PUBLIC DISCLOSURE

February 11, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Security Bank of Conway
RSSD #1890374

1001 Front Street
Conway, Arkansas 72032

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

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 the 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.**

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INSTITUTION'S CRA RATING: This institution is rated: SATISFACTORY
The Lending Test is rated: SATISFACTORY
The Community Development Test is rated: SATISFACTORY

First Security Bank of Conway meets the criteria for a satisfactory rating, based upon the performance evaluation of the bank's lending and community development activities. Geographic distribution analysis reflects reasonable dispersion throughout the bank's assessment areas. Borrower distribution analysis reveals satisfactory penetration among individuals of different income levels, including low- and moderate-income levels (LMI), and among businesses of different sizes. The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs, and, lastly under the lending test, the bank made a substantial majority of its loans within its assessment areas.

Further, the institution's community development performance demonstrates satisfactory responsiveness to the community development needs of its assessment areas, considering the institution's capacity, the need for community development activities, and the availability of such opportunities within the institution's assessment areas. The bank has addressed these needs through various activities, including community development loans, qualified investments, and community development services, as appropriate.

SCOPE OF EXAMINATION

First Security Bank of Conway's CRA performance was evaluated using the examination procedures for intermediate small banks (ISBs), and the review period was from the date of the bank's previous CRA evaluation, on February 6, 2006, to February 11, 2008. Lending performance for the evaluation period was primarily based on loans originated in 2007, specifically residential real estate loan activity reported under the Home Mortgage Disclosure Act (HMDA) for 2007; consumer motor vehicle loans, originated July 1, 2007 to December 31, 2007; and small business loans originated January 1, 2007 to December 31, 2007.

The bank's lending territory is primarily comprised of two, contiguous Arkansas counties, Faulkner and Van Buren. However, because these counties are separated by a metropolitan statistical area (MSA) boundary,[1] the bank must be evaluated under two separate, assessment area analyses (for the MSA and non-MSA portions of the combined assessment areas). When arriving at overall performance conclusions, performance in the Faulkner County assessment area received primary consideration, as most of the bank's activities are within Faulkner County, and nine of 10 bank offices are also located in Faulkner County.

[1] That is, Faulkner County is within the Little Rock-North Little Rock Arkansas MSA, and Van Buren is not located inside an MSA.

DESCRIPTION OF INSTITUTION[2]

First Security Bank of Conway is a wholly-owned subsidiary of First Security Bancorp, Searcy, Arkansas, a multi-bank holding company. The bank is a full-service financial institution offering a complete line of commercial and consumer purpose loan and deposit products. The bank operates 10 banking facilities, with automated teller machines (ATM) at each location. The bank's main office is located in downtown Conway, Arkansas, and the bank operates five other full-service offices in the city of Conway. In addition, full-service offices are also located in the nearby towns of Greenbrier, Vilonia, Mayflower, and Clinton, Arkansas, and the bank also maintains three freestanding ATMs in Conway. Since the 2006 CRA evaluation of First Security Bank of Conway, the bank has opened one full-service branch office (Mayflower, Arkansas); the bank did not close any branch offices during the review period.

The bank has the ability to meet the credit needs of its assessment areas based on the bank's asset size, financial condition, and other resources. As of December 31, 2007, the bank reported total assets of $381.7 million. As of the same date, outstanding loans and leases were $259.6 million (68.0 percent of total assets), and deposits totaled $336.9 million. The bank's loan portfolio composition by credit category is displayed in the following table.[3]

Distribution of Total Loans as of December 31, 2007		
Credit Product Type	**Amount in $000s**	**Percentage of Total Loans**
Construction and Development	$ 48,690	18.8%
Commercial Real Estate	58,772	22.6%
Multifamily Residential	5,070	2.0%
1-4 Family Residential - Revolving	7,088	2.7%
1-4 Family Residential - Other	63,008	24.3%
Farmland	3,376	1.3%
Agricultural	2,410	0.9%
Commercial and Industrial	21,846	8.4%
Loans to Individuals	23,412	9.0%
Total Other Loans & Leases	25,949	10.0%
TOTAL Gross Loans & Leases	**$ 259,621**	**100%**

[2] Any percentage row or column "TOTAL" figure displayed throughout this evaluation that does not equal exactly 100 percent is strictly due to rounding differences, which are considered immaterial to overall performance conclusions.

