



PUBLIC DISCLOSURE

November 28, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Integrity First Bank, National Association
Charter Number 20412

502 Hickory Street, Mountain Home, AR 72653

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 Community Reinvestment Act (CRA) RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory

The Community Development (CD) Test is rated: Outstanding

The following performance factors were used in determining the bank's overall CRA rating:

- Integrity First Bank, NA (IFB) has a **reasonable** loan-to-deposit (LTD) ratio.
- A **substantial majority** of IFB's primary loan products are originated in the assessment areas (AA).
- IFB's overall borrower distribution for loans in the AAs is **reasonable**.
- IFB's geographic distribution for loans in the AAs is **reasonable**.
- The level of CD activities is **excellent**.

Scope of Examination

IFB was examined using Intermediate Small Bank examination procedures. The evaluation period for this CRA Performance Evaluation (PE) is December 31, 2012, through September 30, 2016. IFB has designated four AAs: Baxter and Marion Counties, Randolph County, Craighead County, and Benton and Washington Counties. All AAs are located in the state of Arkansas (AR) and Craighead and Benton/Washington Counties are located within a Metropolitan Statistical Area (MSA). IFB is a Home Mortgage Disclosure Act (HMDA) reporting institution and residential real estate loans were identified as a primary loan product in all four AAs. Loan products used to assess the bank's performance under the Lending Test include residential real estate loans and agricultural loans. In addition to reviewing all HMDA reportable loans, a sample of 20 agricultural loans located in Randolph County and 15 agricultural loans in Craighead County (this represented all loans originated within the AA) that were originated from January 1, 2014, through September 30, 2016, were selected for testing. Commercial real estate (CRE) and commercial and industrial (C&I) loans represent a material portion of the bank's loan originations during the review period, however the CRE portfolio is concentrated in a relatively small amount of large loans and the C&I portfolio is largely concentrated in a large number of notes to three borrowers with automotive floor plan loans as each vehicle in inventory is financed with a separate note. IFB does not have any affiliates that are being considered for this examination.

Description of Institution

IFB is wholly owned by Mountain Home Bancshares, Inc., a one-bank holding company. IFB operates 10 branches in northern AR and is headquartered in Mountain Home, AR in Baxter County. In addition to the main office, there is one other branch located in Mountain Home. Additional branches are located in Gassville and Lakeview in Baxter County, Flippin in Marion County, Pocahontas (two branches) in Randolph County, Jonesboro in Craighead County, Bentonville in Benton County, and Fayetteville in Washington County. Most lending activity is conducted at the main office, Pocahontas Main, Jonesboro, Bentonville, and Fayetteville branches. The bank offers a full range of loan and deposit products and services with all branches except for the Fayetteville location offering a drive thru and automated teller machine (ATM). There is also standalone ATMs located in both Mountain Home and Pocahontas.

As of September 30, 2016, IFB reported total assets of \$432.87 million including \$320.49 million in gross loans (74.04 percent of total assets). Deposits totaled \$363.03 million and Tier 1 Capital was \$43.80 million, or 10.29 percent of adjusted average assets.

The bank's lending is primarily focused on residential and CRE lending in all markets, with agricultural lending as a major focus in the Randolph and Craighead County markets. IFB also offers a wide range of other lending products including C&I lending and secured and unsecured consumer lending. IFB's loan portfolio composition as reported in the September 30, 2016, Report of Condition and Income is as follows:

Loan Portfolio Composition September 30, 2016 (in 000s)		
Loan Type	Amount (000s)	Percent
Construction and Land Development	\$24,311	7.6%
Farmland	\$27,537	8.6%
1-4 Family Residential	\$144,553	45.1%
Multifamily (5 or more) Residential	\$3,926	1.2%
Commercial (nonfarm, nonresidential)	\$84,789	26.5%
Total Real Estate Loans	\$285,116	89.0%
Agriculture	\$11,380	3.5%
Commercial and Industrial	\$14,734	4.6%
Consumer Loans	\$8,664	2.7%
Other Loans	\$595	0.2%
Total Gross Loans	\$320,489	100.0%

Source: September 30, 2016 Report of Condition and Income (Call Report)

IFB does not have any financial or regulatory impediments that would limit its ability to meet the credit needs within its AAs. IFB's prior CRA PE, dated October 25, 2012, rated the institution Satisfactory.

Description of Assessment Area(S)

The bank has selected Marion/Baxter Counties, Randolph County, Craighead County, and Benton/Washington Counties as its AA for purposes of determining its performance under the CRA. While these counties are not contiguous, the AAs meet the requirements of regulation and do not arbitrarily exclude low- and moderate-income (LMI) geographies.

Baxter/Marion Counties

Baxter and Marion counties are located in north central Arkansas. According to the 2010 Census, the total population of the AA was 58,166. The AA includes 13 Census Tracts (CTs). The AA includes no low-income CTs, one moderate-income CT, 11 middle-income CTs, and one upper-income CT. The AA is appropriate given the bank's branch system, includes only whole CTs, and does not arbitrarily exclude any LMI CTs.

