

PUBLIC DISCLOSURE

December 2, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First State Bank
RSSD #114840**

**501 West Main Street
Russellville, Arkansas 72801**

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:

Outstanding

First State 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 reasonable given the institution's size, financial condition, and credit needs of the assessment areas (AAs).
- A majority of loans and other lending-related activities are in the AAs.
- The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income (LMI)) and businesses of different revenue sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- The bank's overall community development performance demonstrates excellent responsiveness to the community development needs of its AAs, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs. The bank has responded to these needs through community development loans, qualified investments, and community development services.

During the COVID-19 pandemic, the bank responded to the needs of the community through its participation in the CARES Act¹ Paycheck Protection Program (PPP). The bank's participation in the PPP was also considered in the bank's rating.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) Intermediate Small Bank Procedures, which entail two performance tests: the Lending Test and the Community Development Test. The bank maintains operations in two delineated AAs within the state of Arkansas. The primary AA is located within a nonMSA portion of central Arkansas and is composed of Pope and Yell counties in their entirety. The second AA is located in the Fayetteville-Springdale-Rogers, Arkansas metropolitan statistical area (MSA) and is composed of Washington County in its entirety.

¹ Coronavirus Aid, Relief, and Economic Security Act, signed into law on March 27, 2020.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each AA 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 data as of June 30, 2024.

Assessment Area	Offices		Deposits		Review Procedures
	#	%	\$ (000s)	%	
Central Arkansas	4	80.0	450,001	94.7	Full Scope
Washington County	1	20.0	25,068	5.3	Limited Scope
TOTAL²	5	100.0	475,069	100.0	1 – Full Scope

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the Central Arkansas AA was given primary consideration, as it contains the majority of the bank's loan and deposit activity. Therefore, the Central Arkansas AA was reviewed using full-scope examination procedures, and performance in the Washington County AA was reviewed using limited-scope procedures.

Furthermore, small business loans and residential real estate loans, as reported under the Home Mortgage Disclosure Act (HMDA), were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on small business lending, performance based on the small business loans category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2020 – September 30, 2024
Assessment Area Concentration	January 1, 2023 – December 31, 2023
Loan Distribution by Borrower's Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	February 24, 2020 – December 1, 2024
Community Development Activities	February 24, 2020 – December 1, 2024

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2020 American Community Survey (ACS) data, and certain business demographics are based on 2023 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 impacting lenders within an AA. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition,

² Note: In this table and others throughout this document, percentages may not total 100.0 percent due to rounding.

the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$240.0 million to \$1.4 billion as of September 30, 2024.

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 AAs:

- The number and dollar amount of community development loans.
- The number and dollar amount of qualified investments and grants.
- 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. In addition, investments made prior to the date of the previous CRA evaluation, but still outstanding as of this review date, were also considered.

To augment this evaluation, one community contact interview was conducted with a member of the local community in order to ascertain specific credit needs, opportunities, and local market conditions within the bank's AAs. Information from the interview also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from the community contact interview are included in the *Description of Assessment Area* section for the Central Arkansas AA.

DESCRIPTION OF INSTITUTION

The bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by First State Banking Corp., a one-bank holding company headquartered in Russellville, Arkansas. The bank has five branches, including the main office; all five branches have full-service interactive teller machines (ITMs), and three include drive-up accessibility. The bank also has a loan operations center in Russellville, Arkansas, which maintains an ITM. During the review period, the bank opened a branch in Fayetteville, Arkansas, in September 2022. Based on this branch network and other service delivery systems, such as extended banking hours of operation and full-service online banking capabilities, the bank is well positioned to deliver financial services to the entirety of its AAs.

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 AAs based on its available resources and financial products. As of September 30, 2024, the bank reported total assets of \$559.8 million. As of the same date, loans and leases outstanding were \$404.1 million (72.2 percent of total assets), and deposits totaled \$491.3 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2024		
Credit Category	Amount \$ (000s)	Percentage of Total Loans (%)
Commercial Real Estate	148,446	36.7
1-4 Family Residential	93,717	23.2
Commercial and Industrial	69,168	17.1
Construction and Development	38,508	9.5
Farmland	27,133	6.7
Multifamily Residential	19,016	4.7
Total Other Loans	3,399	0.8
Farm Loans	2,432	0.6
Loans to Individuals	2,311	0.6
TOTAL	404,130	100

As indicated by the table above, a significant portion of the bank's lending resources is directed to commercial real estate loans, loans secured by 1-4 family residential properties, and commercial and industrial loans. The bank also originates and subsequently sells a significant volume of loans related to residential real estate. As these loans are sold on the secondary market shortly after origination, this activity is not captured in the table.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on February 24, 2020.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The 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 19-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size \$ (000s) as of September 30, 2024	Average LTD Ratio (%)
First State Bank	Russellville, Arkansas	559,812	74.9
Regional Banks	Danville, Arkansas	1,387,566	95.5
	Morrilton, Arkansas	239,961	55.7
	Greenbrier, Arkansas	765,594	92.9

During the review period, the bank's quarterly LTD ratio experienced a fluctuating trend, initially decreasing to a low in the first quarter of 2022 and then increasing to its current ratio of 81.2 percent. The 19-quarter average was 74.9 percent. In comparison, the average LTD ratios for two of the regional peers were higher and generally stable. However, one peer experienced a lower average LTD ratio for the duration of the review period. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable, given the bank's size and financial condition and the credit needs of its AAs.

