

# **PUBLIC DISCLOSURE**

September 22, 2008

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Twin City Bank  
RSSD# 2907484**

**2716 Lakewood Village Place  
North Little Rock, Arkansas 72116**

**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**

**Overall rating: SATISFACTORY**

**Lending Test rating: SATISFACTORY**

**Community Development Test rating: SATISFACTORY**

Twin City Bank meets the criteria for a satisfactory rating, based upon the performance evaluation of the bank's lending activity and its community development activities. Borrower distribution analysis reveals adequate penetration among individuals of different income levels, including low- and moderate-income levels (LMI), and among businesses of different sizes. Geographic distribution analysis reflects reasonable dispersion throughout the bank's assessment area. The bank's loan-to-deposit (LTD) ratio is favorable given the institution's size, financial condition, and assessment area credit needs. Finally, the bank originated a majority of its loans within its assessment area.

Twin City Bank's community development performance demonstrates satisfactory responsiveness to the community development needs of its assessment area given the institution's capacity and the need and availability of such opportunities for community development within the institution's assessment area. The bank has addressed the needs of the assessment area through community development loans, qualified investments, qualified donations, and community development services, as appropriate.

## **SCOPE OF EXAMINATION**

The bank's performance was evaluated by applying the intermediate small bank (ISB) examination procedures. The ISB procedures provide for a two-part test that evaluates the bank's lending and community development activities separately.

The bank's lending performance was based on Home Mortgage Disclosure Act (HMDA) loan data<sup>1</sup> from the bank's 2006 and 2007 HMDA-LARs (loan application registers). In addition, statistical samples of both small business loans and consumer motor vehicle-secured loans from the period January 1, 2006, through June 30, 2008, were considered. 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 loan data was used to evaluate the bank's performance under the lending test, which included an analysis of the distribution of loans by borrower levels and business revenues, the bank's distribution of loans among different census tract income categories, the bank's lending volume relative to bank deposits, and lending within the bank's assessment area.

For the community development test, qualified community development loans, investments, donations, and services from the time period August 7, 2006, through September 22, 2008, were considered. There are no legal impediments or financial constraints that would hinder the bank from serving the credit needs within its delineated assessment area.

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<sup>1</sup> The HMDA loan category includes loans for the purpose of home purchase, refinancing, and home improvement.

Finally, two community contacts were performed during this evaluation in order to help establish a context for the communities within which the bank operates and to gain an understanding of the credit needs of the community. Specific comments from the community contacts are addressed in the applicable section(s) relating to the assessment area.

## **DESCRIPTION OF INSTITUTION<sup>2</sup>**

Twin City Bank is a full-service, retail bank located in North Little Rock, Arkansas, offering both consumer and commercial loan and deposit products. The bank is a wholly owned subsidiary of Home Bancshares, Inc., a \$2.6 billion (as of June 30, 2008) multi-bank holding company headquartered in Conway, Arkansas. Sixteen of 17 of the bank's offices are located in Pulaski County, Arkansas. The remaining branch is located in Saline County, Arkansas, which is adjacent to Pulaski County. The bank's main office and four branches are located in North Little Rock, Arkansas, eight other branches are located in Little Rock, Arkansas, two branches are located in Sherwood, Arkansas, and one each in Maumelle, Arkansas, and Bryant, Arkansas. In addition to operating two, free-standing, cash-only dispensing automated teller machines (ATMs), the bank maintains 24-hour, full-service automated ATMs at the main office and each branch location.

The bank has the ability to meet the credit needs of its assessment area based on its asset size, financial condition, and other resources. As of June 30, 2008, the bank reported total assets of \$731.1 million. As of the same date, the bank reported total gross loans and leases of \$524.0 million (representing 71.7 percent of total assets) and total deposits of \$565.0 million. The bank's allocation of loan assets, by loan type, is displayed in the following table.<sup>3</sup>

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<sup>2</sup> 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 conclusion.

<sup>3</sup> For purposes of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Report of Condition and Income as of June 30, 2008.