Economic conditions in the AA reflect 14.63 percent of households below the poverty level. Other income demographic data indicates 29.50 percent of individuals are retired and 49.84 percent are receiving Social Security benefits. As of October 2016, the unemployment rate for the AA was 3.78 percent. This indicates many residents have fixed and/or limited incomes, reducing lending opportunities and demand for consumer credit within the AA. In addition, 26.01 percent of the population is over the age of 65. This demographic group generally does not have a high demand for credit.

Major industries in the county include the retail and services industry, health care, manufacturing, and finance, insurance, and real estate. The housing market has been stable and the local economy continues to be driven by recreational activities and tourism. The median age of the local population is elevated due to a significant amount of retirees, which has driven strong growth in the local healthcare industry. Mountain Home, the county seat of Baxter County, continues to serve as a retail and services hub for the more rural surrounding counties of north central AR and southern Missouri.

The following table provides AA demographic data from the 2010 Census with updated unemployment data:

Demographic and Economic Characteristics of Baxter/Marion Counties	
<i>Population</i>	
Population	58,166
Number of Families	17,482
Number of Households	25,983
<i>Geographies</i>	
Number of CTs	13
% Low-Income CT	0.00%
% Moderate – Income CTs	7.69%
% Middle-Income CTs	84.62%
% Upper-Income CTs	7.69%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$42,505
<i>Economic Indicators</i>	
Unemployment Rate – Marion/Baxter Co	3.78%
Unemployment Rate – Arkansas	4.0%
Unemployment Rate – National	4.9%
Median Housing Value	\$112,157
% of Households Below Poverty Level	14.63%

Source: 2010 Census Data and Labor Market Data as of November 2016

Community credit needs in the AA were determined by a community contact with an organization that is involved in the local real estate industry. The community contact noted a stable economic environment due to a stable local labor market. Residential housing financing is the main credit need in the AA due the high level of retirees relocating to the area. The contact indicated that IFB has been effective in meeting the credit needs and participating with the organization in its activities.

Banking competition within the AA is high with a total of 12 banks operating within the AA. The following table illustrates the deposit market share within the AA as of June 30, 2016:

Financial Institution	Market Share
First Security Bank	23.41%
Arvest Bank	19.96%
Integrity First Bank, National Association	16.97%
Bear State Bank	9.85%
Twin Lakes Community Bank	8.43%
Centennial Bank	7.21%
Six other banks	14.17%

Source: FDIC Deposit Market Share Data

Randolph County

Randolph County is located in north central AR. According to the 2010 Census, the total population of the AA was 17,969. The AA includes 4 CTs. The AA includes no low-income CTs, one moderate-income CT, three middle-income CTs, and no upper-income CT. The AA is appropriate given the bank's branch system, includes only whole CTs, and does not arbitrarily exclude any LMI CTs.

Economic conditions in the AA reflect 22.16 percent of households below the poverty level. Other income demographic data indicates 17.70 percent of individuals are retired and 44.16 percent are receiving Social Security benefits. As of October 2016, the unemployment rate for the AA was 4.04 percent. In addition, 18.03 percent of the population is over the age of 65.

The local economy continues to be largely driven by the agriculture, retail, and services sectors. The agricultural sector is based on row crop and poultry production. The recent opening of a major poultry processing plant has driven growth in poultry farming. In addition, the plant has been a driver of local employment growth which has increased demand for housing and other businesses in the area.

The following table provides AA demographic data from the 2010 Census with updated unemployment data:

Demographic and Economic Characteristics of Randolph County	
<i>Population</i>	
Population	17,969
Number of Families	5,051
Number of Households	7,255
<i>Geographies</i>	
Number of CTs	4
% Low-Income CTs	0.00%
% Moderate – Income CTs	25%
% Middle-Income CTs	75%
% Upper-Income CTs	0.00%
<i>MFI</i>	
2010 MFI for AA	\$42,986
<i>Economic Indicators</i>	
Unemployment Rate – Randolph Co	4.04%
Unemployment Rate – Arkansas	4.0%
Unemployment Rate – National	4.9%
Median Housing Value	\$68,685
% of Households Below Poverty Level	22.16%

Source: 2010 Census Data and Labor Market Data as of November 2016

Community credit needs in the AA were determined by a community contact with a local business organization. The community contact noted a positive impact to the local labor market and unemployment rate due to the opening of the Peco plant. The contact stated that agriculture represents about one-third of the economy and local financial institutions are actively involved in providing credit to local farms. The organization offers numerous opportunities to participate in its efforts annually and all banking institutions in the AA are active in these efforts.

