PUBLIC DISCLOSURE

November 12, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Simmons First Bank of Northeast Arkansas
RSSD# 471749

1720 South Caraway Road
Jonesboro, Arkansas 72401

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

Simmons First Bank of Northeast Arkansas (SFBNA) meets the criteria for a Satisfactory rating based on the performance evaluation of the bank's lending and community development activities. The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income levels (LMI), and businesses of different sizes. The geographic distribution analysis reflects reasonable dispersion throughout the bank's assessment area, and the bank's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. Additionally, the bank made a substantial majority of its loans within its assessment areas. Lastly, no CRA-related complaints were filed against the bank for this review period.

Furthermore, the institution's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area, 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.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's *Interagency CRA Procedures for Intermediate Small Institutions.* The intermediate small bank examination procedures entail two performance tests, the Lending Test and the Community Development Test. The period of review spanned from the date of the bank's previous CRA evaluation on November 28, 2011 to November 12, 2013.

Lending Test

Under the Lending Test, the bank's performance is evaluated under the following criteria, as applicable.

- Loan distribution by borrower's profile (applicant income or business/farm revenue profile).
- The geographic distribution of loans.
- The bank's average LTD ratio.
- The concentration of lending within the assessment area.
- A review of the bank's response to written CRA complaints.

Lending performance was based on loans originated from January 1, 2012 through December 31, 2012, including home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) and small business loans. These two loan categories are considered the bank's primary lines of business based on lending volume by number and dollar amounts and the bank's stated business strategy. Therefore, loan activity represented by these business lines is considered indicative of the bank's overall lending performance with HMDA lending carrying the most weight due to the bank's emphasis on this product. Alternatively, the period of review for the bank's LTD ratio and response to written CRA complaints spanned from the bank's previous CRA evaluation on November 28, 2011 through November 12, 2013.

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders based on HMDA and CRA aggregate lending data. Assessment area demographics are based on 2010 U.S. Census data; certain business geodemographics are based on Dun & Bradstreet data, which are applicable to the year of loan data being evaluated. Generally, when analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are therefore expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $251.2 million to $742.5 million.

Notwithstanding the aggregate data discussion above, it should be noted that CRA aggregate data (small business loan data) is oftentimes materially influenced by the extensive credit card activity of only a few lenders. These effects may significantly dilute CRA aggregate data, artificially lowering aggregate lending percentages to small businesses or farms. Consequently, these potential dilution effects are considered during the lending analysis.

Community Development Test

Under the Community Development Test, the bank's performance was evaluated via responsiveness to community development needs, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- The extent to which the bank provides community development services.

The review of the bank's performance under the Community Development Test included community development activities initiated in the period from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation but still outstanding as of this review date were considered.

Community Contacts

To augment this evaluation, two interviews (community contacts) were conducted with knowledgeable individuals residing or conducting business within the bank's assessment area. In addition to the new community contacts completed as a part of this evaluation, one previously completed interview was referenced. These community contacts were utilized in order to ascertain specific credit needs and opportunities and local market conditions within the bank's assessment area. Key details from the community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

SFBNA is a full-service retail bank offering both consumer and commercial loan and deposit products. SFBNA is wholly owned by Simmons First National Corporation (SFNC), a multibank holding company headquartered in Pine Bluff, Arkansas. SFNC owns seven community banks and has assets totaling $3.4 billion as of September 30, 2013. SFBNA's branch network consists of five branches, including the main office. The main office and two additional branches are in Jonesboro, and the remaining full-service branches are located in Paragould and Weiner, Arkansas. Four locations have full-service automated teller machines (ATMs) on site, while the branch in Weiner, Arkansas, has a cash-only ATM on site. The bank did not open or close any branch offices during this review period. Based on this branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is well positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credits needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2013, the bank reported total assets of $357.5 million. As of the same date, loans and leases totaled $309.6 million (86.6 percent of total assets), and deposits totaled $288.2 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of September 30, 2013		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$28,995	9.4%
Commercial Real Estate	$50,367	16.3%
Multifamily Residential	$4,874	1.6%
1–4 Family Residential	$108,422	35.0%
Farmland	$19,703	6.4%
Farm Loans	$43,236	14.0%
Commercial and Industrial	$30,293	9.8%
Loans to Individuals	$23,633	7.6%
Total Other Loans	$104	0.0%
TOTAL	**$309,627**	**100.0%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to loans secured by 1–4 family residential properties,[1] commercial loans, and agricultural loans. While by dollar agricultural loans represent a significant product offering, by number the volume of 1–4 family residential and commercial products far exceeds this product for the sampling period. Also worth noting is that, by number of loans originated, loans to individuals, such as consumer motor vehicle loans, represent a significant product offering of the bank.

