PUBLIC DISCLOSURE

March 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FNBC Bank
RSSD #100843

636 Ash Flat Drive
Ash Flat, Arkansas 72513

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

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

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

The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

FNBC Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs of the assessment areas.

- A majority of loans and other lending-related activities are in the assessment areas.

- The distribution of loans to borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels, including low- and moderate-income (LMI).

- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.

- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

- The bank's overall community development performance demonstrates adequate responsiveness to its assessment areas' community development needs, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) Interagency CRA Procedures for Intermediate Small Institutions, which entail two performance tests: the Lending Test and the Community Development Test. The bank's performance under these tests is rated at the institution level. The bank maintains operations in two delineated assessment areas within the state of Arkansas.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each assessment area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report as of December 31, 2018.

Assessment Area	Offices		Deposits as of December 31, 2018		Assessment Area Review Procedures
	#	%	$ (000s)	%	
North Central Arkansas	10	90.9%	$332,616	100.0%	Full Scope
Jonesboro[1]	1	9.1%	0	0.0%	Limited Scope
OVERALL	**11**	**100%**	**$332,617**	**100%**	**1 Full Scope 1 Limited Scope**

In light of branch structure, loan and deposit activity, and the bank's recent entry into the Jonesboro assessment area, CRA performance in the North Central Arkansas assessment area is the only one reviewed using full-scope procedures, as it contains the almost all of the bank's loan and deposit activity.

Lending performance was based on small business loans, residential real estate loans, and consumer motor vehicle loans, as these loan categories are considered the bank's primary business lines based on lending volume and the bank's stated business strategy.[2] Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, since business loans carry greater weight in the bank's loan portfolio by dollar and number, performance based on that loan category carried the most significance toward the bank's overall performance conclusions, followed by residential real estate loans and, finally, consumer motor vehicle loans.

The following table details the performance criterion and the corresponding time period used in each analysis.

[1] There were no deposits in the Jonesboro assessment area on December 31, 2018, because the bank did not operate a deposit-taking facility until January 1, 2019, when it converted a loan production office (LPO) into a full-service branch.

[2] Small business, 1–4 family residential real estate, and consumer motor vehicle loan types were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

Performance Criterion	Time Period
LTD Ratio	March 31, 2016 – December 31, 2018
Assessment Area Concentration	January 1, 2017 – December 31, 2017
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	February 1, 2016 – March 3, 2019
Community Development Activities	

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business demographics are based on 2017 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors affecting lenders in an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Two other banks were identified as similarly situated peers, with asset sizes ranging from $525.6 million to $856.0 million as of December 31, 2018.

As part of the Community Development Test, the bank's performance was evaluated using the following criteria, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments.
- The extent to which the bank provides community development services.

The review included community development activities initiated from the date of the bank's previous CRA evaluation to this review date.

To augment this evaluation, two interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

FNBC Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is a wholly owned subsidiary of FNBC Bancorp, Inc., a one-bank holding company. The bank and its holding company are both headquartered in Ash Flat, Arkansas. FNBC

Bank and FNBC Bancorp, Inc., are certified Community Development Financial Institutions (CDFIs), as designated by the United States Department of the Treasury. CDFIs share a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. The bank's branch network consists of 11 full-service offices (including the main office), all of which have full-service automated teller machines (ATMs) on site. In addition to being a full-service facility, 10 of the 11 offices, including the main office, have drive-through accessibility. During the review period, the bank converted an LPO into a branch thus entering into a second assessment area. Based on this branch network and other delivery systems, such as extended hours and online banking capabilities, mobile banking, and remote deposit capture, the bank is well positioned to deliver financial services to substantially all of its assessment areas.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the credit needs of its assessment areas based on its available resources and financial products. As of December 31, 2018, the bank reported total assets of $464.0 million. As of the same date, loans and leases outstanding were $342.9 million (73.9 percent of total assets) and deposits totaled $350.3 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of December 31, 2018		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$14,995	4.4%
Commercial Real Estate	$107,730	31.4%
Multifamily Residential	$7,139	2.1%
1–4 Family Residential	$82,913	24.2%
Farmland	$48,904	14.3%
Farm Loans	$10,158	3.0%
Commercial and Industrial	$41,896	12.2%
Loans to Individuals	$24,445	7.1%
Total Other Loans	$4,722	1.4%
TOTAL	**$342,902**	**100%**