Banking competition within the AA is moderate with a total of five banks operating within the AA. The following table illustrates the deposit market share within the AA as of June 30, 2016:

Financial Institution	Market Share
Integrity First Bank, National Association	34.86%
Iberiabank	27.78%
The First National Bank of Lawrence County at Walnut Ridge	17.03%
RiverBank	16.02%
BancorpSouth Bank	4.32%

Source: FDIC Deposit Market Share Data

Craighead County AA

Craighead County is located in northeastern AR and is part of the Jonesboro MSA. According to the 2010 Census, the total population of the AA was 96,443. The AA includes 17 CTs. The AA includes one low-income CT, four moderate-income CTs, seven middle-income CTs, and five upper-income CTs. The AA is appropriate given the bank’s branch system, includes only whole CTs, and does not arbitrarily exclude any LMI CTs.

Economic conditions in the AA reflect 18.97 percent of households below the poverty level. Other income demographic data indicates 15.03 percent of individuals are retired and 28.61 percent are receiving Social Security benefits. As of October 2016, the unemployment rate for the AA was 5.07 percent. In addition, 11.33 percent of the population is over the age of 65.

Major industries in the county include education, healthcare, manufacturing, services and retail trade. The population of Craighead County is concentrated in the city of Jonesboro, which serves as a retail, services, and healthcare hub for northeast AR. The city continues to experience considerable growth. The primary drivers of growth are Arkansas State University and local hospitals.

The following table provides AA demographic data from the 2010 Census with updated unemployment data.

Demographic and Economic Characteristics of Craighead County	
<i>Population</i>	
Population	96,443
Number of Families	24,571
Number of Households	35,864
<i>Geographies</i>	
Number of CTs	17
% Low-Income CTs	5.88%
% Moderate – Income CTs	23.53%
% Middle-Income CTs	41.18%
% Upper-Income CTs	29.41%
<i>MFI</i>	
2010 MFI for AA	\$54,406
<i>Economic Indicators</i>	
Unemployment Rate – Craighead County	5.07%
Unemployment Rate – Arkansas	4.0%
Unemployment Rate – National	4.9%
Median Housing Value	\$107,002
% of Households Below Poverty Level	18.97%

Source: 2010 Census Data and Labor Market Data as of November 2016

Community credit needs in the AA were determined by a community contact with a local government agency involved in economic development. This contact was performed in association with a recent CRA examination for another similarly situated financial institution. Financing for affordable housing was identified as a key credit need within the AA. Local financial institutions are challenged by low income and poor credit from potential home buyers, resulting in an elevated percentage of the population living in rental housing.

Banking competition within the AA is very high with a total of 16 banks operating within the AA. As of June 30, 2016, deposit market share is fragmented with just two banks in excess of 10.00 percent – Centennial Bank at 28.81 percent and Simmons Bank at 10.34 percent. IFB's market share totals 2.29 percent.

Benton/Washington County AA

Benton and Washington Counties are located in northwestern AR and are part of the Fayetteville-Springdale-Rogers MSA. According to the 2010 Census, the total population of the AA was 424,404. The AA includes 81 CTs. The AA includes three low-income CTs, 11 moderate-income CTs, 44 middle-income CTs, and 23 upper-income CTs. The AA is appropriate given the bank's branch system, includes only whole CTs, and does not arbitrarily exclude any LMI CTs.

Economic conditions in the AA reflect 13.84 percent of households below the poverty level. Other income demographic data indicates 12.62 percent of individuals are retired and 24.47 percent are receiving Social Security benefits. As of October 2016, the

unemployment rate for the AA was 3.74 percent. In addition, 10.40 percent of the population is over the age of 65.

The local economy is robust and continues to experience strong growth. The local economy is primarily driven by the presence of the University of Arkansas in Fayetteville (Washington County) and the presence of the headquarters of numerous large companies (Wal-Mart Stores, Inc., Tyson Foods, Inc., and J.B. Hunt Transport Services, Inc.) in northwest AR. The presence of these entities has driven strong housing growth in recent years and strong retail and service sectors.

The following table provides AA demographic data from the 2010 Census with updated unemployment data:

Demographic and Economic Characteristics of Benton/Washington Counties	
<i>Population</i>	
Population	424,404
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>MFI</i>	
2010 MFI for AA	\$58,159
<i>Economic Indicators</i>	
Unemployment Rate – Benton/Washington Counties	3.74%
Unemployment Rate – Arkansas	4.0%
Unemployment Rate – National	4.9%
Median Housing Value	\$159,689
% of Households Below Poverty Level	13.84%

Source: 2010 Census Data and Labor Market Data as of November 2016

Community credit needs in the AA were determined by a community contact with a local government agency that is involved in affordable housing. The contact stated the local economy remains strong and new businesses continually moving to the area. The AA's unemployment rate is one of the lowest in the state. The presence of the University of Arkansas in the AA continues to drive growth in student housing. The contact stated that the primary credit need in the area is for more financing for affordable single family housing. Most of the local banks in the area focus on financing for student housing and commercial lending. The contact stated that they and other similar organizations, have various opportunities for banks to participate in meeting the credit needs of the community. The contact stated that local banks do a good job of meeting the needs of the community.