The bank received a Satisfactory rating for both the Lending Test and the Community Development Test at its previous CRA evaluation conducted November 28, 2011, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank's assessment area consists of the following three counties in their entireties: Craighead, Poinsett, and Greene. Craighead and Poinsett Counties make up the Jonesboro, Arkansas Metropolitan Statistical Area; Greene County, located in nonmetropolitan Arkansas, represents the Paragould, Arkansas Micropolitan Statistical Area. Together, these three counties comprise the Jonesboro-Paragould Combined Statistical Area (CSA), located entirely in the state of Arkansas. The total population of the assessment area for SFBNA is 163,116, which displays a population growth of 12.4 percent since 2000. Of the counties in the assessment area, Craighead County has the largest population by far, at 96,443, followed by Greene County at 42,090, and Poinsett County at 24,583. The assessment area is predominately rural, and the largest city is Jonesboro, Arkansas, the county seat of Craighead County, with a population of 67,263. The second largest city is Paragould, Arkansas, the county seat of Greene County, with a population of 27,113. The demographics of this assessment area cover a wide area and indicate a diverse population. According to one contact, credit needs in the area are also varied and include a blend of various consumer and business loan products. Further, as the assessment area is a CSA anchored by the city of Jonesboro, which contains several LMI geographies, it offers opportunities for community development involvement.

Competition is heavy in the three counties in the bank's assessment area, as 19 depository institutions maintain 80 offices. According to the Federal Deposit Insurance Corporation Deposit Market Share Report as of June 30, 2013, the bank ranked third in terms of deposit market share, with only 8.2 percent of total deposit dollars in the three counties.

Income and Wealth Demographics

The assessment area has a total of 33 census tracts, which include 2 low-, 8 moderate-, 16 middle-, and 7 upper-income tracts. The following table reflects the number and population of the census tracts within the assessment area in each income category:

[1] The bank also originates and subsequently sells a significant volume of loans related to residential real estate; as these loans are typically sold on the secondary market shortly after origination, this activity would not be captured in the data discussed here.

Assessment Area Demographics by Geography Income Category						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	2 6.1%	8 24.2%	16 48.5%	7 21.2%	0 0.0%	**33** **100%**
Family Population	1,845 4.3%	9,095 21.4%	20,823 49.1%	10,674 25.2%	0 0.0%	**42,437** **100%**

This table reveals that the majority of the census tracts (48.5 percent) in the assessment area are considered middle-income with almost half of assessment area families residing in these tracts. Next, moderate- and upper-income geographies represent 24.2 and 21.2 percent of the assessment area respectively with commensurate family populations. Additionally, there is a small portion of low-income geographies and families living within those geographies. The low family population in these geographies is partially due to one of these census tracts being located in the city of Jonesboro on the campus of Arkansas State University. By far, the largest portion of the family population within the assessment area resides in the middle-income census tracts.

Based on 2010 census data, the median family income for the assessment area is $48,122, which is in line with the state of Arkansas's figure of $48,491. The following table displays population percentages of assessment area families by income level, compared to the state of Arkansas family population as a whole:

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	9,368 22.1%	7,222 17.0%	8,550 20.1%	17,297 40.8%	**42,437** **100%**
Arkansas	162,507 21.3%	137,240 18.0%	153,188 20.1%	309,828 40.6%	**762,763** **100%**

As displayed in the previous table, the population characteristics of the assessment area are very similar to those of the entire state of Arkansas. Both the assessment area and the state have a significant percentage of LMI families, 39.1 percent and 39.3 percent, respectively. Although the first table in this section indicates that the largest concentration of assessment area families lives in middle-income census tracts, this table reveals that a significant portion of Arkansas and assessment area families are considered LMI regardless of where they live. Lastly, the level of assessment area families living below the poverty level, 15.3 percent, is above that of all Arkansas families, 13.5 percent.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than in the state of Arkansas. The 2010 median housing value for the assessment area was $93,049, well below the figure for the state of Arkansas, $102,300. Similarly, housing appears to be relatively affordable considering income levels. The assessment area housing affordability ratio of 40.4 percent is above the state figure of 38.4 percent. Lastly, the median gross rent for the assessment area of $577 per month is more affordable compared to $617 per month for the state. Therefore, housing in the assessment area appears to be relatively affordable when compared to the state as a whole.