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 AAs.

Lending Inside and Outside the Assessment Areas January 1, 2023, through December 31, 2023								
Loan Type	Inside				Outside			
	#	# %	\$ (000s)	\$ %	#	# %	\$ (000s)	\$ %
Small Business	75	85.2	14,746	88.7	13	14.8	1,879	11.3
HMDA	71	78.9	14,310	51.7	19	21.1	13,391	48.3
TOTAL LOANS	146	82.0	29,056	65.6	32	18.0	15,270	34.4

A majority of loans and other lending-related activities were made in the bank's AAs. As shown above, 82.0 percent of the total loans were made inside the AAs, accounting for 65.6 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

Overall, performance by borrower's income/revenue profile is reasonable, based on the analyses of lending in the bank's single full-scope AA, as displayed in the following table.

Full-Scope Assessment Area	Loan Distribution by Borrower's Profile
Central Arkansas	Reasonable

Limited-Scope Assessment Area	Loan Distribution by Borrower's Profile
Washington County	Below

In addition, the bank's distribution of lending by income level of census tract reflects reasonable penetration throughout the rated AA subject to review.

Full-Scope Assessment Area	Geographic Distribution of Loans
Central Arkansas	Reasonable

Limited-Scope Assessment Area	Geographic Distribution of Loans
Washington County	Below

Overall, less weight was placed on the geographic distribution than on the borrower distribution due to the rated AA having zero low-income census tracts and only three moderate-income census tracts.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (February 24, 2020 through December 1, 2024).

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated outstanding. Considering the bank's capacity and the need and availability of such opportunities for community development, the bank demonstrates excellent responsiveness to the community development needs of its AAs through qualifying community development loans, investments, donations, and services.

Full-Scope Assessment Area	Community Development Test Performance Conclusions
Central Arkansas	Excellent

Limited-Scope Assessment Area	Community Development Test Performance Conclusions
Washington County	Below

During the review period, the bank made 27 qualifying loans in its AAs totaling approximately \$12.0 million. Of those loans, 16 loans totaling \$3.3 million were made for the purpose of affordable housing, 9 loans totaling \$4.8 million were made to small businesses for the purpose of economic development, and 2 loans totaling \$3.9 million were made for the purposes of revitalization and stabilization of an LMI census tract and community service.

The bank also made community development investments and donations in its AAs totaling \$6.3 million. This amount included 22 new qualified investments totaling \$6.2 million and 47 donations totaling \$143,803. The qualifying investments were made up of municipal bonds for essential community needs that benefit LMI areas and school bonds that serve LMI families. Furthermore, the 47 donations were made to 19 separate organizations having a community development purpose.

During the review period, bank personnel used financial expertise to log 46 service activities with 15 different community development organizations within the bank's AAs. Service activities included delivering financial education to LMI individuals and in schools that primarily serve LMI families and providing financial expertise to community service organizations as board members.

During the COVID-19 pandemic, the bank responded to the needs of the community through its participation in the PPP. Through this program, the bank offered emergency financial assistance to businesses to retain staff, making 80 PPP loans in LMI census tracts totaling \$6.1 million, which reflects favorably on the bank's performance under the CRA.

In addition to adequately meeting the community development needs of its AAs, the bank had two community development loans totaling \$2.8 million outside its AAs, but still within the broader statewide or regional areas.

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.

CENTRAL ARKANSAS NONMETROPOLITAN STATISTICAL AREA

(Full-Scope Review)

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

Bank Structure

The bank operates four of its five offices (80.0 percent) in this AA. The headquarters and two of the branches are in Pope County. The remaining branch in this AA is located in Yell County. Of the four offices, two are located in moderate-income census tracts. Two of the branches in this AA include drive-up access, and all branches have ITMs. Additionally, the institution has a loan operations center in Russellville that also has an ITM. Since the last evaluation, the bank did not open or close any branches in this AA. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to all of the AA.

General Demographics

The AA is located in a nonMSA portion of central Arkansas and is composed of Pope and Yell counties in their entireties. The AA, which contains mainly rural areas with the exception of the city of Russellville, has a population of 83,644. Pope County, the larger of the two counties, has a population of 63,381, primarily due to the presence of the city of Russellville. Of the ten FDIC-insured depository institutions with a branch presence in this AA, the bank ranked first in deposit market share, encompassing 20.5 percent of total deposit dollars.

Credit needs in the AA include a mix of consumer and business loan products. Other particular credit needs in the AA, as noted primarily by the community contact, include financial literacy initiatives and small business administration (SBA) loans. The contact stated that some institutions in the area stopped offering SBA loans, making it more difficult for some small businesses to meet the collateral and loan-to-value requirements of traditional business loans.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Census Tracts	0	3	12	8	0	23
	0.0%	13.0%	52.2%	34.8%	0.0%	100.0%
Family Population	0	2,211	11,660	7,016	0	20,887
	0.0%	10.6%	55.8%	33.6%	0.0%	100.0%

As shown above, the AA contains zero low-income census tracts. However, 13.0 percent of the census tracts in the AA are designated moderate-income, but only 10.6 percent of the family population resides in these tracts. Two of the moderate-income census tracts are located in Pope County, and the remaining moderate-income tract is located in Yell County.