[3] For purposes of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Reports of Condition and Income as of December 31, 2007.

As indicated by the preceding table, a significant portion of the bank's lending resources is directed to loans secured by 1-4 family residential real estate, commercial real estate loans, and construction and land development loans.

As of June 30, 2007, the bank was one of 15 financial institutions operating in Faulkner County and was one of seven financial institutions operating in Van Buren County. In terms of market share of total deposits, the bank ranked second in Faulkner County and fifth in Van Buren County.[4] As part of this evaluation under the CRA, the bank's performance was evaluated in relation to the performance of other local banks. Four financial institutions were identified as regional competitors with asset sizes ranging from $61.5 million to $1.3 billion.

The bank received satisfactory ratings for both the lending test and the community development test at its previous CRA evaluation conducted February 6, 2006, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREAS

As noted under the Scope of Examination section of this report, First Security Bank of Conway operates in two CRA assessment areas. Assessment Area One is comprised of Faulkner County in its entirety, which is located in the Little Rock-North Little Rock Arkansas MSA. Assessment Area Two is comprised of Van Buren County in its entirety, which is north of, and contiguous to, Faulkner County; however, Van Buren County is not in an MSA. Both assessments areas are located in north-central Arkansas.

As mentioned above, Assessment Area One is comprised of Faulkner County, Arkansas, which contains 21 census tracts (see Appendix A for additional details regarding the composition of the bank's assessment area). The following table reflects the number and family population of Assessment Area One census tracts for each income category.[5]

Assessment Area One Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Geographies	0 0.0%	2 9.5%	15 71.4%	4 19.0%	0 0.0%	**21** **100%**
Family Population	0 0.0%	2,223 9.8%	16,922 74.7%	3,518 15.5%	0 0.0%	**22,663** **100%**

The previous table reveals that Assessment Area One contains zero low-income census tracts and only two moderate-income census tracts (both of which are centered near downtown Conway, Arkansas). By far, the largest portion of the assessment area family population resides in middle-income census tracts.

[4] Source: FDIC website. Market share information is updated as of June 30 each year.
[5] See the glossary in Appendix B for the definitions of the low-, moderate-, middle-, and upper-income categories.

Similarly, the table below details income characteristics for Assessment Area Two.

Assessment Area Two Geographical Information by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Geographies	0 0.0%	1 25.0%	3 75.0%	0 0.0%	0 0.0%	**4** **100%**
Family Population	0 0.0%	981 20.7%	3,769 79.3%	0 0.0%	0 0.0%	**4,750** **100%**

The previous table reveals that one of four Van Buren County census tracts is designated moderate-income, and there are no low-income or upper-income census tracts. Although there is only one moderate-income geography in this county, all three middle-income geographies are considered "underserved" for CRA purposes.[6] As detailed above, the vast majority of Assessment Area Two families reside in one of the underserved, middle-income census tracts.

Based upon 2000 census data, the median family income for Assessment Area One was $46,046, which is similar to that of the 2000 Little Rock MSA median family income of $46,412. More recently, the Department of Housing and Urban Development (HUD) estimates the 2007 Little Rock MSA median family income to be $56,500, representing a 21.7 percent increase from 2000. The following table displays population percentages of Assessment Area One families by income level, compared to the Little Rock MSA family population as a whole.

Assessment Area One Family Population by Income Level						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area One	4,390 19.4%	4,218 18.6%	5,226 23.1%	8,829 39.0%	0 0.0%	**22,663** **100%**
Little Rock MSA	32,824 19.7%	30,091 18.1%	37,372 22.5%	66,105 39.7%	0 0.0%	**166,392** **100%**

As displayed in the previous table, the Assessment Area One population represents very similar wealth characteristics, compared to the entire Little Rock MSA. The first tables in this section indicated that the vast majority of the assessment area families lived in middle-income census tracts; however, this table reveals that a significant portion of Assessment Area One families (38.0 percent) are considered low- and moderate-income (LMI), regardless of where they live. Also worth noting, the percentage of Assessment Area One families living below the poverty level, 7.9 percent, is just slightly below that of the overall Little Rock MSA, 9.0 percent.