Banking competition within the AA is very high with a total of 32 banks operating within the AA. As of June 30, 2016, deposit market share is highly concentrated with Arvest Bank holding 47.52 percent of the market and no other bank possessing more than 8.0 percent. IFB is a relatively recent entrant into the market and its share totals 0.05 percent.

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

IFB's average LTD ratio at 78.35 percent is reasonable given its size, financial condition, business strategy, funding sources, and the credit needs of its AAs. The average LTD ratio was derived from a 17 quarter average taken from September 30, 2012, to September 30, 2016. For purposes of this analysis, five other banks conducting business within the bank's AAs were reviewed to determine the bank's performance relative to its competition. These banks include: First Community Bank of Batesville, AR, Twin Lakes Community Bank of Flippin, AR, Legacy National Bank of Springdale, AR, Bear State Bank of Little Rock, AR, and First Security Bank of Searcy, AR. While Legacy National Bank and Twin Lakes Community Bank are smaller community banks like IFB, the other banks selected are materially larger. However, these institutions were selected for inclusion as they maintain a significant presence in one or more of the AAs and are considered direct competitors for loans and deposits. As noted in the Description of AAs, banking competition in IFB's primary markets is high. In addition to the banks discussed in this analysis, there are numerous other banks operating within one or more of IFB's AAs, but due to differences in size, markets, and product mixes are not considered as competitors for the purposes of this analysis. The five comparable institutions had an overall average LTD ratio of 82.34 percent during the same period. These institutions had average LTD ratios ranging from a high of 94.55 percent to a low of 51.99 percent. The following table illustrates IFB's average LTD ratio and that of similarly situated institutions:

Financial Institution	Assets (000s) as of September 30, 2016	Average LTD Ratio
First Community Bank of Batesville	\$1,140,292	94.55%
Twin Lakes Community Bank	\$124,952	94.19%
Legacy National Bank	\$400,457	91.64%
Bear State Bank	\$2,003,747	79.35%
Integrity First Bank, National Association	\$432,431	78.35%
First Security Bank	\$5,214,968	51.99%

Source: Call Report data

Lending in Assessment Area

A substantial majority of loans, 89.08 percent of the number and 88.81 percent of the dollar volume, originated by IFB are located inside the AAs. All HMDA reportable loans from January 1, 2014, through September 30, 2016, were reviewed, as well a sample of 20 farm loans.

Table 1 - Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	532	88.52%	69	11.48%	601	\$68,627	89.23%	\$8,281	10.77%	\$76,908
Home Improvement	98	92.45%	8	7.55%	106	\$5,902	89.13%	\$720	10.87%	\$6,622
Refinance	319	90.11%	35	9.89%	354	\$39,008	91.03%	\$3,843	8.97%	\$42,851
Farm Loans	14	70.00%	6	30.00%	20	\$3,700	65.69%	\$1,933	34.31%	\$5,633
Total	963	89.08%	118	10.92%	1081	\$117,237	88.81%	\$14,777	11.19%	\$132,014

Source: HMDA Data from January 1, 2014 through September 30, 2016; Loan Sample

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

Lending to borrowers of different incomes and to farms of different sizes meets the standard for satisfactory performance. The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including LMI individuals) and farms of different sizes after considering the bank's performance context.

Residential Real Estate Loans:

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
Purchase	16.78	12.79	19.05	13.95	24.16	17.44	40.00	38.37
Improvement	16.78	6.06	19.05	27.27	24.16	27.27	40.00	33.33
Refinance	16.78	10.00	19.05	19.17	24.16	18.33	40.00	44.17

Source: Data reported under HMDA; U.S. Census data.

The borrower distribution of home loans in the Baxter/Marion Counties AA reflects reasonable penetration to LMI borrowers. The level of home purchase and refinance loans to low-income borrowers is somewhat lower than the percentage of families within the AA that are low-income. The level of home improvement loans to low-income borrowers is lower than the level of low-income families within the AA. The level of home improvement and home refinance loans to moderate-income borrowers exceeds the percentage of families within the AA that are moderate-income. The level of home purchase loans is somewhat lower than the level of moderate-income families within the AA. The level of approved loans to LMI borrowers is limited by the difficulty in finding qualified borrowers who meet prudent debt-to-income (DTI) levels. In addition, the AA has a poverty rate of 14.63 percent and 29.50 percent of the AA population is retired, individuals in these groups tend to have decreased demand for credit than other demographic groups. In addition, the median home price of \$112 thousand further limits the ability of LMI borrowers to qualify for a mortgage.

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
Purchase	23.82	11.90	17.30	18.25	17.24	15.87	41.64	50.00
Improvement	23.82	14.89	17.30	21.28	17.24	36.17	41.64	25.53
Refinance	23.82	17.11	17.30	18.42	17.24	19.74	41.64	35.53

Source: Data reported under HMDA; U.S. Census data.

