

PUBLIC DISCLOSURE

September 30, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Merchants and Farmers Bank
RSSD #644842**

**500 Highway 65 South
Dumas, Arkansas 71639**

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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution

- a. Community Reinvestment Act Rating1
- b. Scope of Examination1
- c. Description of Institution3
- d. Conclusions with Respect to Performance Tests4
- e. Fair Lending or Other Illegal Credit Practices Review5

Little Rock Metropolitan Statistical Area (Full-Scope Review)

- a. Description of Institution's Operations in the Little Rock Assessment Area6
- b. Conclusions with Respect to Performance Tests in the Little Rock
Assessment Area9

Central Arkansas Nonmetropolitan Statistical Area (Full-Scope Review)

- a. Description of Institution's Operations in the Central Arkansas Assessment Area12
- b. Conclusions with Respect to Performance Tests in the Central Arkansas
Assessment Area15

Appendices

- a. Map of the Assessment Areas18
- b. Glossary20

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

Merchants and Farmers Bank (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans and other lending-related activities are originated inside the AAs.
- The borrower's profile analysis reveals reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. Bank performance under this test is rated within each of the bank's AAs. 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.

Assessment Area	Offices		Deposits As of June 30, 2024		Review Procedures
	#	%	\$	%	
Little Rock	2	66.6%	\$69,666	33.0%	Full Scope
Central Arkansas	1	33.3%	\$141,236	67.0%	Full Scope
TOTAL	3	100%	\$210,902	100%	2 – Full Scope

Small business and 1–4 family residential real estate (RRE) loans 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. The following table includes the corresponding time period for each performance category.

Performance Criterion	Time Period
LTD Ratio	December 31, 2018 – June 30, 2024
AA Concentration	January 1, 2022 – December 31, 2022
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	November 5, 2018 – September 29, 2024

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2020 American Community Survey (ACS) data; certain business demographics are based on 2022 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 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. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$118.9 million to \$243.4 million as of June 30, 2024.

To augment this evaluation, two community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's AAs. 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 applicable to the AA for which they were conducted.

DESCRIPTION OF INSTITUTION

Merchants and Farmers Bank is an intrastate community bank headquartered in Dumas, Arkansas. The bank's characteristics include:

- The bank is a wholly owned subsidiary of M&F Financial Corp, Dumas, Arkansas.
- The bank has total assets of \$248.8 million as of June 30, 2024, representing an increase of 78.1 percent since the last evaluation.
- In addition to its main office in Dumas, the bank has two full-service branches located in Benton and Bryant, Arkansas.
- The bank operates three cash-dispensing-only ATMs (one at each location mentioned above).
- As shown in the following table, the bank's primary business focus is commercial and 1–4 family residential real estate loans.

Composition of Loan Portfolio as of June 30, 2024		
Loan Type	Amount \$ (000s)	Percentage of Total Loans
Construction and Development	\$44,593	22.4%
Commercial Real Estate	\$40,185	20.2%
1–4 Family Residential	\$40,182	20.2%
Farm Loans	\$31,351	15.8%
Commercial and Industrial	\$27,825	14.0%
Farmland	\$5,886	3.0%
Loans to Individuals	\$4,746	2.4%
Multifamily Residential	\$3,164	1.6%
Total Other Loans	\$707	0.4%
TOTAL	\$198,639	100.0%
<i>Note: Percentages may not total 100.0% due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its November 5, 2018 performance evaluation. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's overall performance under the Lending Test is Satisfactory.

Loan-to-Deposit (LTD) Ratio

This performance criterion evaluates the bank's average LTD ratio to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AAs, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on location, asset size, and loan portfolio.

Comparative LTD Ratios December 31, 2018 – June 30, 2024			
Institution	Location	Asset Size \$ (000s)	LTD Ratio (%)
			23-Quarter Average
Merchants and Farmers Bank	Dumas, Arkansas	\$248,807	88.8%
Similarly Situated Institutions			
Regional Banks	Sheridan, Arkansas	\$243,415	57.0%
	Rison, Arkansas	\$167,519	101.9%
	Star City, Arkansas	\$118,904	75.4%

The bank had a 23-quarter average LTD ratio of 88.8 percent, which was higher than two of the similarly situated peers and trailed another. Since the previous evaluation, the bank's average LTD ratio has increased from 78.9 percent to 88.8 percent. Therefore, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its AAs.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the bank's AAs.