Industry and Employment Demographics

The assessment area economy is diverse and is supported by a mixture of manufacturing and service-oriented sectors. As previously noted, Craighead County is home to Arkansas State University as well as a major medical center, which are the two largest employers in the region. Business demographic estimates from the U.S. Census Bureau 2011 County Business Patterns indicate that the top three industries by number of paid employees in the assessment area are manufacturing (10,761), followed closely by health care and social assistance (10,518), and retail trade (9,028). Furthermore, business demographic estimates that 90.1 percent of assessment area businesses have gross annual revenues of $1 million or less.

The assessment area unemployment rate is consistent with the state of Arkansas. As of December 2012, unemployment was estimated at 6.5 percent for Craighead County, 8.3 percent for Poinsett County, and 8.5 percent for Greene County. As an assessment area, the 2012 annual average unemployment rate was 7.5 percent, just above the Arkansas state figure of 7.3 percent for the same period.[2]

Community Contact Information

As part of this CRA evaluation, two community contact interviews were conducted in order to obtain additional assessment area background, including information relating to credit needs, community development opportunities, and the local economy. In addition, a third previously conducted interview in the area was used for supplemental information.

The first interview was with an individual specializing in small business and economic development projects in the area. Generally, the community contact stated that the economy has felt the slowdown effects of the recent recession but indicated that the region does not seem to have been hit as hard as most areas throughout the country. This individual, whose perception of banking conditions in the assessment area was generally favorable, stated that the banking community is doing a good job of meeting the credit needs of both consumers and businesses. In addition, it was learned that the banking market in Jonesboro has been saturated with branches as institutions have expanded their footprint across the assessment area over the last few years.

The second interview was with an individual who works in housing for LMI families in the region. The community contact stated that the economy is slowly rebounding. The contact stated there are several temporary employment agencies in the area that supply temporary jobs to many of the area's LMI residents. Additionally, due to the temporary nature of this employment, there is a lack of affordable healthcare and benefits. The contact described resources and services that counsel LMI individuals on how to restructure their existing credit. The final contact reiterated much of what the other two contacts stated. In addition, the contact made a point to mention that

[2] Source: U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted).

the number and quality of housing units in the area for LMI individuals to own or rent was sufficient.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

SFBNA's performance under the Lending Test is Satisfactory. The borrower's profile analysis reveals reasonable penetration among individuals of different income levels, including LMI levels, and businesses of different sizes. Secondly, the geographic distribution of loans analysis reflects reasonable dispersion throughout the bank's assessment areas. The bank's LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs, and substantial majority of the bank's loans and other lending-related activities are in the bank's assessment area. Lastly, no CRA-related complaints were filed against the bank for this review period.

Loan Distribution by Borrower's Profile

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the U.S. Department of Housing and Urban Development. The following table shows the distribution of HMDA loans by borrower income level, compared to family population income characteristics for the assessment area:

Distribution of Bank Loans Inside Assessment Area by Income Level of Borrower

Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	22 6.3%	68 19.6%	72 20.7%	145 41.8%	40 11.5%	**347** **100%**
Refinance	6 2.0%	30 9.9%	35 11.6%	204 67.5%	27 8.9%	**302** **100%**
Home Improvement	3 6.5%	11 23.9%	4 8.7%	22 47.8%	6 13.0%	**46** **100%**
Multifamily	0 0.0%	0 0.0%	0 0.0%	0 0.0%	6 100.0%	**6** **100%**
HMDA TOTAL	**31** **4.4%**	**109** **15.5%**	**111** **15.8%**	**371** **52.9%**	**79** **11.3%**	**701** **100%**
Families	22.1%	17.0%	20.1%	40.8%	0.0%	**100%**

Although the bank's LMI lending figures initially appear to be low, overall performance is still reasonable, when considering aggregate performance and assessment area demographics.