As indicated by the preceding table, a significant portion of the bank's lending resources is directed to commercial loans and loans secured by 1–4 family residential properties. While not reflected in the table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation, conducted by this Reserve Bank on February 1, 2016.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

FNBC Bank meets the standards for a satisfactory Lending Test rating under the intermediate small bank procedures, which evaluate bank performance under the following five criteria as applicable.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio in comparison to those of regional peers. The average LTD ratio represents a 12-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of December 31, 2018**	**Average LTD Ratio**
FNBC Bank	Ash Flat, Arkansas	$464,018	98.5%
Regional Banks	Batesville, Arkansas	$856,029	87.7%
	Mountain Home, Arkansas	$525,645	83.4%

Based on data from the preceding table, the bank's level of lending is above that of other banks in the region. During the review period, the bank's quarterly LTD ratio, calculated from Consolidated Reports of Condition and Income data, generally experienced an increasing trend with a 12-quarter average of 98.5 percent. In comparison, the average LTD ratios for the regional peers were lower at 87.7 percent and 83.4 percent. Therefore, compared to data from regional banks, the bank's average LTD ratio is more than reasonable given its size, financial condition, and the credit needs of its assessment areas.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Areas January 1, 2017 through December 31, 2017						
Loan Type	**Inside Assessment Areas**		**Outside Assessment Areas**		**TOTAL**	
Small Business	97	85.1%	17	14.9%	**114**	**100%**
	7,219	69.9%	3,106	30.1%	**$10,325**	**100%**
1–4 Family Residential Real Estate	90	84.9%	16	15.1%	**106**	**100%**
	8,483	83.5%	1,677	16.5%	**$10,160**	**100%**
Consumer Motor Vehicle	148	93.1%	11	6.9%	**159**	**100%**
	1,874	91.9%	165	8.1%	**$2,039**	**100%**
TOTAL LOANS	**335**	**88.4%**	**44**	**11.6%**	**379**	**100%**
	17,576	**78.0%**	**4,947**	**22.0%**	**$22,523**	**100%**

The bank originated a majority of its small business, 1–4 family residential real estate secured, and consumer motor vehicle loans inside its assessment areas. As shown in the preceding table, 88.4 percent of total loans were made inside the assessment areas, accounting for 78.0 percent of the dollar volume of total loans.

Geographic and Borrower Distribution

Overall, performance by borrower's income/revenue profile is reasonable. In addition, the bank's distribution of lending by income level of census tract reflects reasonable penetration.

Assessment Area/Loan Distribution	North Central Arkansas (Full Scope)	Jonesboro (Limited Scope)
Loan Distribution by Borrower's Profile	Reasonable	Below
Geographic Distribution of Loans	Reasonable	Below

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (February 1, 2016 through March 3, 2019).

COMMUNITY DEVELOPMENT TEST

FNBC Bank's performance under the Community Development Test is rated satisfactory. The bank demonstrates adequate responsiveness to the community development needs of its assessment area, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area.

Assessment Area/ Community Development Test	**North Central Arkansas (Full Scope)**	**Jonesboro (Limited Scope)**
Performance Conclusions	Adequate	Below

During the review period, the bank originated 33 community development loans in its assessment areas totaling $6.0 million. Of those loans, 14 were to revitalize/stabilize underserved and distressed middle-income census tracts, 12 were to community service organizations, 5 were to promote economic development, and 2 were to create affordable housing.

