



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

October 06, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Fort Sill National Bank
Charter Number 14546

1647 Randolph Road
Fort Sill, OK 73503

Office of the Comptroller of the Currency

The Harvey Parkway Building
301 NW 63rd Street, Suite 490
Oklahoma City, OK 73116-7908

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.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING	1
SCOPE OF EXAMINATION.....	1
DESCRIPTION OF INSTITUTION	2
SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....	5
RATINGS	5
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
MULTISTATE METROPOLITAN AREA RATING	11
MEMPHIS, TN-MS-AR MSA	11
STATE RATING.....	18
STATE OF OKLAHOMA.....	18
STATE OF TEXAS	26
STATE OF NORTH CAROLINA.....	32
STATE OF TENNESSEE	40
STATE OF SOUTH CAROLINA	47
STATE OF DELAWARE	52
STATE OF MISSISSIPPI.....	58
STATE OF LOUISIANA.....	64
STATE OF ARKANSAS.....	71
STATE OF CALIFORNIA.....	78
APPENDIX A: SCOPE OF EXAMINATION.....	A-1
APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS	B-1

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The primary factors supporting the ratings are summarized below:

- Fort Sill National Bank's (FSNB's) loan-to-deposit (LTD) ratio is reasonable when considering performance context issues. The bank originates a high volume of low dollar consumer loans. Small dollar consumer loans are the primary need of the bank's low-to moderate-income (LMI) military and civilian customer base.
- The bank originated a majority of its loans within the designated assessment areas (AAs). The in/out ratio is stronger when you consider the servicemembers that are transient and not tied to any particular geography.
- The distribution of loans by borrower income reflects an excellent penetration to individuals with different incomes and exceeds the standard for satisfactory performance.
- Overall, the bank's distribution of loans by geography reflects a reasonable dispersion and meets the standard for satisfactory performance. Performance context issues mitigate some of the poor geographic dispersion.
- FSNB's level of community development (CD) activities demonstrates excellent responsiveness to the AAs served. CD activities were focused on providing financial literacy training to LMI servicemembers and civilians. Bank-wide, FSNB provided 5,796 hours of financial literacy training to 73,094 LMI persons. Additionally, FSNB's CD lending demonstrated excellent responsiveness in the AAs served. FSNB generated \$46.6 million in CD loans during the evaluation period creating LMI jobs, revitalizing LMI areas, and promoting affordable housing. Qualified investments reflected an excellent responsiveness promoting affordable housing.

Scope of Examination

We evaluated FSNB using the Intermediate Small Bank (ISB) CRA procedures, which comprises the Lending Test and the Community Development Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The Community Development Test evaluates the bank's responsiveness to the identified needs in its AAs through CD lending, qualified investing, and services.

We commenced the 2014 CRA review of FSNB on October 6, 2014. The review included an evaluation of the bank's performance in each of 10 states and one multi-state MSA in which it operates. The bank also operates in the Memphis, TN-MS-AR Multi-State MSA, which also received a separate review.

The review focused on the bank's primary loan products, which are consumer loans. The bank has mostly consumers and does not have many commercial customers. Customers include U.S. military personnel at base locations and stationed throughout the world. The other branch locations are at Walmart stores and are typically consumers. As a result, the bank's CRA performance was based on lending to military customers and customers obtained through the Walmart branch locations. The analysis included a review of all unsecured consumer loans and vehicle loans originated in 2012, 2013, and year-to-date June 30, 2014.

A Data Integrity examination was conducted September 2, 2014. During this review, we validated borrower income and geographic information provided by the bank's internal reporting systems by testing 138 consumer loans within the sample population. Based on the testing performed, the income and geographic information provided by the bank is considered reliable.

The evaluation period for the Community Development Test covers the period since our last CRA evaluation dated March 23, 2009 through the start date of this evaluation, October 6, 2014. We tested the CD loans, investments, and services submitted by management to ensure compliance with the regulatory definition for community development.

Description of Institution

As of June 30, 2014, FSNB is a \$394 million dollar bank headquartered on the Fort Sill Army Post located in Lawton, Oklahoma. FSNB is a subsidiary of JRMB II, which is a two-bank holding company headquartered in Lawton, Oklahoma. FSNB's affiliate bank is City National Bank and Trust Co., located in Lawton, Oklahoma, with total assets of \$323 million, as of June 30, 2014. FSNB operates a main office, as well as 81 full-service branches in 10 states. FSNB operates 10 branches on military bases, 62 branches in Walmart stores and 10 stand-alone branches. FSNB has seven branches in Oklahoma, 34 branches in Tennessee, 16 branches in North Carolina, seven branches in Mississippi, six branches in Louisiana, four branches in Arkansas, three branches in Delaware, three branches in Texas, one branch in California, and one branch in South Carolina.

FSNB started in 1946 on Fort Sill Army Post. Until 2000, FSNB existed only on military installations in Oklahoma, Delaware, South Carolina, Texas and California. In 2000, FSNB opened its first branch inside a Walmart store in North Carolina. Since then, the majority of FSNB's growth has come through opening branches in Walmart stores in North Carolina, Tennessee, Louisiana, Mississippi, and most recently, Arkansas. In previous CRA exams, FSNB defined its AA as all active duty, retired military, civil service personnel, or their dependents throughout the world. Although FSNB now has AA's defined by geographical boundaries due to an increased presence in civilian markets, FSNB still has a large military customer base. This is the first evaluation FSNB has been examined under the Intermediate Small Bank (ISB) procedures for CRA. Due to total asset levels, FSNB has been subject to ISB procedures throughout the evaluation period.

FSNB has experienced significant growth since the last CRA examination dated March 23, 2009. Since that time, FSNB has opened 32 branches. The majority of those branches are inside Walmart stores. Approximately 65 percent of the bank's customers are civilian and 35 percent are military.

The opportunity for HMDA, commercial, and small business loans is limited around military installations. These loans do not represent the primary credit need to members of the military. Housing or housing subsidies offered under the Basic Allowance for Housing (BAH) program are provided by the military to personnel. Consumer loans are the primary loan product demanded by FSNB's military customers.

In 2013, PictureMe portrait studios within Walmart stores were closed abruptly. These studios usually occupied limited space in Walmart stores typically around 300 square feet. This space has traditionally been too small to fit a branch. Seeing an opportunity to fill this vacant space and create an innovative solution to provide banking products and services to LMI individuals that were mainly unbanked or under-banked, FSNB opened its first "virtual" branch in Jackson, Mississippi in April 2013. These branches utilize drive-thru technology to connect customers with Customer Service Representative's in back rooms. These branches use very small spaces in Walmart stores.

All bank support and operations staff are located in Lawton and Fort Sill, Oklahoma. The bank's footprint is divided into regions with one regional manager over an average of five branches. FSNB branches are organized differently than traditional bank branches. In general, these branches have one manager and three to five customer service representatives at any given time. There are no loan officers in any remote branches. Loan applications are accepted at all branches and sent to the loan department at Fort Sill NB in Lawton, Oklahoma for processing. Most FSNB branches do not have drive-thru capabilities nor do they have safe deposit boxes.

Operation Outreach

Operation Outreach is a program designed by FSNB senior management in response to the FDIC's Economic Inclusion reports. FSNB researched the unbanked and under-banked percentages in their AAs and found many of their AAs have unbanked and under-banked population percentages higher than the national average. In AAs with a Bank On initiative, an initiative to help under-banked and unbanked residents achieve and maintain financial stability, FSNB joined Bank On to work towards economic inclusion. FSNB was instrumental in the development of Bank On Shreveport. Bank On initiatives exist in three FSNB AAs; Memphis, Nashville, and Shreveport.

Operation Outreach was designed with the same goals as Bank On programs: to bring unbanked and under-banked individuals into traditional financial institutions. The bank developed flyers for distribution that are targeted to this market. The materials list advantages to having a traditional checking account including lower fees, safety of funds, and savings building opportunities. Flyers are distributed in LMI neighborhoods, to businesses whose employees are likely to be LMI and to businesses whose customers are likely to be LMI. Recently, the Consumer Financial Protection Bureau

has encouraged employers to provide financial education in the workplace. Many employers are unable to provide this education so instead have allowed FSNB to hang flyers and pass them out to employees and customers.

Thus far, the program has been successful with branches reaching many unbanked and under-banked individuals. The types of accounts FSNB makes available to Bank On customers are also made available to all Operation Outreach customers. Features include low opening deposit requirements and no credit check to open the accounts. The bank will continue expanding Operation Outreach to allow the unbanked and under-banked to join traditional financial institutions at an increasing rate.

FSNB has a wide range of financial products and services tailored to LMI consumers. Deposits accounts offered are uniform at all branch locations and offer low fees and can be opened for as little as \$5 with no credit checks. Loan products are uniform as well with the exception of the relocation loans and graduate credit card product offered to service men upon completing training. FSNB serves customers who have been turned down for accounts at other banks. According to the *FDIC National Survey of Unbanked and Under-banked Households* dated October 2014, nearly one-third of the population, in the states where FSNB has branches, is under-banked or unbanked (10.7 percent unbanked, 22.3 percent under-banked). Unbanked is defined as not having a checking or savings account and under-banked has an account, but continues to rely on alternative financial services, like check cashing services, payday loans, rent-to-own agreements, or pawn shops. FSNB offers those consumers a second chance at a bank account regardless of their banking history and offers accounts to people who have never had bank accounts before. To open a new account, FSNB requires only one valid picture ID and accepts Matricula Consular cards, as well. Customers are accepted even if they have bad credit, no credit, or a negative history with other financial reporting agencies.

FSNB accounts feature small minimum deposit requirements at opening. Most accounts do not require a minimum balance during a statement period. FSNB branches offer extended hours. Typically, branches inside Walmart stores are open until 6:00 pm or 7:00 pm Monday through Friday and until 4:00 pm on Saturdays. These hours also would apply to the *Virtual Walmart branches*. Branches on military bases inside Base and Post Exchange stores are open seven days a week and operate the same extended hours as the exchanges. Walmart and stand-alone branches have an outside ATM that is accessible while the Walmart store is open, which is usually 24 hours a day. Military locations have ATMs throughout the base and accessibility depends on building hours. FSNB also offers telephone, online, and mobile banking to customers to offer greater access to customers to manage their finances.

FSNB's business strategy is to develop loan products and services to meet the needs of military and LMI civilian customers. Typically, FSNB customers request small dollar unsecured loans or vehicle secured loans. FSNB offers unsecured loans as low as \$300 when other banks will not make loans lower than \$500-\$1000. These small dollar "micro-loans" are a primary loan need for FSNB's LMI customer base. FSNB offers low-

rate military graduation loans, military permanent change of stations loans, and military relocation loans.

FSNB also provides services to non-customers, as well. Non-customers can cash checks at any FSNB branch for a fee that is usually lower than other check cashing businesses. This service specifically targets unbanked and under-banked consumers. On the FSNB website, financial education and fraud education is offered to customers and non-customers.

As of June 30, 2014, FSNB reported total assets of \$394 million with tier 1 capital of \$44 million. Loans totaled \$109 million and represent 28 percent of total assets. Approximately 47 percent of the bank's loans are consumer loans. The table below illustrates the bank's distribution of loans by major loan types, as of June 30, 2014.

LOAN CATEGORY	\$ (000)	%
Commercial Real Estate Loans	\$41,206	37.77%
Residential Real Estate Loans	\$33,196	30.43%
Commercial and Retail Loans	\$35	0.03%
Agriculture Loans	\$75	0.07%
Consumer Loans	\$17,930	16.43%
Other Loans	\$16,663	15.27%
Total	\$109,105	100.00%

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AAs. FSNB is involved in and provides support to meet the community's financial needs. The bank received an overall rating of "Outstanding" at the last CRA evaluation dated March 23, 2009.

Selection of Areas for Full-Scope Review

In each state and multi-state metropolitan area where the bank has an office, a sample of AAs within that state/multi-state metropolitan area was selected for full-scope reviews. In general, the AAs selected for the full-scope review have the largest percentage of FSNB's deposits, loans and branch locations in the state. At least one full-scope AA is assigned to each rated area to include the 10 states and the one multi-state MSA in which the bank has operations.

Refer to the *Appendix A: Scope of Examination* for details regarding how the full and limited-scope areas were selected.

Ratings

The bank's overall rating is a blend of the multi-state metropolitan area rating and state ratings. The rating for the State of Oklahoma carried the most weight since 64 percent of the bank's total deposits and 51 percent of the bank's total loans are from Oklahoma branches. The State of Texas carries the second most weight holding 10 percent of the

bank's total deposits and 9 percent of the bank's total loans. North Carolina, Tennessee and South Carolina hold between 5 percent and 10 percent of the bank's total loans and deposits and influenced the overall rating proportionately. The Memphis Multi-State MSA holds less than 2 percent of the bank's deposits and less than 3 percent of the loans. The states of Arkansas, Louisiana, and California did not significantly influence the overall rating as deposits in these states represent less than 1 percent of the bank's total deposits.

We based the ratings on the areas that received full-scope reviews. To a lesser extent, we considered the bank's performance in areas receiving limited-scope reviews.

Ample vehicle loans and unsecured consumer loans were available to sample in each full-scope AA to provide for a meaningful analysis. Vehicle and unsecured consumer loans were given equal weight when assessing performance. In those states with limited-scope AAs, there were an insufficient number of vehicle and unsecured consumer loans available to make a meaningful analysis. Refer to the "Scope" section under each state for details regarding how these areas were weighted in arriving at the respective ratings.

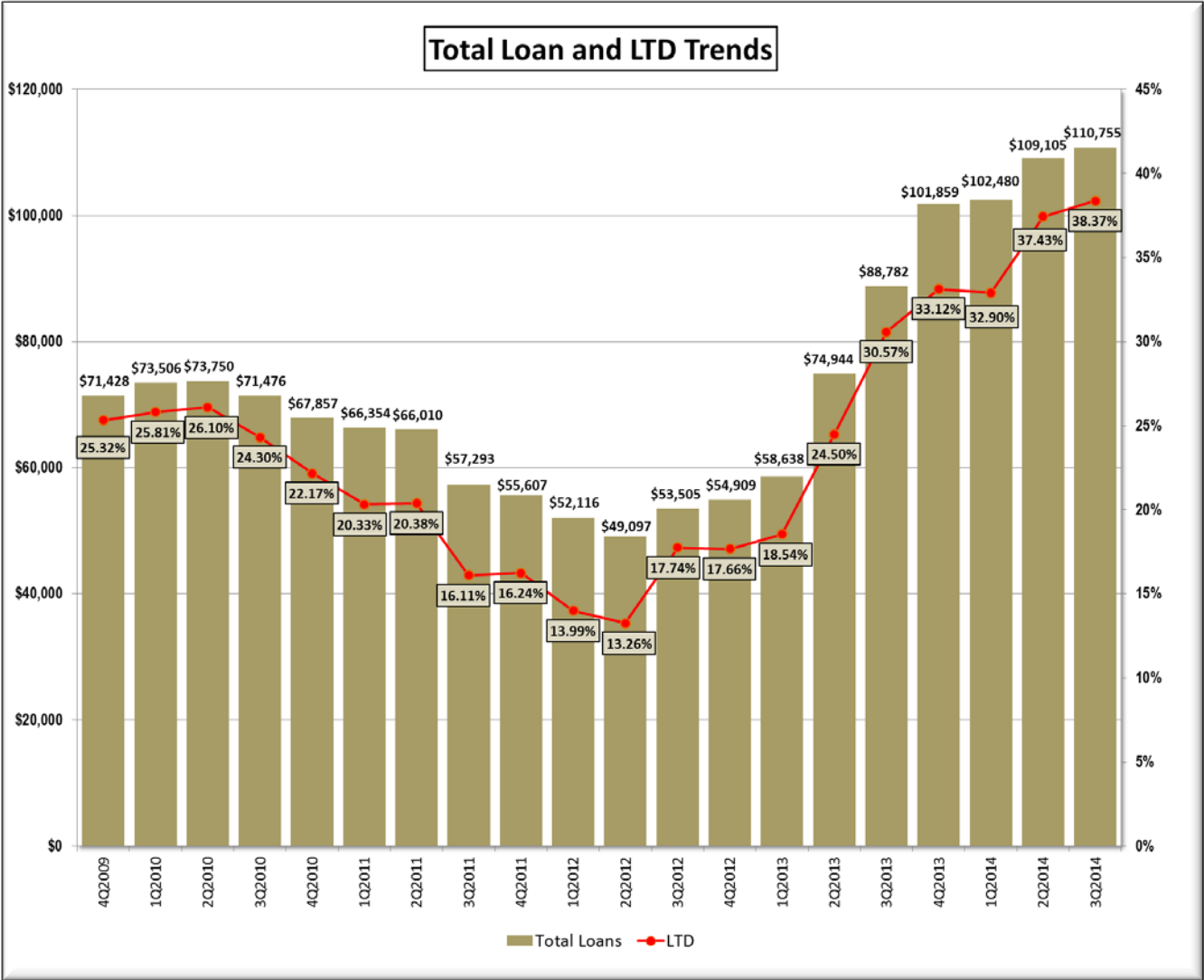
Conclusions with Respect to Performance Criteria

Lending Test

FSNB'S performance under the Lending Test is rated satisfactory when considering performance context issues.

Loan-to-Deposit Ratio

FSNB's LTD ratio is reasonable and meets the standard for satisfactory performance when considering the bank's performance context. At September 30, 2014, the bank's LTD ratio was 39 percent. However, during the performance evaluation period, from March 31, 2009 through June 30, 2014, the bank's average quarterly LTD ratio was 24 percent. This is a decline from the 2009 performance evaluation when the average quarterly LTD ratio was 31 percent. However, the bank reversed the trend beginning in the summer of 2012 and the ratio has steadily grown to its current level of 39 percent. Since the low point in the second quarter of 2012, FSNB has tripled its LTD ratio from 13 percent to 38 percent as of September 30, 2014. The bank's total loans increased from \$49 million to \$111 million, a 225 percent increase. The table below illustrates FSNB's significant improvement in lending volumes and the LTD ratio from June 2012 through September 2014.