The bank's total percentage of lending to low-income borrowers (4.4 percent) is significantly below the percentage of low-income families within the assessment area (22.1 percent). However, lending to low-income borrowers is in line with that of other lenders in the assessment area based on 2012 aggregate HMDA data, which indicates that 5.5 percent of aggregate HMDA loans inside this assessment area were made to low-income borrowers. The low percentage of lending by both the bank and the aggregate data in comparison to the family population is in part due to limited opportunities for real estate lending to low-income borrowers. Of the 22.1 percent of families classified as low-income, 15.3 percent live below the poverty line. In addition, rental units account for 33.1 percent of total occupied housing units in the assessment area. There is a likely correlation between the percentage of those below the poverty line and rental unit occupation, as individuals below the poverty line are unlikely to apply or be approved for traditional financing of a home purchase. As a result, many of these individuals may choose to rent as an alternative to applying for a mortgage. Due to this context, the bank's lending to low-income borrowers is considered reasonable.

The bank's lending to moderate-income borrowers (15.5 percent) is slightly below the percentage of moderate-income families in the assessment area (17.0 percent). This performance is in line with 2012 aggregate HMDA data (15.5 percent), indicating reasonable performance in lending to moderate-income borrowers.

During the review period, the bank's distribution of small business lending reflects reasonable penetration among business customers of different sizes. The following table reflects the bank's lending by business revenue level:

Bank Lending Distribution by Business Revenue Level				
Gross Revenue	**Loan Amounts in $000s**			**TOTAL**
	<$100	**>$100≤$250**	**>$250≤$1,000**	
$1 Million or Less	67 58.8%	11 9.6%	5 4.4%	**83** **72.8%**
Greater than $1 Million	27 23.7%	2 1.8%	2 1.8%	**31** **27.2%**
TOTAL	**94** **82.5%**	**13** **11.4%**	**7** **6.1%**	**114** **100%**

The table above demonstrates that 83 of 114 loans reviewed (72.8 percent) were made to businesses with gross annual revenues of $1 million or less. Business geodemographic data as reported by Dun & Bradstreet indicate that 90.1 percent of businesses within the assessment area are small businesses. Although the bank's performance is below that of the demographic, its performance is significantly higher than aggregate small business lending (33.0 percent). In addition, the fact that 80.7 percent of loans to small businesses reviewed were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small businesses. Consequently, the bank's borrower's profile performance for the small business category is reasonable.

Overall, SFBNA's lending performance based on borrower's profile performance, based on analyses of both loan categories, is reasonable.

Geographic Distribution of Loans

As noted in the description of the bank's assessment area, the bank's assessment area contains 2 low-income census tracts, 8 moderate-income census tracts, 16 middle-income census tracts, and 7 upper-income census tracts. The analysis in this section illustrates the distribution of the bank's loan activity across these geographies. Overall, the bank's geographic distribution of loans reflects reasonable dispersion throughout this assessment area based on activity analyzed from both loan categories. The following table displays the geographic distribution of HMDA loans in comparison to owner-occupied housing statistics for the assessment area:

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Home Purchase	5 1.4%	61 17.6%	148 42.7%	133 38.3%	0 0.0%	**347** **100%**
Refinance	1 0.3%	40 13.2%	87 28.8%	174 57.6%	0 0.0%	**302** **100%**
Home Improvement	1 2.2%	10 21.7%	17 37.0%	18 39.1%	0 0.0%	**46** **100%**
Multifamily	0 0.0%	2 33.3%	3 50.0%	1 16.7%	0 0.0%	**6** **100%**
HMDA TOTAL	**7** **1.0%**	**113** **16.1%**	**255** **36.4%**	**326** **46.5%**	**0** **0.0%**	**701** **100%**
Owner-Occupied Housing	2.0%	19.5%	50.2%	28.3%	0.0%	**100%**

While the analysis of HMDA lending to LMI borrowers revealed performance below the percentage owner-occupied housing in LMI tracts, the bank's performance is considered reasonable due to comparisons to aggregate and further demographic data.

The bank's total penetration of low-income census tracts by number of loans (1.0 percent) was less than the percentage of owner-occupied housing units in low-income census tracts (2.0 percent). SFBNA's performance in low-income census tracts was also below that of other lenders in the assessment area based on 2012 HMDA aggregate data, which indicated that 1.8 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies. As noted previously in this report, one of the two low-income census tracts in the assessment area contains Arkansas State University student housing, which is mostly dormitories and rental units and accounts for a large percentage of the housing supply in this census tract. Due to the presence of the university and aggregate performance, lending appears reasonable to low-income census tracts.