For Assessment Area Two, the 2000 census data median family income figure was $32,311, which is significantly below that of Assessment Area One and also below that of the 2000 non-MSA Arkansas median family income figure of $34,263. More recently, HUD estimates the 2007 non-MSA Arkansas family income to be $40,400, representing a 17.9 percent increase

[6] Certain non-MSA middle-income geographies are designated as underserved areas by the Board of Governors, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency based on population size, density and dispersion.

from 2000. The following table displays population percentages of Assessment Area Two families by income level, compared to the non-MSA Arkansas family population as a whole.

Assessment Area Two Family Population by Income Category						
2000 Census Data	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Assessment Area Two	944 19.9%	982 20.7%	1,087 22.9%	1,737 36.6%	0 0.0%	**4,750** **100%**
State of Arkansas Non-MSA	66,236 20.4%	58,047 17.9%	70,642 21.8%	129,307 39.9%	0 0.0%	**324,232** **100%**

As displayed in the previous table, the Assessment Area Two population characteristics are substantially similar to that of the entire non-MSA portion of the state of Arkansas, despite the fact that the assessment area has no low-income census tracts and only one moderate-income census tract. Although the vast majority of the assessment area families live in middle-income census tracts, this table reveals that a significant portion, 40.6 percent, are considered to be LMI, regardless of where they live. Lastly, 11.6 percent of Assessment Area Two families live below the poverty level, compared to that of the overall, non-MSA Arkansas figure, 14.0 percent.

It appears that historically, assessment area housing values have increased faster than income levels for several reasons, especially in Faulkner County. Housing development in Faulkner County has been quick-paced in recent history, as supported by a younger median age of housing stock compared to that of the entire state of Arkansas (16 years compared to 24 years). Such housing development has also reflected a relatively high median housing value, $84,987 for Faulkner County, compared to $80,791 for the Little Rock MSA and $67,400 for the state of Arkansas. These housing values translated into an affordability ratio[7] for Assessment Area One of 44.0 percent, which is below both the Little Rock MSA and Arkansas state figures, 48.0 and 47.0 percent, respectively. Despite the fact that the Van Buren County median housing value of $57,900 is significantly below that of the other housing values covered thus far, the Van Buren County affordability ratio of 46.0 percent is still below that of the Arkansas state comparison figure; this indicates comparably, very low income levels for the Van Buren County population. On the other hand, the median gross rent for Van Buren County appeared very affordable compared to other areas, at $372 per month ($453 for the state of Arkansas). Unfortunately, rental units make up only a small portion of Van Buren County housing units. Therefore, it appears that overall, housing in the combined assessment areas is not as affordable as other areas in Arkansas, either due to high home prices (as in Faulkner County) or low income levels for residents (as in Van Buren County).

Major employers in Conway include a mixture of manufacturing, retail, and service industries. Some of the major employers in these industries include IC Corporation, Virco Manufacturing, Acxiom, and Kimberly-Clark. IC Corporation has a school bus manufacturing facility in Conway. The company and its predecessor have been in Conway since 1933. Virco Manufacturing makes supply tables, chairs, and storage equipment for offices, convention

[7] This figure is calculated by dividing the median household income by the median housing value; it represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

centers, and schools. Acxiom creates customer information management solutions. While the company is headquartered in Little Rock, Arkansas, it has additional locations throughout the United States, including several facilities in Conway. Tourism and education also bolster the local economy. Because of the lakes and mountains in this area, the local economy is a popular destination for outdoor enthusiasts. Further, the city is home to three colleges: the University of Central Arkansas, Hendrix College, and Central Baptist College. In addition to attracting students into the area, these colleges also employ many of the assessment area residents.

In terms of employment rates, Faulkner County has fared better than both Van Buren County and the state of Arkansas as a whole. As of December 2007, the Faulkner County unemployment rate was estimated at 4.6 percent and averaged 4.4 percent for 2007.[8] The same figures for Van Buren County were 6.0 and 6.0 percent, and for the state of Arkansas, the figures were 5.6 and 5.4 percent, respectively.