The bank also made community development investments and donations inside its assessment areas totaling $2.0 million. This total included six new community development investments totaling $1.9 million and 20 donations totaling $75,285. All of the investments were municipal bonds issued by qualifying school districts and municipalities for community services and infrastructure improvements. Furthermore, the donations were to 15 separate organizations having a community development purpose.

Bank personnel, including members of senior management, used financial expertise to log 1,865 service hours to 28 different community development organizations in the bank's assessment areas. Service activities benefitted organizations providing services to LMI individuals and families through a variety of initiatives, including hunger relief, education for LMI individuals, and programs assisting LMI homebuyers.

In addition to adequately meeting the community development needs of its own assessment areas, the bank made $8 million in community development investments to various organizations outside its assessment areas, but are in the broader statewide area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

NONMETROPOLITAN ARKANSAS STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NORTH CENTRAL ARKANSAS ASSESSMENT AREA

Bank Structure

The bank operates 10 of its 11 offices in this assessment area, representing 91.0 percent of total branches. All ten of these branches have a full-service ATM on site. Of the ten offices located in this assessment area, eight are located in distressed or underserved middle-income census tracts (seven distressed due to poverty and two underserved due to their remote/rural nature), one is located in a middle-income census tract that is not distressed or underserved, and one is located in an upper-income census tract. Since the last examination, the bank did not open or close any branches in this assessment area. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of Baxter, Fulton, Independence, Izard, and Sharp Counties in Arkansas in their entireties and the two southern census tracts of Oregon County, Missouri. This is the bank's primary assessment area and is located in north central Arkansas, bordering south central Missouri. The assessment area's population as of the 2010 U.S. Census is shown in the following table:

County	Population
Baxter	41,040
Fulton	12,224
Independence	36,952
Izard	13,480
Sharp	17,055
Oregon	6,973[3]
Total Assessment Area Population	**127,724**

This assessment area has low levels of competition. Of the 19 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked third in deposit market share, encompassing 11.9 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include financial education and business loans for small business owners, home repair and renovation loans,

[3] The Oregon County population figure reflects the two census tracts included in the bank's north central Arkansas assessment area, rather than Oregon County as a whole.

and programs for financial education and homeownership counseling for consumers. In addition, the community contacts noted a need in the area for investment in public infrastructure.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area census tracts by income level and the family population of those tracts.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	3	25	1	0	**29**
	0.0%	10.3%	86.2%	3.5%	0.0%	**100%**
Family Population	0	1,986	32,786	685	0	**35,457**
	0.0%	5.6%	92.5%	1.9%	0.0%	**100%**

As shown above, the majority of census tracts in the assessment area (86.2 percent) are middle-income and 92.5 percent of the family population resides in those census tracts. Of the total families in the assessment area, only 5.6 percent live in LMI census tracts. Two of the three moderate-income census tracts are mostly rural in nature, and the third is located in Batesville, Arkansas, where the bank faces heightened competition from other financial institutions.

Based on 2010 U.S. Census data, the median family income for the assessment area was $43,911. The median family income for nonmetropolitan statistical area (nonMSA) Arkansas as a whole was slightly higher at $45,060. More recently, the FFIEC estimates the 2017 median family income for nonMSA Arkansas to be $46,500. The following table displays population percentages of assessment area families by income level compared to all nonMSA Arkansas families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	6,910	7,083	7,403	14,061	**35,457**
	19.5%	20.0%	20.9%	39.7%	**100%**
NonMSA Arkansas	64,826	54,506	59,209	125,086	**303,627**
	21.4%	18.0%	19.5%	41.2%	**100%**

While the previous table indicated that only 5.6 percent of families live in LMI census tracts, the preceding table shows that 39.5 percent of families in the assessment area are LMI. This is comparable to the LMI families living in nonMSA Arkansas (39.4 percent). In addition, while not shown in the preceding data, the percentage of families living below the poverty level in the assessment area (14.6 percent) is slightly less than the 16.6 percent in nonMSA Arkansas. Considering these factors, the assessment area is similarly affluent to nonMSA Arkansas as a whole.