Additionally, FSNB has made significant progress in augmenting the LTD in most of the states in which it operates, as illustrated in the table on the following page:

LTD Trend by State			
Location	12-31-12 LTD	09-30-14 LTD	Trend
Arkansas	-	222.53%	↗
California	28.86%	53.36%	↗
Delaware	3.22%	15.57%	↗
Louisiana	79.98%	881.80%	↗
Mississippi	245.26%	75.99%	↘
North Carolina	27.22%	32.50%	↗
Oklahoma	16.30%	30.36%	↗
South Carolina	4.73%	44.05%	↗
Tennessee	48.70%	43.84%	↘
Texas	11.32%	33.63%	↗
Total	17.52%	38.63%	↗

Arkansas branches opened after December 31, 2012.

The bank is primarily a consumer lender specializing in small dollar consumer loans to military personnel and Walmart consumers. These loans are primarily short-term loans, starting at as little as \$300. The aggregate outstanding dollar amount of these loans is correspondingly much lower than that expected of a traditional commercial lender. The bank's business model, which is directed at serving primarily consumer customers, accounts for its generally lower than average LTD ratio performance. These small consumer loans are critical to the customer base to finance relocation expenses after graduation from training, permanent change of station expenses, vehicle purchases, and other personal or household expenses. During the evaluation period of March 2009 through October 2014, FSNB originated 21,524 consumer loans with an average balance of less than \$4,000. The table below reflects the distribution of consumer loans by size that originated in 2012, 2013 and year-to-date June 30, 2014. As noted below, seventy percent of the bank's loans were originated at an amount of \$3,000 or less.

CONSUMER LOAN DISTRIBUTION BY SIZE				
Original Loan Balance	Count	Total Original Loan Balance	% of #	% of \$
Less than \$500	417	\$155,943.12	4.64%	0.26%
\$500-\$1,000	1886	\$1,173,985.07	21.00%	1.95%
\$1,001-\$1,500	1871	\$2,158,528.10	20.84%	3.58%
\$1,501-\$2,000	930	\$1,593,886.65	10.36%	2.65%
\$2,001-\$2,500	678	\$1,553,841.51	7.55%	2.58%
\$2,501-\$3,000	495	\$1,323,392.59	5.51%	2.20%
\$3,001-\$5,000	1141	\$4,218,998.15	12.71%	7.01%
\$5,001-\$10,000	686	\$4,563,439.89	7.64%	7.58%
Greater than \$10,000	875	\$43,476,658.46	9.74%	72.20%
Total	8979	\$60,218,673.54	100.00%	100.00%

FSNB's average LTD ratio experienced a decline for much of the first half of the evaluation period. Several factors contributed to this decline. A poor economy in several of the bank's AAs reduced consumer loan demand. Increased competition from other financial institutions and creditors that offer vehicle financing at very low rates (as low as 0 percent) also affected lending volume. In the 18 months beginning December 31, 2008, the bank experienced a 35 percent decline in loan volume and a 29 percent increase in deposits.

Another significant factor is the change in the bank's customer mix that occurred during the evaluation period. At the 2009 CRA performance evaluation, the bank's customer mix was 80 percent military and 20 percent civilian. The expansion of branches at Walmart locations resulted in significant new deposit growth and a major shift in the customer base to 35 percent military and 65 percent civilian. Although there has been a shift in the percentage of military customers, the income level of the overall customer base has remained primarily LMI; and the lending product needs of the customer base have remained much the same. That is, for small dollar consumer lending to purchase vehicles and for personal and other household purposes. In the past two years, FSNB made a concerted effort to improve their LTD ratio. The gains were primarily made through CD lending and increased residential real estate loans. This included approximately \$46.8 million in CD loans throughout the AAs and \$29.8 million in residential real estate loans made primarily in the Lawton MSA. This increased lending tripled FSNB's LTD ratio and more than doubled the size of the loan portfolio. In addition, the bank currently has \$8.8 million in committed CD loans in the pipeline that will further improve the LTD ratio.

Refer to the table below for a comparison of the bank's average LTD ratio compared to the average of five similar military and/or retail branch banks for the same period.

LOAN-TO-DEPOSIT RATIOS		
Institution	Total Assets as of 6/30/14 (000's)	Average LTD Ratio
Fort Hood National Bank, Fort Hood, TX	\$236,139	13.66%
First Navy, Pensacola, FL	\$64,490	15.29%
Fort Sill National Bank, Lawton, OK	\$394,147	24.36%
First National Bank Texas, Killeen, TX	\$1,246,562	29.74%
Sunbank N.A., Phoenix, AZ	\$32,039	34.72%
Academy Bank, N.A., Colorado Springs, CO	\$309,325	47.83%

Source: Institution Reports of Condition from March 31, 2009 to June 30, 2014

The two institutions with lower LTD ratios than FSNB received a "Needs to Improve" rating at their prior CRA examinations due to an unreasonable LTD ratio.

Lending in Assessment Area

A majority of FSNB's loans are to customers within its AAs. The table below includes a summary of the number and dollar volume of unsecured and vehicle consumer loans originated within the bank's AAs during the evaluation period.

LENDING IN FSNB'S AA – BANK WIDE										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Unsecured	3,928	67%	1,900	33%	5,828	\$7,664	61%	\$4,879	39%	\$12,543
Vehicle	564	71%	233	29%	797	\$10,367	70%	\$4,345	30%	\$14,712
Totals	4,492	68%	2,133	32%	6,625	\$18,031	66%	\$9,224	34%	\$27,255

Source: 2012 & 2013 and YTD June 30, 2014 Unsecured and Vehicle Loan Sample.

The in and out ratios for FSNB are reasonable with 71 percent of the number and 70 percent of the dollar amount of vehicle loans originating in the bank's AAs. Sixty-seven percent of the number and 61 percent of the dollar amount of unsecured loans originated within the bank's AAs. A large number of loans that FSNB originates will be out of their designated AAs due to the number of military personnel the bank serves. FSNB will make loans for their customers, including military customers, regardless of where they are located in the world. Military customers that only have APO boxes are considered out of the AAs. When excluding these customers, the lending percentage within the AAs increases to 94 percent (95 percent for the dollar amount) for vehicle loans and 91 percent (91 percent for the dollar amount) for unsecured loans.

Fair Lending or Other Illegal Credit Practices Review

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

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

Multistate Metropolitan Area Rating

Memphis, TN-MS-AR MSA

CRA Rating for the Memphis, TN-MS-AR MSA: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Lending volumes in the Memphis Multi-State MSA were adequate to assess lending performance. FSNB originated a large volume of unsecured consumer loans but vehicle lending, while adequate, was more limited.
- The bank’s borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals of different income levels and exceeds the standard for satisfactory performance.
- The bank’s geographic distribution of loans reflects a reasonable dispersion and meets the standard for satisfactory performance.
- The bank’s CD activities demonstrate excellent responsiveness to the CD needs of its AA. The bank made donations and qualified investments totaling \$1.8 million and provided 74 hours of financial literacy training to LMI persons.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MEMPHIS, TN-MS-AR MULTI-STATE MSA

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE MEMPHIS TN-MS-AR MULTI-STATE MSA AA	
Population	
Number of Families	249,976
Number of Households	375,176
Geographies	
Number of CTs/BNA	245
% Low-Income CTs/BNA	22.04%
% Moderate-Income CTs/BNA	22.45%
% Middle-Income CTs/BNA	24.08%
% Upper-Income CTs/BNA	29.39%
% NA	2.04%
Median Family Income (MFI)	
2010 MFI for AA	\$56,557
2013 HUD-Adjusted MFI	\$58,000
Economic Indicators	
Unemployment Rate	8.70%
2000 Median Housing Value	\$140,559
% Of Households Below Poverty Level	16.81%

Source: 2010 Census data.

FSNB has designated the Memphis TN-MS-AR Multi-State MSA as a full-scope AA. This is FSNB's only Multi-State MSA AA. The AA consists of one Arkansas county, four Mississippi counties and three Tennessee counties: Crittenden, AR; DeSoto, Marshall, Tate, Tunica, MS; Fayette, Shelby, and Tipton, TN. FSNB has five branches in Shelby County, two branches in DeSoto County, and one branch in each of Fayette and Tipton Counties. From 2006 to 2012, FSNB only had branches in Tennessee counties in the Memphis TN-MS-AR Multi-State MSA. In 2012, FSNB expanded to Mississippi and currently has two branches there. FSNB does not have any branches in the Arkansas portion of the Multi-State MSA. The MSA has 245 census tracts (CTs): 54 low-income CTs, 55 moderate-income CTs, 59 middle-income CTs, 72 upper-income CTs, and five unclassified income tracts.

FSNB operates 10 of its 82 branches in this AA. All FSNB branches in the Memphis TN-MS-AR Multi-State MSA are located in Walmart stores. ATMs are located just outside the branches and are available 24/7. FSNB entered the Memphis market in 2006 with one branch. Subsequently, the bank opened a branch in 2007 and another in 2008. FSNB opened three more branches in the market in 2010. In 2012, two branches were opened. Most recently, two "virtual" branches were opened in February and May of 2014. One branch is located in a moderate-income CT, three branches are located in middle-income CTs, with one bordering a moderate-income CT, and six branches located in upper-income CTs. FSNB did not close any branches in this area during the evaluation period.

The AA is a very competitive market with 60 FDIC-insured institutions operating within the Memphis MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 57th out of 60 in terms of deposits market share with 0.02 percent of the market. First Tennessee Bank and Regions Bank have the greatest market shares with 31 percent and 17 percent, respectively. FSNB was ranked 11th out of 60 with respect to number of branches in the MSA.

In 2013, PictureMe portrait studios within Walmart stores were closed abruptly. These studios usually occupied limited space in Walmart stores typically around 300 square feet. This space has traditionally been too small to fit a branch. Seeing an opportunity to fill this vacant space and create an innovative solution to provide banking products and services to LMI individuals that were mainly unbanked or under-banked, FSNB opened its first "virtual" branch in Jackson, MS in April 2013. In 2014, FSNB opened two "virtual" branches in the Memphis AA. These full-service branches utilize drive-thru banking technology to maximize the 300 square feet of space. Four kiosks are set up and linked to a back-room customer service representative by telephone handsets and video monitors. Customers can make deposits, withdrawals and conduct any business as in a traditional branch. Paperwork and funds are sent from the kiosks to the back room via a vacuum tube. Additionally, there is space for a new account representative at the front of the branch to assist customers, if necessary.

The Memphis MSA is known as the anchor of the mid-south region. The population, according to the 2010 census, was 1,027,138. The population in the Memphis MSA increased between the 2000 and 2010 census by 9.2 percent. HUD 2013 MSA Median Family Income for the Memphis MSA is \$58,000.

Memphis is considered a major inland port for the country. FedEx has its headquarters in Memphis and is the single largest employer. Educational and Health services, professional and business services and the government are the leading industries in Memphis. After FedEx, Memphis City Schools and the United States government are the largest employers.

According to the Bureau Labor of Statistics, the unemployment rate has steadily decreased between 2011 and 2013, but remains higher than the national rate. In 2011, the unemployment rate for the Memphis MSA was 10.1 percent and improved to 9.3 percent in 2013. The national unemployment rate of 8.9 percent decreased to 7.4 percent for the same period. The wholesale trade and financial activities industries showed employment growth in the fourth quarter of 2013 as compared to the same quarter, prior year. The construction industry and governmental industry experienced employment shrinkage over the same quarter, prior year.

SCOPE OF EVALUATION IN MEMPHIS, TN-MS-AR MULTI-STATE MSA

The entire Memphis, TN-MS-AR Multi-State MSA was selected for a full-scope review. Loan products reviewed included vehicle loans and unsecured consumer loans. The Memphis, TN-MS-AR Multi-State MSA accounts for less than 2 percent of the bank's total deposits and 3 percent of total loans. One loan product was not given more weight than the other when assessing performance.

COMMUNITY CONTACTS

We reviewed a community contact in the TN-MS-AR Multi-State MSA. The organization contacted focuses on health, education, and justice. They collaborate with other agencies to provide an information resource center, college access program, advocacy program, and legal assistance. Their target audience is the Latino community of Memphis and the surrounding area.

The primary need in the area is affordable housing. The contact stated that there is a significant amount of households with incomes at 50 percent or less of the median income level. Low incomes, housing problems, the negative impact of large multi-family housing complexes, and the decline of several neighborhoods, results in the need for a mix of renter and owner occupied housing strategically placed to influence community uplift.

The contact stated that they participate in the Bank On initiative, which focuses on banking services for the unbanked and under-banked. There is a continued need for access to credit and financial literacy programs. There are opportunities for financial institutions to participate with surveys, focus groups, and cultural training related to the

local Hispanic community. Overall, the contact stated that there has been some involvement by local banks serving on non-profit boards, providing donations, and accepting individual tax identification numbers to open accounts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MEMPHIS, TN-MS-AR Multi-State MSA

LENDING TEST

The bank’s performance under the Lending Test in Memphis, TN-MS-AR Multi-State MSA is rated “Satisfactory.”

FSNB’s borrower distribution of loans to borrowers of different income levels was excellent. The geographic dispersion of loans was reasonable for overall reasonable performance.

Lending to Borrowers of Different Incomes

FSNB’s borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals of different incomes.

Memphis, TN-MS-AR multi-state MSA

Consumer unsecured lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of unsecured lending to low-income borrowers is particularly of note. Seventy-one percent of these loans were made to low-income borrowers, which is more than two and one-half times the percentage of low-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN THE MEMPHIS, TN-MS-AR MULTI-STATE MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	25.20%	70.88%	15.82%	24.58%	16.80%	3.58%	42.18%	0.95%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to low-income borrowers is particularly of note. Fifty-five percent of these loans were to low-income borrowers, which is more than double the percentage of low-income AA households.

Borrower Distribution of Vehicle Loans in the Memphis, TN-MS-AR Multi-State MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	25.20%	55.17%	15.82%	24.14%	16.80%	17.24%	42.18%	3.45%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of vehicle and unsecured consumer loans reflects a reasonable dispersion and meets the standard.

Memphis, TN-MS-AR multi-state MSA

Consumer unsecured lending to LMI AA tracts is reasonable and meets the standard. The overall percentage of unsecured consumer lending to borrowers in LMI tracts is near to the percentage of AA LMI households in the LMI tracts.

Geographic Distribution of Unsecured Loans in the Memphis, TN-MS-AR Multi-State MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	15.62%	12.89%	21.80%	20.76%	25.53%	44.15%	37.05%	22.20%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to borrowers in LMI AA tracts meets the standard. The percentage of these loans exceeds the percentage of LMI AA households and indicates reasonable dispersion of lending in LMI areas. While the percentage of lending to borrowers in moderate-income tracts was near to but slightly below the percentage of AA households, the percentage of lending to borrowers in low-income tracts exceeded the percentage of low-income households in these tracts.

Geographic Distribution of Vehicle Loans in the Memphis, TN-MS-AR Multi-State MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	15.62%	17.24%	21.80%	20.69%	25.53%	37.93%	37.05%	24.14%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB's lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank's AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the Memphis, TN-MS-AR Multi-State MSA is rated "Outstanding." FSNB did not originate any CD loans. CD investment and service activities provided excellent responsiveness to AA needs.

Number and Amount of Community Development Loans

FSNB did not originate any CD loans in the Memphis TN-MS-AR Multi-State MSA. The Memphis TN-MS-AR Multi-State MSA represents 1.79 percent of the bank's total deposits.

Number and Amount of Qualified Investments

Investment performance in the Memphis, TN-MS-AR Multi-State MSA reflects excellent responsiveness to the AA's CD investment needs. FSNB made six donations totaling \$1,700 and invested in two CRA qualified mortgage-backed securities totaling \$1.6 million.

Extent to Which the Bank Provides Community Development Services

FSNB has demonstrated an excellent responsiveness to the CD service needs in the full-scope Memphis, TN-MS-AR Multi-State MSA AA. Seventy-four hours were devoted to CD service activities providing financial literacy education to "at risk" children and families, LMI students, and residents of a battered women's shelter. The bank had approximately 1,024 LMI attendees at these financial education seminars. Bank staff also devoted 38 hours to developing a program (Operation Outreach) targeted to unbanked and under-banked individuals. Refer to the *Description of the Institution* section of this report for details on the program.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels; however, nine of the 10 branches in the Memphis MSA are located in middle- or upper-CTs. All of FSNB's branches in the Multi-State AA are located in Walmart stores with ATMs available 24/7. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated excellent responsiveness to the identified needs and opportunities throughout the full-scope Memphis Multi-State MSA AA. According to the CFPB, financial literacy education has been recognized as a critical need in the United States and particularly among servicemen. In the full-scope AA, the bank provided 74 hours of financial literacy training to 1,024 LMI individuals. The bank is also devoting time to reach the unbanked and under-banked by expanding and developing programs like Bank On and Operation Outreach.

State Rating

State of Oklahoma

CRA Rating for Oklahoma: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Outstanding.

FSNB's overall performance in Oklahoma is satisfactory.

- FSNB's distribution of vehicle and unsecured consumer loans to individuals of different income levels reflects an excellent penetration and exceeds the standard for satisfactory performance.
- The bank's distribution of loans by geography is poor and does not meet the standard for satisfactory performance.
- The bank's level and responsiveness of CD activities is excellent. The bank generated a high level of CD loans totaling \$27.7 million. The level of CD investments was reasonable totaling \$791,000. CD services also reflected excellent responsiveness with the bank providing 2,142 hours of financial literacy training to 26,673 LMI individuals.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN OKLAHOMA

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE LAWTON, OK MSA AA	
Population	
Number of Families	30,269
Number of Households	43,757
Geographies	
Number of CTs/BNA	32
% Low-Income CTs/BNA	9.38%
% Moderate-Income CTs/BNA	28.13%
% Middle-Income CTs/BNA	37.50%
% Upper-Income CTs/BNA	21.88%
% NA	3.13%
Median Family Income (MFI)	
2010 MFI for AA	\$50,448
2013 HUD-Adjusted MFI	\$54,800
Economic Indicators	
Unemployment Rate	6.50%
2000 Median Housing Value	\$102,200
% Of Households Below Poverty Level	16.02%

Source: 2010 Census data.

The Lawton MSA was designated as the full-scope AA in the State of Oklahoma. The AA consists of one county: Comanche County. The MSA has 32 CTs: three low-income CTs, nine moderate-income CTs, 12 middle-income CTs, seven upper-income CTs, and one unclassified CT.