As a part of this CRA examination, one community contact interview was conducted and two previously completed interview summaries were reviewed in order to obtain information regarding the bank's assessment areas; such information related to credit needs, community development opportunities, and the local economy. These interviews revealed that the population of Conway has increased significantly in recent years. In addition to regular population growth, many individuals displaced by Hurricane Katrina moved into the area and have since stayed. These interviewees also indicated a strong need for additional affordable housing units. While there is growth in the area, including housing growth, not enough of the additional housing is available for lower income individuals. Interviewees noted that employment levels have been fairly stable, with the introduction of some new employers balancing lay offs from previously established companies. However, the same contact felt that unemployment is still slightly higher than normal, despite the recent benefits of natural gas exploration. In addition, these contacts revealed pertinent information regarding the credit needs of the assessment areas' residents and businesses. These comments were useful in determining the context in which to evaluate the bank's performance in their assessment areas.

[8] Source: Bureau of Labor Statistics. All unemployment figures are not seasonally adjusted.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The Lending Test

First Security Bank of Conway meets the criteria for a satisfactory rating under the lending test, based upon its lending performance as measured by the CRA ISB performance standards. This lending performance was based upon loan information from three categories: HMDA data,[9] consumer motor vehicle loans, and small business loans. These three loan categories are considered the bank's primary lines of business, based upon lending volume by number and dollar amounts, and in light of the bank's stated business strategy. Therefore, loan activity represented by these credit products is deemed indicative of the overall lending performance of the bank. The CRA ISB performance standards under the lending test, evaluate the following five criteria as applicable:

- The geographic distribution of loans within the various census tracts.
- The distribution of loans by borrower income and business revenue.
- The bank's average loan-to-deposit (LTD) ratio.
- The level of lending within the assessment areas.
- A review of written complaints.

Geographic Distribution

As noted in the Description of Assessment Areas section of this report, First Security Bank of Conway operates in two assessment areas. Assessment Area One is comprised of Faulkner County, which is located inside the Little Rock MSA and contains two moderate-income census tracts, 15 middle-income census tracts, and four upper-income census tracts (there are no low-income census tracts in Faulkner County). Assessment Area Two is adjacent to Assessment Area One; however, it is not located inside an MSA. Assessment Area Two is comprised of one moderate-income census tract and three middle-income census tracts. As displayed in the following tables, the analysis in this section illustrates the distribution of the bank's loan activity across these geographies; this information is segregated by assessment area, in comparison to key demographic data for the respective assessment areas.

[9] The HMDA loan category includes loans for the purpose of home purchase, refinancing, and home improvement.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area One by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007 HMDA	0	25	238	26	0	**289**
	0.0%	8.7%	82.4%	9.0%	0.0%	**100%**
	$ -	$ 2,057	$ 27,418	$ 2,395	$ -	**$ 31,870**
	0.0%	6.5%	86.0%	7.5%	0.0%	**100%**
Owner Occupied Housing	0.0%	6.2%	77.0%	16.8%	0.0%	**100%**

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area Two by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007 HMDA	0	7	14	0	0	**21**
	0.0%	33.3%	66.7%	0.0%	0.0%	**100%**
	$ -	$ 662	$ 1,176	$ -	$ -	**$ 1,838**
	0.0%	36.0%	64.0%	0.0%	0.0%	**100%**
Owner Occupied Housing	0.0%	20.1%	79.9%	0.0%	0.0%	**100%**

As noted in both tables, the bank does an excellent job of making mortgage-related loans in moderate-income geographies. Combining HMDA loan activity for both assessment areas, the bank's penetration to moderate-income census tracts represents 10.3 percent of lending by number, which is above the percentage of occupied housing units located in moderate-income tracts, 9.0 percent. The bank's lending performance also compares very favorably to 2006 HMDA aggregate data,[10] which indicates 8.0 percent of all HMDA loans originated to applicants inside the bank's combined assessment area were made to applicants residing in moderate-income geographies. Consequently, the geographic distribution of HMDA loans reflects excellent penetration throughout both assessment areas.