The borrower distribution of home loans in the Randolph County AA reflects reasonable penetration to LMI borrowers. The level of home purchase loans to low-income borrowers is lower than the percentage of families within the AA that are low-income. The level of home improvement and home refinance loans to low-income borrower is somewhat lower than the percentage of families within the AA that are low-income. The level of home loans to moderate-income borrowers exceeds the percentage of families within the AA that are moderate-income for all product types. The level of approved loans to LMI borrowers is limited by the difficulty in finding qualified borrowers who meet prudent DTI

levels. In addition, the AA has a poverty rate of 22.16 percent which further reduces the population of qualifying borrowers within the AA.

Table 2C - Borrower Distribution of Residential Real Estate Loans in Craighead County AA								
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
Purchase	22.79	1.43	15.73	12.86	18.22	12.86	43.26	48.57
Improvement	22.79	8.33	15.73	25.00	18.22	8.33	43.26	25.00
Refinance	22.79	0.00	15.73	11.39	18.22	10.13	43.26	55.70

Source: Data reported under HMDA; U.S. Census data.

The borrower distribution of home loans in the Craighead County AA reflects reasonable penetration to LMI borrowers. The level of home loans to low-income borrowers is lower than the percentage of families within the AA that are low-income for all product types. The level of home purchase loans to moderate-income borrowers is near to the percentage of families within the AA that are moderate-income. The level of home improvement loans to moderate-income borrowers exceeds the percentage of families within the AA that are moderate-income. The level of home refinance loans to moderate-income borrower is somewhat lower than the percentage of families within the AA that are moderate-income. The level of approved loans to LMI borrowers is limited by the difficulty in finding qualified borrowers who meet prudent DTI levels. In addition, the poverty rate of 18.97 percent and median home price of \$107 thousand further limits the ability of LMI borrowers to qualify for a mortgage.

Table 2D - Borrower Distribution of Residential Real Estate Loans in Benton/Washington County AA								
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
Purchase	19.56	1.06	17.99	6.38	20.51	4.26	41.94	61.70
Improvement	19.56	16.67	17.99	16.67	20.51	16.67	41.94	33.33
Refinance	19.56	0.00	17.99	6.25	20.51	4.86	41.94	61.11

Source: Data reported under HMDA; U.S. Census data.

The borrower distribution of home loans in the Benton/Washington Counties AA reflects poor penetration to LMI borrowers. The level of home purchase and home refinance loans to low-income borrowers is significantly lower than the percentage of families within the AA that are low-income. However, the level of home improvement loans to low-income borrowers is near to the percentage of low-income families within the AA. The level of home purchase and home refinance loans to moderate-income borrowers is lower than the percentage of families within the AA that are moderate-income for all product types. The level of home improvement loans to moderate-income borrower is near to the

percentage of families within the AA that are moderate-income. The level of approved loans to LMI borrowers is limited by the difficulty in finding qualified borrowers who meet prudent DTI levels. In addition, the poverty rate of 13.84 percent and median home price of \$160 thousand further limits the ability of LMI borrowers to qualify for a mortgage.

Small Farm Loans:

Table 2E - Borrower Distribution of Loans to Small Farms in Randolph County AA				
Business Revenues (or Sales)	\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	100.00%	0.00%	0.00%	100.00%
% of Bank Loans in AA by #	75.00%	25.00%	0.00%	100.00%
% of Bank Loans in AA by \$	57.98%	42.02%	0.00%	100.00%

Source: Dunn & Bradstreet data; Loan sample

The distribution of loans to farmers of different sizes reflects reasonable penetration considering the demographic trends within the AA. While, the number and dollar volume of IFB’s loans to small farms (farms with revenues of \$1 million or less) is somewhat lower than the percentage of small farms in the AA, many smaller farms qualify for financing through government guaranteed lending programs or through the Farm Credit System at very competitive terms.

In addition to the above analysis of loans to small farms, the loan sample was analyzed to determine the level of small farm loans originated in the AA during the evaluation period. This acts as a proxy for lending to small farms due to the lower level of loans to small farms found within the farm demographic data. The loan sample primarily consisted of loans less than \$500 thousand (75.00 percent of the number of loans), which is indicative of a good level of small farm lending. The following table shows the distribution of agricultural loans made within different loan size ranges.

Table 2F - Borrower Distribution of Loans to Farms by Loan Size in Randolph County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000)	Percent of Dollar Volume
\$0 - \$100,000	6	30.00%	\$391	5.48%
\$100,001 - \$250,000	2	10.00%	\$330	4.62%
\$250,001 - \$500,000	7	35.00%	\$2,469	34.58%
\$500,001 - \$1,000,000	5	25.00%	\$3,950	55.32%
Over \$1,000,000	0	0.00%	\$0	0.00%

Source: Loan sample

Table 2 G - Borrower Distribution of Loans to Small Farms in Craighead County AA				
Business Revenues (or Sales)	\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	96.82%	2.25%	0.93%	100.00%
% of Bank Loans in AA by #	73.33%	26.67%	0.00%	100.00%
% of Bank Loans in AA by \$	49.24%	50.76%	0.00%	100.00%

Source: Dunn & Bradstreet data; Loan sample

The distribution of loans to farmers of different sizes reflects reasonable distribution considering the demographic trends within the AA. While, the number of IFB's loans to small farms (farms with revenues of \$1 million or less) is somewhat lower than the percentage of small farms in the AA and the dollar volume of IFB's loans to small farms is lower than the percentage of small farms in the AA, many smaller farms qualify for financing through government guaranteed lending programs or through the Farm Credit System at very competitive terms.