Lending Inside and Outside the Assessment Areas								
Loan Type	Inside				Outside			
	#	# %	\$ (000s)	\$ %	#	# %	\$ (000s)	\$ %
Small Business	47	61.8%	\$8,958	57.1%	29	38.2%	\$6,721	42.9%
1-4 Family RRE	33	49.3%	\$8,296	49.9%	34	50.7%	\$8,335	50.1%
TOTAL LOANS	80	55.9%	\$17,254	53.4%	63	44.1%	\$15,056	46.6%
<i>Note: Percentages may not total 100.0% due to rounding.</i>								

A majority of the bank's loans, by number and dollar, are originated inside the AAs. Overall, 55.9 percent of the bank's loans were originated in the AAs, accounting for 53.4 percent of the total dollar volume of loans.

Borrower and Geographic Distribution

The bank's performance by borrower's income/revenue profile is reasonable, based on the analyses of lending in the bank's two AAs.

Assessment Area	Loan Distribution by Borrower's Profile
Little Rock	Reasonable
Central Arkansas	Reasonable
OVERALL	Reasonable

The bank's distribution of lending by income level of census tract reflects reasonable penetration throughout the bank's AAs.

Assessment Area	Geographic Distribution of Loans
Little Rock	Reasonable
Central Arkansas	Reasonable
OVERALL	Reasonable

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.

LITTLE ROCK METROPOLITAN STATISTICAL AREA (Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LITTLE ROCK ASSESSMENT AREA

The bank's Little Rock AA consists of Saline County in its entirety (see Appendix A for an AA map).

- There have been no changes to the AA delineation since the prior evaluation.
- According to the June 30, 2024 FDIC Deposit Market Share Report, the bank has a market share of 3.1 percent, which ranks eighth out of 15 FDIC-insured depository institutions operating in the AA.
- According to the U.S. Department of Labor, Bureau of Labor Statistics Quarterly Census of Employment and Wages data, the three largest nongovernmental industries in the AA, determined by number of employees, are retail trade (20.7 percent), healthcare and social services (20.5 percent), and accommodation and food services (15.6 percent).
- One community contact interview was conducted with a representative of an organization supporting charitable programs in Arkansas.

Assessment Area Demographics by Geography Income Level						
Assessment Area: Little Rock						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Census Tracts	0	1	19	10	0	30
	0.0%	3.3%	63.3%	33.3%	0.0%	100%
Family Population	0	694	20,336	10,928	0	31,958
	0.0%	2.2%	63.6%	34.2%	0.0%	100%

- The table reflects a recent change, as following the 2020 ACS, one census tract in the AA was reclassified from low-income to moderate-income.

Population Change			
Assessment Area: Little Rock			
Area	2015 Population	2020 Population	Percent Change
Assessment Area	113,833	123,416	8.4%
Little Rock-North Little Rock-Conway, Arkansas MSA	722,684	748,031	3.5%
Arkansas	2,958,208	3,011,524	1.8%
<i>Source: 2020 U.S. Census Bureau: Decennial Census</i> <i>2011–2015 U.S. Census Bureau: American Community Survey</i>			

- As shown in the previous table, the population of the AA is increasing at a higher rate compared to the complete Little Rock MSA and that of the state overall.

Median Family Income Change			
Assessment Area: Little Rock			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	\$71,496	\$80,710	12.9%
Little Rock-North Little Rock-Conway, Arkansas MSA	\$67,018	\$72,289	7.9%
Arkansas	\$56,576	\$62,067	9.7%
<i>Source: 2011–2015 U.S. Census Bureau American Community Survey</i> <i>2016–2020 U.S. Census Bureau American Community Survey</i> <i>Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

- The median family income of the AA has increased at a higher rate (12.9 percent) than both the Little Rock MSA as a whole (7.9 percent) and the state of Arkansas (9.7 percent).

Unemployment Rates					
Assessment Area: Little Rock					
Area	2018	2019	2020	2021	2022
Assessment Area	3.0%	2.8%	5.1%	3.2%	2.8%
Little Rock-North Little Rock-Conway, Arkansas MSA	3.3%	3.2%	6.6%	4.2%	3.2%
Arkansas	3.7%	3.5%	6.2%	4.1%	3.3%
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>					

- Unemployment levels in the AA remained somewhat consistent with both the full Little Rock MSA and the state of Arkansas, with all three seeing an increase in 2020 due to the COVID-19 pandemic. Levels have since returned to pre-COVID-19 levels.