Bank performance in moderate-income census tracts was slightly below comparison data but revealed reasonable dispersion of HMDA loans. SFBNA's total penetration of moderate-income census tracts by number of loans (16.1 percent) was below the percentage of owner-occupied housing units in moderate-income census tracts (19.5 percent). However, the bank's performance in moderate-income census tracts was in line with that of other lenders based on aggregate lending data, which indicates that 16.2 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Therefore, the bank's geographic distribution of HMDA to moderate-income borrower's loans is reasonable.

The geographic distribution of small business loans was also reviewed. The following table displays the results of this review compared to estimated percentages of small business institutions in each geography income category.

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Loan Type	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	
Small Business	1 0.9%	23 20.2%	44 38.6%	46 40.4%	0 0.0%	**114** **100%**
Business Institutions	3.0%	29.3%	39.3%	28.4%	0.0%	**100%**

The overall geographic distribution of small business loans appears poor in comparison to aggregate performance and demographic. As one of the two low-income tracts in the bank's assessment area is comprised largely of Arkansas State University, with few small businesses located there, moderate-income census tracts were given more weight in this analysis.

As illustrated in the previous table, the analysis of small business loans revealed lending performance below data used for comparison purposes. The bank's lending in low-income census tracts (0.9 percent) is below the Dun & Bradstreet data (3.0 percent), but only slightly below the performance of aggregate lenders (1.8 percent). The low level lending by SFBNA and the aggregate does not allow for a meaningful analysis of this product for low-income geographies. Nonetheless, lending to small businesses in low-income census tracts is considered reasonable as it is in line with aggregate data. The negligible percentages associated with lending in low-income geographies results in moderate-income geographies carrying more weight in this analysis.

Similarly, the geographic distribution in moderate-income census tracts (20.2 percent) is significantly lower than the percentage of businesses operating in moderate-income geographies (29.3 percent). In addition to numerous banks that exist within the city limits of Jonesboro, SFBNA also competes with the East Arkansas Planning and Development District, an entity whose primary focus is to assist small business owners with start-up capital and loans. However, the bank's performance in moderate-income census tracts is also below that of other lenders based on aggregate lending data, which indicates that 28.0 percent of aggregate small business loans inside this assessment area were made to institutions located in moderate-income census tracts. As a result, this reflects poor performance for small business lending in moderate-income geographies.

Reviews of both loan categories, 1–4 family residential real estate and commercial lending, reveal that SFBNA had loan activity in 100.0 percent of assessment area census tracts. This information along with the emphasis placed on HMDA loan products support the conclusion that the bank's overall geographic distribution of loans is reasonable.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents an eight-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Asset Size ($000s) as of September 30, 2013**	**Headquarters**	**Average LTD Ratio**
SFBNA	$357,533	Jonesboro, Arkansas	95.3%
Regional Banks	$251,176	Jonesboro, Arkansas	92.6%
	$282,791	Wynne, Arkansas	57.0%
	$742,458	Paragould, Arkansas	90.9%

Based on data from the previous table, the SFBNA's level of lending is higher than that of other banks in the region. During the review period, the bank's LTD ratio ranged from a low of 87.4 percent to a high of 106.4 percent, representing a generally increasing trend. The average LTD ratios for the regional peers ranged from 57.0 percent to 92.6 percent. Therefore, compared to data from regional banks as displayed in the table above, the bank's average LTD ratio appears to be more than reasonable given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Area ($000s)			
Loan Type	**Inside Assessment Area**	**Outside Assessment Area**	**TOTAL**
HMDA	701 90.5%	74 9.5%	**775** **100.0%**
	$93,364 91.3%	$8,856 8.7%	**$102,220** **100.0%**
Small Business	114 95.0%	6 5.0%	**120** **100.0%**
	$8,498 94.5%	$495 5.5%	**$8,993** **100.0%**
TOTAL	**815** **91.1%**	**80** **8.9%**	**895** **100.0%**
	$101,862 **91.6%**	**$9,351** **8.4%**	**$111,213** **100.0%**

As shown above, a substantial majority of loans sampled were extended to borrowers or businesses that reside or operate in the bank's assessment area. In total, 91.1 percent of the total loans were made inside the assessment area, accounting for 91.6 percent of the dollar volume of total loans.