<b>Distribution of Total Loans (as of June 30, 2008)</b>		
<b>Credit Product Type</b>	<b>Amount in \$000s</b>	<b>Percentage of Total Loans</b>
Construction and Development	109,536	20.9%
Commercial Real Estate	249,137	47.5%
Multifamily Residential	17,004	3.2%
1-4 Family Residential - Revolving	6,880	1.3%
1-4 Family Residential - Other	47,064	9.0%
Farmland	2,472	0.5%
Agricultural	1,359	0.3%
Commercial and Industrial	74,307	14.2%
Loans to Individuals	11,920	2.3%
Total Other Loans	4,366	0.8%
<b>TOTAL Gross Loans</b>	<b>\$ 524,045</b>	<b>100%</b>

As indicated by the table above, a significant portion of the bank’s lending resources is directed to loans secured by commercial real estate, construction and development, and commercial and industrial loans.

As part of this evaluation under the Community Reinvestment Act (CRA), the bank’s performance was evaluated in relation to the performance of area competitors. Three financial institutions were identified as area competitors with asset sizes ranging from \$219.3 million to \$491.2 million.

The bank received an overall satisfactory rating at its previous CRA evaluation conducted as of August 7, 2006, by this Reserve Bank. ISB procedures and standards were applied during that evaluation as well.

**DESCRIPTION OF ASSESSMENT AREA<sup>4</sup>**

The bank’s assessment area is comprised of 83 census tracts in Pulaski County, Arkansas, and one census tract in Saline County, Arkansas. Both Pulaski and Saline counties are part of the Little Rock–North Little Rock–Conway, AR Metropolitan Statistical Area (MSA #30780). Refer to Appendix A for a listing of all the census tracts in the bank’s assessment area. The

<sup>4</sup> Statistical/demographic information cited in this evaluation, unless sated otherwise, is taken 2000 Census Bureau data.

following table reflects the number and family population of the census tracts within the assessment area in each income category.<sup>5</sup>

<b>Assessment Area Geographical Information by Income Category</b>						
<b>2000 Census Data</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	<b>TOTAL</b>
Assessment Area Census Tracts	7 8.3%	28 33.3%	31 36.9%	18 21.4%	0 0.0%	<b>84</b> <b>100%</b>
Family Population	3,789 3.9%	24,653 25.1%	37,973 38.7%	31,656 32.3%	0 0.0%	<b>98,071</b> <b>100%</b>

As the preceding table illustrates, 2000 census data indicate that there are seven low-income census tracts in the assessment area and 28 moderate-income census tracts. The table also reveals that there are 28,442 families (or 29.0 percent of the total family population) that reside in those LMI census tracts. The majority of the population (71.0 percent) reside in the assessment area's 49 middle- and upper-income census tracts.

Based upon 2000 census data, the median family income for the assessment area was \$46,648. As a comparison, the median family incomes for Pulaski County, Saline County, and the Little Rock–North Little Rock–Conway, AR MSA were \$46,523, \$48,717, and \$46,412, respectively. Using 2000 census data, the following table displays population percentages of assessment area families, by income level, compared to those of the state of Arkansas and the Little Rock-North Little Rock-Conway, AR MSA.

<b>Assessment Area Family Population by Income Level</b>						
<b>2000 Census Data</b>	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	<b>TOTAL</b>
Assessment Area	20,446 20.8%	17,116 17.5%	20,546 21.0%	39,963 40.7%	0 0.0%	<b>98,071</b> <b>100%</b>
Pulaski County	20,202 21.0%	16,884 17.5%	20,211 21.0%	39,124 40.6%	0 0.0%	<b>94,421</b> <b>100%</b>
Saline County	3,660 14.9%	4,413 18.0%	6,470 26.4%	9,973 40.7%	0 0.0%	<b>24,516</b> <b>100%</b>
State of Arkansas	148,233 20.1%	131,570 17.9%	163,567 22.2%	292,693 39.8%	0 0.0%	<b>736,063</b> <b>100%</b>
Little Rock – North Little Rock - Conway, AR MSA #30780	32,824 19.7%	30,091 18.1%	37,372 22.5%	66,105 39.7%	0 0.0%	<b>166,392</b> <b>100%</b>

<sup>5</sup> See the Glossary in Appendix B for definitions of low-, moderate-, middle-, and upper-income categories.