Housing Demographics

As shown below, housing in the assessment area is generally less affordable than nonMSA Arkansas.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Baxter County, Arkansas	$120,400	29.4%	$624
Fulton County, Arkansas	$96,700	38.3%	$508
Independence County, Arkansas	$96,000	37.8%	$573
Izard County, Arkansas	$78,000	41.8%	$508
Sharp County, Arkansas	$74,800	41.0%	$578
Oregon County, Missouri	$79,400	37.6%	$473
Assessment Area	$99,085	35.0%	$577
NonMSA Arkansas	$85,989	41.0%	$588

Income levels in the assessment area are comparable to nonMSA Arkansas as a whole; however, housing in the assessment area, on average, is less affordable than nonMSA Arkansas. As displayed in the preceding table, the median housing value in the assessment area ($99,085) is above that of nonMSA Arkansas ($85,989). This figure is elevated due to higher median home values in Baxter, Fulton, and Independence Counties, which account for 73.0 percent of the assessment area's total population. Similarly, the average affordability ratio in the assessment area (35.0 percent) is less than that of nonMSA Arkansas (41.0 percent). Based on the affordability ratio, homeownership is likely out of reach for many LMI families. One community contact noted that home purchase and improvement loans are the highest credit needs in the area, but many LMI residents face challenges funding down payments for home purchase loans.

The percentage of rental units in the assessment area (20.2 percent) is below that of nonMSA Arkansas (25.0 percent). Further, the percentage of renters in the assessment area with rent costs exceeding 30 percent of their income (43.5 percent) is above that of nonMSA Arkansas (41.0 percent). This supports information provided by community contacts who noted a lack of affordable rental properties in the area, despite the assessment area's average median monthly gross rent being below that of nonMSA Arkansas. Nevertheless, the median gross rent figure is more consistent across the assessment area, with Fulton, Independence, Izard, and Sharp Counties' median gross rents all in the $500 per month range.

Industry and Employment Demographics

The assessment area supports a large business community, including a strong small business sector, as evidenced by Dun & Bradstreet data that indicates 88.9 percent of assessment area businesses have gross annual revenues of $1 million or less. County business patterns indicate that there are 34,881 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are health care and social assistance (25.9 percent), followed by manufacturing (18.4 percent), and retail trade (17.2 percent).

The following table details employment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county in the assessment area, the assessment area as a whole, and nonMSA Arkansas.

Unemployment Levels			
Dataset	**Time Period (Annual Average)**		
	2016	**2017**	**2018 (11-Month Average)**
Baxter County, Arkansas	4.3%	4.2%	4.1%
Fulton County, Arkansas	4.3%	4.2%	4.0%
Independence County, Arkansas	4.9%	4.2%	4.1%
Izard County, Arkansas	5.6%	5.5%	5.5%
Sharp County, Arkansas	5.4%	4.9%	4.6%
Oregon County, Missouri	6.0%	4.7%	3.7%
Assessment Area Average	4.9%	4.5%	4.2%
NonMSA Arkansas	4.8%	4.4%	4.4%

As shown in the preceding table, unemployment levels have declined in the assessment area and nonMSA Arkansas during the review period. Of the six counties comprising the assessment area, Izard and Sharp Counties consistently averaged the highest unemployment rates throughout the review period. Oregon County experienced the greatest decline from 6.0 percent in 2016 to 3.7 percent in 2018.