FSNB operates seven of its 82 branches in this AA. Four branches are located on Fort Sill Army Post including the main bank. On-post branches were opened in 1946, 1984, 1995 and 1997. Two on-post branches are located inside the Post Exchange and the Army Welcome Center. Both of these branches are located in a moderate-income CT. The remaining two on-post branches are stand-alone branches. One is in a low-income CT and one is in a moderate-income CT. Fort Sill is a quasi-restricted installation. Branches in Lawton were opened in 2002, 2008 and 2012. To better serve the military personnel in the City of Lawton, FSNB opened three branches off Fort Sill. The three branches in Lawton are stand-alone branches. One is located in a low-income CT, one in a moderate-income CT, and one in a middle-income CT.

FSNB opened one branch in the City of Lawton in a moderate-income CT during this evaluation period. FSNB closed one branch on Fort Sill during this evaluation period. The closed branch was opened in 1996 and closed in 2012. The closed branch was located in the Basic Combat Training Campus on Fort Sill where new recruits attend basic training. There was limited need for a branch at this location.

FSNB remains primarily a military bank in the Lawton MSA. The bank's off-base operations in Lawton and the State of Oklahoma are limited in order to not compete with City National Bank and Trust, given their common ownership.

Fort Sill serves as the Army's training base for field artillery, air defense artillery and electronic warfare. Approximately 300,000 soldiers attend basic training at Fort Sill annually. At in-processing, FSNB personnel, as well as credit union personnel, brief recruits. Recruits who do not have a bank account at in processing are required by military command to open one with either FSNB or the on-post credit union in order to accept their direct deposit payroll checks.

The opportunity for HMDA, commercial, and other loans is very limited around military installations. These loans do not represent the primary credit needs of military members. Housing or housing subsidies are provided by the military to personnel. FSNB's customer base in this area is primarily enlisted soldiers whose income is in the LMI category.

FSNB has a moderate presence in the Lawton MSA. The AA is a competitive market with 13 FDIC-insured institutions operating within the Lawton, MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked fifth out of 13 in terms of deposit market share with 13 percent of the market. The City National Bank and Trust Company and BancFirst have the greatest market share with 18 percent and 17 percent, respectively. FSNB was ranked first out of 13 with respect to the number of branches in the MSA. Deposits in the Lawton MSA account for 64 percent of FSNB's total deposits.

Since Fort Sill is primarily a training base for Army servicemembers, soldiers are not typically stationed at Fort Sill for an extended period. After a brief training period, recruits are relocated to their next duty station. When an account is opened at a branch, the account is attributed to the originating branch. However, due to the transient nature of military servicemembers, many accounts and deposits attributed to the Lawton MSA AA belong to customers who do not live in the AA. Additionally, many loans that are attributed to the Lawton MSA AA are to customers that do not live in the Lawton area but rather in their next duty station.

The population of the Lawton MSA increased slightly between the 2000 and 2010 census. The population was 124,098 based on the 2010 census and 114,996 based on the 2000 census. According to the Bureau of Labor Statistics, the unemployment rate in the Lawton MSA has been lower than the national rates. From 2011 to 2013, the MSA unemployment rate increased slightly from 6.5 percent to 6.7 percent while the national rate decreased from 8.9 percent to 7.4 percent for the same period.

Fort Sill's presence in Lawton results in the governmental industry being the largest industry in the MSA. According to the Bureau of Labor Statistics, other important industries include retail trade, leisure, and hospitality. The retail trade and transportation warehouse and utility industries increased in the first quarter of 2014 as compared to same quarter, prior year. The professional and business services industry shrank during the same time. Fort Sill is the area's largest employer followed by Goodyear Tire & Rubber Co. and Halliburton.

SCOPE OF EVALUATION IN OKLAHOMA

One full-scope AA was selected to review for the State of Oklahoma. The full-scope AA is the Lawton MSA. There are no limited-scope AAs in Oklahoma. Loan products reviewed included vehicle loans and unsecured consumer loans. Considerable weight was given to performance in the State of Oklahoma compared to the other states as Oklahoma branches account for 64 percent of the bank's total deposits and 51 percent of the bank's total loans. For this particular AA, military customers garnered the most weight. One loan product was not given more weight than the other when assessing performance.

COMMUNITY CONTACTS

We interviewed one community contact during this review. Information was also used from another contact that was recently interviewed in the Lawton MSA.

We contacted the Fort Sill Army Post Bank Liaison, who is responsible for handling all matters between the two on-post banks and the military command. The contact was very complimentary of the two financial institutions located on the post. The contact stated that both FSNB and the credit union participate when CD opportunities present themselves. The Bank Liaison also stated that a primary need for the military is financial literacy education. Fort Sill Army Post is an onboarding site for new soldiers. Most of these recruits have no prior banking experience and are unfamiliar with how to open an

account, balance a checkbook, budget or apply for a loan. He stated that both banks on-post, but particularly FSNB, provide financial literacy training to military personnel. Additionally, the contact stated that the institutions on-post offer low fees and competitive rates compared to other financial institutions off-post. He stated that overdraft fees at FSNB are lower than other local financial institutions and overdraft fees are something he monitors on a monthly basis as Bank Liaison Officer.

The other contact was associated with an entity that is primarily engaged in credit counseling, servicing the central and western areas of Oklahoma. Historically, this agency has assisted thousands of families in resolving delinquent mortgages through free housing counseling. Additionally, this agency assisted Oklahomans with repaying over half a billion in credit card debt through their Debt Management Plan. The contact stressed that the 20 percent down payment needed to purchase a home is a barrier for many consumers. Banks should allow some flexibility especially if the borrower has completed financial education classes. The contact mentioned an increase in high interest loans (payday lenders) being targeted to military, tribal, and the general population. There is a need for consumer loans at a reasonable rate. There is a continued need for bank involvement with financial education and creation of credit builder type programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN OK

LENDING TEST

The bank's performance under the Lending Test in Oklahoma is rated "Satisfactory." The bank's borrower distribution of loans to borrowers of different incomes was excellent. The geographic distribution of loans was poor, but considered together results in reasonable performance.

Lending to Borrowers of Different Incomes

The overall distribution of loans reflects an excellent penetration among individuals of different income levels.

Lawton MSA

Consumer unsecured lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of unsecured lending to low-income borrowers is particularly of note. Forty-three percent of these loans were made to low-income borrowers, which is significantly more than one and three-quarters the percentage of low-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN THE LAWTON MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	23.74%	43.44%	16.13%	21.99%	18.41%	20.30%	41.72%	14.27%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE LAWTON MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	23.74%	26.44%	16.13%	20.68%	18.41%	30.51%	41.72%	22.37%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of vehicle and unsecured consumer loans reflects a poor dispersion and does not meet the standard for satisfactory performance.

Lawton MSA

Consumer unsecured lending to borrowers in LMI AA tracts does not meet the standard. The percentage of consumer unsecured lending to borrowers in LMI tracts is near to the percentage of AA LMI households, but is below the percentages of LMI AA households in both the LMI tracts.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE LAWTON MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	5.18%	3.46%	20.26%	15.80%	45.13%	48.00%	29.43%	32.74%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to borrowers in LMI AA tracts does not meet the standard. Although the overall percentage of consumer vehicle lending to borrowers in LMI tracts is near to the percentage of AA LMI households, it is still below the percentages of LMI AA households in both the LMI tracts. The dispersion of consumer vehicle lending in the

Lawton MSA LMI AA indicates poor dispersion of consumer vehicle loans in these tracts.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE LAWTON MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	5.18%	2.72%	20.26%	15.31%	45.13%	51.36%	29.43%	30.61%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in Oklahoma is rated “Outstanding.” The level of CD loans and services was excellent and responsive to the needs of the AA.

Number and Amount of Community Development Loans

CD lending in the full-scope Lawton MSA reflects excellent responsiveness. During the evaluation period, FSNB originated 33 CD loans totaling \$27.7 million. CD loans helped create and retain jobs for local small businesses, provide affordable housing, and provide health care services in medically underserved areas of the AA. The bank originated 28 economic development loans to local small businesses that created or retained LMI jobs. Two loans totaling \$5.6 million were originated to revitalize or stabilize the Lawton downtown area. Three loans totaling \$3.3 million were originated to provide affordable housing for senior citizens.

Examples of CD loans are highlighted below:

- FSNB, along with five other local financial institutions, participated in a \$34 million loan to the City of Lawton in conjunction with the *Lawton Downtown Redevelopment Plan*. FSNB’s portion was \$1.1 million. The purpose of the loan was to acquire and develop land for revitalization of a blighted area in downtown Lawton. The revitalization includes the development of a hotel, convention

center, several retail spaces, office buildings and general street work. This project will also create several LMI jobs in the retail sector.

- FSNB originated a loan totaling \$4.5 million to refinance a 51,720 square foot commercial building located in a low-income CT in downtown Lawton. The location of the building is within the revitalization area covered by the *Lawton Downtown Redevelopment Plan* and is in a TIF District in Lawton. The building is the largest office space in this area and is responsible for keeping higher paying jobs in this low-income TIF area providing economic stability.
- FSNB originated a loan totaling \$1.8 million to finance a 57 unit apartment complex that provides affordable rents to LMI individuals in the area. Rent for a one bedroom unit is \$510. Affordable rental units are a primary need in Lawton with the servicemembers at Fort Sill Army Post, most of which are stationed there on a temporary basis.

Number and Amount of Qualified Investments

Investment performance in the full-scope Lawton MSA reflects adequate responsiveness. During the evaluation period, FSNB investments included 81 donations totaling \$72,100 and six CRA qualified Municipal securities totaling \$719,000 to fund Cameron University improvements.

Extent to Which the Bank Provides Community Development Services

FSNB provided excellent responsiveness in the full-scope Lawton MSA AA. CD service activities are focused on providing financial literacy education to LMI individuals and serving on the Board of non-profit organizations that provide social services to LMI individuals and families. Employee hours devoted to financial education in the Lawton MSA AA totaled 2,142 hours reaching 26,673 LMI attendees and 10 different organizations. Most of the financial education was provided to an organization whose mission is to provide financial education, budgeting counseling, and support services to assist soldiers and their families. The bank provided 1,822 hours of financial literacy training to 19,019 servicemen. The bank also provided 240 hours of financial education to 7,454 new recruits. Financial education training was also provided to LMI attendees of a church and women's shelter. Additionally, bank staff served on the Board of four non-profit organizations that provide social services to LMI individuals.

FSNB's branches and retail services reflect excellent responsiveness to geographies and individuals of all income levels. FSNB operates seven of its 82 branches in the Lawton MSA AA. Four branches are located on Fort Sill Army Post. Three stand-alone branches are located in the City of Lawton to better serve military personnel. One branch is located in a low-income CT, one is located in a moderate-income CT, and one is located in a middle-income CT. Refer to the *Description of the AA* and *Description of the Institution* sections of this Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank does not have any limited scope AAs in the State of Oklahoma.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated excellent responsiveness to the identified needs and opportunities throughout the full-scope AA. According to the CFPB, financial literacy education has been widely recognized as a critical need in the United States. The CFPB published the *Financial Literacy Annual Report* dated July 2014, which goes into great detail about the need for financial literacy. The report highlights the need for high quality sources of unbiased financial information. The report also addresses the need for financial literacy training among servicemembers. In the full-scope AA, the bank provided 2,147 hours of financial literacy education reaching 26,717 LMI individuals. Also, the bank provided a significant level of CD loans in the AAs. Impactful CD loans included those loans to revitalization a blighted area in downtown Lawton. This downtown revitalization project will create numerous LMI retail jobs.

State Rating

State of Texas

CRA Rating for Texas: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- FSNB's distribution of loans by borrower income is excellent and exceeds the standard for satisfactory performance.
- The bank's distribution of loans by geography is poor and does not meet the standard for satisfactory performance.
- The bank's CD activities reflect an excellent responsiveness within its AA. CD service activities are centered in providing financial literacy training. FSNB provided 336 hours of financial literacy training to 24,150 LMI individuals. Additionally, FSNB originated \$2.9 million in CD loans and \$118,000 in qualified investments.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TEXAS

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE WICHITA FALLS, TX MSA AA	
Population	
Number of Families	37,851
Number of Households	56,415
Geographies	
Number of CTs/BNA	43
% Low-Income CTs/BNA	4.65%
% Moderate-Income CTs/BNA	25.58%
% Middle-Income CTs/BNA	39.53%
% Upper-Income CTs/BNA	27.91%
% NA	2.33%
Median Family Income (MFI)	
2010 MFI for AA	\$53,417
2011 HUD-Adjusted MFI	\$54,400
Economic Indicators	
Unemployment Rate	5.40%
2000 Median Housing Value	\$91,049
% Of Households Below Poverty Level	14.38%

Source: 2010 Census data.

The Wichita Falls MSA has been designated as the full-scope AA. The AA consists of three counties: Archer, Clay and Wichita. The MSA has 43 CTs: two low-income CTs, 11 moderate-income CTs, 17 middle-income CTs, 12 upper-income CTs, and one unclassified CT.

FSNB operates three of its 82 branches in this AA. FSNB operates two branches on Sheppard Air Force Base (SAFB); one branch is a stand-alone and one branch is inside the Base Exchange. The stand-alone branch was opened in 1988 and the Base Exchange branch was opened in 1995. The SAFB branches are located in a moderate-income CT. The Base Exchange branch operates seven days a week to offer more convenient access to military customers. There is an ATM located outside each branch available 24 hours a day. There are five additional ATM's located throughout SAFB in various buildings and businesses.

FSNB maintained a presence only on SAFB until 2012. To better serve the military personnel in the City of Wichita Falls, FSNB opened a branch off SAFB in September 2012. This branch is located near major shopping centers in the City of Wichita Falls. FSNB did not close any branches in this AA during the evaluation period.

Due to the perception that FSNB only serves military customers and has only been available to the public for a short time, it has proven difficult to generate loans. The opportunity for HMDA, commercial, and other loans is limited around military installations. These loans do not represent the primary credit needs of military personnel. Housing or housing subsidies are provided by the military to personnel. FSNB's customer base in this area is primarily enlisted Airmen whose income is in the LMI category.

FSNB has a small presence in the Wichita Falls MSA. The AA is a competitive market with 17 FDIC-insured institutions operating within the Wichita Falls MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 11th out of 17 in terms of deposit market share with 1.25 percent of the market. Wells Fargo Bank, JPMorgan Chase Bank, and American National Bank & Trust have the greatest market share with 18 percent, 14 percent, and 14 percent, respectively. FSNB was ranked 10th out of 17 with respect to number of branches in the MSA. Deposits in the Wichita Falls MSA account for 10 percent of FSNB's total deposits.

The population of the Wichita Falls MSA decreased slightly between the 2000 and 2010 censuses. The population was estimated to be 151,306 as of the 2010 census and 151,524 as of the 2000 census. According to the Bureau of Labor Statistics, the unemployment rate in the Wichita Falls MSA has been lower than the national rates. From 2011 to 2013, the MSA unemployment rate fell from 6.9 percent to 5.9 percent while the national rate fell from 8.9 percent to 7.4 percent for the same period. SAFB's presence in Wichita Falls results in the governmental industry being the largest industry in the MSA. Other major industries include educational, health services, and the retail trade. Major employers include Wichita Falls Independent School District and North Texas State Hospital.

SCOPE OF EVALUATION IN TEXAS

One full-scope AA was selected to review for the State of Texas. The full-scope AA is the Wichita Falls MSA. There are no limited-scope AAs in Texas. Loan products reviewed included vehicle loans and unsecured consumer loans. Texas holds 10

percent of the bank’s total deposits and 9 percent of total loans and ranks second to Oklahoma for the most deposit and loan share. One loan product was not given more weight than the other when assessing performance.

COMMUNITY CONTACTS

We interviewed two community contacts in the Wichita Falls MSA. The contacts included entities primarily engaged in affordable housing, first time homebuyers programs, and revitalization. Community contacts expressed a continued need for affordable housing, job-training skills, and lending for LMI individuals. One contact expressed a need for the banks to continue making donations and grants. There are opportunities in the AA for banks to get involved with affordable housing solutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

LENDING TEST

The bank’s performance under the Lending Test in Texas is rated “Satisfactory.” The bank’s borrower distribution of loans to borrowers of different incomes was excellent. The geographic distribution of loans was poor, but considered together results in reasonable performance.

Lending to Borrowers of Different Incomes

FSNB’s distribution of loans by borrower income is excellent and exceeds the standard for satisfactory performance.

Wichita Falls MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN THE WICHITA FALLS MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	22.99%	39.10%	16.34%	27.56%	19.75%	25.64%	40.92%	7.70%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of unsecured lending to moderate-income borrowers is more than double the percentage of moderate-income AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE WICHITA FALLS MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	22.99%	37.50%	16.34%	37.50%	19.75%	16.67%	40.92%	8.33%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of loans reflects poor dispersion and does not meet the standard for satisfactory performance.

Wichita Falls MSA

Consumer unsecured lending to borrowers in LMI AA tracts is below but very near to the standard and overall considered reasonable. No consumer unsecured loans were made to persons residing in the two Wichita Falls MSA AA low-income CTs. However, less than 3 percent of the AA’s households reside in these two tracts. Consumer unsecured lending to borrowers in moderate-income AA tracts exceeds the standard. The percentage of these loans significantly exceeds the percentage of moderate-income AA households and indicates excellent lending dispersion in moderate-income areas.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE WICHITA FALLS MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	2.82%	0.00%	16.83%	18.59%	42.72%	44.23%	37.63%	37.18%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Overall consumer vehicle lending to borrowers in LMI AA tracts does not meet the standard. The percentage of these loans in both LMI tracts is significantly lower than the percentage of LMI AA households both overall and respectively. This pattern indicates very poor dispersion of lending in the AA LMI tracts. These patterns primarily reflect branch locations. The bank has two branches on Sheppard AFB, which is a “closed-base” and inaccessible to non-military persons who may reside in LMI tracts to the south and east of the base. A third branch is located off-base in Wichita Falls in a busy shopping area that includes only middle- and upper-income tracts, and accounts for most of the geographic vehicle lending.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE WICHITA FALLS MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	2.82%	0.00%	16.83%	4.17%	42.72%	41.67%	37.63%	54.17%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in Texas is rated “Outstanding.” The level of CD loans and services was excellent and responsive to the needs of the AA.