In addition to the above analysis of loans to small farms, the loan sample was analyzed to determine the level of small farm loans originated in the AA during the evaluation period. This acts as a proxy for lending to small farms due to the lower level of loans to small farms than found within the farm demographic data. The loan sample primarily consisted of loans less than \$500 thousand (60.00 percent of the number of loans), which is indicative of a good level of small farm lending. The following table shows the distribution of agricultural loans made within different loan size ranges.

Table 2H - Borrower Distribution of Loans to Farms by Loan Size in Craighead County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (\$000)	Percent of Dollar Volume
\$0 - \$100,000	5	33.33%	\$171	3.06%
\$100,001 - \$250,000	2	13.33%	\$385	6.88%
\$250,001 - \$500,000	2	13.33%	\$725	12.96%
\$500,001 - \$1,000,000	6	40.00%	\$4,315	77.10%
Over \$1,000,000	0	0.00%	\$0	0.00%

Source: Loan sample

Geographic Distribution of Loans

Geographic distribution of loans meets the standard for satisfactory performance. The geographic distribution of loans reflects an overall reasonable dispersion throughout the AAs for residential real estate and small farm loans after considering the bank's performance context.

Residential Real Estate Loans:

Table 3A - Geographic Distribution of Residential Real Estate Loans in Baxter/Marion Counties AA								
CT 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
Purchase	0.00	0.00	4.99	2.91	88.28	89.53	6.73	7.56
Improvement	0.00	0.00	4.99	0.00	88.28	90.91	6.73	9.09
Refinance	0.00	0.00	4.99	1.67	88.28	90.83	6.73	7.50

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of home loans in the Baxter/Marion Counties AA reflects reasonable dispersion in LMI CTs. There are no low-income CTs within the AA. The percentage of home purchase loans in moderate-income CTs was somewhat lower than the level of owner occupied housing in moderate-income CTs. There were no home improvement loans made in moderate-income CTs. The percentage of home refinance loans in moderate-income CTs was lower than the percentage of owner occupied housing in moderate-income CTs. However, there is only one moderate income CT within the AA and there is a limited number of owner occupied housing units within the CT.

Table 3B - Geographic Distribution of Residential Real Estate Loans in Randolph County								
AA								
CT 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
Purchase	0.00	0.00	26.77	15.08	73.23	84.92	0.00	0.00
Improvement	0.00	0.00	26.77	21.28	73.23	78.72	0.00	0.00
Refinance	0.00	0.00	26.77	17.11	73.23	82.89	0.00	0.00

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of home loans in the Randolph County AA reflects reasonable dispersion in LMI CTs. There are no low-income CTs within the AA. The percentage of home loans was somewhat lower than the level of owner occupied housing for all three product types within moderate-income CTs within the AA during the evaluation period. However, a review of annual data within the evaluation period indicated that levels were adversely affected by an unusually low volume of home loans in moderate-income CTs in 2015. A review of HMDA data for 2016, indicates a higher level of lending more in line with the distribution of the AA.

Table 3C - Geographic Distribution of Residential Real Estate Loans in Craighead County								
AA								
CT 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
Purchase	1.01	0.00	16.66	20.71	45.33	26.43	37.00	52.86
Improvement	1.01	8.33	16.66	25.00	45.33	8.33	37.00	58.33
Refinance	1.01	0.00	16.66	21.52	45.33	32.91	37.00	45.57

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of home loans in the Craighead County AA reflects excellent dispersion in LMI CTs. While there were no home purchase or refinance loans made in low-income CTs, this is mitigated as there is only one low-income CT in the AA and it contains just 1.01 percent of owner occupied homes in the AA. This CT is primarily occupied by the campus of Arkansas State University. The percentage of home improvement loans made in the low-income CT exceeds the level of owner occupied housing within the low-income CT. The percentage of home loans exceeded the level of owner occupied housing for all three product types in moderate-income CTs within the AA.

Table 3D - Borrower Distribution of Residential Real Estate Loans in Benton/Washington County AA								
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
Purchase	1.71	4.26	8.69	14.89	57.21	44.68	32.40	36.17
Improvement	1.71	0.00	8.69	16.67	57.21	66.67	32.40	16.67
Refinance	1.71	6.82	8.69	18.18	57.21	47.73	32.40	27.27

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of home loans in the Benton/Washington Counties AA reflects excellent dispersion in LMI CTs. While there were no home improvement loans made within low-income CTs, the level of home purchase and home refinance loans exceeds the level of owner occupied housing units within low-income CTs. The percentage of home loans exceeded the level of owner occupied housing for all three product types in moderate-income CTs within the AA.