Community Contact Information

Information from two community contacts helped shape the performance context in which the bank’s activities in this assessment area were evaluated. The interviews were conducted with local economic and business development professionals specializing in small business assistance and affordable housing. According to the contacts, there is a lack of a trained workforce available to attract and retain businesses. In addition, both community contacts noted a need for investment and revitalization of local downtown areas and for financial education and literacy programs for consumers and small businesses. One contact stated that there is a need for homeownership counseling services, as well as home repair/renovation loans, and also a need for affordable housing. The other contact identified a need for small dollar loans to businesses and indicated that businesses need better access to capital. Finally, both contacts indicated that financial institutions in the area are responsive to meeting the needs of LMI communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NORTH CENTRAL ARKANSAS ASSESSMENT AREA

LENDING TEST

The bank's Lending Test rating in the North Central Arkansas assessment area is satisfactory. The distribution of loans reflects reasonable penetration among businesses of different sizes and borrowers of different income levels. Similarly, the geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's distribution by borrower's profile is reasonable, based on performance from all three loan categories reviewed. In reaching overall conclusions, emphasis was primarily placed on the small business loan product, followed by residential real estate, and finally consumer motor vehicle loans.

The following table shows the distribution of 2017 small business lending by loan amount and business revenue compared to Dun & Bradstreet and aggregate lending data.

Distribution of Loans Inside Assessment Area by Business Revenue
January 1, 2017 through December 31, 2017

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	73	77.7%	8	8.5%	0	0.0%	**81**	**86.2%**
Greater than $1 Million/Unknown	2	2.1%	4	4.3%	7	7.4%	**13**	**13.8%**
TOTAL	**75**	**79.8%**	**12**	**12.8%**	**7**	**7.4%**	**94**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**88.9%**	
2017 CRA Aggregate Data							**50.3%**	

The bank's level of lending to small businesses is 86.2 percent, which is slightly below the demographic (88.9 percent) but well above aggregate lending data (50.3 percent). Additionally, 77.7 percent of the bank's business loans were to small businesses in amounts of $100,000 or less, which indicates the bank's willingness to lend small dollar amounts to small businesses. Consequently, the bank's borrower profile performance for the small business loan category is reasonable.

The following table shows the distribution of 1–4 family residential real estate loans by borrower income level compared to family population income demographics and 2017 aggregate performance for the assessment area.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
1–4 Family Residential Real Estate	6	6.8%	7	8.0%	14	15.9%	46	52.3%	15	17.0%	**88**	**100%**
Family Population	19.5%		20.0%		20.9%		39.7%		0.0%		**100%**	
2017 HMDA Aggregate	7.0%		14.8%		19.0%		42.3%		17.0%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (6.8 percent) is well below the low-income family population figure (19.5 percent) but similar to the 2017 aggregate lending level (7.0 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (8.0 percent) is well below both the moderate-income family population figure (20.0 percent) and the aggregate lending level (14.8 percent), reflecting poor performance. When combined, 14.8 percent of the bank's 1–4 family residential real estate loans were made to LMI borrowers, compared to an LMI family population of 39.5 percent and aggregate performance of 21.8 percent. Overall, the bank's distribution of 1–4 family residential real estate loans by borrower's profile is poor.

Finally, the bank's consumer motor vehicle loans were analyzed by borrower income level compared to household population demographics for the assessment area.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle Loans	31	21.2%	22	15.1%	43	29.5%	50	34.2 %	0	0.0%	**146**	**100%**
Household Population	23.4%		17.1%		19.5%		39.9%		0.0%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (21.2 percent) is only slightly below the household population figure (23.4 percent), reflecting reasonable performance. Similarly, the bank's level of lending to moderate-income individuals (15.1 percent) is only slightly below the household population comparison (17.1 percent), reflecting reasonable performance. Based on this data, the distribution of the bank's consumer motor vehicle loans reflects reasonable performance to LMI individuals.

Geographic Distribution of Loans

As noted previously, the bank's North Central Arkansas assessment area does not include any low-income census tracts and contains only three moderate-income census tracts, representing 10.3 percent of all assessment area tracts. Overall, the bank's geographic distribution of loans reflects reasonable penetration, based on the three loan categories reviewed.

The following table displays 2017 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2017 small business aggregate lending data.