Number and Amount of Community Development Loans

CD lending performance in the full-scope Wichita Falls MSA AA reflects excellent responsiveness. During the evaluation period, FSNB originated two CD loans totaling \$2.9 million.

FSNB originated a \$2.6 million loan to finance a large shopping center in Wichita Falls, TX. This loan sustains retail space for 46 small retail businesses and creates or retains LMI retail jobs.

FSNB participated in a \$1.2 million loan to the Burkburnett Independent School District to fund the replacement of HVAC equipment and other facilities upgrades in the school district. FSNB’s portion of the loan is \$300,000. Over 50 percent of the school district children are eligible for the free or reduced lunch program.

Number and Amount of Qualified Investments

Investment performance in the full-scope Wichita Falls MSA AA reflects adequate responsiveness. During the evaluation period, FSNB investments totaled \$118,000 and included nine donations totaling \$7,780 and one CRA qualified mortgaged backed security totaling \$110,000.

Extent to Which the Bank Provides Community Development Services

CD service performance reflects an excellent responsiveness in the full-scope Wichita Falls MSA AA. CD services were centered in providing financial literacy education to servicemembers, as well as two non-profit organizations. Three hundred thirty-six employee hours were devoted to providing financial literacy education in the Wichita Falls MSA AA reaching 24,150 LMI attendees.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. FSNB operates 3 of its 82 branches in the Wichita Falls AA. Two of the branches are located on Shepard Air Force Base and one branch is located in the City of Wichita Falls. The two base locations are located in moderate-income CTs. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank does not have any limited scope AAs in the State of Texas.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated excellent responsiveness to the identified needs and opportunities throughout the full-scope Wichita Falls MSA AA. According to the CFPB's *Financial Literacy Annual Report* dated July 2014, financial literacy training has been widely recognized as a critical need across America. The CFPB report also discusses a critical need for financial literacy education among servicemembers. During the evaluation period, FSNB provided 336 hours of financial literacy education to 24,150 LMI individuals. In addition, the bank funded \$2.9 million of CD loans that created jobs and funded capital improvements to AA schools.

State Rating

State of North Carolina

CRA Rating for North Carolina: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Lending volumes in the full-scope Fayetteville MSA AA were adequate to assess lending performance. FSNB originated a large number of unsecured consumer loans but vehicle lending, while adequate, was more limited. An insufficient level of unsecured consumer and vehicle loans were generated in each of the six limited-scope AAs to perform a meaningful analysis. As a result, lending performance in the limited-scope AAs is poor. The six limited-scope AAs combined represent less than 4 percent of the bank's deposit share and thus carry minimal weight when assessing performance. Overall, the bank's lending performance meets the standard for satisfactory performance.
- The income and geographic distribution of loans in the full-scope Fayetteville MSA reflected an excellent penetration to individuals and geographies of different income levels.
- CD investments and services reflect an excellent responsiveness in the full-scope Fayetteville MSA AA. CD services included 195 hours of financial literacy training in the State of North Carolina to 1,147 LMI individuals. Investment levels were high with donations and qualified mortgage-backed securities totaling \$4.5 million.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NC

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE FAYETTEVILLE, NC MSA AA	
Population	
Number of Families	48,019
Number of Households	64,962
Geographies	
Number of CTs/BNA	41
% Low-Income CTs/BNA	2.44%
% Moderate-Income CTs/BNA	17.07%
% Middle-Income CTs/BNA	48.78%
% Upper-Income CTs/BNA	19.51%
% NA	12.20%
Median Family Income (MFI)	
2010 MFI for AA	\$50,347
2013 HUD-Adjusted MFI	\$52,000
Economic Indicators	
Unemployment Rate	7.50%
2000 Median Housing Value	\$109,879
% Of Households Below Poverty Level	15.33%

Source: 2010 Census data.

The Fayetteville MSA has been designated as the full-scope AA for North Carolina. The AA consists of the two counties of Cumberland and Hoke. All FSNB branches in this AA are located in Cumberland County. The MSA has 41 CTs: one low-income, seven moderate-income, 20 middle-income, eight upper-income, and five unclassified CTs. Two FSNB branches are located in moderate-income CTs, two branches are located in middle-income CTs and three branches are located in upper-income CTs.

FSNB operates six of its 82 branches in this AA. Four FSNB branches are located in area Walmart stores, one is in a shopping center and one is a stand-alone branch. The shopping center and stand-alone branches operate under a similar structure as the branches inside Walmart stores. All Fayetteville MSA branches operate extended weekday hours and Saturdays to offer easier access to all customers including LMI customers. The stand-alone branch also has a drive-thru available. ATM's are located just outside the Walmart branches and are available 24/7.

FSNB entered the Fayetteville MSA in 2001 with one branch opening that year. Two branches opened in 2002, as well as, 2004 and 2008. FSNB closed one branch during the evaluation period. The closed branch was a stand-alone branch that opened in 2008. The branch was closed because the remaining branches in the area offered longer operating hours and were in close proximity to the closed branch. The closed branch was located in a middle-income CT.

FSNB branches in Fayetteville operate in close proximity to Fort Bragg and Pope Army Airfield. The location of these military installations in relation to FSNB branches leads to a significant portion of the customer base in Fayetteville being military servicemembers. FSNB does not have any branches on the military bases in the Fayetteville AA. The opportunity for HMDA, commercial, and other loans is limited around military installations. These loans do not represent the primary credit needs to members of the military. Housing or housing subsidies are provided by the military to personnel.

FSNB has a small presence in the Fayetteville MSA. The AA is a competitive market with 14 FDIC-insured institutions operating within the Fayetteville MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 13th out of 14 in terms of deposit market share with 0.44 percent of the market. BB&T Company, First-Citizens Bank & Trust Company, and Wells Fargo have the greatest market share with 36 percent, 17 percent, and 14 percent, respectively. FSNB was ranked fifth out of 14 with respect to the number of branches in the MSA. Deposits in the Fayetteville MSA account for 4.05 percent of FSNB's total deposits.

The population of the Fayetteville MSA increased between the 2000 and 2010 census. According to the Bureau of Labor Statistics, the unemployment rate in the Fayetteville MSA has been higher than the national rates. From 2011 to 2013, the MSA rate fell from 9.9 percent to 8.9 percent while the national rate fell from 8.9 percent to 7.4 percent for the same period. Employment growth was strong in the transportation, warehouse and utilities industry and the leisure and hospitality industry in first quarter 2014. The professional and business service industry showed a loss for the same quarter.

The Fayetteville MSA is heavily reliant on the area military bases. The governmental industry leads the local economy with Fort Bragg being the leading employer. Fort Bragg contributes over \$10 billion annually to the local economy according to a 2012 economic impact study. The retail trade and leisure and hospitality trade are two other leading industries. Other large employers include the Cape Fear Valley Health System and Goodyear Tire Company.

Limited-Scope AAs

Burlington MSA – is comprised of one county in its entirety: Alamance County. FSNB has one branch in the Walmart store in Mebane.

Raleigh-Cary MSA – is comprised of three counties in their entireties: Franklin, Johnston, and Wake. FSNB operates three of its 82 branches in this AA. All three branches are located in Walmart stores.

Richmond County Non-MSA – is comprised of the Richmond County in its entirety. FSNB has one branch in this AA, which is located in a Walmart store.

Jacksonville MSA – is comprised of one county in its entirety: Onslow County. FSNB has one branch that is located in a Walmart store and one stand-alone branch, which has a similar operating structure as the Walmart branch.

Wilmington MSA – is comprised of two counties in their entireties: New Hanover and Pender. Both FSNB branches are located in Walmart stores.

Charlotte-Concord-Gastonia MSA – is comprised of five counties in their entireties: Anson, Cabarrus, Gaston, Mecklenburg and Union. FSNB's one branch is located in a Walmart store.

SCOPE OF EVALUATION IN NORTH CAROLINA

One full-scope AA was selected to review for the State of North Carolina. The full-scope AA is the Fayetteville MSA, which holds 4 percent of the bank's total deposits and 3 percent of total loans. Limited-scope AAs included the Burlington MSA, Raleigh-Cary MSA, Richmond County, Jacksonville MSA, and the Charlotte MSA. Loan products reviewed included vehicle loans and unsecured consumer loans. North Carolina accounts for 8 percent of the bank's total deposits and 6 percent of total loans. One loan product was not given more weight than the other when assessing performance.

COMMUNITY CONTACTS

We reviewed one community contact in the Fayetteville MSA. The organization contacted assists municipalities and county governments with grant writing, developing consolidated plans, conducting needs assessments, and applying for state grants. They also work with cities to help them coordinate economic development/revitalization and

community development initiatives. Additionally, they provide “on call” services by attending meetings to provide technical assistance.

The contact indicated that there is a continued need for small business loans. The contact stated that the banks appear more risk adverse, require more collateral, and have stricter underwriting criteria. The contact does not work with financial institutions and, therefore, was unable to comment on the level of their participation in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NC

LENDING TEST

Overall, the bank’s performance under the Lending Test in North Carolina is rated “Satisfactory.” The income and geographic distribution of loans in the full-scope Fayetteville MSA reflected an excellent penetration to individuals and geographies of different income levels. However, lending performance in the limited-scope AAs is poor. An insufficient level of unsecured consumer and vehicle lending was generated in any of the six limited-scope AAs to perform a meaningful analysis.

Lending to Borrowers of Different Incomes

The overall distribution of vehicle and unsecured consumer loans reflects an excellent penetration to borrowers of different income levels.

Fayetteville MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of unsecured lending to low-income borrowers is particularly of note. More than 61 percent of these loans were made to low-income borrowers in the AA, which is almost three times the percentage of low-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN FAYETTEVILLE MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	20.74%	61.70%	16.96%	25.57%	19.44%	9.14%	42.86%	3.59%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to moderate-income borrowers is particularly of note. Forty-one percent of these loans were made to

moderate-income borrowers in the AA, which is more than double the percentage of moderate-income AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE FAYETTEVILLE MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	20.74%	34.48%	16.96%	41.38%	19.44%	20.69%	42.86%	3.45%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs is not consistent with the performance in the full-scope AA and is considered poor. An insufficient level of unsecured consumer and vehicle lending was generated to make a meaningful analysis in any of the limited-scope AAs of Burlington County, Richmond County, Raleigh-Cary MSA, Jacksonville MSA, Wilmington MSA, and Charlotte MSA.

Geographic Distribution of Loans

FSNB’s geographic distribution of vehicle and unsecured consumer loans reflects excellent dispersion and exceeds the standard.

Fayetteville MSA

Consumer unsecured lending to borrowers in LMI AA tracts exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent dispersion of unsecured lending in LMI areas.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE FAYETTEVILLE MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	1.87%	3.16%	15.74%	19.48%	57.66%	57.13%	24.73%	20.13%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data.

One loan was located in an unclassified CT within the AA.

Consumer vehicle lending to borrowers in LMI AA tracts exceeds the standard. No consumer vehicle loans were made to persons residing in the single Fayetteville MSA AA low-income CT. However, less than 2 percent of the AA’s households reside in this tract. On the other hand, consumer vehicle lending to borrowers in moderate-income AA tracts exceeds the standard. The percentage of these loans significantly exceeds the percentage of moderate-income AA households, and indicates excellent lending dispersion in moderate-income areas.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE FAYETTEVILLE MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	1.87%	0.00%	15.74%	20.69%	57.66%	48.28%	24.73%	31.03%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs is not consistent with the performance in the full-scope AA and is considered poor. An insufficient level of unsecured consumer and vehicle lending was generated to make a meaningful analysis in any of the limited-scope AAs of Burlington County, Richmond County, Raleigh-Cary MSA, Jacksonville MSA, Wilmington MSA, and Charlotte MSA.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in North Carolina is rated “Outstanding.” FSNB generated an excellent level of CD loans and services that were responsive to AA needs.

Number and Amount of Community Development Loans

Conclusions for Areas Receiving Full-Scope Reviews

FSNB did not originate any CD loans in the full-scope Fayetteville MSA AA. The Fayetteville MSA AA accounts for 4.05 percent of the bank’s total deposits.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs exceeds the performance in the full-scope AA. In the Raleigh-Cary MSA AA, the bank extended a \$50,000 loan to a loan consortium that provides affordable multi-family housing. No CD loans were originated in the Burlington MSA, Richmond County, Jacksonville MSA, Wilmington MSA, and Charlotte MSA. Combined, these limited-scope AAs hold only 2.5 percent of the bank’s total deposits.

Number and Amount of Qualified Investments

Conclusions for Areas Receiving Full-Scope Reviews

Investment performance in the State of North Carolina reflects excellent responsiveness. FSNB investments included 16 donations and 13 CRA qualified mortgage-backed securities totaling \$4.5 million.

In the full-scope Fayetteville MSA AA, FSNB made seven donations totaling \$720 and invested in three CRA qualified mortgage-backed securities totaling \$644,000.

Conclusions for Areas Receiving Limited-Scope Reviews

Overall performance in the limited-scope AAs exceeds the performance in the full-scope AA. The limited-scope areas of Raleigh-Cary MSA, Jacksonville MSA, Wilmington MSA, and Charlotte MSA combined for nine donations totaling \$6,900 and 10 CRA qualified mortgage-backed securities totaling \$3.8 million. There were no investments made in the Richmond County AA; however, this limited-scope AA has only one Walmart branch that accounts for less than 1 percent of the bank's total deposits.

Extent to Which the Bank Provides Community Development Services

Conclusions for Areas Receiving Full-Scope Reviews

FSNB's CD service activity reflects excellent responsiveness in both the State of North Carolina and in the full-scope Fayetteville MSA AA. Statewide, FSNB invested 195 hours providing financial literacy education to 1,147 LMI attendees. In the full-scope Fayetteville MSA, the bank invested 117 hours of financial education to 529 LMI attendees. CD services were concentrated in providing financial literacy education to various organizations that provide social services to LMI individuals. Financial education was provided to tenants of low-income housing, "at risk" children, senior citizens, and elementary children. Financial literacy has been recognized as a critical need throughout the United States.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. FSNB operates six of its 82 branches in the full-scope Fayetteville MSA AA. Two of these branches are located in moderate-income CTs. Branches in the full-scope Fayetteville MSA AA operate in close proximity to Fort Bragg and Pope Army Airfield, which results in a significant amount of the customer base in Fayetteville being LMI military servicemembers. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the banks level of CD services in the Raleigh-Cary MSA, Richmond County, Jacksonville MSA, Wilmington MSA, and Charlotte MSA is not inconsistent with its performance in the full-scope Fayetteville MSA AA. On a combined basis, the bank provided 178 hours of financial literacy training to 618 LMI individuals in the limited-scope AAs. Performance in the Burlington MSA is poor. The bank did not have any CD services in this AA; however, this limited-scope AA includes only one Walmart branch and holds only 0.14 percent of the bank's total deposits.

Responsiveness to Community Development Needs

Overall, FSNB demonstrated excellent responsiveness to the identified needs and opportunities throughout the full-scope AA. According to the CFPB's *Financial Literacy Annual Report* dated July 2014, financial education has been recognized as a critical need across America. Financial literacy education has also been identified as a need among servicemembers. During the evaluation period, the bank provided 117 hours of financial literacy training to 529 LMI individuals. In addition, the bank made qualified investments totaling \$4.5 million that promoted affordable housing.

State Rating

State of Tennessee

CRA Rating for Tennessee: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Lending volumes in the full-scope Nashville MSA AA were adequate to assess lending performance. FSNB originated a large number of unsecured consumer loans but vehicle lending, while adequate, was more limited. An insufficient level of unsecured consumer and vehicle loans was generated in each of the five limited-scope AAs to perform a meaningful analysis. As a result, lending performance in the limited-scope AAs is poor. The six limited-scope AAs combined represent only 2 percent of the bank's total deposits and thus carry minimal weight when assessing performance. Overall, the bank's lending performance meets the standard for satisfactory performance.
- The income and geographic distribution of loans in the full-scope Nashville MSA reflects an excellent penetration to individuals and geographies of different income levels.
- The bank's CD lending performance demonstrates excellent responsiveness to the CD needs of its AA with the high level of qualified investments and the significant level of financial literacy training to LMI individuals.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE NASHVILLE-DAVIDSON-MURFREESBORO-FRANKLIN, TN MSA AA	
Population	
Number of Families	396,220
Number of Households	597,128
Geographies	
Number of CTs/BNA	363
% Low-Income CTs/BNA	8.54%
% Moderate-Income CTs/BNA	21.76%
% Middle-Income CTs/BNA	40.77%
% Upper-Income CTs/BNA	27.82%
% NA	1.10%
Median Family Income (MFI)	
2010 MFI for AA	\$63,006
2013 HUD-Adjusted MFI	\$62,300
Economic Indicators	
Unemployment Rate	6.00%
2000 Median Housing Value	\$188,478
% Of Households Below Poverty Level	12.38%

Source: 2010 Census data.

The Nashville-Davidson-Murfreesboro-Franklin MSA has been designated as a full-scope AA. The MSA is comprised of 13 counties: Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, and Wilson. The MSA contains 363 CTs: 31 low-income CTs, 79 moderate-income CTs, 148 middle-income CTs, 101 upper-income CTs, and four unclassified CTs. The bank operates 12 of its 82 branches in this AA. FSNB branches are located in Davidson, Robertson, Rutherford, Sumner, Williamson, and Wilson counties. Four branches are in moderate-income CTs, five in middle-income CTs and three in upper-income CTs. Five of the branches in middle-upper income CTs are bordered by LMI CTs. During the evaluation period, the bank opened one branch in the AA and closed no branches.

FSNB has a small presence in the Nashville-Davidson-Murfreesboro-Franklin MSA in terms of deposit market. The AA is a competitive market with 66 FDIC-insured institutions operating within the Nashville-Davidson-Murfreesboro-Franklin MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 62nd out of 66 in terms of deposit market share with 0.02 percent of the market. Large banks, such as Bank of America and Regions Bank, dominate the market with both banks holding deposit market shares of 16 percent. FSNB ranked 11th out of 66 with respect to number of branches in the MSA. Deposits in the Nashville-Davidson-Murfreesboro-Franklin MSA account for 2.40 percent of FSNB's total deposits.