Review of Complaints

No CRA-related complaints were filed against the bank during the time frame used for this evaluation (November 28, 2011 through November 12, 2013).

COMMUNITY DEVELOPMENT TEST

SFBNA's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment area. This evaluation recognizes the bank's capacity for involvement and the availability of community development opportunities in the assessment area. Overall, the bank has addressed the needs identified through qualified community development loans, investments, donations, and community development services.

During the review period, the bank extended four qualified community development loans totaling $1,094,911 in its assessment area. Two of the loans were made to a dental clinic in which a majority of the patients qualify for ARKids First, a medical program for children of low-income households, or Medicaid. The remaining two loans were made to construct and operate a pharmacy in which the majority of patients also qualify for Medicaid and ARKids First. While the bank originated only four qualified loans, these loans show responsiveness to the need for affordable healthcare options, as referenced by one of the community contacts.

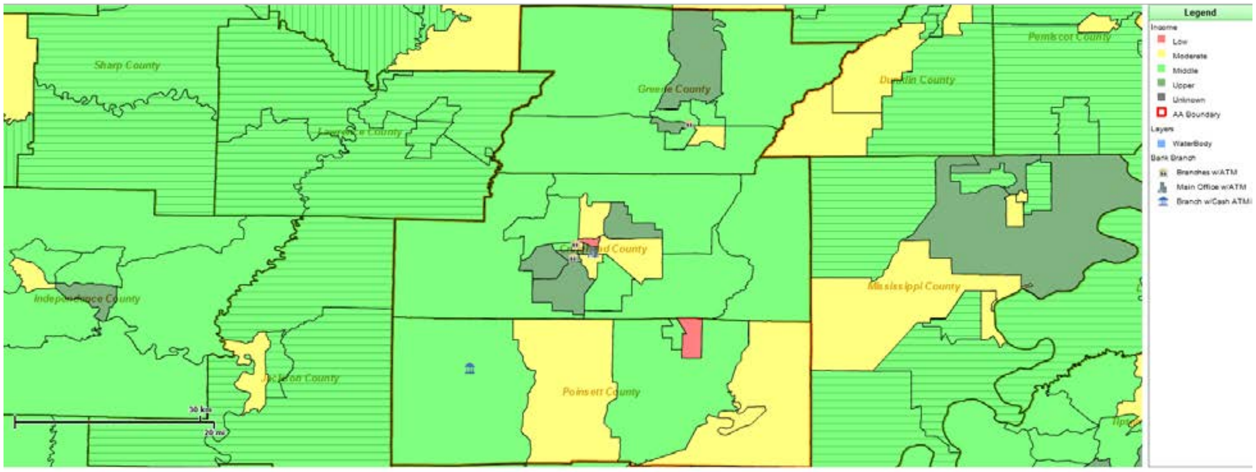
The bank made seven qualifying investments in previous examination periods totaling $1,004,302. Two of these investments were to a venture capital fund that provides financing to businesses that meet small business requirements. The remaining five investments were bonds, two of which were issued by a school district in the bank's assessment area, the majority of whose students are from LMI families. Two additional bonds were for student housing and rehabilitation of academic buildings for a local university located in a low-income census tract. The remaining bond was made to the city of Paragould, located in Green County, to make necessary improvements to the water, sewer, and electrical infrastructure. In addition to the investments noted, the bank donated a total of $12,280 to 15 different organizations having a community development purpose.

Several bank officers utilize their financial expertise to assist organizations that are involved in the economic development of the assessment area. Several staff members are involved in teaching homeownership classes for LMI families and financial literacy classes for small business owners. In addition, several staff members provide financial education seminars to local school districts serving LMI families. A total of 559.5 hours were served by bank employees to nine different agencies with a community development focus.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination (including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements) conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

ASSESSMENT AREA DETAIL



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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and nonmetropolitan 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 contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> 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; (4) activities that <u>revitalize or stabilize</u> low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate- and middle-income individuals and geographies.

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.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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 nonrelatives 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 (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., 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 who 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 applications, the amount of loan requested, and the disposition of the application (e.g., 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: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: 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 census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., 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.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

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 a 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.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area (see metropolitan area).

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in 'loans to small businesses' as defined in the Consolidated Reports 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 by either 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 nonmortgage, commercial loans.

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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.