<table>
<tr><th colspan="13">Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2017 through December 31, 2017</th></tr>
<tr><th rowspan="2"></th><th colspan="10">Geography Income Level</th><th colspan="2" rowspan="2">TOTAL</th></tr>
<tr><th colspan="2">Low-</th><th colspan="2">Moderate-</th><th colspan="2">Middle-</th><th colspan="2">Upper-</th><th colspan="2">Unknown</th></tr>
<tr><td>Small Business Loans</td><td>0</td><td>0.0%</td><td>1</td><td>1.1%</td><td>92</td><td>97.9%</td><td>1</td><td>1.1%</td><td>0</td><td>0.0%</td><td>94</td><td>100%</td></tr>
<tr><td>Business Institutions</td><td colspan="2">0.0%</td><td colspan="2">5.2%</td><td colspan="2">90.5%</td><td colspan="2">4.4%</td><td colspan="2">0.0%</td><td colspan="2">100%</td></tr>
<tr><td>2017 Small Business Aggregate</td><td colspan="2">0.0%</td><td colspan="2">3.7%</td><td colspan="2">91.9%</td><td colspan="2">2.8%</td><td colspan="2">1.6%</td><td colspan="2">100%</td></tr>
</table>

The bank originated 1.1 percent of its small business loans to businesses located in moderate-income census tracts. In comparison, 2017 business geodemographic data indicate that 5.2 percent of assessment area businesses are located in the moderate-income census tracts. The bank's performance is also below that of other lenders, based on 2017 CRA aggregate data, which indicates that 3.7 percent of reported small business loans were in moderate-income census tracts. While the bank's performance in moderate-income census tracts appears poor, 45.7 percent of the bank's small business loans were made to businesses residing in middle-income census tracts that were designated distressed due to poverty or underserved due to their rural nature. Furthermore, two of the assessment area's three moderate-income census tracts are rural in nature with limited business lending opportunities and the third census tract is located in Independence County where competition for business loans is significantly greater. In light of these facts, the bank's overall geographic distribution of small business loans is reasonable.

As with the small business loan category, the bank's geographic distribution of 1–4 family residential real estate loans was reviewed. The following table displays the geographic distribution of 1–4 family residential real estate loans compared to owner-occupied housing demographics and aggregate lending data for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
1–4 Family Residential Real Estate	0	0.0%	4	4.5%	82	93.2%	2	2.3%	0	0.0%	**88**	**100%**
Owner-Occupied Housing	0.0%		5.0%		93.0%		2.0%		0.0%		**100%**	
2017 HMDA Aggregate	0.0%		3.6%		92.1%		4.3%		0.0%		**100%**	

The analysis of 1–4 family residential real estate loans reveals that the bank's performance is in line with comparison data. The bank's total penetration of moderate-income census tracts by number of loans (4.5 percent) is less than the percentage of owner-occupied housing units in moderate-income census tracts (5.0 percent) but above the performance of other lenders in the assessment area (3.6 percent). In addition, 54.6 percent of the bank's 1–4 family residential real estate loans were made to borrowers residing in middle-income census tracts that were designated distressed due to poverty or underserved due to their rural nature. Therefore, the bank's overall geographic distribution of 1–4 family residential real estate loans is reasonable.

As with the small business loan and 1–4 family residential real estate loan categories, the bank's geographic distribution of consumer motor vehicle loans was reviewed. The following table displays the geographic distribution of consumer motor vehicle loans compared to household population demographics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	0	0.0%	11	7.5%	135	92.5%	0	0.0%	0	0.0%	**146**	**100%**
Household Population	0.0%		5.3%		92.8%		1.9%		0.0%		**100%**	

The bank originated 7.5 percent of its consumer motor vehicle loans to borrowers residing in moderate-income census tracts, which is above the percentage of households in moderate-income census tracts (5.3 percent). In addition, 49.3 percent of the bank's consumer motor vehicle loans were made to borrowers residing in middle-income census tracts designated as distressed due to poverty or underserved due to their rural nature. Therefore, the geographic distribution of the bank's consumer motor vehicle loans is reasonable.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs in its North Central Arkansas assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services.

