



PUBLIC DISCLOSURE

January 13, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Legacy National Bank
Charter Number 24573

4055 West Sunset, Springdale, AR 72762

Office of the Comptroller of the Currency

Victory Building, 1401 West Capitol Avenue, 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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

Following are the major factors supporting the institution's rating:

- Legacy National Bank's (LNB) loan-to-deposit ratio is more than reasonable.
- A substantial majority of the number and dollar volume of the bank's loans originated inside the assessment area (AA).
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and to businesses of different sizes.
- The geographic distribution of home mortgage loans and small loans to businesses reflects excellent dispersion.
- LNB demonstrates excellent responsiveness to community development (CD) through its level of CD loans, qualified investments, and CD services.

Scope of Examination

LNB was evaluated as an intermediate small bank. Primary lending products including home mortgage loans (home purchase, home improvement, and refinance) and small loans to businesses and farms were evaluated for this assessment and covered calendar years 2014 through 2016. LNB began collecting CD activity data starting in 2016. Evaluation dates for CD loans, qualified investments, and CD services range from January 1, 2016, through January 23, 2017.

Description of Institution

LNB is headquartered in Springdale (Washington County), Arkansas in the northwest portion of the state. Washington County is part of the Fayetteville-Springdale-Rogers, Arkansas (AR)-Missouri (MO) Metropolitan Statistical Area (MSA) #22220, but LNB only has banking offices in Washington and Benton Counties in AR. LNB is owned 21.95 percent by First National Bancorp, Incorporated and additional ownership is through private investors. As of September 30, 2016, the bank reported total assets of \$400 million with \$335 million in deposits and \$303 million in net loans (76 percent of total assets). LNB has been in business since March 28, 2005. The bank has five branches: three are located in Springdale, one in Fayetteville, and one in Rogers. All banking offices

have drive-in facilities, and automated teller machines (ATM's). The bank's primary business focus is commercial real estate loans with residential real estate loans as a secondary focus.

Loan Category	\$ (000)	%
Commercial Real Estate	139,238	46%
Residential Real Estate	76,723	25%
Agriculture	52,952	17%
Commercial and Industrial	29,443	10%
Consumer	4,858	2%
Total	303,214	100%

Source: September 30, 2016 Call Report.

LNB offers convenient banking hours and a variety of loan and deposit products to meet the needs of the AA. Mobile banking is also available via mobile devices (smart phones and tablets). There are no financial or legal impediments that would limit the bank's ability to help meet the credit needs in its AA. The last CRA Performance Evaluation is dated January 6, 2014, where LNB received an overall rating of **Satisfactory**.

Description of Assessment Area

LNB's AA is comprised of Washington County and Benton County in northwest Arkansas. Washington and Benton Counties are included in the Fayetteville-Springdale-Rogers MSA. The MSA is a multistate MSA with counties in Arkansas (Benton, Madison, and Washington); and one county in Missouri (McDonald). The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The 2010 Census reported 81 census tracts (CT) in the bank's AA. The Median Family Income (MFI) in 2010 was \$54,186 for the Fayetteville-Springdale-Rogers MSA. The MFI figure is used to determine the income level of individual CTs. The AA consists of three low-income CTs, 11 moderate-income CTs, 44 middle-income CTs, and 23 upper-income CTs.

The 2016 HUD estimated MFI for the Fayetteville-Springdale-Rogers MSA was \$61,600. This figure increased by \$5,000 since 2014. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The percent of households below poverty level is reported at 14 percent. The poverty level is considered high which means it was difficult for low-income individuals to qualify for mortgage financing.

Springdale, Arkansas, where LNB is headquartered, is located in Washington County. According to the updated 2016 Census, the population of Washington County was 203,065. The updated 2016 Census showed the population of Benton County at 221,339. The Fayetteville-Springdale-Rogers MSA has been the primary growth area in Arkansas in the past decade.

The local economy is now stable after recovering from over-development in the real estate segment in the mid-2000s. The primary industries in Washington and Benton counties include retail, education, trucking, health care, and the production, distribution, and marketing of poultry and other protein products. The Fayetteville-Springdale-Rogers MSA is home to several Fortune 500 companies: Wal-Mart Stores, Inc., poultry and meat processors Tyson Foods, Inc. and George's, Inc., and trucking company J.B. Hunt Transport Services, Inc. In terms of education, the University of Arkansas, the Springdale/Fayetteville school system, and the Bentonville/Rogers school system are large employers in their respective counties. The largest healthcare employer is Mercy Health Care System in Benton County. Wal-Mart, Tyson, and the University of Arkansas account for one fourth of the total number of jobs in the MSA.

Based on December 2016 statistics provided by the Bureau of Labor Statistics, the unemployment rate, non-seasonally adjusted (NSA) was 2.8 percent for Benton County and 2.5 percent for Washington County. The unemployment rates for Benton and Washington Counties are below the Arkansas average of 3.9 percent and the U.S. average of 4.7 percent.

The bank's AA is characterized by a high percentage of families classified as upper-income at 41.94 percent, followed by middle-income at 20.51 percent, moderate-income at 17.99 percent, and low-income at 19.56 percent. Banking competition is considered strong, with numerous branches of large regional banks, credit unions, finance companies, and mortgage companies located throughout the Fayetteville-Springdale-Rogers MSA.