All FSNB branches in the Nashville-Davidson-Murfreesboro-Franklin MSA are located in Walmart stores with the exception of the Antioch stand-alone branch, which has a similar operating structure as the Walmart branches. Branches operate extended weekday hours and Saturdays to offer easier access to all customers including LMI customers. ATMs are located just outside each branch and are available 24/7. FSNB entered the Nashville market in 2006 with three branch openings that year, five branches in 2007, one in 2008, two in 2009, and the latest opening in February 2010.

The Nashville MSA is located in central Tennessee. Based on the 2010 census, the MSA population was 1,589,934. Counties within the Nashville MSA vary widely in their income characteristics. The 2013 Median Family Income ranges from a low of \$39,469 in Macon County to a high of \$105,761 in Williamson County. HUD 2013 Median Income for Nashville-Davidson-Murfreesboro-Franklin MSA is \$62,300.

According to the Bureau of Labor Statistics, employment conditions in the Nashville area have been steadily improving over the evaluation period. Unemployment rates have dropped to 6.4 percent for 2013, while the nation-wide rate is 7.4 percent for 2013. Sectors driving job growth include Professional and Business Services, Construction, and Leisure and Hospitality.

Major industries in the Nashville-Davidson-Murfreesboro-Franklin MSA include Educational and Health Services, Professional and Business Services and Government. Vanderbilt University and Medical Center is the largest employer in the area, followed by Nissan of North America, which has its corporate headquarters in Williamson County.

SCOPE OF EVALUATION IN TENNESSEE

One full-scope AA was selected to review for the State of Tennessee. The full-scope AA is the Nashville MSA, which holds 3 percent of both the bank's total deposits and loans. Limited-scope AAs include the Knoxville MSA, Johnson City MSA, Kingsport MSA, Jackson MSA, Clarksville MSA, and the McMinn-Warren-Putnam-Cumberland Non-MSA. Loan products reviewed included vehicle loans and unsecured consumer loans. Tennessee holds 6 percent of both the bank's total deposits and loans. One loan product was not given more weight than the other when assessing performance.

COMMUNITY CONTACTS

We reviewed one community contact recently interviewed in the Nashville MSA. The entity contacted specializes in improving personal finances through financial and housing counseling, housing redevelopments, and workforce development services. This organization has seen an increase in first time homebuyers looking to purchase homes and, acquire down payment and closing costs assistance. They also offer foreclosure prevention programs and have saved over 200 homes throughout the State of Tennessee.

The contact indicated a continuous need for credit opportunities for LMI individuals. Specific needs exist in the realm of mortgage loans, small personal loans, and credit cards. Additionally, the contact stated a need for more flexible underwriting of loans and credit cards. The contact believes there is a gap in lending that the banks are not meeting, which has led to an increase in payday lenders. Opportunities exist for financial institutions to provide affordable loans for LMI individuals. There are additional opportunities to participate in low-income housing tax credit projects, as well.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TN

LENDING TEST

The bank's performance under the Lending Test in Tennessee is rated "Satisfactory." The income and geographic distribution of loans in the full-scope Nashville MSA reflects an excellent penetration to individuals of different incomes and a reasonable dispersion to geographies of different income levels. However, lending performance in the limited-scope AAs is poor. An insufficient level of unsecured consumer and vehicle lending was generated in any of the six limited-scope AAs to perform a meaningful analysis.

Lending to Borrowers of Different Incomes

FSNB's distribution of vehicle and unsecured consumer loans reflects an excellent penetration by borrower income and exceeds the standard.

Nashville MSA

Consumer unsecured lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates

excellent penetration to LMI borrowers. The percentage of unsecured lending to low-income borrowers is particularly of note. Seventy-eight percent of these loans were made to low-income borrowers, which is more than three times the percentage of low-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN NASHVILLE MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	22.78%	78.47%	16.55%	17.62%	18.93%	3.02%	41.74%	0.89%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to low-income borrowers is particularly of note. Seventy-four percent of these loans were made to low-income borrowers, which is more than three times the percentage of low-income AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE NASHVILLE MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	22.78%	74.29%	16.55%	20.00%	18.93%	5.71%	41.74%	0.00%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs is not consistent with the performance in the full-scope AA and is considered poor. An insufficient level of unsecured consumer and vehicle lending was generated to make a meaningful analysis in any of the limited-scope AAs of Knoxville MSA, Johnson City MSA, Kingsport-Bristol MSA, Jackson MSA, Clarksville MSA, and the McMinn-Warren-Putnam-Cumberland Non-MSA.

Geographic Distribution of Loans

FSNB’s geographic distribution of vehicle and unsecured consumer loans reflects a reasonable dispersion and meets the standard.

Nashville MSA

Consumer unsecured lending to borrowers in LMI AA tracts exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent dispersion of lending in LMI areas.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE NASHVILLE MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	6.88%	13.35%	21.67%	30.43%	42.22%	44.31%	29.23%	11.91%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to borrowers in LMI AA tracts does not meet the standard. The percentage of these loans is somewhat lower than the percentage of LMI AA households and indicates poor dispersion of lending in these AA LMI areas. There is adequate dispersion of vehicle lending in low-income tracts and very poor dispersion of vehicle lending in moderate-income tracts. The majority of the vehicle loans are in middle-income tracts because eight of the 12 FSNB branches in the Nashville MSA are located in middle- or upper-income areas, which skews the lending dispersion in favor of middle-income tracts.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE NASHVILLE MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	6.88%	5.71%	21.67%	8.57%	42.22%	62.86%	29.23%	22.86%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs is not consistent with the performance in the full-scope AA and is considered poor. An insufficient level of unsecured consumer and vehicle lending was generated to make a meaningful analysis in any of the limited-scope AAs of Knoxville MSA, Johnson City MSA, Kingsport-Bristol MSA, Jackson MSA, Clarksville MSA, and the McMinn-Warren-Putnam-Cumberland Non-MSA.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in Tennessee is rated "Outstanding." FSNB generated an excellent level of qualified investments and CD services that were responsive to the bank's AA.

Number and Amount of Community Development Loans

Conclusions for Areas Receiving Full-Scope Reviews

The bank did not originate any CD loans in the Nashville MSA AA. The Nashville MSA AA accounts for only 2.68 percent of the bank's total deposits and performance in the AA is weighted accordingly.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank's performance in the Knoxville MSA, Johnson City MSA, Kingsport-Bristol MSA, Jackson MSA, Clarksville MSA, and McMinn-Warren-Putnam-Cumberland AA is not inconsistent with the performance in the full-scope AA. The bank did not make any CD loans in the limited-scope AAs.

Number and Amount of Qualified Investments

Conclusions for Areas Receiving Full-Scope Reviews

FSNB's performance in making qualified investments in the full-scope Nashville MSA AA reflects excellent responsiveness. FSNB made three donations totaling \$599 and invested in two CRA qualified mortgage-backed securities totaling \$1.6 million.

Conclusions for Areas Receiving Limited-Scope Reviews

Overall performance in the limited scope AAs is not inconsistent with the performance in the full-scope AA. The limited-scope areas of Knoxville MSA, Johnson City MSA, Kingsport-Bristol MSA, Jackson MSA, Clarksville MSA, and McMinn-Warren-Putnam-Cumberland AA combined for nine donations totaling \$1,100 and eight CRA qualified mortgage-backed securities totaling \$1.6 million. The CRA qualified statewide mortgage-backed securities were pro-rated among each limited-scope AA based on deposit share.

Extent to Which the Bank Provides Community Development Services

Conclusions for Areas Receiving Full-Scope Reviews

FSNB's CD service activity reflected an excellent responsiveness in both the State of Tennessee and in the full-scope Nashville MSA AA. In the full-scope Nashville MSA AA, the bank provided 124 hours of financial education to 393 LMI attendees. Financial education was provided to schools, organizations assisting "at risk" children, housing authorities, ministries, homeless shelters, and transitional housing organizations.

According to the CFPB's *Financial Literacy Annual Report* dated July 2014, financial literacy has been recognized as a critical need throughout the United States.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. All of FSNB's branches in the full-scope Nashville MSA AA are located in Walmart stores, except the Antioch stand-alone branch, which has a similar operating structure as the Walmart branches. Branches operate extended weekday hours and are open Saturdays. ATMs are located just outside each branch and are available 24/7. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank's performance in the Knoxville MS, Johnson City MSA, Kingsport-Bristol MSA, Jackson MSA, Clarksville MSA, and the McMinn-Warren-Putnam-Cumberland AA is not inconsistent with the performance in the full-scope AA. In each of the limited-scope areas, the bank provided financial literacy training. On a combined basis, FSNB provided 280 hours of financial literacy to 2,800 LMI individuals in these limited-scope AAs.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated excellent responsiveness to the identified needs and opportunities throughout FSNB's AAs. Financial education has been recognized as a critical need in America. According to the CFPB's *Financial Literacy Annual Report* dated July 2014, financial education has been identified as a critical need among servicemen. In the full-scope AA, the bank provided 124 hours of financial literacy training to 393 LMI individuals. In addition, the level of qualified investments, including \$1.6 million in qualified mortgage-backed securities, demonstrates excellent responsiveness in promoting affordable mortgage lending in the Nashville MSA.

State Rating

State of South Carolina

CRA Rating for South Carolina: Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

- The bank's borrower distribution of loans reflects an excellent penetration to individuals of different income levels and exceeds the standard for satisfactory performance.
- Giving consideration to performance context issues, the geographic distribution of loans in the Beaufort County AA would not be meaningful and, therefore, was not performed. The one branch within the AA is located on the Paris Island Training Depot, which is a "closed base" meaning the public is not permitted on-base and the recruits do not leave the base. Recruits are temporarily stationed at this facility for training purposes.
- The bank's CD lending performance demonstrates excellent responsiveness to the CD needs of its full-scope Beaufort County Non-MSA AA in light of the limited opportunities for CD lending and investing. FSNB provided 2,355 hours of financial literacy training to 11,216 LMI individuals.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SC

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE BEAUFORT, SC NON-MSA AA (PARIS ISLAND)	
Population	
Number of Families	33,397
Number of Households	45,518
Geographies	
Number of CTs/BNA	27
% Low-Income CTs/BNA	0.00%
% Moderate-Income CTs/BNA	7.41%
% Middle-Income CTs/BNA	33.33%
% Upper-Income CTs/BNA	59.26%
Median Family Income (MFI)	
2010 MFI for AA	\$46,847
2013 HUD-Adjusted MFI	\$47,500
Economic Indicators	
Unemployment Rate	4.50%
2000 Median Housing Value	\$430,284
% Of Households Below Poverty Level	9.50%

Source: 2010 Census data.

The Non-MSA County of Beaufort, SC has been designated as the bank's full-scope AA, although its operations are restricted to the Marine Corp Recruit Depot (MCRD)

Parris Island. The county consists of many small islands linked by roads and bridges. The county has 27 CTs: no low-income CTs, four moderate-income CTs, nine middle-income CTs, and 16 upper-income CTs. The moderate-income tracts are in the northern portion on the islands while the southern portion is comprised of mostly upper-income CTs.

FSNB operates one of its 82 branches in this AA. The branch is located on MCRD Parris Island. FSNB has had a branch on Parris Island since 1995. FSNB's mission at MCRD Parris Island is to provide access to banking services for incoming Marine recruits. The branch is a stand-alone branch. It operates Monday-Friday from 9:00 am to 5:00 pm. There are three ATM's available on-base. The ATM located outside the branch is available 24 hours a day while two other ATM's are located inside the Commissary and Exchange.

MCRD Parris Island serves as the initial recruit training center for new Marines from the eastern region of the United States. Recruits go through basic training at MCRD Parris Island for 12 weeks and are then transferred to their next training station. Furthermore, because of the transient nature of the recruits, FSNB's customer base is only located in the AA for a short time before transferring to another military installation. Parris Island is considered a "closed base." This means civilians cannot enter the base without approval. Because of the restricted nature of the base, FSNB's customer base in Parris Island is nearly all active duty or retired military servicemembers. Loan demand and opportunities are extremely limited because most FSNB customers in Parris Island are new recruits going through basic training.

FSNB has a small presence in the Beaufort County Non-MSA AA. The AA is a competitive market with 22 FDIC-insured institutions operating within Beaufort County. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 19th of 22 financial institutions in terms of deposit market share with 0.55 percent of the market. Large banks, such as Wells Fargo, Branch Banking and Trust Company, and Bank of America dominate the market with deposit market shares of 19 percent, 10 percent, and 10 percent, respectively. FSNB was ranked 22nd of 22 with respect to number of branches in the MSA.

According to the Bureau of Labor Statistics, Beaufort County's unemployment rate has improved steadily from 9.1 percent in 2011 to 6.8 percent in 2013. The population in Beaufort County based on the 2010 census is 162,233. This is a 34 percent increase in population compared to the 2000 census population of 120,937. The HUD 2013 Statewide Non-MSA Median Family Income is \$47,500.

The retail trade and the leisure and hospitalities industry dominate the local economy, which supports the large tourist destinations in the area. Professional and business service is another important industry in the area. According to MCRD's Economic Impact study for fiscal year 2013, 26,478 people are either active duty, retired, or civilian employees of MCRD. The command also contributes an estimated \$403 million to the local economy according to the same study.

SCOPE OF EVALUATION IN SOUTH CAROLINA

One full-scope AA was selected to review for the State of South Carolina. The full-scope AA is the Beaufort County Non-MSA AA. Loan products reviewed included vehicle loans and unsecured consumer loans. The State of South Carolina accounts for 5 percent of the bank's total deposits and loans. One loan product was not given more weight than the other when assessing performance. There are no limited-scope AAs in South Carolina.

COMMUNITY CONTACTS

We interviewed a community contact in the Beaufort County Non-MSA AA. The individual contacted serves as the Bank Liaison for the two on-base financial institutions, FSNB and Navy Federal Credit Union. The contact's primary mission is to handle any issues that may arise between the two banking institutions and base command.

The contact stated that both FSNB and Navy Federal Credit Union participate when community development opportunities present themselves. This depot is an onboarding site with many young soldiers coming through with little to no experience in managing money or a bank relationship. A primary need for these servicemembers is financial literacy education.

The contact was very complimentary of the two financial institutions located on the depot. He noted the importance of the financial education provided by the two on depot banks to the new recruits. Additionally, the contact stated that the institutions on depot offer low fees and competitive loan rates. He stated off depot banks charge higher fees and offer less favorable terms on loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SC

LENDING TEST

The bank's performance under the Lending Test in South Carolina is rated "Outstanding." FSNB's borrower distribution of consumer loans reflects an excellent penetration to borrowers of different income levels.

Lending to Borrowers of Different Incomes

FSNB's distribution of vehicle and unsecured consumer loans reflects an excellent penetration among individuals of different income levels.

Beaufort County Non-MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. These loans were made at the branch on the Parris Island Marine Corps Training Depot. Eighty-six percent of the unsecured loans were made to LMI borrowers. Almost 57 percent of these loans were

made to low-income borrowers, which is more than four times the percentage of low-income AA households. Twenty-nine percent of these loans were made to moderate-income borrowers, which is double the percentage of moderate-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN BEAUFORT Co. NON-MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	13.74%	56.94%	14.14%	29.18%	16.57%	11.05%	55.55%	2.83%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to low-income borrowers is particularly of note. Almost 52 percent of these loans were made to low-income borrowers, which is well over three times the percentage of low-income AA households. Over 40 percent of these loans were made to moderate-income borrowers, which is more than double the percentage of moderate-income AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE BEAUFORT Co. NON-MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	13.74%	51.85%	14.14%	40.74%	16.57%	7.41%	55.55%	0.00%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

Beaufort County Non-MSA

Geographic distribution of unsecured and vehicle loans in the Beaufort County Non-MSA AA is not meaningful and was not performed. This branch is located on the Parris Island Marine Corps Training Depot, which is a “closed base,” meaning the public is not permitted on-base and the recruits do not leave the base. Recruits are only temporarily stationed at the facility for training. The relatively small number of staff and instructors who may live off-base is not sufficient to provide meaningful geographic loan distribution information.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole

geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in South Carolina is rated "Outstanding." The bank has one branch in South Carolina that is located on Parris Island Marine Depot. This is a "closed base" and opportunities to make CD loans and investments are very limited. Refer to the *Assessment area in Depth* comments for additional performance context issues related to this AA.

Number and Amount of Community Development Loans

FSNB did not originate any CD loans in the State of South Carolina. The full-scope AA of Beaufort County holds 4.91 percent of the bank's total deposits.

Number and Amount of Qualified Investments

Investment performance in the full-scope Beaufort County AA reflects adequate responsiveness to the limited CD needs on Paris Island Marine Depot. During the evaluation period, FSNB investments comprised of 14 donations totaling \$10,200.

Extent to Which the Bank Provides Community Development Services

FSNB has demonstrated excellent responsiveness to the CD service needs in the full-scope Beaufort County AA. This is a "closed base", not accessible to the public, and is a training facility for new marines. CD service opportunities are limited; however, FSNB provided 2,345 hours of financial literacy education training to 10,836 marines. Additionally, financial education training was provided to students at a nearby school. A bank officer serves on the Board of a non-profit organization that provides social services to LMI persons.

FSNB operates one of its 82 branches in the Beaufort County Non-MSA AA at the Marine Corp Recruit Depot Parris Island. The ATM outside the branch is available 24 hours a day while two other ATMs are located in the Commissary and Exchange. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Responsiveness to Community Development Needs

Overall, in light of the limited available opportunities, FSNB has demonstrated excellent responsiveness to the identified needs of the full-scope Beaufort County Non-MSA AA. The bank has only one branch that is located on Parris Island, a Marine Corps training facility. Opportunities for CD loans and investments are limited. However, financial literacy training has been extensive. In the full-scope AA, the bank provided 2,345 hours of financial literacy training to 10,836 marines.