Similar to the HMDA loan category, the following tables display the geographic distribution of consumer motor vehicle loan activity for both of the bank's assessment areas.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area One by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2007 Motor Vehicle	0	3	65	5	0	**73**
	0.0%	4.1%	89.0%	6.8%	0.0%	**100%**
	$ -	$ 38	$ 702	$ 77	$ -	**$ 817**

[10] HMDA aggregate data represents all lending activity collected and reported under the HMDA for this assessment area, based upon all financial institutions required to report such data.

	0.0%	4.7%	85.9%	9.4%	0.0%	**100%**
Household Population	0.0%	13.3%	72.1%	14.6%	0.0%	**100%**

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area Two by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 Motor Vehicle	0 0.0%	2 28.6%	5 71.4%	0 0.0%	0 0.0%	**7** **100%**
	$ - 0.0%	$ 52 47.3%	$ 58 52.7%	$ - 0.0%	$ - 0.0%	**$ 110** **100%**
Household Population	0.0%	21.8%	78.2%	0.0%	0.0%	**100%**

Clearly, the bank's lending in Assessment Area Two appears strong; 28.6 percent of motor vehicle loans were made to residents in the moderate-income census tract, which is significantly higher than the household population within that census tract, 21.8 percent. However, lending in Assessment Area One does not appear as favorable; only 4.1 percent of motor vehicle loans were made to residents of moderate-income tracts, compared to a household population of 13.3 percent. Although this performance initially appears weak, further review indicates this performance is not unreasonable. Of the population residing within the Faulkner County moderate-income census tracts, 31.5 percent are estimated to be living below the poverty level (compared to a poverty level of only 10.5 percent for middle- and upper-income census tracts). Consequently, these circumstances significantly reduce the bankable opportunities within the Faulkner County moderate-income areas. Therefore, in light of the banks' performance context, the geographic distribution of motor vehicle loans reflects reasonable penetration throughout Assessment Area One.

As with the two consumer loan categories, the bank's geographic distribution of small business loans was also reviewed. The following table displays the results of this review, along with estimated percentages of commercial institutions located in each geographic income category used for comparison.[11]

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area One by Income Level of Geography						
Loan Type	**Geography Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 Small Business	0 0.0%	19 24.1%	51 64.6%	9 11.4%	0 0.0%	**79** **100%**
	$ - 0.0%	$ 1,549 27.5%	$ 3,662 65.0%	$ 427 7.6%	$ - 0.0%	**$ 5,638** **100%**

[11] These statistics are derived from business geodemographic data for the assessment area, as reported by Dun & Bradstreet (for the year 2007).

Business Institutions	0.0%	20.4%	66.1%	13.5%	0.0%	**100%**

Analysis of the Assessment Area One small business lending activity revealed lending performance above that of comparison figures. As detailed in the previous table, the bank made a significant number of small business loans in moderate-income areas. As displayed in the table above, 24.1 percent of small business loans were made in moderate-income census tracts; this figure is higher than the business geodemographic data estimate, which indicates that 20.4 percent of Faulkner County businesses are located in moderate-income areas. Further, the bank's lending performance appears strong in light of market performance for the assessment area. The 2006 CRA aggregate data[12] indicates that 17.5 percent of all small business loans made within Assessment Area One were located in moderate-income census tracts. Based on this analysis, the bank's geographic distribution of small business lending is considered to be excellent.

In Assessment Area Two, comprised of only four census tracts in Van Buren County, only one business loan was originated during the review period. This is considered reasonable based on the bank's branch structure, with only one of the 10 bank offices located in this assessment area, and the demographics of this non-MSA assessment area.

Lastly, based on reviews from all three loan categories, First Security Bank of Conway had loan activity in all assessment area census tracts, reflecting 100 percent penetration in both assessment areas. Consequently, the overall geographic distribution of loans, based on activity from all three loan categories reviewed, meets the standards for satisfactory performance under this criterion.