A community contact was conducted with a city of Springdale government organization that provides affordable housing for low- and moderate-income individuals. The contact identified the primary needs in the Springdale area: affordable housing, rental assistance, and credit counseling. Local banks have assisted with home ownership and credit counseling. The contact stated that financing of homes is a major obstacle for low- and moderate-income individuals and that affordable housing loan programs need support from local banks.

The following table shows the demographic and economic characteristics of the AA.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA FAYETTEVILLE-SPRINGDALE-ROGERS, AR MSA (WASHINGTON COUNTY and BENTON COUNTY)	
<i>Population</i>	
Number of Families	106,226
Number of Households	154,511
<i>Geographies</i>	
Number of CTs	81
% Low-Income CTs	3.70%
% Moderate-Income CTs	13.58%
% Middle-Income CTs	54.32%
% Upper-Income CTs	28.40%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$54,186
2016 HUD-Adjusted MFI	\$61,600
<i>Economic Indicators</i>	
Unemployment Rate, December 2016, (Non-seasonally Adjusted)	
Fayetteville-Springdale-Rogers, AR MSA	2.7%
State of Arkansas	3.9%
United States	4.7%
Median Housing Value as of 2016	\$159,689
Median Housing Year Built as of 2010	1989
% of Households Below Poverty Level	13.84%

Source: 2010 U.S. Census Data, 2016 HUD Data, and 2016 Bureau of Labor Statistics

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

LNB's loan-to-deposit ratio is more than reasonable.

Institution	Total Assets* (\$000) (09/30/2016)	Loan-to-Deposit Ratio
Legacy National Bank	\$400,457	91.08%
Signature Bank of Arkansas	\$509,380	97.51%
United Bank	\$167,768	103.65%
Bank of Gravett	\$113,476	73.56%
Pinnacle Bank	\$89,436	58.37%
Priority Bank	\$81,542	142.68%

*Total assets from September 30, 2016 Call Report.

The loan-to-deposit ratio was calculated over 13 quarterly averages going back to the date of this institution's prior CRA Performance Evaluation as of January 6, 2014, and ending September 30, 2016. Of the six similarly situated financial institutions located in the bank's AA, LNB had the fourth highest loan-to-deposit ratio.

Lending in Assessment Area

A substantial majority of the number and dollar volume of the bank's loans originated inside the AA from 2014 through 2016.

Lending in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	132	93.62%	9	6.38%	141	\$26,275	95.88%	\$1,128	4.12%	\$27,403
Home Improvement	15	88.24%	2	11.76	17	\$911	96.00%	\$38	4.00%	\$949
Refinance	58	96.67%	2	3.33%	60	\$10,131	92.32%	\$843	7.68%	\$10,974
Small Business	40	97.56%	1	2.44%	41	\$5,168,130	99.40%	\$31,000	.60%	\$5,199,130
Totals	245	94.59%	14	5.41%	259	\$5,205,447	99.37%	\$33,009	.63%	\$5,238,456

Source: Data reported under 2014 through 2016 HMDA.

Overall, LNB originated 95 percent of the number of loans in the AA and 99 percent of the dollar volume of loans in the AA. LNB originated 94 percent of the number of home mortgage loans and 95 percent of the dollar volume of home mortgage loans inside the AA. The bank originated 98 percent of the number of small loans to businesses and 99 percent of the dollar volume of small loans to businesses.

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

Lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. LNB's lending demonstrated reasonable penetration throughout the AA.

Home Mortgage Loans

Borrower Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.56	2.97	17.99	6.93	20.51	16.83	41.94	73.27
Home Improvement	19.56	21.43	17.99	0.00	20.51	21.43	41.94	57.14
Refinance	19.56	4.35	17.99	10.87	20.51	8.70	41.94	76.09

Source: Data reported from 2014 through 2016 HMDA; U.S. 2010 Census data.

The borrower distribution of home loans reflects reasonable penetration to low- and moderate-income individuals. The percentage of home purchase loans to low- and moderate-income borrowers is lower than the percentage of low-income families in the AA. The percentage of home improvement loans to low-income borrowers exceeds the percentage of low-income families in the AA. There were no home improvement loans made to moderate-income families. The percentage of home refinance loans made to low-income borrowers is lower than the percentage of low-income families in the AA and the percentage of home refinance loans made to moderate-income borrower is somewhat lower than the percentage of moderate-income families in the AA. The level of approved loans to low- and moderate-income borrowers is limited by the difficulty in finding qualified borrowers who meet prudent underwriting standards. The AA has a high poverty rate of 13.8 percent. In addition, the median home price in the AA is higher than other parts of the state at \$159,689, furthering limiting the ability of low- and moderate-income borrowers to qualify for a mortgage.

Small Business Loans

Borrower Distribution of Loans to Businesses in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)			
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown
% of AA Businesses	80.61%	5.69%	13.70%
% of Bank Loans in AA by #	56.10%	21.95%	21.95%
% of Bank Loans in AA by \$	33.01%	52.97%	14.02%

Source: Loan sample; 2015 Dun and Bradstreet data.