Based on the 2020 ACS data, the median family income for the AA was \$58,051. At the same time, the median family income for nonMSA Arkansas was \$53,702. More recently, the FFIEC estimates the 2023 median family income for nonMSA Arkansas to be \$63,400. The following table displays population percentages of AA families by income level compared to the nonMSA Arkansas family population as a whole.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	3,618	4,062	3,762	9,445	20,887
	17.3%	19.5%	18.0%	45.2%	100.0%
NonMSA Arkansas	59,832	53,245	58,635	118,518	290,230
	20.6%	18.4%	20.2%	40.8%	100.0%

As shown in the table above, 36.8 percent of families within the AA were considered LMI, which is slightly lower than the LMI family percentage of 39.0 percent in nonMSA Arkansas as a whole. The percentage of families living below the poverty level in the AA is 10.6 percent, which is below the 13.5 percent of families living below the poverty level in nonMSA Arkansas as a whole. Considering these factors, the AA income levels appear to be slightly more affluent than the statewide nonMSA.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the AA appears to be less affordable than in the statewide nonMSA.

Housing Cost Burden (%)						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Assessment Area	69.0	40.6	37.6	51.2	32.2	15.1
NonMSA Arkansas	62.7	28.4	34.5	50.4	23.5	15.5
<i>Cost burden is housing cost that equals 30% or more of household income.</i>						
<i>Source: 2016–2020 U.S. Department of Housing and Urban Development (HUD): Comprehensive Housing Affordability Strategy</i>						

According to the table above, more LMI renters are cost burdened in the AA than in nonMSA Arkansas as a whole. This is further supported by the AA having a median monthly rent of \$673, which is higher than the statewide nonMSA median monthly rent of \$640.

Additionally, the table shows that low-income homeowners in the AA are similarly cost burdened as the low-income homeowners in the statewide nonMSA; however, the moderate-income homeowners in the AA experience a greater cost burden (32.2 percent) compared to statewide nonMSA moderate-income homeowners (23.5 percent). Furthermore, the median home value in the AA (\$122,558) is greater than the statewide nonMSA median home value (\$101,025), indicating that it is more difficult to obtain affordable housing in the AA than in the statewide nonMSA.

Industry and Employment Demographics

The AA supports a diverse business community. According to the U.S. Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages data, there are 33,625 employees in the AA (including 5,139 government employees). By percentage, the three largest nongovernment job categories in the AA are manufacturing (27.0 percent), retail trade (12.9 percent), and healthcare and social assistance (12.1 percent). The table below details BLS unemployment data (not seasonally adjusted) for the AA and nonMSA Arkansas.

Unemployment Levels (%)				
Dataset	Time Period (Annual Average)			
	2020	2021	2022	2023
Assessment Area	5.9	4.1	3.9	3.8
Pope County	6.0	4.1	3.9	3.9
Yell County	5.2	4.1	3.8	3.7
NonMSA Arkansas	6.6	4.5	3.9	3.9

As shown in the table above, unemployment levels remained generally consistent between the individual counties in the AA. While the unemployment rate in Pope County was slightly higher (6.0 percent) than that in Yell County (5.2 percent) during 2020, the counties' unemployment rates for 2021 through 2023 were in line and depicted a downward trend. Similarly, the statewide nonMSA unemployment rate, while initially higher (6.6 percent) than in the AA (5.9 percent) in 2020, experienced a downward trend and is comparable to the AA unemployment rate of 3.8 percent in 2023.

Community Contact Information

For the AA, one community contact interview was completed. The interview was with a representative from a regional economic development organization. The contact described the AA as mainly rural with historically high levels of poverty but stated that while this is generally still true, the area has seen lower unemployment levels and accelerated population growth, which resulted in economic growth over the past several years. Much of this growth has resulted from individuals leaving larger cities and looking for a lower cost of living, as the costs of living in Pope and Yell counties are below the national average. Of the two counties making up the AA, Pope County is the largest and strongest economically. This is primarily due to Russellville, which is home to approximately half of the individuals living in Pope County. Furthermore, Pope County has several large interstate highways running through it, which attract chain hotels and restaurants.

In comparison, Yell County is composed of smaller towns with smaller economies. The contact stated that many residents commute to surrounding areas outside the county for better-paying jobs.

The contact stated that, overall, the banking environment in the AA is healthy, with banks offering products and services aimed at LMI individuals; however, the contact stated that there are opportunities for small business lending. The contact stated that there is a need for financial literacy programs that could help new small business owners who have no collateral, low credit scores, and no down payments. The contact stated that new entrepreneurs could benefit from financial education programs that would help them understand how to put themselves in a position to better qualify for loans.

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

LENDING TEST

The bank's overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Furthermore, the overall geographic distribution of loans reflects reasonable penetration throughout the Central Arkansas AA.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable based on performance from both loan categories reviewed. The bank's small business category is reasonable, and the bank's HMDA loan distribution by borrower's profile is poor. However, greater significance is placed on performance in the small business category given the bank's greater volume and dollar amount for that loan type.

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2023 small business loans by loan amount and business review size compared to Dun & Bradstreet and aggregate data.