Lending to Borrowers of Various Income Levels and to Businesses of Different Sizes

The lending test performance standards evaluate the bank's lending to borrowers of various income levels. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the most recent median family income figure, as estimated by HUD. In 2007, this figure was $56,500 for the Little Rock MSA and $40,400 for the non-metropolitan portion of Arkansas. The following tables show the distribution of HMDA loans by borrower income level, as detailed by individual assessment area.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area One by Income Level of Borrower

Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 HMDA	21	51	68	115	34	**289**
	7.3%	17.6%	23.5%	39.8%	11.8%	**100%**
	$ 1,147	$ 4,201	$ 6,720	$ 15,344	$ 4,458	**$31,870**

[12] CRA aggregate data represent all lending activity collected and reported under the CRA for this assessment area, based upon all financial institutions required to report such data.

	3.6%	13.2%	21.1%	48.1%	14.0%	**100%**
Family Population	19.4%	18.6%	23.1%	39.0%	0.0%	**100%**

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area Two by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 HMDA	3	2	1	15	0	**21**
	14.3%	9.5%	4.8%	71.4%	0.0%	**100%**
	$ 77	$ 82	$ 136	$ 1,543	$ -	**$ 1,838**
	4.2%	4.5%	7.4%	83.9%	0.0%	**100%**
Owner Occupied Housing	19.9%	20.7%	22.9%	36.6%	0.0%	**100%**

Overall, the bank is doing an adequate job of making mortgage loans to LMI borrowers. Figures above indicate good penetration to moderate-income borrowers in Assessment Area One and low-income borrowers in Assessment Area Two; however, performance in other LMI categories appears weak. Combined performance for both assessment areas revealed that 24.8 percent of HMDA loans were made to LMI borrowers, which are still less than the combined assessment area LMI family population percentage of 38.4 percent. However, in light of the assessment area population percentage living below the poverty level, the bank's performance improves somewhat. The 2000 census data indicates that 8.6 percent of the combined assessment area families were living below the poverty level. Therefore, it is likely that this portion of the assessment area population living below the poverty level materially reduces the number of bankable LMI individuals. Further, the bank's performance is better than 2006 HMDA aggregate data for the combined assessment areas, which indicates 19.9 percent of all HMDA loans were made to LMI applicants. Therefore, the bank's distribution of HMDA loans to LMI borrowers is considered reasonable, in light of competitor data and the bank's performance context.

As with the bank's HMDA loan activity, the borrower distribution of consumer motor vehicle loans was also analyzed. The following table shows the distribution of consumer motor vehicle loans by income level of the borrower.

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area One by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 Motor Vehicle	13	13	23	20	4	**73**
	17.8%	17.8%	31.5%	27.4%	5.5%	**100%**
	$ 143	$ 93	$ 293	$ 239	$ 48	**$ 816**
	17.5%	11.4%	35.9%	29.3%	5.9%	**100%**
Household Population	23.9%	16.4%	19.7%	40.1%	0.0%	**100%**

Distribution of Loans (Number and Dollar Volume in $000s) Inside Assessment Area Two by Income Level of Borrower						
Loan Type	**Borrower Income Classification**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
2007 Motor Vehicle	1 14.3%	3 42.9%	0 0.0%	3 42.9%	0 0.0%	**7** **100%**
	$ 11 10.0%	$ 15 13.6%	$ - 0.0%	$ 84 76.4%	$ - 0.0%	**$ 110** **100%**
Household Population	23.1%	17.9%	19.8%	39.1%	0.0%	**100%**

As displayed in the previous tables, the bank's motor vehicle lending to LMI borrowers appears good. In Assessment Area One, loan data reveals good penetration to both LMI categories, and, even though analysis significance is reduced due to low activity, the Assessment Area Two LMI borrower distribution also appears favorably. Combined performance in both assessment areas revealed that 37.5 percent of motor vehicle loans were made to LMI borrowers, which aligns with the LMI household population of 40.4 percent. Furthermore, it is noted that 13.7 percent of all households in the combined assessment areas live below the poverty level. Consequently, the borrower distribution of these motor vehicle loans is considered satisfactory, especially in light of the poverty level data.

Similar to the borrower distribution analysis conducted for the two consumer loan categories, the bank's distribution of loans to businesses of various sizes was also reviewed. The following table reflects the bank's distribution of small business loans by gross annual revenue.