As shown in the preceding table, the distribution of family population, by income level, in the assessment area is fairly close to that of Pulaski County, Saline County, the state of Arkansas, and the Little Rock–North Little Rock–Conway, AR MSA. LMI families make up 38.3 percent of the assessment area, 38.5 percent of Pulaski County, 32.9 percent of Saline County, 38.0 percent of the state of Arkansas, and 37.8 percent of the Little Rock–North Little Rock–Conway, AR MSA. Therefore, the table above reveals that a significant portion of assessment area families (38.3 percent) are LMI, regardless of where they live.

With regard to median family income, the assessment area and the Little Rock-North Little Rock-Conway, AR MSA are much more affluent than the state of Arkansas. As stated earlier, based upon 2000 census data, the median family income for the assessment area was \$46,648 and the Little Rock-North Little Rock-Conway, AR MSA was \$46,412. The median family income for the state of Arkansas was only \$38,663. In addition, 10.3 percent of the assessment area families live below the poverty level as compared to the Little Rock-North Little Rock-Conway, AR MSA poverty level of 9.0 percent and the state of Arkansas poverty level of 12.0 percent.

The July 2008 non-seasonally adjusted unemployment rates for Pulaski County and Saline County were 4.2 and 4.0 percent, respectively. In comparison, the non-seasonally adjusted unemployment rates for the state of Arkansas and the Little Rock-North Little Rock-Conway, AR MSA for the same time period were 4.9 and 4.2 percent, respectively.

Housing in the assessment area is slightly less affordable as shown by a lower affordability ratio of 45.0 percent, compared to 48.0 percent for the Little Rock-North Little Rock-Conway, AR MSA and 47.0 percent for the state of Arkansas.<sup>6</sup> In addition, 34.3 percent of the renters in the assessment area have rent costs that exceed 30.0 percent of their income, while only 32.1 percent and 33.8 percent of the renters in the state of Arkansas and the Little Rock-North Little Rock-Conway, AR MSA, respectively, have rents that exceed 30.0 percent of their income.

Pulaski County has a diverse population, economy, natural setting, and social structure. Its balanced economy derives from state and local government, business and industry, finance and nonprofit sectors. Three of Arkansas's natural divisions converge in Pulaski County presenting a cross section of the state's flora, fauna, and geographical diversity. It derives its urban/suburban character from a widespread network of community organizations, neighborhood associations, civic clubs, recreational and sports groups, cultural centers, and churches. Located at the geographic center of Arkansas, Pulaski County is one of the state's five original counties and has been at the center of Arkansas government, politics, business, art, and culture for almost two centuries.

Three large publicly traded companies have located its corporate headquarters in Pulaski County: Alltel, Acxiom, and Dillard's Department Stores. Stephens, Inc., one of the largest off-Wall Street investment banking companies, has its corporate headquarters in Little Rock. Two major

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<sup>6</sup> 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.

nonprofit organizations, Heifer Project International and World Services for the Blind, have corporate headquarters in Pulaski County.

Saline County, Arkansas, sits adjacent to Pulaski County. Principal industries within the county include bauxite mining and aluminum manufacturing, which employ more than 2,200 persons. Strip mines in Saline and Pulaski counties produce approximately 96.0 percent of all aluminum ore produced in the United States. The manufacturing of furniture, pottery, and construction tile contribute substantially to Saline County's economy.

As noted earlier, Twin City Bank's assessment area is all 83 census tracts in Pulaski County and one adjacent census tract in Saline County. Twin City Bank's market share of deposits within both Pulaski and Saline counties was 5.8 percent, the fifth highest of 32 institutions, as noted by the Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report as of June 30, 2008.