Distribution of 2023 Small Business Lending By Borrower Income Level									
Business Revenue and Loan Size		2023							
		Count			Dollars			Total Businesses	
		Bank		Aggregate	Bank		Aggregate		
		#	%	%	\$ (000s)	\$ %	\$ %	%	
Business Revenue	\$1 Million or Less	26	51.0	60.7	4,727	50.9	38.3	90.3	
	Over \$1 Million/ Unknown	25	49.0	39.3	4,560	49.1	61.7	9.7	
	TOTAL	51	100.0	100.0	9,287	100.0	100.0	100.0	
Loan Size	\$100,000 or Less	31	60.8	91.2	1,499	16.1	34.2		
	\$100,001–\$250,000	11	21.6	5.3	1,963	21.1	22.8		
	\$250,001–\$1 Million	9	17.6	3.5	5,825	62.7	42.9		
	Over \$1 Million	0	0.0	0.0	0	0.0	0.0		
	TOTAL	51	100.0	100.0	9,287	100.0	100.0		
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	16	61.5		836	17.7		
		\$100,001–\$250,000	6	23.1		1,120	23.7		
		\$250,001–\$1 Million	4	15.4		2,771	58.6		
		Over \$1 Million	0	0.0		0	0.0		
		TOTAL	26	100.0		4,727	100.0		

The bank's level of lending to small businesses is reasonable. The bank originated over half of its small business loans (51.0 percent) to businesses with revenues of \$1 million or less. The AA demographics estimate that 90.3 percent of businesses in the AA had annual revenues of \$1 million or less, and the 2023 aggregate lending to small businesses is 60.7 percent. Additionally, 61.5 percent of the small business loans originated were equal to or less than \$100,000, demonstrating the bank's willingness to meet the smaller-dollar credit needs of small businesses.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$63,400 for nonMSA Arkansas as of 2023). The following table shows the distribution of HMDA-reported loans by borrower income level in comparison to family population income demographics for the AA. Additionally, 2023 aggregate data for the AA is displayed.

Distribution of 2023 Home Mortgage Lending By Borrower Income Level							
Borrower Income Level	Bank Loans		Aggregate HMDA Data	Bank Loans		Aggregate HMDA Data	Families by Family Income %
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Home Purchase Loans							
Low	1	2.9	4.6	35	0.5	1.9	17.3
Moderate	2	5.7	18.7	95	1.4	11.8	19.4
Middle	4	11.4	22.1	709	10.3	20.8	18.0
Upper	19	54.3	35.8	5,175	75.4	46.5	45.2
Unknown	9	25.7	18.8	847	12.3	19.0	0.0
TOTAL	35	100.0	100.0	6,861	100.0	100.0	100.0
Refinance							
Low	2	25.0	6.7	86	13.6	3.2	17.3
Moderate	1	12.5	10.4	32	5.0	6.4	19.4
Middle	3	37.5	19.8	240	37.9	14.0	18.0
Upper	2	25.0	50.0	276	43.5	60.5	45.2
Unknown	0	0.0	13.1	0	0.0	15.9	0.0
TOTAL	8	100.0	100.0	634	100.0	100.0	100.0
Home Improvement							
Low	1	14.3	4.3	32	6.7	3.7	17.3
Moderate	0	0.0	19.1	0	0.0	13.0	19.4
Middle	1	14.3	19.1	16	3.4	15.8	18.0
Upper	3	42.9	46.1	221	46.5	53.2	45.2
Unknown	2	28.6	11.3	206	43.4	14.4	0.0
TOTAL	7	100.0	100.0	475	100.0	100.0	100.0
Multifamily Loans							% of Multifamily Units
Low	0	0.0	0.0	0	0.0	0.0	N/A
Moderate	0	0.0	0.0	0	0.0	0.0	N/A
Middle	0	0.0	0.0	0	0.0	0.0	N/A
Upper	0	0.0	0.0	0	0.0	0.0	N/A
Unknown	2	100.0	100.0	1,740	100.0	100.0	N/A
TOTAL	2	100.0	100.0	1,740	100.0	100.0	N/A

Total Home Mortgage Loans							Families by Family Income %
Low	4	7.7	4.8	153	1.6	2.2	17.3
Moderate	3	5.8	16.9	127	1.3	10.5	19.4
Middle	8	15.4	21.8	965	9.9	19.0	18.0
Upper	24	46.2	39.6	5,672	58.4	48.7	45.2
Unknown	13	25.0	16.9	2,793	28.8	19.5	0.0
TOTAL	52	100.0	100.0	9,710	100.0	100.0	100.0

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (7.7 percent) is below that of the low-income family population (17.3 percent); however, it exceeds the aggregate lending to low-income borrowers (4.8 percent), reflecting reasonable performance. The bank's lending to moderate-income borrowers (5.8 percent) significantly trails that of the aggregate (16.9 percent) and the moderate-income borrower population (19.4 percent), reflecting a poor performance. Considering performance in both income categories, the bank's overall distribution of HMDA loans by borrower profile is poor.

Geographic Distribution of Loans

As noted previously, the AA contains zero low-income census tracts and three moderate-income census tracts, representing 13.0 percent of all AA census tracts. Overall, the bank's geographic distribution of loans in the AA reflects reasonable penetration throughout the moderate-income census tracts, based on the small business and HMDA loan categories. Again, small business lending carried a greater weight in the overall rating of geographic distribution.

