships to LMI students and short-term financial assistance to LMI persons.

FNBEA adequately provides retail services to LMI families and geographies. The branch distribution shows three branches located in LMI CTs and nine branches located in middle-income distressed and underserved CTs. The deposit-taking ATM network provides additional access to LMI individuals and geographies.

During the evaluation period, FNBEA closed one branch due to lack of profitability and one ATM due to outdated equipment and low utilization. Both the branch and the ATM were located in LMI CTs.

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

Pursuant to 12 CFR § 25.28(c), or 12 CFR 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.