Finally, as a part of this performance evaluation, examiners spoke with representatives of a local housing authority and a local planning and development organization. One of the representatives stated that although their organization gets involved with projects such as home ownership counseling and higher education and HUD Section 8 Assistance programs, in most cases, housing development and expansions are geared toward upper-income families and individuals. This representative said that this is just a function of the market; as areas become more developed, new housing in those areas tends to become more valued, which leads to higher prices in those areas. Locations for affordable housing are becoming more scarce in the area.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The lending test performance standards for ISBs evaluate the following five criteria as applicable:

- The distribution of loans by borrower income and business revenues.
- The geographic distribution of loans within the assessment area.
- The bank's average LTD ratio.
- The level of lending within the assessment area.
- A review of written complaints.

Twin City Bank meets the criteria for a satisfactory rating under the lending test for ISBs. The sections that follow detail the bank's lending performance in its defined assessment area under the five performance criteria listed above.

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

The bank's lending to borrowers of various income levels and businesses with different revenue sizes was reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to HUD's estimated median family income figure in effect at the time the loan was originated. The applicable HUD estimated income figures from the Little Rock–North Little Rock–Conway, AR MSA for 2006 was \$51,500, for 2007 it was \$56,500, and for 2008 it was \$57,900. Businesses are classified according to those having gross annual revenues of \$1 million or less, and those with revenues greater than \$1 million.

The following table shows the distribution of 2006 - 2007 HMDA loans by income level of the borrower.<sup>7</sup>

<b>Distribution of Loans (Number and Dollar Volume in \$000s) Inside the Assessment Area by the Income Level of the Borrower</b>						
<b>Loan Type</b>	<b>Borrower Income Classification</b>					<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	
2006 - 2007 HMDA	17	33	50	188	49	<b>337</b>
	5.0%	9.8%	14.8%	55.8%	14.5%	<b>100%</b>
	\$ 708	\$ 2,245	\$ 4,191	\$ 31,845	\$ 10,327	<b>\$ 49,316</b>
	1.4%	4.6%	8.5%	64.6%	20.9%	<b>100%</b>
2000 Family Population	20.8%	17.5%	21.0%	40.7%	0.0%	<b>100%</b>

<sup>7</sup> Of the 337 HMDA loans originated within the bank's assessment area, 49 did not have income information and were therefore not able to be used in this analysis.

As shown in the preceding table, the bank made 14.8 percent of its HMDA loans to LMI borrowers, whereas 38.3 percent of the family population is classified as LMI. This level of lending to LMI borrowers for HMDA-related loans has decreased slightly from that at the last examination in which the bank's lending to LMI borrowers was at 17.3 percent. The bank's overall HMDA lending activity appears low when compared to the relative level of families that are considered LMI. The bank's percentage of lending, however, compares better to the 2007 HMDA aggregate data,<sup>8</sup> which indicate that 25.4 percent of all HMDA loans was made to LMI applicants. Given the fact that there has been no improvement in this area of lending since the last examination, the bank's distribution of HMDA loans to LMI borrowers continues to be poor.

As with the borrower distribution analysis conducted for the bank's HMDA loan activity, the borrower distribution of motor vehicle loans was also analyzed. The following table shows the distribution of motor vehicle loans by the income level of the borrower compared to the household population in each income category.

<b>Distribution of Loans (Number and Dollar Volume in \$000s) Inside the Assessment Area by the Income Level of the Borrower</b>						
<b>Loan Type</b>	<b>Borrower Income Classification</b>					<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	
2006 - 2008 Motor Vehicle	13	18	16	42	0	<b>89</b>
	14.6%	20.2%	18.0%	47.2%	0.0%	<b>100%</b>
	\$ 117	\$ 183	\$ 242	\$ 867	\$ -	<b>\$ 1,409</b>
	8.3%	13.0%	17.2%	61.5%	0.0%	<b>100%</b>
2000 Household Population	23.3%	17.0%	19.5%	40.2%	0.0%	<b>100%</b>

The preceding table indicates that 34.8 percent of the bank's motor vehicle loans was made to LMI borrowers. In comparison, LMI households account for 40.3 percent of the assessment area population. One possible contributing factor to explain the bank's lending level being slightly under that of the household population might be that 12.4 percent of the households living within the assessment area were living below the poverty level. Although slightly below the percentage of LMI household population, the bank's performance under the borrower distribution for this loan product is considered adequate.

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

<sup>8</sup> 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.