During the review period, the bank originated 31 community development loans in the assessment area totaling $6.0 million. Ten of the loans were renewals, and 23 were new originations. The qualified community development loans funded activities for the improvement, maintenance, and operation of essential infrastructure and facilities in distressed and underserved communities; the creation of LMI jobs through small business expansion; affordable housing for low-income borrowers; and organizations providing community services to LMI individuals.

The bank also made community development investments and donations inside its assessment area totaling $2.0 million. This amount included six new qualified investments that funded improvement of infrastructure in distressed and underserved tracts and met various needs of qualifying school districts. The 20 donations totaling $75,285 were made to organizations and groups that serve LMI individuals, LMI geographies, and distressed and underserved middle-income geographies.

Finally, bank personnel used financial expertise to log 65 service activities to 28 different community development organizations in the bank's assessment area. Service activities included delivering financial education in schools that primarily serve LMI families; providing financial expertise to community service organizations as board members, treasurers, and presidents; and assisting LMI individuals with applications for grants that provide down payment assistance for home purchase.

JONESBORO, ARKANSAS METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE JONESBORO ASSESSMENT AREA

This assessment area includes the entirety of Craighead County, one of the two counties that make up the Jonesboro, Arkansas MSA. The bank operates one office in this assessment area, which was opened during the review period. The tables below details key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	**Population Income Level**				**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	
Family Population	5,135	4,348	5,002	11,317	**25,802**
	19.9%	16.9%	19.4%	43.9%	**100%**
Household Population	9,061	6,071	6,565	17,027	**38,724**
	23.4%	15.7%	17.0%	44.0%	**100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	
Census Tracts	2	2	10	3	0	**17**
	11.8%	11.8%	58.8%	17.6%	0.0%	**100%**
Family Population	1,568	2,978	14,953	6,303	0	**25,802**
	6.1%	11.5%	58.0%	24.4%	0.0%	**100%**
Household Population	3,518	5,768	21,404	8,034	0	**38,724**
	9.1%	14.9%	55.3%	20.7%	0.0%	**100%**
Business Institutions	401	549	1,680	631	0	**3,261**
	12.3%	16.8%	51.5%	19.3%	0.0%	**100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JONESBORO ASSESSMENT AREA

LENDING TEST

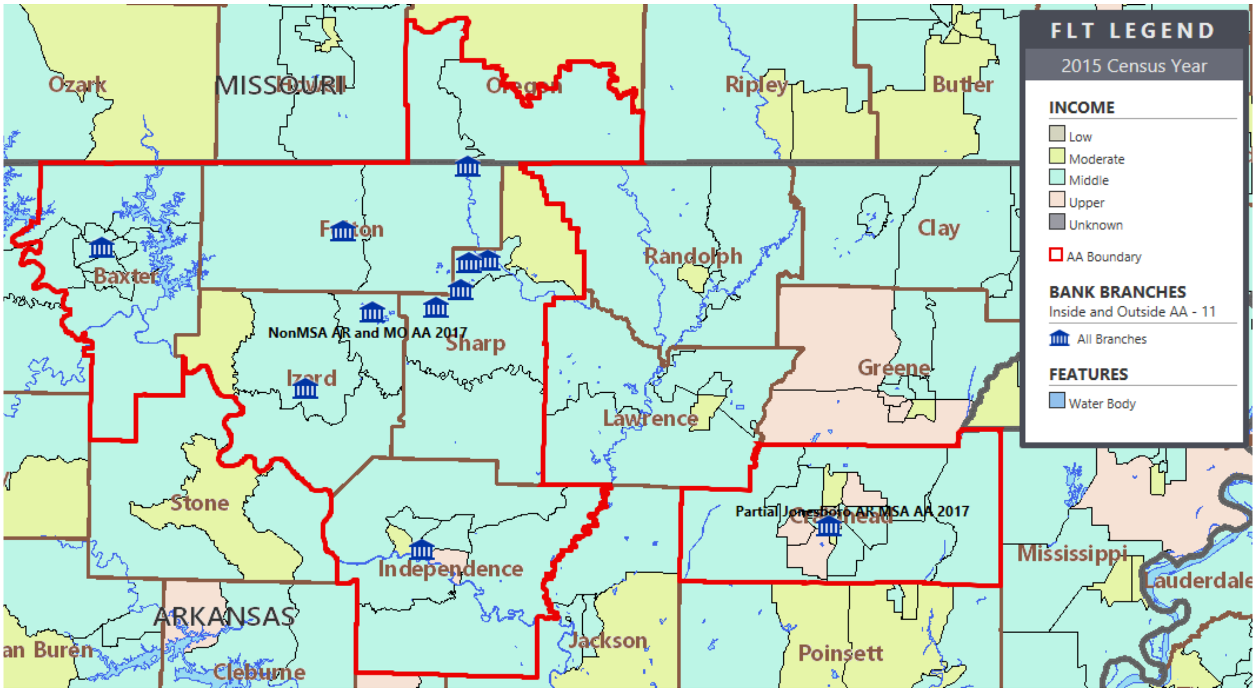
The bank's Lending Test performance in this assessment area is below its Lending Test performance in its North Central Arkansas assessment area, as detailed in the following table. For more detailed information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix A*.