Housing Cost Burden Assessment Area: Little Rock						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Assessment Area	67.2%	30.4%	31.7%	54.2%	20.4%	14.0%
Little Rock-North Little Rock-Conway, Arkansas MSA	74.5%	36.6%	40.5%	54.9%	27.6%	15.9%
Arkansas	68.6%	31.4%	36.6%	51.0%	24.2%	14.9%
<i>Cost burden is housing cost that equals 30% or more of household income.</i> <i>Source: U.S. Department of Housing and Urban Development (HUD)</i> <i>2016–2020 Comprehensive Housing Affordability Strategy</i>						

- The proportion of housing-cost-burdened LMI renters and owners in the AA is below the proportions in the full Little Rock MSA.
- The community contact stated that while housing supply is not an issue, affordable housing in the AA is still a need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE LITTLE ROCK ASSESSMENT AREA

Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes. The bank's lending has a reasonable distribution among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending is reasonable. The bank's lending to small businesses (88.9 percent) is higher than the aggregate (56.0 percent) and trails the demographic (93.8 percent).

Distribution of 2022 Small Business Lending by Revenue Size of Businesses									
Assessment Area: Little Rock									
Business Revenue and Loan Size			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	\$ (000s)	\$ %	\$ %	
Business Revenue	\$1 Million or Less		32	88.9%	56.0%	\$7,112	88.0%	45.9%	93.8%
	Over \$1 Million/Unknown		4	11.1%	44.0%	\$973	12.0%	54.1%	6.2%
	TOTAL		36	100.0%	100.0%	\$8,085	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less		19	52.8%	93.0%	\$796	9.8%	38.4%	
	\$100,001–\$250,000		8	22.2%	3.9%	\$1,474	18.2%	17.2%	
	\$250,001–\$1 Million		8	22.2%	3.2%	\$4,035	49.9%	44.4%	
	Over \$1 Million		1	2.8%	0.0%	\$1,780	22.0%	0.0%	
	TOTAL		36	100.0%	100.0%	\$8,085	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	17	53.1%		\$673	9.5%		
		\$100,001–\$250,000	8	25.0%		\$1,474	20.7%		
		\$250,001–\$1 Million	6	18.8%		\$3,185	44.8%		
		Over \$1 Million	1	3.1%		\$1,780	25.0%		
		TOTAL	32	100.0%		\$7,112	100.0%		
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.									

Residential Real Estate Lending

The bank's 1–4 family residential real estate loan distribution is reasonable overall. The bank's lending to low-income borrowers (7.7 percent) exceeds the aggregate (5.9 percent) but trails the demographic comparator (16.4 percent). However, the bank's lending to moderate-income borrowers (3.8 percent) is less than both the aggregate (16.4 percent) and the demographic (16.4 percent).

Distribution of 2022 Residential Real Estate Lending by Borrower Income Level							
Assessment Area: Little Rock							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Low	2	7.7%	5.9%	\$136	1.8%	2.9%	16.4%
Moderate	1	3.8%	16.4%	\$117	1.5%	11.8%	16.4%
Middle	3	11.5%	20.9%	\$528	7.0%	18.7%	21.6%
Upper	13	50.0%	35.9%	\$4,922	65.2%	43.1%	45.6%
Unknown	7	26.9%	20.9%	\$1,846	24.5%	23.6%	0.0%
TOTAL	26	100.0%	100.0%	\$7,548	100.0%	100.0%	100.0%
Source: 2022 FFIEC Census Data							
2016–2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0% due to rounding. Multifamily loans are not included in the borrower distribution analysis.							

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank's geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA. As was aforementioned, the AA has zero low-income census tracts and just one moderate-income census tract. Therefore, the bank's geographic distribution rating is based on its performance lending in the AA's one moderate-income census tract.

Small Business Lending

The geographic distribution of small business lending is reasonable. While the bank's lending in the moderate-income census tract trails the aggregate lending and demographic comparators, these are just 4.5 percent and 4.0 percent, respectively, and suggests limited lending opportunities in the area.