<b>Lending Distribution by Business Revenue Level</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount (in \$000s)</b>			<b>TOTAL</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
\$1 Million or Less	65 44.8%	15 10.3%	19 13.1%	<b>99</b> <b>68.3%</b>
Greater Than \$1 Million	22 15.2%	10 6.9%	14 9.7%	<b>46</b> <b>31.7%</b>
<b>TOTAL</b>	<b>87</b> <b>60.0%</b>	<b>25</b> <b>17.2%</b>	<b>33</b> <b>22.8%</b>	<b>145</b> <b>100%</b>

As shown in the preceding table, of the 145 business loans reviewed, 99 (or 68.3 percent) were made to small businesses (those businesses with gross annual revenues of \$1 million or less). In addition, of the 99 loans made to small businesses, 65 (or 44.8 percent) were loans originated in amounts of \$100,000 or less. In comparison, the 2007 CRA aggregate<sup>9</sup> data indicate that 37.9 percent of all originated business loans in the area were made to small businesses. The data from Dun & Bradstreet<sup>10</sup> indicate that 86.4 percent of reporting businesses in the assessment area are classified as small businesses. Based on these comparisons and given the fact that the bank's performance has improved slightly from that at the bank's last performance evaluation, the borrower distribution of this loan product is reasonable.

Based upon the distribution of the bank's 2006 and 2007 HMDA loans, consumer motor vehicle loans, and small business loans, the bank's borrower distribution test meets the standards for satisfactory performance in lending to individuals of different income levels and among businesses of different sizes.

### **Geographic Distribution of Loans**

As previously noted, the bank's assessment area contains seven low-income and 28 moderate-income census tracts. The analysis in this section illustrates the distribution of the bank's loan penetration in these census tracts. The following table displays the geographic distribution of the bank's 2006 and 2007 HMDA loans, in comparison to owner-occupied housing statistics for the assessment area.

<sup>9</sup> 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.

<sup>10</sup> Dun & Bradstreet data is based on 2008 information supplied by reporting businesses.

<b>Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography</b>						
<b>Loan Type</b>	<b>Census Tract Income Classification</b>					<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	
2006 - 2007 HMDA	15	60	101	161	0	<b>337</b>
	4.5%	17.8%	30.0%	47.8%	0.0%	<b>100%</b>
	\$ 1,275	\$ 5,817	\$ 10,819	\$ 31,405	\$ -	<b>\$ 49,316</b>
	2.6%	11.8%	21.9%	63.7%	0.0%	<b>100%</b>
2000 Owner-Occupied Housing	2.5%	20.9%	39.6%	36.9%	0.0%	<b>100%</b>

As illustrated in the preceding table, the bank originated 22.3 percent by number and 14.4 percent by dollar amount of its HMDA loans in LMI census tracts. In comparison, the percentage of owner-occupied housing units within the assessment area located in LMI census tracts is 23.4 percent. The 2007 HMDA aggregate data for the assessment area indicate that 16.5 percent (by number of loans) of all originated HMDA loans was to borrowers in LMI census tracts. Therefore, the bank's geographic distribution of HMDA loans reflects reasonable penetration throughout its assessment area.

Similar to the geographic distribution analysis conducted for the bank's HMDA loans, the geographic distribution of motor vehicle loans was also analyzed, and the bank's performance is displayed in the following table.

<b>Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography</b>						
<b>Loan Type</b>	<b>Census Tract Income Classification</b>					<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	
2006 - 2008 Motor Vehicle	0	12	35	42	0	<b>89</b>
	0.0%	13.5%	39.3%	47.2%	0.0%	<b>100%</b>
	\$ -	\$ 146	\$ 445	\$ 818	\$ -	<b>\$ 1,409</b>
	0.0%	10.4%	31.6%	58.1%	0.0%	<b>100%</b>
2000 Household Population	4.7%	24.1%	39.6%	31.6%	0.0%	<b>100%</b>

As shown in the preceding table, the bank originated 13.5 percent by number and 10.4 percent by dollar volume of its motor vehicle loans to individuals residing in LMI census tracts. In comparison, the household population in these census tracts is 28.8 percent. Given the low level of lending in moderate-income census tracts, and the fact that there were no motor vehicle loans originated in any of the seven low-income census tracts, performance with regard to this loan product regarding geographic distribution is considered poor.