The following table displays 2023 small business loan activity by geography income level compared to the location of businesses throughout the bank's AA and 2023 small business aggregate data.

Distribution of 2023 Small Business Lending By Income Level of Geography							
Census Tract Income Level	Bank Small Business Loans		Aggregate of Peer Data	Bank Small Business Loans		Aggregate of Peer Data	% of Businesses
	#	# %	%	\$ (000s)	\$ %	\$ %	
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	5	9.8	13.1	584	6.3	18.3	22.1
Middle	22	43.1	47.9	5,247	56.5	46.1	42.6
Upper	24	47.1	37.8	3,456	37.2	35.4	35.3
Unknown	0	0.0	1.1	0	0.0	0.2	0.0
TOTAL	51	100.0	100.0	9,287	100.0	100.0	100.0

The bank's lending in moderate-income census tracts (9.8 percent) is significantly below the percentage of businesses located in the moderate-income census tracts (22.1 percent) but is

comparable to the aggregate level of lending (13.1 percent). Therefore, the bank's performance in geographical distribution is reasonable.

The following table displays the geographic distribution of 2023 HMDA loans compared to owner-occupied housing demographics and aggregate performance for the AA.

Distribution of 2023 Home Mortgage Lending By Income Level of Geography							
Census Tract Income Level	Bank Loans		Aggregate HMDA Data	Bank Loans		Aggregate HMDA Data	% of Owner- Occupied Units
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Home Purchase Loans							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	4	11.4	10.1	311	4.5	7.5	8.2
Middle	18	51.4	55.3	2,772	40.4	49.4	55.7
Upper	13	37.1	34.6	3,778	55.1	43.0	36.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
TOTAL	35	100.0	100.0	6,861	100.0	100.0	100.0
Refinance							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	3.7	0	0.0	3.0	8.2
Middle	6	75.0	53.0	526	83.0	47.9	55.7
Upper	2	25.0	43.3	108	17.0	49.1	36.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
TOTAL	8	100.0	100.0	634	100.0	100.0	100.0
Home Improvement							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	14.3	9.9	75	15.8	7.8	8.2
Middle	5	71.4	47.5	261	54.9	45.4	55.7
Upper	1	14.3	42.6	139	29.3	46.8	36.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
TOTAL	7	100.0	100.0	475	100.0	100.0	100.0
Multifamily Loans							% of Multifamily Units
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	50.0	11.1	1,315	75.6	28.3	34.1
Middle	1	50.0	55.6	425	24.4	54.9	27.1
Upper	0	0.0	33.3	0	0.0	16.8	38.8
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
TOTAL	2	100.0	100.0	1,740	100.0	100.0	100.0

Total Home Mortgage Loans							% of Owner-Occupied Units
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	6	11.5	8.7	1,701	17.5	7.0	8.2
Middle	30	57.7	54.4	3,984	41.0	49.4	55.7
Upper	16	30.8	36.9	4,025	41.5	43.6	36.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
TOTAL	52	100.0	100.0	9,710	100.0	100.0	100.0

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in moderate-income census tracts. The bank's penetration of HMDA lending in moderate-income census tracts (11.5 percent) exceeds both the aggregate (8.7 percent) and the demographic (8.2 percent) levels.

Additionally, a dispersion analysis was conducted, and the bank had loan penetration in 100.0 percent of all census tracts in the AA. No conspicuous lending gaps were identified, reinforcing the bank's reasonable performance.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the Central Arkansas AA, 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 extended 25 community development loans totaling \$10.1 million in this AA. Of those loans, nine, including two small farm loans, were made to small businesses for the purpose of economic development. The economic development loans totaled \$4.8 million and assisted with start-up costs, creation of jobs for LMI workers, and working capital. The bank made 14 loans totaling approximately \$1.4 million for the purpose of affordable housing. These loans included multifamily units benefitting LMI individuals. The remaining two loans were made with purposes of revitalization and stabilization (\$440,000) and community service (\$3.5 million). Additionally, during the COVID-19 pandemic, the bank participated in PPP lending. Through this program, the bank originated 80 PPP loans to businesses in moderate-income census tracts totaling \$6.1 million.

The bank made 15 new investments, with the purpose of community service, totaling \$4.6 million. The investments were made up of municipal and school bonds that benefitted LMI individuals. In addition, the bank made 47 donations totaling \$143,803 in this AA. The donation purposes included affordable housing (5 donations totaling \$8,250), community service (37 donations totaling \$110,553), and revitalization and stabilization (5 donations totaling \$25,000). Finally, bank personnel provided 46 service activities, totaling 1,139 hours, to 15 development organizations in this AA.