Lending Distribution by Business Revenue Level Inside Assessment One				
Gross Revenue	**Loan Origination Amount (in $000s)**			**TOTAL**
	≤$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	59 74.7%	5 6.3%	7 8.9%	**71** **89.9%**
Greater Than $1 Million	5 6.3%	3 3.8%	0 0.0%	**8** **10.1%**
TOTAL	**64** **81.0%**	**8** **10.1%**	**7** **8.9%**	**79** **100%**

Based on the analysis of business lending, the bank is doing a good job of meeting small business credit needs.[13] As noted above, 89.9 percent of the bank's small business loans were made to businesses with gross annual revenues of $1 million or less. This performance aligns with business geodemographic data, which indicates 89.8 percent of business institutions inside Assessment Area One are small businesses. The bank's lending to small businesses is also significantly higher than 2006 CRA aggregate performance, which reflects only 39.8 percent of business lending went to small businesses. Lastly, the fact that 74.7 percent of loans sampled were made to small businesses in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses. In light of these findings, the bank's small business lending is considered good.

In Assessment Area Two, comprised of only four census tracts in Van Buren County, only one business loan was originated during the review period. This is considered reasonable based on the bank's branch structure, with only one of the 10 bank offices located in this assessment area, and the demographics of this non-MSA assessment area.

In conclusion, based on the analyses of all three loan categories reviewed, the bank's overall borrower distribution of lending activity meets the standard for satisfactory performance.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The following table[14] displays the bank's average LTD ratio[15] in comparison to that of its regional competitors.

Loan-to-Deposit Ratio Analysis			
Name	**Asset Size**	**Headquarters**	**Average LTD Ratio**
First Security Bank of Conway	$ 381,691	Conway, Arkansas	77.9%
Regional Bank Competitors	$ 1,311,953	Pine Bluff, Arkansas	83.9%
	$ 602,328	Conway, Arkansas	96.9%

[13] Under the CRA, a small business is considered to be one in which gross annual revenues for the preceding calendar year are $1 million or less.
[14] Asset size figures in this table represent total assets as of December 31, 2007 (in $000s).
[15] The average LTD ratio represents an 8-quarter average, dating back to the bank's previous CRA evaluation.

	$ 195,362	Greenbrier, Arkansas	86.2%
	$ 61,451	Portland, Arkansas	89.2%

Based on data from the previous table, the bank's level of lending indicates satisfactory responsiveness to assessment area credit needs. For the last eight quarters, the bank's LTD ratio has ranged from a low of 76.2 to a high of 81.3 percent, representing a stable trend. In comparison, the average LTD ratios for the bank's regional competitors ranged from 83.9 to 96.9 percent. Even though the bank's average LTD is lower than the range of selected peers, it is still considered to be indicative of an adequate lending level. Therefore, in light of the bank's lending levels as analyzed for the previous review period, the First Security Bank of Conway meets the satisfactory performance standard for this criterion.

Lending in the Assessment Areas

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside the bank's assessment areas.

Lending Inside and Outside of Assessment Area			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
2007 HMDA	310 85.9%	51 14.1%	361 100%
	$ 33,708 84.0%	$ 6,423 16.0%	$ 40,131 100%
2007 Automobile	80 93.0%	6 7.0%	86 100%
	$ 927 89.0%	$ 114 11.0%	$ 1,041 100%
2007 Small Business	80 90.9%	8 9.1%	88 100%
	$ 5,703 91.7%	$ 513 8.3%	$ 6,216 100%
TOTAL	**470** **87.9%**	**65** **12.1%**	**535** **100%**
	$ 40,338 **85.1%**	**$ 7,050** **14.9%**	**$ 47,388** **100%**

The previous table demonstrates that a substantial majority of loans were extended to borrowers residing in the bank's assessment areas. Of the 535 loans reviewed, 87.9 percent by number and 85.1 percent by dollar volume were originated within the bank's assessment area. Therefore, the bank exceeds the standard for satisfactory performance for this criterion.

Review of Complaints

No CRA-related complaints were received for this institution during the time frame used for this evaluation.