As with the two consumer loan categories, the bank’s geographic distribution of business loans was also reviewed. The following table displays the results of the bank’s business loan originations by geographical income level compared to the estimated percentages of business institutions located in each census tract income category.

<b>Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography</b>						
<b>Loan Type</b>	<b>Census Tract Income Classification</b>					<b>TOTAL</b>
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Unknown</b>	
2006 - 2008 Small Business	10	35	43	57	0	<b>145</b>
	6.9%	24.1%	29.7%	39.3%	0.0%	<b>100%</b>
	\$ 1,384	\$ 4,973	\$ 8,127	\$ 10,762	\$ -	<b>\$ 25,246</b>
	5.5%	19.7%	32.2%	42.6%	0.0%	<b>100%</b>
Business Institutions	9.0%	24.7%	35.9%	30.4%	0.0%	<b>100%</b>

The preceding table indicates that by number the bank made 31.0 percent of its business loans in LMI census tracts. This represents a decrease in lending to small businesses in LMI census tracts at the last performance evaluation where the bank originated 45.8 percent of these loans in LMI census tracts. According to 2008 Dun & Bradstreet data, 33.7 percent of the reporting small businesses in the assessment area are located in LMI census tracts. As a further comparison, the 2007 CRA aggregate lending for this assessment area reflects that 23.7 percent of business loans, by number of originations, were made to small businesses in LMI census tracts. Based on these comparisons and despite the drop in lending for this loan type since the last performance evaluation, the bank’s geographic distribution of lending appears reasonable.

Overall, the bank’s performance with regard to lending within LMI census tracts for HMDA, motor vehicle, and small business loans meets the standards for satisfactory performance.

**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<sup>11</sup> in comparison to that of regional competitors. These financial competitors were determined to be similarly situated to Twin City Bank based on asset size, branch structure, geographical proximity, and loan portfolio mix.

<sup>11</sup> The average LTD ratio represents an eight-quarter average, dating back to the bank’s last CRA evaluation as of August 7, 2006.

<b>Loan-to-Deposit Ratio Analysis</b>			
<b>Name</b>	<b>Asset Size<sup>12</sup></b>	<b>Headquarters</b>	<b>Average LTD Ratio</b>
Twin City Bank	\$ 731.1	North Little Rock, Arkansas	85.8%
Regional Bank Competitors	\$ 491.2	Jacksonville, Arkansas	76.3%
	\$ 219.3	North Little Rock, Arkansas	95.1%
	\$ 389.3	Little Rock, Arkansas	109.6%

Based on data from the previous table, the bank’s level of lending indicates satisfactory responsiveness to assessment area credit needs. The bank’s average LTD ratio for the eight–quarter period was 85.8 percent. In that time period, the bank’s quarterly LTD ratio has ranged from a low of 76.9 to a high of 96.4 percent. In comparison, the average LTD ratios for the eight-quarter period for the bank’s regional competitors ranged from 76.3 to 109.6 percent. In light of data from local competitors as displayed in the table above, the bank’s average LTD ratio meets the standard for satisfactory performance for this criterion.

**Lending in the Assessment Area**

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

<sup>12</sup> These amounts represent total asset figures (in \$000s) as of June 30, 2008.

<b>Lending Inside and Outside of Assessment Area By Number/Dollar Volume (in \$000s)</b>			
<b>Loan Type</b>	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>TOTAL</b>
2006 - 2007 HMDA	337	76	<b>413</b>
	81.6%	18.4%	<b>100%</b>
	\$ 49,316	\$ 19,068	<b>\$ 68,384</b>
2006 - 2008 Motor Vehicle	72.1%	27.9%	<b>100%</b>
	89	34	<b>123</b>
	72.4%	27.6%	<b>100%</b>
2006 - 2008 Small Business	\$ 1,409	\$ 412	<b>\$ 1,821</b>
	77.4%	22.6%	<b>100%</b>
	145	29	<b>174</b>
<b>TOTAL</b>	83.3%	16.7%	<b>100%</b>
	\$ 25,246	\$ 3,882	<b>\$ 29,128</b>
	86.7%	13.3%	<b>100%</b>
<b>TOTAL</b>	<b>571</b>	<b>139</b>	<b>710</b>
	<b>80.4%</b>	<b>19.6%</b>	<b>100%</b>
	<b>\$ 75,971</b>	<b>\$ 23,362</b>	<b>\$ 99,333</b>
	<b>76.5%</b>	<b>23.5%</b>	<b>100%</b>