Distribution of 2022 Small Business Lending by Income Level of Geography							
Assessment Area: Little Rock							
Tract Income Levels	Count			Dollar			Total Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	\$ (000s)	\$ %	\$ %	
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	0	0.0%	4.5%	\$0	0.0%	9.1%	4.0%
Middle	17	47.2%	56.3%	\$3,904	48.3%	50.9%	57.9%
Upper	19	52.8%	38.9%	\$4,180	51.7%	39.9%	38.1%
Unknown	0	0.0%	0.3%	\$0	0.0%	0.1%	0.0%
TOTAL	36	100.0%	100.0%	\$8,084	100.0%	100.0%	100.0%
<i>Source: 2022 FFIEC Census Data</i> <i>2022 Dun & Bradstreet Data</i> <i>2016–2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Percentages may not total 100.0% due to rounding.</i>							

Residential Real Estate Lending

The geographic distribution of 1–4 family residential real estate lending is reasonable. Aggregate lending levels (1.9 percent) and the percentage of owner-occupied housing (1.8 percent) are very low, suggesting limited lending opportunities.

Distribution of 2022 Residential Real Estate Lending by Income Level of Geography							
Assessment Area: Little Rock							
Geographic Income Level	Bank and Aggregate Loans						Owner-Occupied Units %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	0	0.0%	1.9%	\$0	0.0%	1.3%	1.8%
Middle	20	76.9%	61.5%	\$6,363	84.3%	61.2%	62.7%
Upper	6	23.1%	36.5%	\$1,185	15.7%	37.5%	35.5%
Unknown	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
TOTAL	26	100.0%	100.0%	\$7,548	100.0%	100.0%	100.0%
<i>Source: 2022 FFIEC Census Data</i> <i>2016–2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Percentages may not total 100.0% due to rounding.</i>							

CENTRAL ARKANSAS NONMETROPOLITAN STATISTICAL AREA (Full-Scope Review)

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

The bank's Central Arkansas AA consists of Desha County in its entirety (see Appendix A for an AA map).

- There have been no changes to the AA delineation since the prior evaluation.
- According to the June 30, 2024 Federal Deposit Market Share Report, the bank has a market share of 34.2 percent, which ranks first out of five FDIC-insured depository institutions operating in the AA.
- According to the U.S. Department of Labor, Bureau of Labor Statistics Quarterly Census of Employment and Wages data, the three largest nongovernmental industries in the AA, determined by number of employees, are manufacturing (33.0 percent), healthcare and social services (13.9 percent), and retail trade (13.1 percent).
- One community contact interview was conducted with a representative of a local economic development organization.

Assessment Area Demographics by Geography Income Level						
Assessment Area: Central Arkansas						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Census Tracts	0	3	2	0	0	5
	0.0%	60.0%	40.0%	0.0%	0.0%	100%
Family Population	0	1,285	2,001	0	0	3,286
	0.0%	39.1%	60.9%	0.0%	0.0%	100%

- Since the last evaluation, census tract changes resulted in the loss of one low-income census tract and the addition of two moderate-income census tracts in the AA.
- While 60.0 percent of AA census tracts are moderate income, only 39.1 percent of AA families reside in these tracts.

Population Change			
Assessment Area: Central Arkansas			
Area	2015 Population	2020 Population	Percent Change
Assessment Area	12,379	11,395	-7.9%
NonMSA Arkansas	1,133,475	1,086,823	-4.1%
Arkansas	2,958,208	3,011,524	1.8%
<i>Source: 2020 U.S. Census Bureau: Decennial Census</i> <i>2011–2015 U.S. Census Bureau: American Community Survey</i>			

- As shown in the table above, the AA experienced a decreasing population trend during the review period that was nearly twice as much as nonMSA Arkansas.

Median Family Income Change			
Assessment Area: Central Arkansas			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	\$40,664	\$43,668	7.4%
NonMSA Arkansas	\$49,217	\$53,702	9.1%
Arkansas	\$56,576	\$62,067	9.7%
<i>Source: 2011–2015 U.S. Census Bureau: American Community Survey</i> <i>2016–2020 U.S. Census Bureau: American Community Survey</i> <i>Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

- The median family income in the AA increased at a slightly lower rate (7.4 percent) than that of nonMSA Arkansas (9.1 percent) and the state (9.7 percent).
- The median family income in the AA is significantly less than the figure for nonMSA Arkansas as a whole.

