



PUBLIC DISCLOSURE

April 17, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Forrest City Bank, National Association
Charter Number 23195

715 North Washington
Forrest City, AR 72336

Office of the Comptroller of the Currency

Victory Building
1401 West Capitol Avenue
Suite 350
Little Rock, AR 72201

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Forrest City Bank, National Association's (FCB) lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area (AA).

- Average loan-to-deposit ratio is more than reasonable in comparison to competing banks in the AA.
- A substantial majority of loans were originated inside of the bank's AA.
- The penetration of loans by borrower income and business size shows reasonable penetration when accounting for mitigating factors.
- Geographic dispersion of borrowers shows reasonable dispersion throughout the bank's AA.
- FCB has not had any Community Reinvestment Act (CRA) related complaints since the prior CRA Examination dated October 21, 2008.

SCOPE OF EXAMINATION

The bank was evaluated using small bank CRA criteria. The bank's Assessment Area consists of St. Francis County, Arkansas, which includes six census tracts (CTs). The evaluation period for this CRA Performance Evaluation (PE) is June 30, 2008, through March 31, 2014. Since the bank is not located in a Metropolitan Statistical Area (MSA), it is not a Home Mortgage Disclosure Act (HMDA) reporter. The sample of loan products used to assess the bank's performance under the Lending Test include residential real estate, commercial real estate (CRE), and commercial and industrial (commercial) loans originated between January 1, 2012, and March 31, 2014. These loans and the related borrower demographics are compared to data from the 2010 Census. Those loans that were found to be inside the AA will be used for the other lending tests. Replacing loans outside the AA with ones inside the AA is not possible due to low loan originations during the assessment period.

DESCRIPTION OF INSTITUTION

FCB is located in Forrest City (St. Francis County), Arkansas (AR). FCB is 100% owned by Forrest City Financial Corporation, a one-bank holding company located in Forrest City, AR. As of December 31, 2013, the bank had total assets of \$54.6 million with \$49.4 million in deposits and \$21.7 million in loans. There are no financial impediments that would limit the bank's ability to meet the credit needs within its AA. The bank operates two locations, the full service main branch and a deposit taking/drive through branch, which is also located in Forrest City.

The bank's lending is primarily focused on residential real estate, commercial, and commercial real estate loans. The bank's loan portfolio composition as of December 31, 2013, is as follows:

Table 1 - Loan Portfolio Composition as of December 31, 2013		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	\$ 1,053	4.85%
Secured by Farmland	159	0.72%
One-to-Four Family, Multifamily Residential	10,878	50.06%
Commercial Real Estate	7,207	33.17%
Total Real Estate Loans	\$19,297	88.80%
Agricultural	73	0.34%
Commercial and Industrial	1,300	5.98%
Consumer	1,060	4.88%
Total Loans	\$21,730	100.00%

Source: Schedule RC-C: Call Report – December 31, 2013

The bank's last CRA examination was performed by the OCC as of October 21, 2008, and was rated **Satisfactory**.

DESCRIPTION OF ASSESSMENT AREA

FCB AA consists of St. Francis County, Arkansas. As of the 2010 census, St. Francis County (SFC) had a population of 28,258. The AA consists of all six CTs within SFC. The AA contains only whole CTs and does not arbitrarily exclude low-moderate income tracts. There are two moderate-income CTs and four middle-income CTs. The AA contains several small towns and Forrest City, which had a 2012 census estimated population of 15,220. 3,905, or 13.8%, of the AA population is located in correctional institutions, the primary of which is the East Arkansas Regional Unit, a state facility, and the Federal Correctional Complex, Forrest City, a federal facility. The AA contains 9,086 households and 6,100 families. 29% of households and 24% of families are below the poverty line. Table 2 shows additional Demographic and Economic characteristics of the AA:

Table 2 - Demographic and Economic Characteristics	
	2010 Census
Population	
Number of Families	6,100
Number of Households	9,086
Geographies	
Number of Census Tracts	6
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	33.33%
% Middle-Income Census Tracts	66.67%
% Upper-Income Census Tracts	0.00%
Not Applicable	0.00%
Median Family Income (MFI)	
MFI for AA	\$33,741
Economic Indicators	
Unemployment February 2014 (not seasonally adjusted)	11.40%
Median Housing Value	\$65,849
% of Households Below the Poverty Level	29.21%

Source: 2010 Census data, St. Louis Fed

The AA is primarily an agricultural community, but does include other means of employment. The leading employers in the AA include Forrest City School District, the local public school, Boar's Head Provisions Company, Inc., a meat products manufacturer, Baptist Memorial Hospital, the primary health care facility, and Forrest City Grocery Company, a local grocery and convenience store supplier.