The previous table demonstrates that a majority of loans were extended to borrowers residing inside the bank's assessment area for all three loan categories reviewed. Of the 710 loans reviewed, 80.4 percent by number and 76.5 percent by dollar volume were originated within the bank's defined assessment area. Therefore, the bank's lending practices under this performance criterion meet the standard for satisfactory performance.

**Review of Complaints**

No CRA-related complaints were received for this institution during the time period used for this evaluation (August 7, 2006, through September 22, 2008).

## **COMMUNITY DEVELOPMENT TEST**

The bank's community development performance demonstrates good responsiveness to the community development needs of its assessment area considering the institution's capacity and the need and availability of such opportunities for community development in the assessment area. The bank has addressed these needs through qualified community development loans, investments and donations, and community development services.

### **Community Development Loans**

Twin City Bank made a good level of community development loans during this review period. During this period, the bank extended seven qualifying community development loans totaling \$10.9 million. Of the qualifying loans, six were eligible to receive low-income housing tax credits.

### **Qualified Investments and Donations**

Twin City Bank has made two qualified investments during the evaluation period totaling \$1.4 million. Of this, \$1 million was invested in a Fannie Mae (FNMA) pool of nine mortgage properties of which six were located in LMI census tracts in Pulaski County. The remainder represents a \$380,000 investment in a local school where a majority of the students enrolled are from LMI families.

The bank also made 61 donations totaling \$230,355 to numerous different qualifying organizations that provide qualified community development services to LMI families and individuals within the bank's assessment area.

### **Community Development Services**

Throughout the evaluation period, the bank provided qualified community development services to nine different qualifying organizations that provide community services targeted to LMI families within the bank's CRA assessment area. In addition, eleven employees serve as board members or chairman of local qualifying community organizations. These employees provide their technical expertise and assistance on financial matters to these community development groups who target their activities to economic development, affordable housing, homeless individuals, and outreach programs to disadvantaged families.



## **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.

**Appendix A**

<b>List of Census Tracts in Twin City Bank's Assessment Area</b>				
<b>County</b>	<b>Census Tract Number</b>	<b>Census Tract Income Category</b>	<b>MSA</b>	<b>Contains Bank Office</b>
Pulaski	0001.00	Low	30780	<b>Yes</b>
Pulaski	0002.00	Low	30780	No
Pulaski	0003.00	Low	30780	No
Pulaski	0004.00	Low	30780	No
Pulaski	0008.00	Low	30780	No
Pulaski	0028.00	Low	30780	No
Pulaski	0030.00	Low	30780	No
Pulaski	0005.00	Moderate	30780	No
Pulaski	0007.00	Moderate	30780	No
Pulaski	0009.00	Moderate	30780	No
Pulaski	0010.00	Moderate	30780	No
Pulaski	0011.00	Moderate	30780	No
Pulaski	0012.00	Moderate	30780	No
Pulaski	0013.00	Moderate	30780	No
Pulaski	0017.00	Moderate	30780	No
Pulaski	0018.00	Moderate	30780	No
Pulaski	0019.00	Moderate	30780	No
Pulaski	0020.02	Moderate	30780	No
Pulaski	0024.03	Moderate	30780	No
Pulaski	0025.00	Moderate	30780	<b>Yes</b>
Pulaski	0026.00	Moderate	30780	No
Pulaski	0027.00	Moderate	30780	<b>Yes</b>
Pulaski	0029.00	Moderate	30780	No
Pulaski	0032.01	Moderate	30780	<b>Yes</b>
Pulaski	0034.03	Moderate	30780	No
Pulaski	0035.00	Moderate	30780	No
Pulaski	0036.06	Moderate	30780	No