Unemployment Rates					
Assessment Area: Central Arkansas					
Area	2018	2019	2020	2021	2022
Assessment Area	4.5%	4.4%	7.2%	6.0%	5.3%
NonMSA Arkansas	4.3%	4.3%	6.6%	4.5%	3.9%
Arkansas	3.7%	3.5%	6.2%	4.1%	3.3%
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>					

- Unemployment levels in the AA were slightly above both nonMSA Arkansas and the state, with all three seeing an increase in 2020 due to the COVID-19 pandemic. However, while unemployment levels have since declined, the levels in the AA remain above those of nonMSA Arkansas and the state of Arkansas.
- The community contact noted issues with unemployment and the availability of jobs in the AA and did not anticipate either would improve in the near future.

Housing Cost Burden						
Assessment Area: Central Arkansas						
Area	Cost Burden – Renters			Cost Burden – Owners		
	Low-Income	Moderate-Income	All Renters	Low-Income	Moderate-Income	All Owners
Assessment Area	65.1%	18.7%	36.8%	44.7%	27.6%	16.4%
NonMSA Arkansas	62.7%	28.4%	34.5%	50.4%	23.5%	15.5%
Arkansas	68.6%	31.4%	36.6%	51.0%	24.2%	14.9%
<i>Cost burden is housing cost that equals 30% or more of household income.</i>						
<i>Source: HUD, 2016–2020 Comprehensive Housing Affordability Strategy</i>						

- While more low-income renters in the AA are cost burdened relative to nonMSA Arkansas, fewer moderate-income renters are cost burdened.
- Conversely, fewer low-income owners are cost burdened in the AA, while more moderate-income owners are cost burdened.

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

Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes. The bank's lending has a reasonable distribution among individuals of different income levels and businesses of different sizes.

Small Business Lending

The borrower distribution of small business lending is excellent. The bank's lending to small businesses (90.9 percent) is significantly higher than the aggregate (48.5 percent) and slightly above the demographic (89.4 percent). Further, the dollars extended to small businesses (98.9 percent) is significantly larger than the aggregate (33.3 percent).

Distribution of 2022 Small Business Lending by Revenue Size of Businesses									
Assessment Area: Central Arkansas									
Business Revenue and Loan Size			Count			Dollars		Total Businesses	
			Bank		Aggregate	Bank			Aggregate
			#	%	%	\$ (000s)	\$ %		\$ %
Business Revenue	\$1 Million or Less		10	90.9%	48.5%	\$863	98.9%	33.3%	89.4%
	Over \$1 Million/ Unknown		1	9.1%	51.5%	\$10	1.1%	66.7%	10.6%
	TOTAL		11	100.0%	100.0%	\$873	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less		9	81.8%	92.3%	\$223	25.5%	44.7%	
	\$100,001–\$250,000		1	9.1%	5.1%	\$136	15.6%	25.1%	
	\$250,001–\$1 Million		1	9.1%	2.6%	\$514	58.9%	30.3%	
	Over \$1 Million		0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL		11	100.0%	100.0%	\$873	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less		8	80.0%		\$213	24.7%		
	\$100,001–\$250,000		1	10.0%		\$136	15.8%		
	\$250,001–\$1 Million		1	10.0%		\$514	59.6%		
	Over \$1 Million		0	0.0%		\$0	0.0%		
	TOTAL		10	100.0%		\$863	100.0%		
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.									

Residential Real Estate Lending

The bank's 1–4 family residential real estate loan distribution is reasonable. The bank's lending to low-income borrowers (28.6 percent) is higher than the aggregate (7.8 percent) and in line with the demographic (29.6 percent). For moderate-income borrowers, the bank's lending (14.3 percent) is in line with both the aggregate (17.2 percent) and demographic (19.5 percent).