State Rating

State of Delaware

CRA Rating for Delaware: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The bank's borrower distribution of loans reflects an excellent penetration among individuals of different income levels and exceeds the standard for satisfactory performance.
- The bank's geographic distribution of loans reflects a poor dispersion throughout the AA and does not meet the standard for satisfactory performance.
- The bank's CD performance reflects adequate responsiveness. CD activities were centered in providing financial literacy training to LMI persons.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN DELAWARE

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE DOVER, DE MSA AA	
Population	
Number of Families	40,711
Number of Households	57,396
Geographies	
Number of CTs/BNA	32
% Low-Income CTs/BNA	0.00%
% Moderate-Income CTs/BNA	15.63%
% Middle-Income CTs/BNA	68.75%
% Upper-Income CTs/BNA	15.63%
Median Family Income (MFI)	
2010 MFI for AA	\$60,949
2013 HUD-Adjusted MFI	\$68,000
Economic Indicators	
Unemployment Rate	6.90%
2000 Median Housing Value	\$204,861
% Of Households Below Poverty Level	11.53%

Source: 2010 Census data.

The Dover MSA has been designated as the full-scope AA. The AA consists of one county: Kent County. The MSA has 32 CTs: no low-income CTs, five moderate-income CTs, 22 middle-income CTs, and five upper-income CTs.

FSNB operates three of its 82 branches in this AA. Two FSNB branches are located in area Walmart stores, while the third branch is located on Dover Air Force Base (DAFB) in the Base Exchange. Two branches are located in middle-income CTs and one branch is located in a moderate-income CT. Walmart branches operate extended weekday

hours and Saturdays to offer easier access to all customers including LMI customers. ATMs are located just outside the Walmart branches and are available 24/7. The Exchange branch is open during the Exchange's operating hours including Saturdays and Sundays. There are six ATMs located on DAFB with two ATMs available 24/7.

FSNB opened two branches in the AA and closed one branch during the evaluation period. FSNB entered the Dover, DE market in 1996 with two branches opening on DAFB; one in the Base Exchange and one stand-alone branch. The stand-alone branch on DAFB was closed in April 2013. The branch was closed because it was directly across the street from the branch in the Base Exchange. The Exchange branch offered hours more accessible for Airmen and their families.

To better serve the military personnel in the City of Dover, FSNB opened a branch off DAFB in 2011 and another in May 2013. Both the off-base branches are located in Walmart stores. Due to the perception the bank only serves the military, it is difficult to generate loans. Because DAFB is considered a "closed base," meaning access to the base branch is restricted to military servicemembers only; FSNB has only been accessible to the public for a short time.

The opportunity for HMDA, commercial, and other loans is very limited around military installations. These loans do not represent the primary credit needs of military personnel. Housing or housing subsidies are provided by the military to personnel. FSNB's customer base in this area is primarily young enlisted Airmen whose income is in the LMI category.

FSNB has a small presence in the Dover MSA. The AA is a competitive market with 12 FDIC-insured institutions operating within the Dover MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 12th out of 12 in terms of deposit market share with 0.42 percent of the market. Manufacturers and Traders Trust Company, PNC Bank, and the First National Bank of Wyoming have the greatest market shares with 28 percent, 18 percent, and 13 percent, respectively. FSNB was ranked seventh out of 12 with respect to number of branches in the MSA.

DAFB is home to two Airlift Wings of the United States Air Force. One Wing is active duty while the other Wing is a Reserve component. DAFB directly supplies approximately 6,400 jobs in the Dover area including 3,900 active duty personnel, 1,500 reserve personnel and 1,000 civilian employees. An estimated 2,275 secondary jobs are supported by DAFB's presence in Dover. DAFB estimates the economic impact at \$466 million per year including salaries, retiree pay, local contracts and local area expenditures.

The population of the Dover MSA based on the 2010 census was 162,310. According to the Bureau of Labor Statistics, the unemployment rate in the Dover MSA has been lower than the national rates. From 2011 to 2013, the MSA rate fell from 7.7 percent to 6.9 percent while the national rate fell from 8.9 percent to 7.4 percent for the same period. Employment growth was strong in the educational and health services industry

and the financial activities industry in fourth quarter 2013. The leisure and hospitality industry showed a loss for the same quarter.

The governmental industry leads the local economy. Both the State of Delaware and the Kent County governmental agencies are located in Dover. Educational and health services and the retail trade are also important industries in the Dover area. The MSA's largest employers are the State of Delaware and the federal Department of Defense.

SCOPE OF EVALUATION IN DELAWARE

One full-scope AA was selected to review for the State of Delaware. The full-scope AA is the Dover MSA. Loan products reviewed included vehicle loans and unsecured consumer loans. The State of Delaware accounts for less than 3 percent of the bank's total deposits and 1 percent of total loans. One loan product was not given more weight than the other when assessing performance. There are no limited-scope AAs in the State of Delaware.

COMMUNITY CONTACTS

We interviewed a community contact in the Dover MSA. The contact is an entity that specializes in supporting small businesses, micro-enterprises, non-profit organizations, and affordable housing developers in the State of Delaware. The organization's goal is to provide creative opportunities for access to capital for small businesses, developers of affordable housing, and community organizations.

The contact stressed a need for small business technical assistance, small business loans, job creation, wealth preservation, and a continued need for affordable housing. There are opportunities for banks to participate in short term lending programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DE

LENDING TEST

The bank's performance under the Lending Test in Delaware is rated "Satisfactory." FSNB's distribution of loans by borrower income reflects excellent distribution to borrowers of different incomes. The geographic distribution of loans reflects poor dispersion for an overall reasonable performance.

Lending to Borrowers of Different Incomes

FSNB's distribution of vehicle and unsecured consumer loans reflects excellent penetration to individuals of different incomes. The geographic dispersion of loans was poor, but considered together resulted in reasonable performance.

Dover MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The overall percentage of these loans significantly exceeds the percentage of LMI AA

households and indicates excellent penetration to LMI borrowers. The percentage of unsecured lending to moderate-income borrowers was somewhat lower than the percentage of AA households indicating poor penetration within this income group; however, the percentage of unsecured lending to low-income borrowers is high. More than 65 percent these loans were made to low-income borrowers in the AA, which is almost three times the percentage of low-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN DOVER MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	22.63%	65.82%	17.08%	13.92%	20.26%	13.92%	40.03%	6.34%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to low-income borrowers is high. Sixty-nine percent these loans were made to low-income borrowers, which is more than three times the percentage of low-income AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE DOVER MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	22.63%	68.96%	17.08%	24.14%	20.26%	3.45%	40.03%	3.45%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of vehicle and unsecured consumer loans reflects poor dispersion and does not meet the standard for satisfactory performance.

Dover MSA

Consumer unsecured lending to borrowers in LMI AA tracts does not meet the standard. There are no low-income CTs in the AA. The percentage of unsecured consumer loans made to borrowers residing in moderate-income CTs in the AA is somewhat lower than the percentage of moderate-income AA households and indicates poor dispersion of these loans in moderate-income tracts. However, this poor LMI lending performance primarily reflects the location of the DAFB branch, which is located in a middle-income tract on the base. The majority of the Dover MSA unsecured lending is made to

servicemembers and other persons living on-base or in nearby Camden DE in this middle-income tract.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE DOVER MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	0.00%	0.00%	12.11%	6.33%	74.09%	73.42%	13.80%	20.25%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer unsecured lending to borrowers in LMI AA tracts does not meet the standard. There are no low-income CTs in the AA. The percentage of consumer vehicle loans made to borrowers residing in moderate-income CTs is somewhat lower than the percentage of moderate-income AA households and indicates poor dispersion of these loans in moderate-income tracts. However, this poor LMI lending performance primarily reflects the location of the DAFB branch, which is located in a middle-income tract on the base. The majority of the Dover MSA consumer vehicle lending is made to servicemembers and other persons living on-base or in nearby Camden DE in this middle-income tract.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE DOVER MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	0.00%	0.00%	12.11%	6.90%	74.09%	79.31%	13.80%	13.79%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in Delaware is rated “Satisfactory.” FSNB did not originate any CD loans but generated an adequate level of CD investments and services.

Number and Amount of Community Development Loans

FSNB did not originate any CD loans in the full-scope Dover MSA AA. A branch is operated on DAFB along with two Walmart branches in the AA. Together, these branches account for 2.81 percent of the bank's total deposits.

Number and Amount of Qualified Investments

Investment performance in the full-scope Dover MSA AA reflects adequate responsiveness. FSNB investments totaled \$465,000 and included one donation for \$2,500 and two CRA qualified mortgage-backed securities totaling \$462,000.

Extent to Which the Bank Provides Community Development Services

FSNB has demonstrated adequate responsiveness to the needs in the Dover MSA AA. The bank has provided 111 hours of financial literacy education training to 756 LMI persons. Financial education training was provided to servicemembers and their families at homeless shelters, churches, and to senior citizens through non-profit organizations that provide various social services to LMI individuals.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. FSNB operates three of its 82 branches in the Dover MSA AA. Two of the branches are located in Walmart stores and one branch is located on DAFB. One of the branches is located in a moderate-income CT and the other two are located in middle-income CTs. There are 24 hour ATMs located at the Walmart branches along with six ATMs located on the base with two ATMs available 24/7. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank does not have any limited scope AAs in the State of Delaware.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated adequate responsiveness to the identified needs and opportunities throughout the full-scope Dover MSA AA. According to the CFPB's *Financial Literacy Annual Report* dated July 2014, financial education has been widely recognized as a critical need throughout the United States and particularly to servicemembers. In the full-scope AA, the bank provided 111 hours of financial literacy training to 756 LMI individuals.

State Rating

State of Mississippi

CRA Rating for Mississippi: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Unsecured consumer and vehicle lending in the full-scope Jackson MSA AA was limited, but adequate to make a meaningful assessment of lending performance.
- The bank's borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals of different income levels and exceeds the standard for satisfactory performance.
- The bank's geographic distribution of loans reflects a reasonable dispersion and meets the standard for satisfactory performance.
- The bank's CD activities demonstrate an excellent responsiveness to the CD needs of its AA. The bank made a CD loan totaling \$1 million to provide affordable multi-family housing. Qualified investments were high and totaled \$995,000. CD services were centered in providing financial literacy training to LMI persons.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSISSIPPI

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE JACKSON MSA AA	
Number of Families	133,588
Number of Households	195,301
Geographies	
Number of CTs/BNA	123
% Low-Income CTs/BNA	15.45%
% Moderate-Income CTs/BNA	20.33%
% Middle-Income CTs/BNA	37.40%
% Upper-Income CTs/BNA	26.83%
Median Family Income (MFI)	
2010 MFI for AA	\$55,765
2011 HUD-Adjusted MFI	\$55,600
Economic Indicators	
Unemployment Rate	7.00%
2000 Median Housing Value	\$124,473
% Of Households Below Poverty Level	16.59%

Source: 2010 Census data.

The Jackson MSA has been designated as the full-scope AA. The AA consists of six counties in their entirety: Copiah, Hinds, Madison, Rankin, Simpson, and Yazoo

Counties. The MSA has 123 CTs: 19 low-income CTs, 25 moderate-income CTs, 46 middle-income CTs, and 33 upper-income CTs.

FSNB operates five of its 82 branches in this AA. Four FSNB branches are located in Walmart stores. One branch is a stand-alone branch and operates under a similar structure as the branches located in the Walmart stores. The stand-alone branch also has drive-thru banking services available. ATM's are located just outside the branches and are available 24/7. FSNB entered the Jackson, MS market in 2012 with a branch opening in August of that year. FSNB opened three more branches in the market in 2013: one in January, one in February and one in April. The newest branch in Jackson, MS opened in April 2014. Three branches are located in upper-income CTs, one branch is located in a middle-income CT and one branch is located in a low-income CT. FSNB did not close any branches in this area during the evaluation period.

The AA is a very competitive market with 27 FDIC-insured institutions operating within the Jackson MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 24th out of 27 in terms of deposit market share with 0.02 percent of the market. Trustmark National Bank, Regions Bank, and BankPlus have the greatest market shares with 33 percent, 23 percent, and 11 percent, respectively. FSNB was ranked 16th out of 27 with respect to the number of branches in the MSA.

The Jackson, MS MSA is located in the western portion of the state near the Louisiana border. The population, according to the 2010 census, was 539,057. HUD's 2013 MSA Median Family Income for the Jackson, MS MSA is \$55,600.

The City of Jackson is the state capital of Mississippi and its largest city. Thus, the government employees the largest portion of residents. Other leading industries in the region include educational and health services and professional and business services. The State of Mississippi is the single largest employer followed by the University of Mississippi Medical Center and the United States Government.

According to the Bureau of Labor Statistics, the unemployment rate has steadily decreased between 2011 and 2013. In 2011, the unemployment rate for the Jackson MSA was 8.4 percent and improved to 6.8 percent in 2013. This rate is slightly better than the national unemployment rate of 8.9 percent decreasing to 7.4 percent for the same period. The leisure and hospitality industry showed employment growth in the fourth quarter of 2013 as compared to the same quarter, prior year. Professional and business services showed employment shrinkage as did the information industry.

SCOPE OF EVALUATION IN MISSISSIPPI

One full-scope AA was selected for review in the State of Mississippi. The full-scope AA is the Jackson MSA, which holds slightly over 1 percent of the bank's total deposits and less than 2 percent of total loans. Performance in the State of Mississippi carried less weight in overall conclusions since this is a relatively new market (2012) for FSNB. Loan products reviewed included vehicle loans and unsecured consumer loans. One loan

product was not given more weight than the other when assessing performance. There are no limited-scope AAs in Mississippi.

COMMUNITY CONTACTS

We interviewed one community contact in the Jackson MSA. The organization contacted specializes in quality of life and affordable housing programs. Its mission is to build a vibrant, healthy, sustainable community in which to live, work and raise families by working in partnership with residents, businesses and other stakeholders.

Many of the residents in the Midtown area are LMI individuals. The majority of residents are renters. Payday lenders are prevalent in the area, though the contact noted more residents are moving toward a permanent banking relationship. The contact noted a need for increased homeownership in the area to assist with stabilization. There are opportunities for banks to participate in Low-Income Housing Tax Credit (LIHTC) and financial literacy programs. Additionally, there are needs for down payment assistance programs, low interest retail loans, and avenues for LMI individuals to take advantage of these resources.

The contact noted that local financial institutions are very community minded and responsive to requests for involvement.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MS

LENDING TEST

The bank's performance under the Lending Test in Mississippi is rated "Satisfactory." Lending to borrowers of different income levels reflects an excellent distribution. The geographic dispersion of loans is reasonable for overall reasonable performance.

Lending to Borrowers of Different Incomes

FSNB's distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals of different incomes and exceeds the standard.

Jackson MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The combined percentage of these loans significantly exceeds the percentage of LMI AA households, and overall, indicates excellent penetration to LMI borrowers. Seventy-two percent of the unsecured loans were made to AA low-income borrowers. The percentage of unsecured loans made to moderate-income borrowers; however, was near to but slightly below the percentage of moderate-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN THE JACKSON MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	24.74%	72.50%	15.38%	15.00%	16.75%	7.50%	43.13%	5.00%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to low-income borrowers is particularly of note. Fifty-five percent these loans were made to low-income borrowers in the AA, which is more than double the percentage of low-income AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE JACKSON MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	24.74%	55.17%	15.38%	20.69%	16.75%	10.34%	43.13%	13.80%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of vehicle and unsecured consumer loans reflects a reasonable dispersion and meets the standard.

Jackson MSA

Consumer unsecured lending to borrowers in LMI AA tracts meets the standard. The combined percentage of these loans exceeds the percentage of LMI households and indicates, overall, reasonable dispersion of lending in LMI areas. The percentage of lending to borrowers in moderate-income tracts was significantly lower than the percentage of AA households in these areas, indicating very poor dispersion of unsecured loans in these moderate-income tracts. However, the percentage of lending to borrowers in AA low-income tracts is more than double the percentage of low-income households in these tracts.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE JACKSON MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	9.38%	20.00%	16.95%	7.50%	43.19%	55.00%	30.48%	17.50%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to LMI AA tracts meets the standard. The combined percentage of these loans exceeds the percentage of LMI households and indicates, overall, reasonable dispersion of lending in LMI areas. The percentage of lending to borrowers in moderate-income tracts was somewhat lower than the percentage of AA households in these areas, indicating very poor dispersion of vehicle lending in moderate-income tracts. However, the percentage of lending to borrowers in AA low-income tracts significantly exceeds the percentage of low-income households in these tracts.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE JACKSON MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	9.38%	17.24%	16.95%	10.34%	43.19%	44.83%	30.48%	27.59%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in Mississippi is rated “Outstanding.” FSNB originated an excellent level of CD activities that were responsive to AA needs.

Number and Amount of Community Development Loans

FSNB performance in the full-scope Jackson MSA AA indicates excellent responsiveness to CD lending needs in the full-scope Jackson MSA AA. FSNB originated a CD loan totaling \$1 million in the full-scope Jackson MSA AA.

FSNB has committed \$1 million to a non-profit organization that provides permanent financing for Low Income Housing Tax Credit (LIHTC) developments throughout Mississippi. This is a binding commitment for a period of two years. Funds are not advanced until the individual loans are closed. The non-profit is about 10 years old and has been funding affordable housing projects for about eight years. To date, the non-profit has funded about 800 units.

Number and Amount of Qualified Investments

Investment performance in the full-scope Jackson MSA AA reflects an excellent responsiveness. FSNB investments totaled \$996,000 and included five donations for \$10,600 and one CRA qualified municipal bond totaling \$985,000.

Extent to Which the Bank Provides Community Development Services

FSNB demonstrated excellent responsiveness in providing CD services in the Jackson MSA AA. FSNB provided 51 hours of financial literacy education training to 515 LMI individuals. Financial education training was provided to elementary and high school students, to vocational students attending a training center, and to LMI persons at a community center. A bank officer serves on the Board of an organization that provides affordable housing through the LIHTC Program.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. FSNB operates five of its 82 branches in the Jackson MSA AA. Four of the branches are located in Walmart stores and one branch is a stand-alone. One branch is located in a low-income CT. ATMs are located at all of the locations and are available 24 hours a day. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank does not have any limited scope AAs in the State of Mississippi.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated excellent responsiveness to the identified needs and opportunities throughout the full-scope Jackson MSA AA. The CFPB has recognized financial literacy education as a critical need in the United States. In this full-scope Jackson MSA AA, the bank provided 51 hours of financial literacy training to 515 LMI individuals. Affordable housing is a continuing need in the AA. The bank committed \$1 million to an organization that constructs LIHTC multi-family housing projects, and provides financial expertise to a qualified organization that promotes LIHTC affordable housing.