Banking competition within the AA is moderate. There are five competing banks in the AA, with First National Bank of Eastern Arkansas holding 63.7% market share of deposits within the AA. FCB's market share is second with 13.7% of AA deposits. Table 3 illustrates the deposit market share within the AA as of June 30, 2013:

Table 3 - Deposit/Market Share Summary, June 30, 2013					
Bank Name	Outside AA		Inside AA		
	# Offices	Deposits (\$000)	# Offices	Deposits (\$000)	Market Share
First National Bank of Eastern Arkansas	7	103,086	7	208,755	63.72%
Forrest City Bank, NA	0	0	2	44,849	13.69%
The First National Bank of Wynne	5	207,761	1	31,103	9.49%
Fidelity National Bank	4	294,210	1	21,445	6.55%
Regions Bank	1,707	93,493,367	2	21,446	6.55%
Totals	1,723	94,098,424	13	327,598	100.00%

Source: FDIC

A community contact interview was performed in conjunction with this examination. The contact characterized the AA as economically depressed with a high level of poverty and limited opportunities for low income individuals to better their economic circumstances. The contact indicated that small loans, including consumer loans and business loans are key needs, as is a sustained effort to provide financial literacy programs. The contact’s primary focus is to provide assistance to low income Mississippi Delta residents, primarily in food production, preparation, and marketing. Additionally, the contact works to provide financial literacy programs, as well as small business and farm technical support. The contact indicated that the primary ways local financial institutions can participate is by providing employee time to lead financial literacy training, providing small business and start up loans, and providing small consumer loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FCB’s average loan-to-deposit (LTD) ratio at 55.99% is above the AA average LTD and exceeds the standards for satisfactory performance. The bank’s LTD ratio is more than reasonable given its size, financial condition, funding sources, and AA credit needs.

Table 4 below displays the average LTD ratio derived from a 21-quarter average from December 2008 to December 2013. For this analysis, four banks that were similarly situated, or that had a serious market presence, were reviewed in order to determine the bank’s performance. These banks are First National Bank of Eastern Arkansas in Forrest City, AR, The First National Bank of Wynne in Wynne, AR, Fidelity National Bank in West Memphis, AR, and Regions Bank in Birmingham, AL. The five institutions as a whole had an average LTD ratio of 55.69%. The individual institution LTD ratios ranged from a low of 36.21% to a high of 83.2%. It should be noted that Regions Bank’s status and size as a regional bank provides it with substantially more markets to lend to outside of the limited local areas of other competitors. Regions Bank remained in the comparison due to having a 6.55% market share, as seen in table 3. If removed from the comparison, the average LTD of all the institutions falls to 46.41%, well below FCB’s 55.99%.

Table 4 - Loan-to-Deposit Ratio		
<i>21 Quarter Average from December 2008 to December 2013</i>		
Institution	Assets (as of 12/31/2014) \$(000)	Average LTD Ratio
Forrest City Bank, NA	\$54,569	55.99%
First National Bank of Eastern Arkansas	\$396,635	41.27%
The First National Bank of Wynne	\$275,105	61.76%
Fidelity National Bank	\$361,923	36.21%
Regions Bank	\$116,608,550	83.20%
AA Average		55.69%

Source: Uniform Banking Performance Reports (Call reports)

Lending in Assessment Area

Lending in the AA meets the standards for Satisfactory performance by having a majority of loans inside the AA. As seen in Table 5, over 85% of loans by number and over 89% by dollar volume were made inside the bank’s AA. Table 5 shows the primary lending categories that were sampled and their individual product’s inside-outside ratios.

Table 5 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	5	83.33	1	16.67	6	194	70.29	82	29.71	276
Home Improvement	4	80.00	1	20.00	5	92	60.53	60	39.47	152
Refinance	12	75.00	4	25.00	16	580	65.54	305	34.46	885
Commercial	16	84.21	3	15.79	19	951	91.35	90	8.65	1,041
CRE	21	95.45	1	4.55	22	4,621	95.85	200	4.15	4,821
Totals	58	85.29	10	14.71	68	6,438	89.73	737	10.27	7,175

Source: Loan Sample, 2010 US Census

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

FCB’s lending to borrowers of different income levels and businesses of different sizes meets the standards for satisfactory performance. The institution demonstrates a reasonable penetration in most residential real estate categories, with mitigating factors for the areas that show poor penetration, and demonstrates excellent penetration when lending to businesses of different sizes.