Lending Test Criteria	Performance
Distribution of Loans by Borrower's Profile	Below
Geographic Distribution of Loans	Below
OVERALL	**BELOW**

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below the bank's Community Development Test performance in its North Central Arkansas assessment area. The bank did not perform any community development activities in this assessment area during the review period.

ASSESSMENT AREAS MAP



LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW ASSESSMENT AREAS

Jonesboro Assessment Area

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	2	66.7%	1	33.3%	0	0.0%	**3**	**100.0%**
Greater Than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**2**	**66.7%**	**1**	**33.3%**	**0**	**0.0%**	**3**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**86.9%**	
2017 CRA Aggregate Data							**47.6%**	

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	0	0.0%	0	0.0%	1	50.0%	1	50.0%	**2**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL 1–4 Family Residential Real Estate	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**1**	**50.0%**	**1**	**50.0%**	**2**	**100%**
Family Population	19.9%		16.9%		19.4%		43.9%		0.0%		**100%**	
2017 HMDA Aggregate	2.8%		10.5%		18.3%		44.4%		23.9%		**100%**	

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Loans	0	0.0%	0	0.0%	0	0.0%	2	100.0%	0	0.0%	**2**	**100%**
Household Population	23.4%		15.7%		17.0%		44.0%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	3	100.0%	0	0.0%	0	0.0%	**3**	**100%**
Business Institutions	12.3%		16.8%		51.5%		19.3%		0.0%		**100%**	
2017 Small Business Aggregate	7.9%		13.8%		55.6%		22.0%		0.7%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	1	50.0%	0	0.0%	1	50.0%	0	0.0%	**2**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL 1–4 Family Residential Real Estate	**0**	**0.0%**	**1**	**50.0%**	**0**	**0.0%**	**1**	**50.0%**	**0**	**0.0%**	**2**	**100%**
Owner Occupied Housing	3.0%		9.9%		58.5%		28.6%		0.0%		**100%**	
2017 HMDA Aggregate	4.1%		7.7%		53.5%		34.6%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Loans	0	0.0%	0	0.0%	2	100.0%	0	0.0%	0	0.0%	**2**	**100%**
Household Population	9.1%		14.9%		55.3%		20.7%		0.0%		**100%**	

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

Census tract: A small subdivision of metropolitan and non-metropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals (LMI); (2) community services targeted to LMI individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate- and middle-income individuals and geographies.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed non-metropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of a MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were $1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more, in the case of a geography.