<b>List of Census Tracts in Twin City Bank's Assessment Area (continued)</b>				
<b>County</b>	<b>Census Tract Number</b>	<b>Census Tract Income Category</b>	<b>MSA</b>	<b>Contains Bank Office</b>
Pulaski	0036.07	Moderate	30780	No
Pulaski	0038.00	Moderate	30780	No
Pulaski	0040.01	Moderate	30780	No
Pulaski	0040.07	Moderate	30780	No
Pulaski	0041.03	Moderate	30780	No
Pulaski	0041.05	Moderate	30780	<b>Yes</b>
Pulaski	0041.07	Moderate	30780	No
Pulaski	0041.08	Moderate	30780	No
<b> </b>				
Pulaski	0006.00	Middle	30780	No
Pulaski	0014.00	Middle	30780	No
Pulaski	0015.00	Middle	30780	<b>Yes</b>
Pulaski	0020.01	Middle	30780	No
Pulaski	0021.02	Middle	30780	<b>Yes</b>
Pulaski	0022.05	Middle	30780	No
Pulaski	0023.00	Middle	30780	No
Pulaski	0024.04	Middle	30780	No
Pulaski	0024.05	Middle	30780	No
Pulaski	0024.06	Middle	30780	No
Pulaski	0031.00	Middle	30780	No
Pulaski	0032.02	Middle	30780	<b>Yes</b>
Pulaski	0033.01	Middle	30780	No
Pulaski	0034.02	Middle	30780	No
Pulaski	0034.04	Middle	30780	No
Pulaski	0036.04	Middle	30780	No
Pulaski	0036.05	Middle	30780	No
Pulaski	0036.08	Middle	30780	No
Pulaski	0036.09	Middle	30780	No
Pulaski	0037.04	Middle	30780	<b>Yes</b>
Pulaski	0037.06	Middle	30780	No

<b>List of Census Tracts in Twin City Bank's Assessment Area (continued)</b>				
<b>County</b>	<b>Census Tract Number</b>	<b>Census Tract Income Category</b>	<b>MSA</b>	<b>Contains Bank Office</b>
Pulaski	0037.07	Middle	30780	No
Pulaski	0039.00	Middle	30780	No
Pulaski	0040.04	Middle	30780	No
Pulaski	0040.05	Middle	30780	No
Pulaski	0040.06	Middle	30780	No
Pulaski	0041.04	Middle	30780	No
Pulaski	0041.06	Middle	30780	No
Pulaski	0042.01	Middle	30780	No
Pulaski	0042.08	Middle	30780	No
Pulaski	0043.02	Middle	30780	No
Pulaski	0016.00	Upper	30780	<b>Yes</b>
Pulaski	0021.01	Upper	30780	No
Pulaski	0022.01	Upper	30780	No
Pulaski	0022.03	Upper	30780	No
Pulaski	0022.04	Upper	30780	<b>Yes</b>
Pulaski	0033.03	Upper	30780	<b>Yes<sup>13</sup></b>
Pulaski	0033.04	Upper	30780	No
Pulaski	0037.01	Upper	30780	<b>Yes</b>
Pulaski	0037.03	Upper	30780	No
Pulaski	0042.02	Upper	30780	No
Pulaski	0042.05	Upper	30780	<b>Yes</b>
Pulaski	0042.07	Upper	30780	No
Pulaski	0042.09	Upper	30780	No
Pulaski	0042.10	Upper	30780	<b>Yes</b>
Pulaski	0042.11	Upper	30780	No
Pulaski	0043.03	Upper	30780	<b>Yes</b>
Pulaski	0043.04	Upper	30780	No
Saline	0104.04	Upper	30780	<b>Yes</b>

<sup>13</sup> This is Twin City Bank's main office.

## Appendix B

### 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 nonmetropolitan 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).

**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 applications, 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 refinancings 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 census tract.

**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 census tract.

**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 census tract.

**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 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 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 either secured 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 nonmortgage, 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 census tract.