FAYETTEVILLE-SPRINGDALE-ROGERS, ARKANSAS METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WASHINGTON COUNTY ASSESSMENT AREA

This AA includes the entirety of Washington County, and the bank operates one office in this AA, which was opened during the review period. The branch includes drive-up accessibility and maintains an ITM. The AA includes 22 LMI census tracts, which make up 40.7 percent of the total census tracts in the AA. The tables below detail key demographics relating to this AA.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	13,756	11,547	10,174	20,332	55,809
	24.7%	20.7%	18.2%	36.4%	100.0%
Household Population	24,792	16,864	16,723	30,715	89,094
	27.8%	18.9%	18.8%	34.5%	100.0%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	7	15	24	7	1	54
	13.0%	27.8%	44.4%	13.0%	1.9%	100.0%
Family Population	4,664	14,001	27,679	9,241	224	55,809
	8.4%	25.1%	49.6%	16.6%	0.4%	100.0%
Household Population	10,554	22,706	41,049	13,308	1,477	89,094
	11.9%	25.5%	46.1%	14.9%	1.7%	100.0%
Business Institutions	628	2,260	3,366	1,606	505	8,365
	7.5%	27.0%	40.2%	19.2%	6.0%	100.0%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE
WASHINGTON COUNTY ASSESSMENT AREA**

LENDING TEST

The bank's Lending Test performance in this AA is below the bank's Lending Test performance in the Central Arkansas AA that was reviewed using full-scope procedures, as detailed in the following table. For more detailed information relating to the bank's Lending Test performance in this AA, see the tables in *Appendix B*.

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this AA is below the bank's Community Development Test performance in the Central Arkansas AA that was reviewed using full-scope procedures.

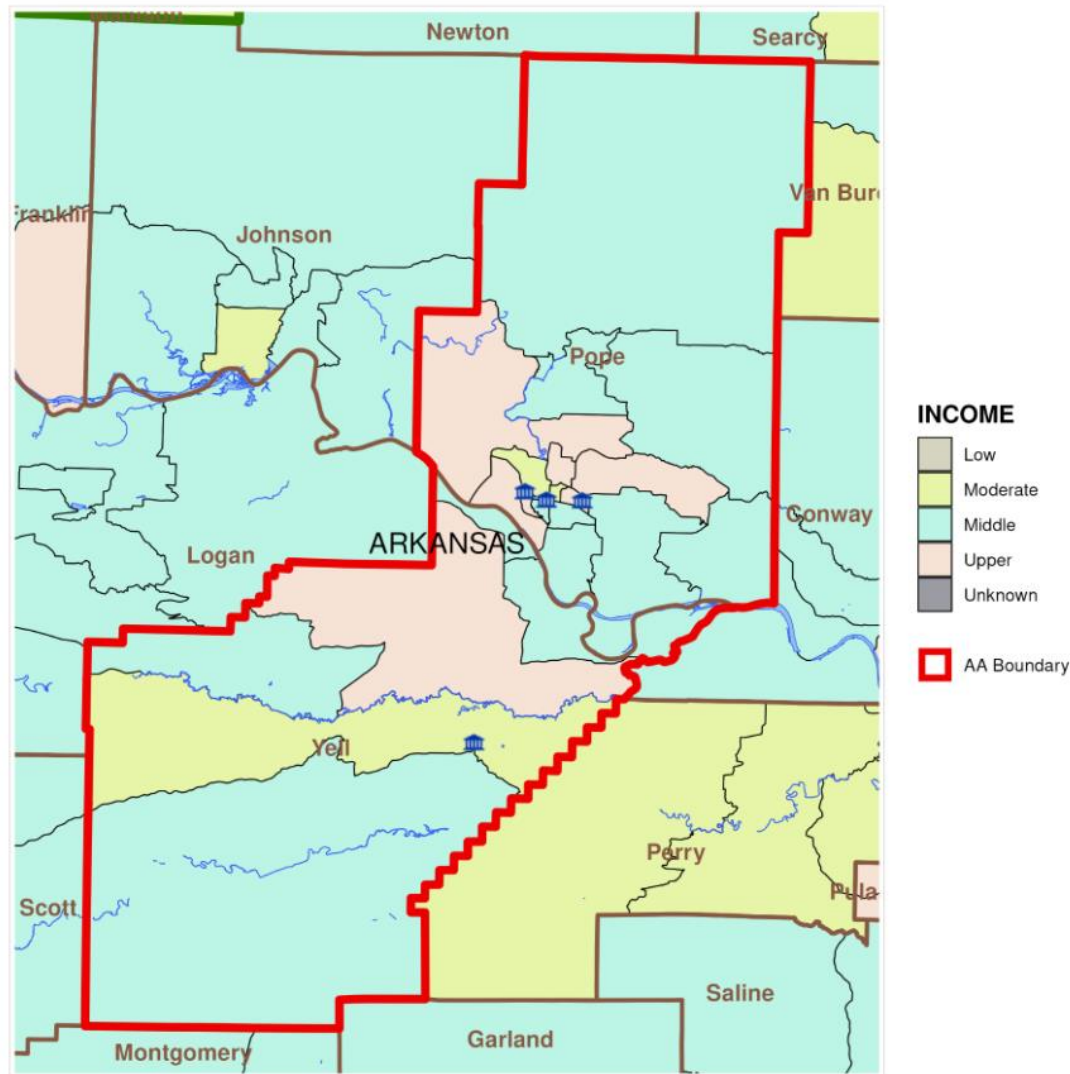
During the review period, the bank made two community development loans, totaling \$1.9 million, that provided affordable multifamily housing. Additionally, the bank made seven investments in the AA, totaling \$1.6 million. The investments were composed of municipal and school bonds that benefitted LMI individuals and areas.