The Community Development Test

First Security Bank of Conway meets the criteria for a satisfactory rating under the community development test. This conclusion is based upon community development activity from three categories: community development loans, community development investments, and community development services, as appropriate. Further, these analyses took into account the institution's available resources, in light of the need and availability of community development opportunities within the assessment areas.

Community Development Loans

First Security Bank of Conway demonstrates adequate responsiveness to assessment area needs through its community development loan activity. During the review period, the bank made three loans to entities serving the Faulkner County area with a community development purpose. In addition, the bank also had five community development purpose loans that were originated prior to this review period that are still outstanding. Three of these loans primarily serve Faulkner County and two benefit Van Buren County. Together, this community development activity totaled $1.7 million of new loans and $4.9 million of loans outstanding from a prior period.

Community Development Investments

The bank also demonstrated adequate responsiveness to community development needs in both assessment areas via investment activity. No new equity- or bond-related investments were initiated during the review period. However, two equity investments and three municipal bond investments, purchased prior to this review period, were still outstanding at the time of this review. Together, these investments represented $243,600 benefiting community development initiatives in Faulkner County and $1.6 million in Van Buren County (and one $44,500 investment targeting economic development across the state of Arkansas, including the bank's assessment areas.)

In addition to equity- and bond-related investments, the bank also made numerous monetary grants/donations to various entities serving community development needs in both assessment areas. These donations totaled $3,429 to 9 organizations in 2006 and $4,571 to 9 organizations in 2007.

<u>Community Development Services</u>

Lastly, a review of the bank's services revealed excellent responsiveness to community development needs in both assessment areas. During the review period, 18 bank employees donated time and provided financially- and/or economically-related expertise to 16 community development causes in both Faulkner and Van Buren counties. Twelve services were conducted in Faulkner County, one in Van Buren County, and three took place in both Van Buren and Faulkner counties. Examples of such activities include:

- Serving on advisory boards for agencies providing community services to LMI areas.
- Working on strategic plans for economic development of local small businesses.
- Teaching financial literacy classes to LMI individuals.

Lastly, the bank also offers numerous loan/deposit retail services that are to the benefit of LMI customers, such as free checking services and various government insured loan programs.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

During the Consumer Affairs examination conducted concurrently with this CRA evaluation, a fair lending analysis was performed to assess the bank's compliance under Regulation B (Equal Credit Opportunity) and the Fair Housing Act. The analysis concluded that the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations for the products and services reviewed.

Listing of Census Tracts in Assessment Area

First Security Bank of Conway - Assessment Area One				
County	**Geography Number**	**Geography Income Category**	**MSA**	**Contains Bank Office**
Faulkner	0307.00	Moderate	30780	Yes
Faulkner	0309.00	Moderate	30780	No
Faulkner	0301.01	Middle	30780	No
Faulkner	0301.02	Middle	30780	Yes
Faulkner	0301.03	Middle	30780	No
Faulkner	0301.04	Middle	30780	No
Faulkner	0302.00	Middle	30780	No
Faulkner	0303.01	Middle	30780	No
Faulkner	0303.02	Middle	30780	Yes
Faulkner	0303.03	Middle	30780	No
Faulkner	0304.02	Middle	30780	No
Faulkner	0304.03	Middle	30780	Yes
Faulkner	0305.00	Middle	30780	Yes
Faulkner	0308.00	Middle	30780	Yes*
Faulkner	0310.02	Middle	30780	Yes*
Faulkner	0311.01	Middle	30780	No
Faulkner	0311.02	Middle	30780	Yes
Faulkner	0304.01	Upper	30780	No
Faulkner	0304.04	Upper	30780	No
Faulkner	0306.00	Upper	30780	No
Faulkner	0310.01	Upper	30780	Yes

* These census tracts contain both a branch office and a freestanding ATM.

First Security Bank of Conway - Assessment Area Two				
County	**Geography Number**	**Geography Income Category**	**MSA**	**Contains Bank Office**
Van Buren	9602.00	Moderate	N/A	Yes
Van Buren	9601.00	Middle	N/A	No
Van Buren	9603.00	Middle	N/A	No
Van Buren	9604.00	Middle	N/A	No

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;
(ii) Designated disaster areas; or
(ii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

   a. Rates of poverty, unemployment, and population loss; or
   b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.