State Rating

State of Louisiana

CRA Rating for Louisiana: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Lending volumes in the Shreveport MSA were adequate to assess lending performance. FSNB originated a satisfactory level of unsecured consumer loans but vehicle lending, while adequate, was more limited.
- The bank's borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals of different income levels and exceeds the standard for satisfactory performance.
- The bank's geographic distribution of loans reflects an excellent dispersion throughout the AA and exceeds the standard for satisfactory performance.
- The bank's CD activities demonstrate an excellent responsiveness to the CD needs of its AA. FSNB originated CD loans totaling \$14.9 million in the full-scope Shreveport MSA AA promoting LMI job creation and affordable housing. Qualified investments were high totaling \$741,000. CD services were centered in providing financial literacy training to LMI persons.
- FSNB reflected excellent responsiveness to AA needs by opening a branch on base in 2012 upon request by the military when no other banks were willing to do so. FSNB's financial services would not be available if FSNB had not agreed to locate branches in this community.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOUISIANA

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE SHREVEPORT-BOSSIER CITY, LA MSA AA	
Population	
Number of Families	97,195
Number of Households	150,600
Geographies	
Number of CTs/BNA	93
% Low-Income CTs/BNA	12.90%
% Moderate-Income CTs/BNA	25.81%
% Middle-Income CTs/BNA	36.56%
% Upper-Income CTs/BNA	23.66%
% NA	1.08%
Median Family Income (MFI)	
2010 MFI for AA	\$52,827
2011 HUD-Adjusted MFI	\$55,500
Economic Indicators	
Unemployment Rate	6.10%
2000 Median Housing Value	\$112,441
% Of Households Below Poverty Level	17.04%

Source: 2010 Census data.

The Shreveport-Bossier City MSA has been designated as the full-scope AA. The MSA consists of four parishes in their entirety: Bossier, Caddo, DeSoto, and Webster. FSNB branches are located in Caddo and Bossier parishes. The MSA has 93 CTs: 13 low-income CTs, 25 moderate-income CTs, 33 middle-income CTs, 21 upper-income CTs, and one unclassified income CT.

FSNB operates six of its 82 branches in this AA. FSNB opened all six branches during this evaluation period. Five branches were opened in 2012: two in February, two in April and one in June. The last branch was opened in March of 2014. Four FSNB branches are located in Walmart stores, one branch is located on Barksdale Air Force Base in the Base Exchange and one branch is a stand-alone branch. Both the stand-alone branch and the Base Exchange branch operate under a similar structure as the branches are inside Walmart stores. ATMs are located outside the Walmart and stand-alone branches and are available 24 hours a day. Two FSNB branches are located in moderate-income CTs, three branches are located in middle-income CTs and one branch is located in an upper-income CT. FSNB did not close any branches during the evaluation period.

The opportunity for HMDA, commercial, and other loans is very limited around military installations. These loans do not represent the primary credit needs of military personnel. Housing or housing subsidies are provided by the military to personnel. A significant portion of FSNB's customer base in this area is enlisted Airmen whose income is in the LMI category.

The AA is a competitive market with 27 FDIC-insured institutions operating within the MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked

26th of 27 financial institutions in terms of deposit market share with 0.02 percent of the market. Large banks such as Capital One, Regions Bank, and JPMorgan Chase Bank dominate the market with deposit market shares of 22 percent, 18 percent, and 13 percent, respectively. FSNB was ranked ninth of 27 with respect to the number of branches in the MSA.

According to the Bureau of Labor Statistics, the MSA's unemployment rate remained steady from 2011 to 2013. The unemployment rate in 2011 was 6.6 percent and 6.7 percent in 2013. These rates are well below the national unemployment rate of 8.9 percent in 2011 and 7.4 percent in 2013. The population in the Shreveport-Bossier City MSA increased from 378,965 according to the 2000 census to 398,604 according to the 2010 census, an increase of 6 percent. The HUD 2013 MSA Median Family Income is \$55,500.

The governmental industry dominates the MSA's economy with the two largest employers comprising Barksdale Air Force Base and the State of Louisiana. Governmental, educational, health services, and leisure and hospitality industries are major industries in the area. The leisure and hospitality industry showed employment growth in early 2014 as compared to same quarter, prior year. The manufacturing industry lost jobs in first quarter 2014.

SCOPE OF EVALUATION IN LOUISIANA

One full-scope AA was selected for review in the State of Louisiana. The full-scope AA is the Shreveport MSA, which holds slightly less than 1 percent of the bank's total deposits and 15 percent of total loans. Loan products reviewed included vehicle loans and unsecured consumer loans. One loan product was not given more weight than the other when assessing performance. There are no limited-scope AAs in Louisiana.

COMMUNITY CONTACTS

We interviewed one community contact in the Shreveport MSA. The organization contacted is dedicated to economic development and the attraction and retention of capital investment. They also offer customized services to support existing business growth. All complimentary services fall into two main categories: business development and workforce marketing services. Funding is provided through companies, investors, municipalities, and individuals.

The contact noted a continued need for affordable housing. There are no major builders in the area that create mass building projects. Construction of custom homes is the norm. Therefore, building materials are not ordered in bulk, which increases housing cost and home prices. With the completion of Interstate-49, the expectation is that businesses will begin expanding to the rural areas, as accessibility will dramatically improve.

The contact stated that primary needs in the area are affordable housing and financing for the retail and housing growth. There are ample opportunities for banks to get involved.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LA

LENDING TEST

The bank’s performance under the Lending test in Louisiana is rated “Satisfactory.” While consumer lending volumes were limited, the borrower and geographic distribution of loans was excellent for overall reasonable performance.

Lending to Borrowers of Different Incomes

FSNB’s distribution of vehicle and unsecured consumer loans to individuals of different incomes reflects excellent penetration and exceeds the standard.

Shreveport MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of unsecured lending to low-income borrowers is high. Sixty-four percent of these loans were made to low-income borrowers, which is more than two and one-half times the percentage of low-income AA households. Combined, the percentage of these loans made to LMI borrowers is more than double the percentage of LMI AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN THE SHREVEPORT MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	25.34%	64.77%	15.52%	23.30%	16.13%	8.52%	43.01%	3.41%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to low-income borrowers is particularly of note. Thirty-seven percent of these loans were made to low-income borrowers in the AA, which is one and one-half times the percentage of low-income AA households.

BORROWER Distribution of Vehicle Loans in the Shreveport MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	25.34%	37.93%	15.52%	20.69%	16.13%	41.38%	43.01%	0.00%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of loans reflects excellent dispersion and exceeds the standard.

Shreveport MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE SHREVEPORT MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	6.51%	10.80%	22.61%	38.07%	40.05%	35.23%	30.83%	15.90%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to borrowers in LMI AA tracts exceeds the standard. The percentage of vehicle lending to borrowers in low-income tracts was somewhat lower than the percentage of AA households in low-income tracts, indicating poor dispersion in these AA tracts. The percentage of vehicle lending to borrowers in moderate-income tracts significantly exceeded the percentage of moderate-income AA households.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE SHREVEPORT-BOSSIER MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	6.51%	3.45%	22.61%	41.38%	40.05%	37.93%	30.83%	17.24%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole

geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in Louisiana is rated "Outstanding".

Number and Amount of Community Development Loans

FSNB performance in the full-scope Shreveport-Bossier City MSA AA indicates excellent responsiveness to the CD needs of the AA. FSNB originated eight CD loans totaling \$14.9 million in the full-scope AA. Less than 1 percent of the bank's deposits are held in the branches in this AA.

FSNB originated a \$1.1 million loan to finance a 28-unit apartment complex located next to the Barksdale Air Force Base in Bossier City, LA. The apartment complex is affordable housing designed to meet the needs of LMI residents and servicemembers in the area. The other seven loans totaling \$13.9 million were to small businesses that employ predominantly LMI individuals. These loans helped to create and retain jobs in this AA.

Number and Amount of Qualified Investments

Investment performance in the full-scope Shreveport MSA AA also indicates excellent responsiveness to AA needs. FSNB investments totaled \$741,000 and included three donations for \$3,400 and three CRA qualified mortgage-backed securities totaling \$738,000.

Extent to Which the Bank Provides Community Development Services

FSNB has provided an excellent level of CD service activity in the full-scope Shreveport MSA AA. FSNB provided 110 hours of financial literacy education training to 4,210 LMI individuals. Financial education training was provided to servicemembers and their families, to clients of a non-profit organization that provides social services to LMI families, and to persons served by a housing authority that provides affordable housing.

In 2012, the previous bank on Barksdale Air Force Base chose to leave the base. When no other banks were willing to open a branch on-base, the Association of Military Banks of America (AMBA) requested FSNB to open a branch. The branch is located inside the Base Exchange and operates seven days a week to offer more convenient access to servicemembers. An ATM is located outside this branch and operates during the same hours as the branch.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. FSNB operates six of its 82 branches in the Shreveport-Bossier City MSA AA. Four of the branches are located in Walmart stores and one

branch is located on Barksdale Air Force Base, and one branch is a stand-alone located in Shreveport. FSNB's willingness to open a branch on-base and to expand off-base has provided accessibility to financial services that might not otherwise have been available. ATMs are located outside the Walmart and stand-alone branches and are available 24 hours a day. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank does not have any limited scope AAs in the State of Louisiana.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated excellent responsiveness to the identified needs and opportunities throughout the full-scope MSA AA. This responsiveness is demonstrated, in part, by FSNB opening a branch in an area after another institution had closed. No other institutions were willing to branch into this area. The CFPB has recognized financial literacy education as a critical need in the United States. Financial education has also been identified as a critical need among servicemembers. In this full-scope MSA AA, the bank provided 110 hours of financial literacy training to 4,210 LMI individuals. The bank was also responsive to continuing needs for affordable housing and job creation through almost \$15 million in CD lending.

State Rating

State of Arkansas

CRA Rating for Arkansas: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- Lending volumes in the full-scope Little Rock MSA were adequate to assess lending performance. However, an insufficient level of unsecured consumer and vehicle loans was generated in either of the two limited-scope AAs to perform a meaningful analysis. As a result, lending performance in the limited-scope AAs is poor. The two limited-scope AAs combined represent less than 1 percent of total bank deposits and thus carries minimal weight when assessing performance. Overall, the bank's lending performance meets the standard for satisfactory performance.
- The bank's borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals with different incomes and exceeds the standard. The bank's geographic distribution reflects a very poor dispersion throughout the AAs and does not meet the standard.
- The bank's CD activities reflect an adequate responsiveness to the CD needs of the Little Rock MSA AA. FSNB made a high level of qualified investments totaling \$736,000. CD service activities were centered in providing financial literacy to LMI persons.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARKANSAS

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF LITTLE ROCK-NORTH LITTLE ROCK-CONWAY, AR AA	
Population	
Number of Families	180,045
Number of Households	270,040
Geographies	
Number of Census Tracts/BNA	164
% Low-Income Census Tracts/BNA	6.71%
% Moderate-Income Census Tracts/BNA	23.78%
% Middle-Income Census Tracts/BNA	46.95%
% Upper-Income Census Tracts/BNA	21.95%
% NA	0.61%
Median Family Income (MFI)	
2010 MFI for AA	\$58,911
2011 HUD-Adjusted MFI	\$62,100
Economic Indicators	
Unemployment Rate	5.80%
2000 Median Housing Value	\$135,687
% Of Households Below Poverty Level	13.94%

Source: 2010 Census data.

The Little Rock-North Little Rock-Conway MSA has been designated as the full-scope AA. The AA consists of six counties in their entirety: Faulkner, Grant, Lonoke, Perry, Pulaski, and Saline. The MSA has 164 CTs: 11 low-income CTs, 39 moderate-income CTs, 77 middle-income CTs, 36 upper-income CTs, and one unclassified CT.

FSNB operates two of its 82 branches in this AA. Both FSNB branches in the Little Rock-North Little Rock-Conway MSA are located in Walmart stores. ATM's are located just outside the branches and are available 24/7. FSNB entered the Little Rock, AR market in 2013 with one branch opening in May and one branch opening in September of that year. One branch is located in an upper-income CT and the other branch is located in a middle-income CT and borders a moderate-income CT. FSNB did not close any branches in this area during the evaluation period.

FSNB branches are located in the cities of Conway (Faulkner County) and Benton (Saline County), which are northwest and southwest of Little Rock, respectively. Conway and Benton are both approximately 30 miles from the center of Little Rock.

The AA is a very competitive market with 37 FDIC-insured institutions operating within the Little Rock-North Little Rock-Conway MSA. Based on the FDIC market share report dated June 30, 2014, FSNB ranked 37th out of 37 in terms of deposits market share with 0.00 percent of the market. Bank of America, Regions Bank, and Centennial Bank have the greatest market shares with 18 percent, 14 percent, and 10 percent, respectively.

The Little Rock-North Little Rock-Conway MSA is located in central Arkansas. The MSA population, according to the 2010 census, was 699,757. HUD 2013 MSA Median Family Income for the Little Rock-North Little Rock-Conway MSA is \$62,100.

Little Rock is the state capital of Arkansas and its largest city. According to the Bureau of Labor Statistics, the government employs the largest portion of residents. Other leading industries in the region include educational and health services and professional and business services. Little Rock's largest employer is the State of Arkansas. Faulkner County's largest employer is Acxiom Corporation, a data and technology service provider, followed by the Conway Public School System. Saline County's largest employer is the State of Arkansas followed by the Bryant Public School System.

According to the Bureau of Labor Statistics, the unemployment rate has slightly decreased between 2011 and 2013. In 2011 the unemployment rate for the Little Rock-North Little Rock-Conway MSA was 7.0 percent and improved to 6.8 percent in 2013. This rate is slightly better than the national unemployment rate of 8.9 percent decreasing to 7.4 percent for the same period. The leisure and hospitality industry showed employment growth in the fourth quarter of 2013 as compared to the same quarter, prior year. The information services industry shrunk by 5 percent compared to same quarter, prior year.

Limited-Scope AAs

Pine Bluff MSA – is comprised of three counties in their entirety: Cleveland, Jefferson, and Lincoln. FSNB has one branch in the AA and it is located in a Walmart store.

Pope County Non-MSA – is comprised of one county in its entirety: Pope County. FSNB's branch in Pope County is located in a Walmart store.

SCOPE OF EVALUATION IN ARKANSAS

One full-scope AA was selected for review in the State of Arkansas. The full-scope AA is the Little Rock MSA, which holds less than 1 percent of the bank's total deposits and loans. Loan products reviewed included vehicle loans and unsecured consumer loans. One loan product was not given more weight than the other when assessing performance. Limited-scope AAs areas in Arkansas include the Pine Bluff MSA and Pope County Non-MSA. Combined, these limited-scope AAs account for less than 1 percent of the bank's loans and deposits.

COMMUNITY CONTACTS

We interviewed one community contact in the Little Rock MSA AA. The organization contacted primarily serves LMI individuals and assists them with locating affordable housing and achieving homeownership. The organization has experienced budget cuts recently and is in need of additional funding sources.

The contact's territory is primarily the Little Rock MSA. The contact stated that the primary needs of the area include affordable housing, home repair, neighborhood stabilization programs, and homeowner's education. The contact felt as though local financial institutions already had a strategic plan for their lending and investments in place and CRA and affordable housing were not included.

Opportunities for banks to participate in CRA related projects are present. The contact stated the need for bank participation in funding LITHC projects and participation in the Federal Home Loan Bank affordable housing grant program. Overall, the contact stated that banks have been somewhat responsive to the needs of the community; however, apprehensive about fully committing to LMI communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN AR

LENDING TEST

The bank's performance under the Lending Test in Arkansas is rated "Satisfactory." The bank's borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals with different incomes and exceeds the standard. The bank's geographic distribution reflects a very poor dispersion throughout the AAs and does not meet the standard. Lending performance in the limited-scope AAs is poor.

An insufficient level of unsecured consumer and vehicle loans was generated in either of the two limited-scope AAs to perform a meaningful analysis.

Lending to Borrowers of Different Incomes

FSNB’s distribution of vehicle and unsecured consumer loans reflects excellent penetration to individuals with different incomes and exceeds the standard.

Little Rock MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. Seventy-six percent of the unsecured loans were made to AA low-income borrowers. This was more than three times the percentage of low-income AA households. Poor penetration to moderate-income borrowers; however, is indicated. The percentage of unsecured lending to moderate-income borrowers was somewhat lower than the percentage of moderate-income AA households.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN THE LITTLE ROCK MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	23.76%	76.32%	16.30%	10.53%	18.16%	7.89%	41.78%	5.26%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data.

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers. The percentage of vehicle lending to both the LMI borrower income groups is worthy of note. In both categories, the percentage of loans made to these borrowers is at least double the percentage of LMI AA households.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE LITTLE ROCK MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	23.76%	56.67%	16.30%	33.33%	18.16%	3.33%	41.78%	6.67%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs is not consistent with the performance in the full-scope AA and is considered poor. An insufficient level of unsecured consumer and vehicle lending was generated to make a meaningful analysis in either of the Pine Bluff MSA or Pope County limited-scope AAs.

Geographic Distribution of Loans

FSNB’s geographic distribution of loans reflects a very poor dispersion throughout the AAs is does not meet the standard.