Small Farm Loans:

Table 3E - Geographic Distribution of Loans to Farms in Randolph County AA								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.00	0.00	25.65	55.00	74.35	45.00	0.00	0.00

Source: Dunn & Bradstreet data; Loan sample

The geographic distribution of farm loans in the Randolph County AA reflects excellent dispersion in LMI CTs. There are no low-income CTs in the Randolph County AA. The number of agriculture loans to farmers in moderate-income areas exceeds the percentage of farms in moderate-income CTs. The analysis is based on the borrower's primary address, as most farmers operate over a variety of tracts of land that can often spread over a wide geographic area. The analysis indicates lending in most CTs within the AA, with loans originated in all but one CT. This CT is within the Pocahontas city limits and farming operations are typically based out of rural areas outside of city limits.

Table 3F - Geographic Distribution of Loans to Farms in Craighead County AA								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.21	0.00	11.37	6.67	51.58	73.33	36.84	20.00

Source: Dunn & Bradstreet data; Loan sample

The geographic distribution of farm loans in the Craighead County AA reflects reasonable dispersion in LMI CTs. While there were no farm loans made within a low-income CT, the percentage of farms within the AA located in a low-income CT is nominal as the only low-income CT primarily consists of the campus of Arkansas State University. The percentage of farm loans made within a moderate-income CT is somewhat lower than the percentage of farms located in a moderate-income CT in the AA. The analysis is based on the borrower's primary address, as most farmers operate over a variety of tracts of land that can often spread over a wide geographic area. The loans reviewed include 100 percent (15 loans) of all agriculture loans originated in the AA. The analysis indicates that lending is concentrated in five of the CTs within the AA (out of 17 in total). However, this does not represent an issue as several CTs are within the city limits of Jonesboro and the size of the loan population reviewed is small.

Responses to Complaints

IFB has not had any complaints made relating to its lending practices since the prior examination dated October 25, 2012.

COMMUNITY DEVELOPMENT TEST

Performance under the CD test reflects excellent responsiveness. The evaluation period for CD activities is November 1, 2012, through September 30, 2016. The total level of CD loans and qualified investments made is \$17.07 million, which represents 38.7 percent of Tier 1 Capital (as of September 30, 2016) and bank employees actively take part in providing CD services throughout the AAs. CD activities are consistent with the credit needs of the communities IFB serves and IFB takes advantage of available opportunities within its AAs.

Baxter/Marion Counties AA

The level of CD activities within the Baxter/Marion Counties AA reflects adequate responsiveness to the credit needs of the community within the AA.

Number and Amount of CD Loans

The level of CD lending within the AA is adequate. IFB originated two qualifying CD loans totaling \$207 thousand to borrowers within the AA during the evaluation period. One loan totaling \$187 thousand was made to a borrower that provides qualifying services to primarily LMI individuals and one loan totaling \$20 thousand was made to finance the purchase of a fire truck to service a distressed or underserved middle-income CT.

Number and Amount of Qualified Investments

The level of qualified investments within the AA is adequate. Qualified investments are investments, deposits, grants, donations, or in-kind contributions of property that have as their primary purpose CD as defined in the CRA regulation. During the evaluation period, IFB purchased five municipal bonds totaling \$885 thousand. The bonds were issued by local schools that serve primarily LMI students. In addition, IFB made donations totaling \$22 thousand to 11 organizations whose purpose is to provide services to LMI individuals.

Extent to Which the Bank Provides CD Services

The level of qualified CD services is adequate. A majority of the bank's CD services are located within this AA. Employees of the bank provide a financial literacy class to local elementary schools with predominately LMI students. Additionally, employees also participated in a free tax day at Arkansas State University – Mountain Home, AR where they provide financial education and assistance to LMI individuals. Four members of senior management serve on the Board of Directors or in other capacities for four foundations that provide grants to non-profits that serve LMI individuals, or provide direct assistance to LMI individuals.

Retail Banking Services

The bank's retail services are accessible to geographies and individuals of different income levels within the AA. While all five branches in the AA are located in middle- or upper-income CTs, the only moderate-income CT within the AA is sparsely populated. There is also one standalone ATM located within an upper-income CT. In addition, all branches have an ATM and banking hours are reasonable. IFB offers online and mobile banking products to its customers.

Randolph County AA

The level of CD activities within the Randolph County AA reflects excellent responsiveness to the credit needs of the community within this AA.

Number and Amount of CD Loans

The level of CD lending within the AA is excellent. IFB originated eight qualifying CD loans totaling \$2.80 million to borrowers within the AA during the evaluation period. Two of these loans, totaling \$396 thousand, were made to local governments to fund the improvement of essential infrastructure in a distressed or underserved middle-income CT. The remaining six loans totaling \$2.41 million were made to three borrowers to finance the construction or renovation of commercial buildings located in a distressed or underserved middle-income CT. These loans contributed to the stabilization and revitalization of these CTs by funding the establishment or new businesses or the retention of existing businesses.