Distribution of 2022 Residential Real Estate Lending by Borrower Income Level							
Assessment Area: Central Arkansas							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Low	2	28.6%	7.8%	\$58	7.8%	4.6%	29.6%
Moderate	1	14.3%	17.2%	\$11	1.5%	13.9%	19.5%
Middle	3	42.9%	20.7%	\$525	70.2%	21.9%	19.0%
Upper	1	14.3%	35.3%	\$153	20.5%	39.8%	31.8%
Unknown	0	0.0%	19.0%	\$0	0.0%	19.7%	0.0%
TOTAL	7	100.0%	100.0%	\$748	100.0%	100.0%	100.0%
Source: 2022 FFIEC Census Data							
2016–2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0% due to rounding. Multifamily loans are not included in the borrower distribution analysis.							

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank's geographic distribution of loans reflects reasonable distribution among the different census tracts and dispersion throughout the AA. There are zero low-income census tracts in this AA and three moderate-income census tracts; therefore, the evaluation is based on performance lending in the moderate-income census tracts.

Small Business Lending

The geographic distribution of small business lending is reasonable. The bank's lending in moderate-income census tracts was 27.3 percent, which is higher than the aggregate (25.2 percent) and only slightly trails the demographic (34.7 percent).

Distribution of 2022 Small Business Lending by Income Level of Geography Assessment Area: Central Arkansas							
Tract Income Levels	Count			Dollar			Total Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	\$ (000s)	\$ %	\$ %	%
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	3	27.3%	25.2%	\$57	6.5%	26.0%	34.7%
Middle	8	72.7%	73.0%	\$816	93.5%	73.4%	65.3%
Upper	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	1.8%	\$0	0.0%	0.6%	0.0%
TOTAL	11	100.0%	100.0%	\$873	100.0%	100.0%	100.0%
<i>Source: 2022 FFIEC Census Data 2020 Dun & Bradstreet Data 2016–2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</i>							