Little Rock MSA

Consumer unsecured lending to LMI AA tracts does not meet the standard. The percentage of these loans is significantly lower than the percentage of LMI AA households and indicates very poor dispersion of unsecured lending in these AA LMI areas. Although only 5 percent of the AA households reside in low-income tracts, no unsecured loans were made to residents of these low-income tracts. In addition, there was very poor dispersion of unsecured lending in moderate-income tracts. The majority of the unsecured loans were made to residents in middle-income tracts because the two Little Rock MSA branches are located in middle- or upper-income areas. Neither branch is actually in the City of Little Rock where there are numerous LMI tracts. One branch is located in Conway, AK in an upper-income tract, and the other is in Benton, AK in a middle-income tract. These branch geographies skew the bank’s lending dispersion in the Little Rock MSA in favor of middle- and upper-income tracts.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE LITTLE ROCK MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	5.09%	0.00%	20.78%	2.63%	47.39%	92.11%	26.74%	5.26%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to borrowers in LMI AA tracts does not meet the standard. The percentage of these loans is significantly lower than the percentage of LMI AA households and indicates very poor dispersion of vehicle lending in these LMI AAs. Although only 5 percent of the AA households reside in low-income tracts, no vehicle loans were made to residents of these low-income tracts. In addition, there was very poor dispersion of vehicle lending in moderate-income tracts. The majority of the vehicle loans were made to residents in middle-income tracts because the two Little Rock MSA branches are located in middle- or upper-income areas. Neither branch is actually in the City of Little Rock where there are numerous LMI tracts. One branch is located in Conway, AK in an upper-income tract, and the other is in Benton, AK in a middle-income tract. These branch geographies skew the bank’s lending dispersion in the Little Rock MSA in favor of middle- and upper-income tracts.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE LITTLE ROCK MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	5.09%	0.00%	20.78%	3.33%	47.39%	86.67%	26.74%	10.00%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope AAs is not consistent with the performance in the full-scope AA and is considered poor. An insufficient level of unsecured consumer and vehicle lending was generated to make a meaningful analysis in either of the Pine Bluff MSA or Pope County limited-scope AAs.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB's lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank's AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in Arkansas is rated "Satisfactory." While FSNB did not originate CD loans, qualified investments and CD services were responsive to AA needs for an overall reasonable performance.

Number and Amount of Community Development Loans

FSNB did not originate any CD loans in the Little Rock MSA.

Conclusions for Areas Receiving Limited-Scope Reviews

FSNB did not originate any CD loans in the limited-scope AAs.

Number and Amount of Qualified Investments

In light of the very small percentage of FSNB deposit held in the Little Rock MSA AA, investment performance in this MSA AA indicates excellent responsiveness. FSNB originated one CRA qualified mortgage-backed security totaling \$736,000 in this full-scope AA.

Conclusions for Areas Receiving Limited-Scope Reviews

Performance in the limited-scope Pine Bluff MSA AA is not inconsistent with the performance in the full-scope AA. In the limited-scope Pine Bluff MSA AA, the bank originated a CRA qualified mortgage-backed security totaling \$105,000. The bank did not originate any investments in the Pope County AA and performance in this limited-scope area is considered poor.

Extent to Which the Bank Provides Community Development Services

FSNB has provided a satisfactory level of CD service activities in the full-scope Little Rock MSA AA. FSNB provided 15 hours of CD services to 144 LMI individuals. Financial education training was provided to children at various Goodwill events. A bank officer serves on the Board of a non-profit organization that provides workforce skills to LMI individuals to enhance their opportunities for employment.

FSNB's branches and retail services are reasonably accessible to geographies and individuals of all income levels. FSNB operates two of its 82 branches in the Little Rock-North Little Rock-Conway AA. Both branches are located in Walmart stores. ATM's are located at both branches and are available 24 hours a day. Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on branch distribution and retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank's performance in the two limited-scope AAs is weaker than in the full-scope AA. In the Pope County AA, the bank reports two hours of service to a qualified non-profit. There were no CD services in the Pine Bluff MSA AA. These AAs encompass two Walmart branches and represents 0.05 percent of the bank's total deposits.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated adequate responsiveness to the identified needs and opportunities throughout the full-scope AA. Financial education has been recognized as a critical need throughout the United States by the CFPB. In the full-scope AA, the bank provided 13 hours of financial literacy training reaching 114 LMI individuals. FSNB also invested in a high level of qualified investments totaling \$736,000 that promoted affordable housing.

State Rating

State of California

CRA Rating for California: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- Unsecured consumer and vehicle lending in the full scope Riverside-San Bernardino MSA AA was limited, but adequate to make a meaningful assessment of lending performance.
- The bank's borrower distribution of vehicle and unsecured consumer loans reflects an excellent penetration to individuals with different income levels and exceeds the standard for satisfactory performance.
- The bank's geographic distribution of loans reflects an excellent dispersion throughout the AA and exceeds the standard for satisfactory performance.
- The bank's CD activities reflect an adequate responsiveness to the CD needs of the AA. FSNB made a high level of qualified investments totaling \$750,000. CD service activities were low and centered in providing financial literacy to LMI persons. No CD loans were originated.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CALIFORNIA

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE RIVERSIDE-SAN BERNARDINO-ONTARIO MSA AA	
Population	
Number of Families	949,542
Number of Households	1,263,031
Geographies	
Number of Census Tracts/BNA	822
% Low-Income Census Tracts/BNA	5.72%
% Moderate-Income Census Tracts/BNA	28.22%
% Middle-Income Census Tracts/BNA	35.89%
% Upper-Income Census Tracts/BNA	29.56%
% NA	0.61%
Median Family Income (MFI)	
2010 MFI for AA	\$63,176
2011 HUD-Adjusted MFI	\$62,600
Economic Indicators	
Unemployment Rate	8.40%
2000 Median Housing Value	\$317,566
% Of Households Below Poverty Level	12.20%

Source: 2010 Census data.

The Riverside-San Bernardino-Ontario, CA MSA has been designated as the full-scope AA, although its operations are restricted to the Marine Corps Air Ground Combat

Center (MCAGCC) Twentynine Palms. The MSA is a large land area that encompasses the southwestern portion of California stretching from the Los Angeles area to the Nevada state line. The MSA consists of mostly sparsely populated desert. At over 27,000 square miles, it is the largest MSA in the country by land size. The MSA consists of the Riverside and San Bernardino counties. The MSA has 822 CTs: 47 low-income CTs, 232 moderate-income CTs, 295 middle-income CTs, 243 upper-income CTs, and 5 unclassified income CTs. The FSNB branch on MCAGCC Twentynine Palms is located in a moderate-income CT.

FSNB operates one of its 82 branches in this AA. The branch is located on Marine Corp Air Ground Combat Center (MCAGCC) Twentynine Palms. FSNB has had a branch on MCAGCC Twentynine Palms since 1997. FSNB's mission at MCAGCC Twentynine Palms is to provide access to banking services for Marine servicemembers. The branch is a stand-alone branch. It operates Monday-Friday from 9:00 am to 5:30 pm, Saturdays 10:00 am to 2:00 pm. The branch offers extended hours on military paydays to provide access that is more convenient for servicemembers, most of which are LMI. There are 10 ATM's available on-base. Two ATM's are located outside the branch and are available 24 hours a day while eight other ATMs are located inside various base buildings and businesses for easy access.

Loan demand and opportunities are extremely limited due to MCAGCC being a closed base, FSNB having no off-base presence and the servicemembers being Marines continuing their training. Because of the transient nature of military servicemembers, FSNB's customer base is only located in the AA for a short time before transferring to another military installation. The opportunity for HMDA, commercial, and other loans is limited around military installations. These loans do not represent the primary credit needs of military members. Housing or housing subsidies are provided by the military to personnel. FSNB's customer base in this area is primarily enlisted Marines whose income is in the LMI category.

FSNB has a small presence in the Riverside-San Bernardino-Ontario MSA AA. The AA is a competitive market with 55 FDIC-insured institutions operating within the MSA. Based on the FDIC market share report dated June 30, 2013, FSNB was ranked 55th of 55 financial institutions in terms of deposit market share with 0.01 percent of the market. Large banks, such as Bank of America, Wells Fargo, and JPMorgan Chase Bank, dominate the market with deposit market shares of 20 percent, 19 percent, and 13 percent, respectively. FSNB was ranked 55th of 55 with respect to number of branches in the MSA. Deposits in the Riverside-San Bernardino-Ontario AA account for 0.76 percent of FSNB's total deposits.

The City of Twentynine Palms is a small community in the Mohave Desert, borders the Joshua Tree National Park, and mainly supports the Marine base there. The population of the City of Twentynine Palms was 25,048 according to the 2010 census. The population in the MSA based on the 2010 census is 4,224,851, a 30 percent increase from the 2000 census. The HUD 2013 Statewide Non-MSA Median Family Income is \$62,600. According to the Bureau of Labor Statistics, the MSA's unemployment rate has improved steadily from 13.6 percent in 2011 to 10.2 percent in 2013. These rates are

well above the national unemployment rate of 8.9 percent in 2011 to 7.4 percent in 2013.

The governmental industry employs a large portion of the MSA's population. The retail trade and leisure and hospitality industry are also important to the MSA economy. According to MCAGCC's Economic Impact study for fiscal year 2013, the installation contributes an estimated \$1.7 billion to the local economy. The largest employer in the MSA is the United States Government. The leisure and hospitality and professional and business services industries showed employment growth in the first quarter of 2014 as compared to the same quarter, prior year.

SCOPE OF EVALUATION IN CALIFORNIA

One full-scope AA was selected for review in the State of California. The full-scope AA is the Riverside-San Bernardino-Ontario MSA, which holds less than 1 percent of the bank's total deposits and loans. Loan products reviewed included vehicle loans and unsecured consumer loans. One loan product was not given more weight than the other when assessing performance. There are no limited-scope AAs areas in California.

COMMUNITY CONTACTS

We interviewed one community contact in the San Bernardino MSA AA. This organization specializes in full service financial counseling for first time homebuyers, foreclosure, credit, debt, and bankruptcy. The organization also provides financial literacy programs for LMI residents.

This organization has either sponsored or participated in over 200 financial service-related workshops. It serves as the lead organization in several initiatives including the Inland Empire Saves (part of America Saves), Preserving Earning and Acquiring Real Life Skills (PEARLS) initiative for low-income women, and partners with United Way of Inland Valleys to provide financial counseling for foster youth becoming emancipated from the social welfare system.

In California, this organization primarily serves the Inland Empire (IE), which includes San Bernardino and Riverside counties. The contact stated that the sheer scope of the geography has resulted in a seeming inability for organizations and local government to work together. As a result of increased regulatory refocus, the financial community has recently begun to work together and now help sponsor community development meetings in the area.

The contact mentioned several opportunities for financial institutions to participate in community development and investments/grants. The organization has collaborated with several of the large national and regional financial institutions; however, they have had limited participation by any of the community banks. There is a need for participation in the various workshops sponsored by the organization and through

financial support for activities. Grants have been reduced in recent years to on average \$5,000-\$10,000. A major need is unrestricted funding and operating grants.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CA

LENDING TEST

The bank’s performance under the Lending Test in California is rated “Satisfactory.” While lending volumes were limited, the distribution of loans to borrowers and geographies of different income levels was excellent for overall satisfactory performance.

Lending to Borrowers of Different Incomes

FSNB’s distribution of vehicle and unsecured loans reflects excellent penetration to individuals with different incomes and exceeds the standard.

Riverside-San Bernardino-Ontario MSA

Consumer unsecured lending to LMI borrowers in the AA exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households in both LMI tracts and indicates excellent penetration o LMI borrowers.

BORROWER DISTRIBUTION OF UNSECURED LOANS IN RIVERSIDE-SAN BERNARDINO MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	23.47%	53.33%	16.52%	31.11%	18.23%	8.89%	41.78%	6.67%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan Sample; 2010 U.S. Census data

Consumer vehicle lending to LMI borrowers exceeds the standard. The percentage of these loans significantly exceeds the percentage of LMI AA households and indicates excellent penetration to LMI borrowers.

BORROWER DISTRIBUTION OF VEHICLE LOANS IN THE RIVERSIDE-SAN BERNARDINO MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	23.47%	26.47%	16.52%	17.65%	18.23%	29.41%	41.78%	26.47%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan Sample; 2010 U.S. Census data.

Geographic Distribution of Loans

FSNB’s geographic distribution of loans reflects excellent dispersion and exceeds the standard.

Riverside-San Bernardino-Ontario MSA

Consumer unsecured lending to borrowers in LMI AA tracts exceeds the standard. While no unsecured loans were to made borrowers residing in the low-income areas, these tracts comprise only 5 percent of the AA households. Almost 38 percent of the consumer unsecured loans made in the AA; however, were made in moderate-income tracts for an overall excellent dispersion of lending in the LMI areas.

GEOGRAPHIC DISTRIBUTION OF UNSECURED LOANS IN THE RIVERSIDE-SAN BERNARDINO MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Unsecured Loans	5.27%	0.00%	26.33%	37.78%	36.10%	51.11%	32.30%	11.11%

Source: 2012, 2013 and YTD June 30, 2014 Unsecured Loan sample; 2010 U.S. Census data

Consumer vehicle lending to borrowers in LMI AA tracts exceeds the standard. The percentage of vehicle loans made to borrowers residing in the low-income CTs is somewhat lower than the percentage of AA household in those areas indicating poor penetration in these tracts. Forty-one percent of the vehicle loans made in the AA; however, were made in moderate-income tracts and significantly exceed the percentage of moderate-income AA households. Consequently, the combined percentages of these loans significantly exceed the percentages of LMI AA households, and overall, indicate excellent dispersion of lending in the combined LMI areas.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS IN THE RIVERSIDE-SAN BERNARDINO MSA								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Vehicle Loans	5.27%	2.94%	26.33%	41.18%	36.10%	47.06%	32.30%	8.82%

Source: 2012, 2013 and YTD June 30, 2014 Auto Loan sample; 2010 U.S. Census data.

Lending Gap Analysis

We reviewed summary reports and analyzed FSNB’s lending activity over the evaluation period to identify gaps in the geographic distribution of loans. We did not identify any unexplained conspicuous gaps. The bank’s AAs consist of whole geographies, meet the requirements of the CRA regulation, and do not arbitrarily exclude any LMI areas.

Responses to Complaints

FSNB has not received any complaints about its performance in helping to meet the credit needs within this AA during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test in California is rated “Satisfactory.” While FSNB did not make CD loans, investment performance reflected excellent responsiveness for overall reasonable performance.

Number and Amount of Community Development Loans

FSNB did not originate any CD loans in the Riverside-San Bernardino-Ontario MSA.

Number and Amount of Qualified Investments

In light of the very small percentage of FSNB deposit held in the AA, investment performance in this AA indicates excellent responsiveness. FSNB originated five CRA qualified mortgage-backed security totaling \$642,000 and six donations totaling \$8,000.

Extent to Which the Bank Provides Community Development Services

CD service activities in the full-scope AA were limited to providing one hour of financial literacy training to 22 LMI service men.

Refer to the *Description of the AA* and *Description of the Institution* sections of the Performance Evaluation for additional information on retail services.

Conclusions for Areas Receiving Limited-Scope Reviews

The bank does not have any limited scope AAs in the State of California.

Responsiveness to Community Development Needs

Overall, FSNB has demonstrated adequate responsiveness with regard to CD activities. FSNB invested in CRA qualified mortgage-backed securities and donations totaling \$650,000.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 01/01/12 to 06/30/14 Community Development Test: 03/24/09 to 10/06/14				
Financial Institution			Products Reviewed		
The Fort Sill National Bank Fort Sill, OK			Unsecured Consumer Loans Vehicle Loans		
Affiliate(s)	Affiliate Relationship	Products Reviewed			
City National Bank Lawton, OK	Common Ownership	None			
List of Assessment Areas and Type of Examination					
Assessment Area	Type of Exam	Other Information			
Assessment Area	Full/Limited Scope	# of Branches	Net Loans as of 6/30/14	% of Total Bank Loans	% of Total Bank Deposits
North Carolina					
Burlington MSA	Limited	1	\$162,720	0.15%	0.14%
Fayetteville MSA	Full	6	\$3,292,921	3.06%	4.05%
Raleigh-Cary MSA	Limited	3	\$1,283,130	1.19%	1.04%
Richmond County	Limited	1	\$414,633	0.38%	0.36%
Jacksonville MSA	Limited	2	\$506,572	0.47%	1.08%
Wilmington MSA	Limited	2	\$1,101,458	1.02%	1.22%
Charlotte-Gastonia-Rock Hill MSA	Limited	1	\$186,267	0.17%	0.15%
Tennessee					
Knoxville MSA	Limited	3	\$713,314	0.66%	0.75%
Johnson City MSA	Limited	3	\$793,225	0.74%	0.44%
Kingsport-Bristol MSA	Limited	2	\$354,658	0.33%	0.19%
Jackson MSA	Limited	1	\$146,502	0.14%	0.09%
Clarksville, TN-KY MSA	Limited	1	\$241,195	0.22%	0.22%

Nashville-Davidson-Murfreesboro-Franklin MSA	Full	12	\$3,206,757	2.98%	2.68%
McMinn, Warren, Putnam, Cumberland Counties	Limited	4	\$1,060,922	0.98%	1.14%
Multi-State					
Memphis, TN-MS-AR MSA	Full	10	\$3,152,541	2.93%	1.79%
OK					
Lawton MSA	Full	7	\$54,601,985	50.69%	64.09%
Texas					
Wichita Falls MSA	Full	3	\$9,335,761	8.67%	10.07%
California					
Riverside-San Bernardino-Ontario MSA	Full	1	\$1,300,625	1.21%	0.82%
South Carolina					
Beaufort County	Full	1	\$5,867,226	5.45%	4.91%
Delaware					
Dover MSA	Full	3	\$1,069,221	0.99%	2.81%
Louisiana					
Shreveport-Bossier City MSA	Full	6	\$16,466,741	15.29%	0.65%
Mississippi					
Jackson MSA	Full	5	\$1,669,102	1.55%	1.21%
Arkansas					
Little Rock-North Little Rock-Conway MSA	Full	2	\$610,849	0.57%	0.05%
Pine Bluff MSA	Limited	1	\$41,144	0.04%	0.03%
Pope County	Limited	1	\$131,821	0.12%	0.02%

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Fort Sill National Bank	Satisfactory	Outstanding	Satisfactory
OK	Satisfactory	Outstanding	Satisfactory
Texas	Satisfactory	Outstanding	Satisfactory
North Carolina	Satisfactory	Outstanding	Satisfactory
Tennessee	Satisfactory	Outstanding	Satisfactory
South Carolina	Outstanding	Outstanding	Outstanding
Delaware	Satisfactory	Satisfactory	Satisfactory
Mississippi	Satisfactory	Outstanding	Satisfactory
Louisiana	Satisfactory	Outstanding	Satisfactory
Arkansas	Satisfactory	Satisfactory	Satisfactory
Memphis Multi-State MSA	Satisfactory	Outstanding	Satisfactory
California	Satisfactory	Satisfactory	Satisfactory