The distribution of small loans to businesses reflects reasonable penetration. The number of loans to small businesses is somewhat lower than the percentage of small businesses in the AA. The dollar volume of loans to small businesses is lower than the percentage of small businesses in the AA. Loans to small businesses (commercial and industrial) comprise 10 percent of total loans, which indicates this loan product is not a major product for the bank.

Geographic Distribution of Loans

Geographic distribution of home mortgage loans and small loans to businesses exceeds the standard for satisfactory performance. LNB's lending performance demonstrated excellent dispersion throughout the AA.

Home Mortgage Loans

Geographic Distribution of Residential Real Estate Loans in Fayetteville-Springdale-Rogers MSA (Washington & south Benton Counties)								
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	1.71	3.82	8.69	12.21	57.21	35.11	32.40	48.85
Home Improvement	1.71	0.00	8.96	26.67	57.21	26.67	32.40	46.67
Refinance	1.71	1.72	8.69	1.72	57.21	53.45	32.40	43.10

Source: Data reported under 2014 through December 31, 2016 HMDA; U.S. 2010 Census data.

Geographic distribution for home loans reflects excellent dispersion. The percentage of home purchase loans in low- and moderate-income geographies exceeds the percentage of owner-occupied housing units in low- and moderate-income CTs in the AA. There were no home improvement loans made in low-income geographies. The percentage of home improvement loans made in moderate-income CTs exceeds the percentage of owner-occupied housing units in moderate-income geographies in the AA. The percentage of home refinance loans made in low-income geographies exceeds the percentage of owner-occupied housing units in low-income geographies in the AA. The percentage of home refinance loans made in moderate-income geographies is lower than the percentage of moderate-income geographies in the AA. The percentage of owner-occupied housing units in low-income geographies was low, indicating few opportunities to originate residential real estate loans in low-income CTs.

Small Business Loans

Geographic Distribution of Loans to Businesses in Fayetteville-Springdale-Rogers MSA (Washington & Benton Counties)								
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
Small Business	3.71%	4.9%	18.54%	19.50%	48.85%	43.9%	28.90%	31.70%

Source: Loan sample or data collected by bank; 2013 Dun & Bradstreet data.

LNB’s geographic distribution for small loans to businesses reflects excellent dispersion. The percentage of small business loans in low- and moderate-income CTs exceeds the percentage of businesses located in low- and moderate-income CTs.

Responses to Complaints

The bank has not received any formal CRA complaints since the prior evaluation. Routine customer requests or complaints are answered in a timely manner with no outstanding complaints as of the date of this evaluation.

COMMUNITY DEVELOPMENT TEST

LNB demonstrates excellent responsiveness to CD through its level of CD loans, qualified investments, and CD services.

Number and Amount of Community Development Loans

LNB demonstrated excellent responsiveness to community development needs through lending activities within the AA during the evaluation period. The bank originated 44 loans totaling \$14.9 million that qualify as CD loans beginning at the start of 2016. LNB was classified as an Intermediate Small Bank beginning in 2016 and started collecting information for CD loans, investments, and services. The majority of the loans were for economic development. The loans were made to small businesses to finance expansion of the business and to create jobs for low- and moderate-income individuals in the AA. Twenty-five (57 percent) of the loans were designated as economic development. Fourteen of the 44 (32 percent) CD loans were originated for affordable housing needs. The units are single-family homes with rental rates below market rates and the residents are low- and moderate-income individuals. All 14 loans are located in low- and moderate-income CTs. Four of the 44 (9.1 percent) CD loans were originated for revitalization/stabilization needs in low- and moderate-income geographies in the community. The purpose of the loans were to improve housing and businesses within low- and moderate-income geographies. One (2.3 percent) loan qualified as community services targeted to low- and moderate-income individuals.

Number and Amount of Qualified Investments

LNB demonstrated adequate responsiveness to CD needs through grant/donation activities. During the evaluation period, the bank made 20 donations totaling \$20,462, which were to organizations that targeted low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

LNB demonstrated adequate responsiveness to CD needs by offering qualifying services to low- and moderate-income individuals within the AA. Bank officers and employees are actively involved in several CD service activities. Bank employees used their banking experience and expertise to assist these organizations. The organizations provide basic living needs, educational opportunities, and youth mentoring opportunities to low- and moderate-income individuals and families.

The distribution of LNB's branches throughout the AA is reasonable. LNB's branch distribution shows no branch locations in low- and moderate-income CTs. The bank has three branches (60 percent) in middle-income CTs, and two branches (40 percent) in upper-income CTs. The main office is located in an upper-income CT.

All branch locations are accessible to low- and moderate-income CTs. Each branch location has an ATM. All out-of-network ATM fees are reimbursed to bank customers.

Responsiveness to Community Development Needs

LNB participates with various non-profit organizations that offer programs or services designed to meet the needs of the community. LNB made several CD loans to individuals or businesses that provide affordable housing to low- and moderate-income individuals. The bank also participates in several financial literacy workshops for low- and moderate-income individuals.

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 AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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