Number and Amount of Qualified Investments

The level of qualified investments within the AA is adequate. During the evaluation period, IFB purchased two municipal bonds totaling \$560 thousand. The bonds were issued by local schools that serve primarily LMI students. In addition, IFB made donations totaling \$1 thousand to organizations whose purpose is to provide services to primarily LMI individuals.

Extent to Which the Bank Provides CD Services

The level of qualified CD services is adequate. Employees of the bank lead an annual Teach Children to Save Day at Alma Spikes Elementary School in Pocahontas, AR, which primarily serves LMI students. The bank also partners with Williams Baptist College to teach children about savings and personal finance basics.

Retail Banking Services

The bank's retail services are accessible to geographies and individuals of different income levels within the AA. While both branches in the AA are located in middle-income CTs, the only moderate-income CT within the AA encompasses a rural part of the county outside of Pocahontas city limits. There are no geographic impediments that limits access to the branches to residents of the moderate-income CT or to LMI individuals. There is also one standalone ATM located within a middle-income CT. In addition, all branches have an ATM and banking hours are reasonable. IFB offers online and mobile banking products to its customers.

Craighead County AA

The level of CD activities within the Craighead County AA reflects excellent responsiveness to the credit needs of the community within this AA.

Number and Amount of CD Loans

The level of CD lending within the AA is excellent. IFB originated five qualifying CD loans totaling \$5.38 million to borrowers within the AA during the evaluation period. These loans include one loan totaling \$1.80 million to a borrower to finance construction of a commercial office building in a moderate-income CT and one loan totaling \$2.65 million to finance construction of a commercial retail building that will create jobs in a moderate-income CT. In addition, three loans totaling \$931 thousand were made to a local nonprofit entity that provides a variety of community services, including affordable housing, to LMI residents in the area.

Number and Amount of Qualified Investments

The level of qualified investments within the AA is adequate. During the evaluation period, IFB purchased two municipal bonds totaling \$845 thousand. The bonds were issued by local schools that serve primarily LMI students. In addition, IFB made donations totaling \$1 thousand to three organizations whose purpose is to provide support to LMI individuals.

Extent to Which the Bank Provides CD Services

The level of qualified CD services is adequate. A member of senior management serves on the Craighead County Community Foundation Board. The foundation is a 501(c)(3) that provides grants to assist LMI individuals and other nonprofits serving LMI individuals.

Retail Banking Services

The bank's retail services are accessible to geographies and individuals of different income levels within the AA. The only branch in the AA is located in an upper-income CT. However, this branch is located within the city of Jonesboro and there are no geographic impediments that limits access to the branch to residents of LMI CTs or to LMI individuals. In addition, the branch has an ATM and banking hours are reasonable. IFB offers online and mobile banking products to its customers.

Benton/Washington Counties AA

The level of CD activities within the Benton/Washington Counties AA reflects adequate responsiveness to the credit needs of the community within this AA. While there were no CD loans originated within this AA during the evaluation period, the level of qualified investments is excellent and the level of CD services is adequate. This level of CD activity is adequate overall as IFB's focus within this market is primarily on business lending, including CRE. Opportunities for CD lending is limited due to the high level competition within the market. In addition, recent turnover in personnel within the AA has adversely affected the bank's ability to provide qualifying services or identifying suitable organization for donations.

Number and Amount of CD Loans

The level of CD lending within the AA is poor. IFB did not originate any qualifying CD loans to borrowers within the AA during the evaluation period.

Number and Amount of Qualified Investments

The level of qualified investments within the AA is excellent. During the evaluation period, IFB purchased eight municipal bonds totaling \$5.59 million. The bonds were issued by local schools that serve primarily LMI students.

Extent to Which the Bank Provides CD Services

The level of qualified CD services within this AA is adequate. Employees of the bank were involved with Northwest Aransas Community College which primarily serves LMI students. In addition, bank employees take part in instructing first time homebuyer courses, with an emphasis on LMI individuals, offered by a local real estate brokerage.

Retail Banking Services

The bank's retail services are accessible to geographies and individuals of different income levels within the AA. One of two branches within the AA is located in a moderate-income CT (Fayetteville branch). The other is located in a middle-income CT. There are no geographic impediments that limit access to the branches to residents of LMI CTs or

to LMI individuals. The Fayetteville branch lacks an ATM, but banking hours are reasonable. IFB offers online and mobile banking products to its customers.

Outside the AAs

IFB originated one qualifying CD loan totaling \$772 thousand located outside of the AAs. This loan was made to a nonprofit based in Craighead County and refinanced a commercial building in West Memphis, AR. This facility is partially leased to another nonprofit with the remaining space housing offices that the borrower uses to offer services to primarily LMI 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 evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.