APPENDIX A – MAPS OF THE ASSESSMENT AREAS

Central Arkansas Assessment Area

First State Bank - Russellville, AR 2024

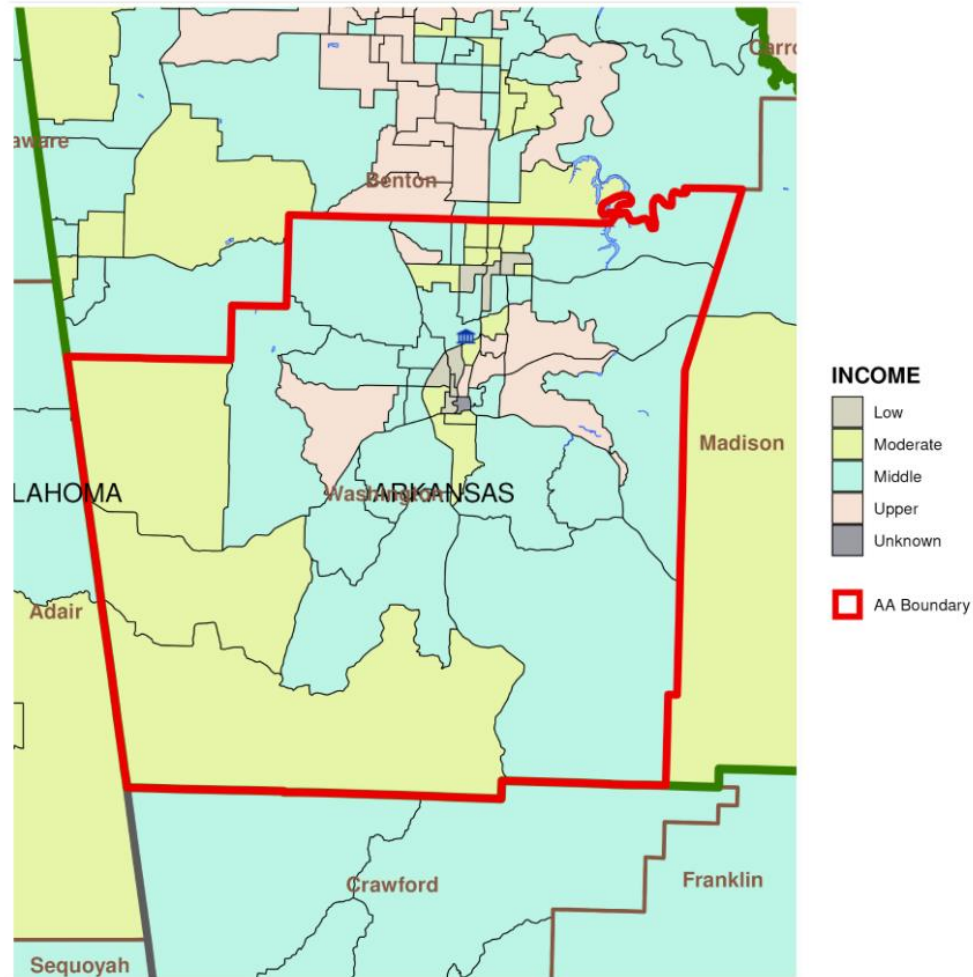
NonMSA AR 2023 - Tract Income



Washington County Assessment Area

First State Bank - Russellville, AR 2024

Fayetteville Partial MSA 2023 - Tract Income



**APPENDIX B – LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE
REVIEW ASSESSMENT AREA**

Washington County Assessment Area

Distribution of 2023 Small Business Lending By Borrower Income Level								
Business Revenue and Loan Size		2023						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	4	16.7	53.2	1,045	19.1	39.9	91.0
	Over \$1 Million/ Unknown	20	83.3	46.8	4,414	80.9	60.1	9.0
	TOTAL	24	100.0	100.0	5,459	100.0	100.0	100.0
Loan Size	\$100,000 or Less	17	70.8	90.3	636	11.7	32.9	
	\$100,001– \$250,000	1	4.2	5.2	150	2.7	17.4	
	\$250,001– \$1 Million	6	25.0	4.5	4,673	85.6	49.7	
	Over \$1 Million	0	0.0	0.0	0	0.0	0.0	
	TOTAL	24	100.0	100.0	5,459	100.0	100.0	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	1	25.0		6	0.6		
	\$100,001– \$250,000	1	25.0		150	14.4		
	\$250,001– \$1 Million	2	50.0		889	85.1		
	Over \$1 Million	0	0.0		0	0.0		
	TOTAL	4	100.0		1,045	100.0		