Residential Real Estate Loans

Table 6A - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	31.08	0.00	18.28	0.00	19.13	20.00	31.51	80.00
Home Improvement	31.08	0.00	18.28	25.00	19.13	0.00	31.51	75.00
Refinance	31.08	16.67	18.28	25.00	19.13	8.33	31.51	50.00

Source: Loan sample, 2010 US Census data

Table 6A shows the distributions of residential real estate loans, by type, to borrowers of different income levels. Home purchase and home improvement loans to low-income borrowers and home purchase loans to moderate-income borrowers show very poor penetration. Refinance

loans show adequate penetration to low-income borrowers, while home improvement loans and refinance loans to moderate-income borrowers shows excellent penetration. The low penetrations are mitigated by several key factors. First, the AA has a high poverty level, with 24% of families within the AA being below the poverty line. Second, the 2012 updated non-MSA Median Family Income (MFI) was only \$43,900. This means that low income borrowers (less than 50% of the MFI) only have an income of \$22,000 or less. Even with 31% of AA families labeled as low-income families, the low incomes make it difficult for the bank to maintain sound underwriting standards and still make loans to low income individuals. Third, the low level of loan demand during the evaluation period limited the bank’s ability to make loans as a whole. Only five home purchase loans and four home improvement loans were made during the evaluation period of 2012, 2013, and 2014.

Business Loans

Table 6B - Borrower Distribution of Loans to Businesses in St. Francis County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70.84	3.54	25.62	100%
% of Bank Loans in AA by #	83.79	13.51	2.70	100%
% of Bank Loans in AA by \$	76.44	22.84	0.72	100%

Source: Loan Sample; Dunn and Bradstreet data.

Table 6B shows the distribution of loans to businesses by size, as determined by revenues, in comparison to the prevalence of those businesses in the AA. Loans listed as commercial or commercial real estate were combined under “Business Loans”. The bank’s distribution of loans to businesses with less than \$1 million exceeds the standards for satisfactory. More than 83% of loans by number and 76% by dollar volume are made to businesses with revenues under \$1 million, compared to 71% of businesses in the AA having revenues under \$1 million.

Geographic Distributions of Loans

Geographic distribution of loans meets the standards for satisfactory performance, demonstrating reasonable dispersion. The AA contains six census tracts, with four listed as middle-income and two listed as moderate-income. The bank originated loans in all CTs within the assessment area between January 1, 2012, and March 31, 2014. CT 9604 is a moderate income CT, which includes the majority of the Central Business District of Forrest City as well as the medical and industrial park areas north of Interstate Highway 40. The bank’s commercial and commercial real estate lending showed good penetration within CT 9604. Our sample did not include any residential real estate loans within CT 9604. It should be noted that residential real estate lending for the bank as a whole in the assessment period included only 27 loans of which 21 or

78% were within the assessment area. Table 7A shows that 40% of the bank’s home purchase and 50% of its home improvement loans were made in Moderate Income CTs.

Residential Real Estate

Table 7A - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	28.78	40.00	71.22	60.00	0.00	0.00
Home Improvement	0.00	0.00	28.78	50.00	71.22	50.00	0.00	0.00
Refinance	0.00	0.00	28.78	0.00	71.22	100.00	0.00	0.00

Source: 2010 US Census, Loan Sample

Table 7A shows the bank’s dispersion of loans to different income CTs. Home purchase and home improvement loans exceeded the AA benchmarks of loans to moderate-income tracts compared to the level of owner occupied housing in those tracts. Refinance loans showed poor dispersion. With only 28.78% of owner occupied housing located in moderate income census tracts, the bank’s opportunities to make residential real estate loans in these areas are limited. Additionally, 41% of all households located in moderate-income census tracts are low income households, and 36.1% of the households located in moderate-income tracts are below the poverty line, further decreasing the bank’s ability to maintain prudent underwriting standards to individuals inside the moderate income tracts.

Business Loans

Table 7B - Geographic Distribution of Loans to Businesses in St. Francis County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	0.00	0.00	28.46	35.14	71.54	64.86	0.00	0.00

Source: 2010 Census, Loan Sample

Table 7B shows the bank's dispersion of business loans to businesses located in moderate-income census tracts exceeds the standards for satisfactory. Commercial loans and commercial real estate loans are grouped together as "Business" loans. Only 28.46% of AA businesses are located in moderate-income census tracts, but the bank has a dispersion of over 35% to businesses in these tracts.

Responses to Complaints

FCB has not had any complaints made relating to its lending practices since the prior examination dated October 21, 2008.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.