Distribution of 2023 Home Mortgage Lending By Borrower Income Level							
Borrower Income Level	Bank Loans		Aggregate HMDA Data	Bank Loans		Aggregate HMDA Data	Families by Family Income %
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Home Purchase Loans							
Low	0	0.0	4.1	0	0.0	2.1	24.6
Moderate	0	0.0	14.4	0	0.0	10.3	20.7
Middle	1	11.1	20.8	160	4.8	18.5	18.2
Upper	3	33.3	38.6	1,862	55.8	47.3	36.4
Unknown	5	55.6	22.1	1,314	39.4	21.8	0.0
TOTAL	9	100.0	100.0	3,336	100.0	100.0	100.0
Refinance							
Low	0	0.0	8.8	0	0.0	4.6	24.6
Moderate	0	0.0	16.8	0	0.0	11.5	20.7
Middle	0	0.0	23.6	0	0.0	20.2	18.2
Upper	1	50.0	34.0	175	40.2	43.1	36.4
Unknown	1	50.0	16.9	260	59.8	20.7	0.0
TOTAL	2	100.0	100.0	435	100.0	100.0	100.0
Home Improvement							
Low	0	0.0	9.5	0	0.0	4.2	24.6
Moderate	0	0.0	11.5	0	0.0	7.2	20.7
Middle	0	0.0	19.9	0	0.0	12.3	18.2
Upper	1	100.0	47.6	40	100.0	54.8	36.4
Unknown	0	0.0	11.5	0	0.0	21.5	0.0
TOTAL	1	100.0	100.0	40	100.0	100.0	100.0
Multifamily Loans							% of Multifamily Units
Low	0	0.0	0.0	0	0.0	0.0	N/A
Moderate	0	0.0	2.1	0	0.0	0.5	N/A
Middle	0	0.0	0.0	0	0.0	0.0	N/A
Upper	0	0.0	4.3	0	0.0	0.1	N/A
Unknown	0	0.0	93.6	0	0.0	99.4	N/A
TOTAL	0	0.0	100.0	0	0.0	100.0	N/A

Total Home Mortgage Loans							Families by Family Income %
Low	0	0.0	5.5	0	0.0	2.2	24.6
Moderate	0	0.0	14.5	0	0.0	8.8	20.7
Middle	1	8.3	21.3	160	4.2	15.6	18.2
Upper	5	41.7	38.5	2,077	54.5	39.9	36.4
Unknown	6	50.0	20.2	1,574	41.3	33.4	0.0
TOTAL	12	100.0	100.0	3,811	100.0	100.0	100.0

Distribution of 2023 Small Business Lending By Income Level of Geography							
Census Tract Income Level	Bank Small Business Loans		Aggregate of Peer Data	Bank Small Business Loans		Aggregate of Peer Data	% of Businesses
	#	# %	%	\$ (000s)	\$ %	\$ %	
Low	0	0.0	5.3	0	0.0	5.8	7.5
Moderate	1	4.2	22.3	6	0.1	26.3	27.0
Middle	18	75.0	48.2	4,908	89.9	44.4	40.2
Upper	5	20.8	19.0	546	10.0	16.3	19.2
Unknown	0	0.0	5.2	0	0.0	7.2	6.0
TOTAL	24	100.0	100.0	5,460	100.0	100.0	100.0

Distribution of 2023 Home Mortgage Lending By Income Level of Geography							
Census Tract Income Level	Bank Loans		Aggregate HMDA Data	Bank Loans		Aggregate HMDA Data	% of Owner- Occupied Units
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Home Purchase Loans							
Low	0	0.0	3.2	0	0.0	2.8	3.1
Moderate	2	22.2	15.2	560	16.8	12.4	20.6
Middle	7	77.8	66.0	2,776	83.2	65.7	54.9
Upper	0	0.0	14.8	0	0.0	18.2	20.9
Unknown	0	0.0	0.7	0	0.0	0.8	0.5
TOTAL	9	100.0	100.0	3,336	100.0	100.0	100.0

First State Bank
Russellville, Arkansas

CRA Performance Evaluation
December 2, 2024

Refinance							
Low	0	0.0	2.1	0	0.0	2.5	3.1
Moderate	0	0.0	17.7	0	0.0	13.5	20.6
Middle	1	50.0	59.0	175	40.2	58.3	54.9
Upper	0	0.0	20.6	0	0.0	25.1	20.9
Unknown	1	50.0	0.5	260	59.8	0.6	0.5
TOTAL	2	100.0	100.0	435	100.0	100.0	100.0
Home Improvement							
Low	0	0.0	2.4	0	0.0	1.4	3.1
Moderate	0	0.0	18.8	0	0.0	16.3	20.6
Middle	1	100.0	55.8	40	100.0	51.7	54.9
Upper	0	0.0	22.1	0	0.0	27.8	20.9
Unknown	0	0.0	0.9	0	0.0	2.7	0.5
TOTAL	1	100.0	100.0	40	100.0	100.0	100.0
Multifamily Loans							% of Multifamily Units
Low	0	0.0	14.9	0	0.0	6.6	30.5
Moderate	0	0.0	36.2	0	0.0	39.8	29.9
Middle	0	0.0	36.2	0	0.0	51.6	29.6
Upper	0	0.0	8.5	0	0.0	1.5	5.9
Unknown	0	0.0	4.3	0	0.0	0.5	4.1
TOTAL	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans							% of Owner-Occupied Units
Low	0	0.0	3.0	0	0.0	3.3	3.1
Moderate	2	16.7	16.2	560	14.7	16.9	20.6
Middle	9	75.0	63.2	2,991	78.5	62.0	54.9
Upper	0	0.0	16.9	0	0.0	17.0	20.9
Unknown	1	8.3	0.7	260	6.8	0.8	0.5
TOTAL	12	100.0	100.0	3,811	100.0	100.0	100.0

APPENDIX C – 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 nonmetropolitan 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 on 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; (2) community services targeted to low- or moderate-income 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 low- or moderate-income 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 (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan 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 nonrelatives 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 (e.g., 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 who 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 income of applicants; 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: 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 an 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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate 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.