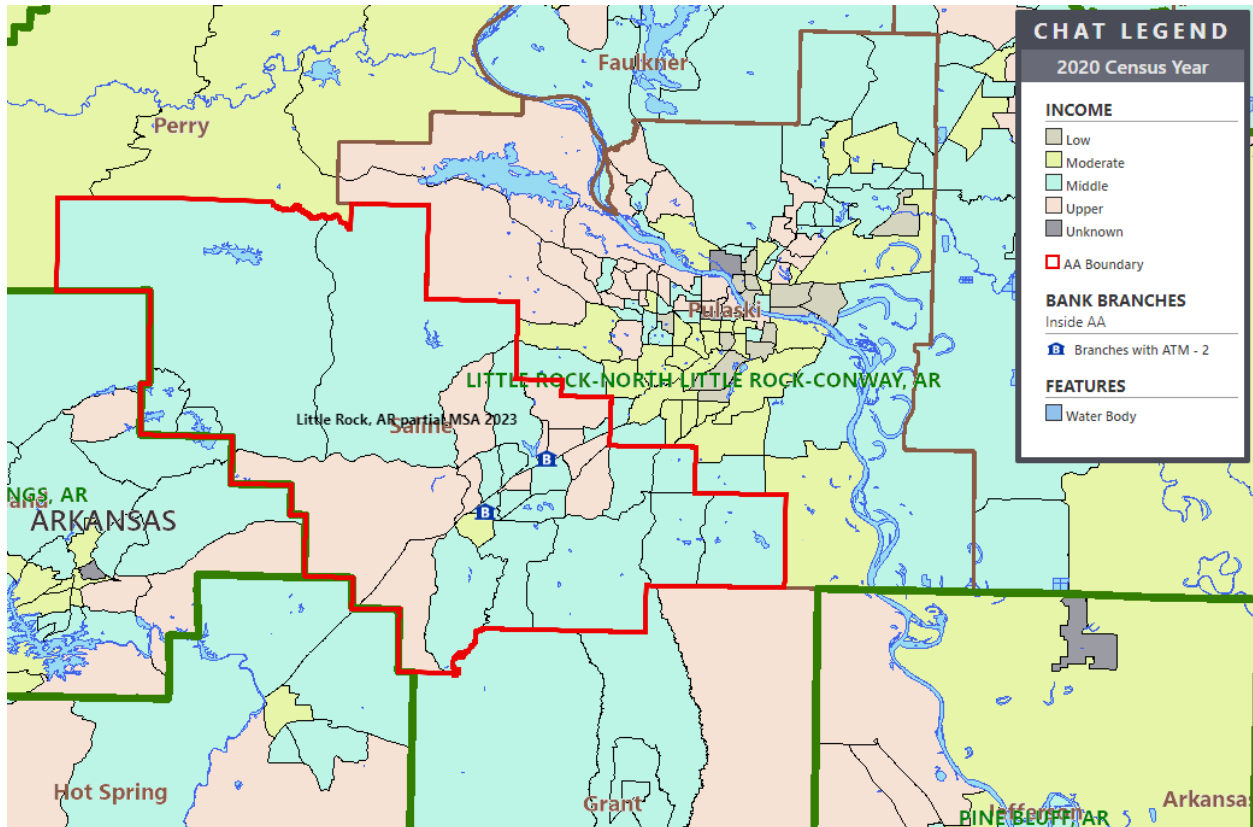
Residential Real Estate Lending

The geographic distribution of 1–4 family residential real estate lending is reasonable. The bank's lending in moderate-income census tracts was 28.6 percent, which is slightly less than the aggregate (35.3 percent) and the demographic (38.6 percent).

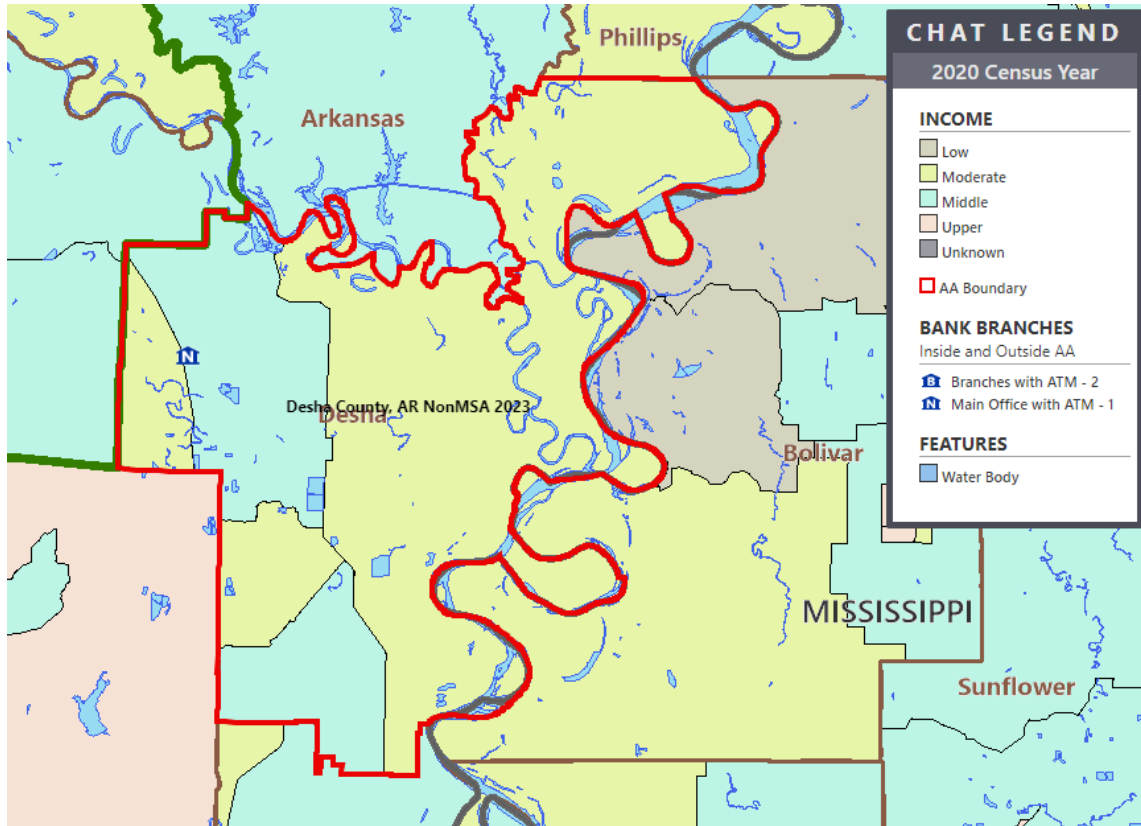
Distribution of 2022 Residential Real Estate Lending by Income Level of Geography Assessment Area: Central Arkansas							
Geographic Income Level	Bank and Aggregate Loans						Owner- Occupied Units %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	2	28.6%	35.3%	\$80	10.7%	35.5%	38.6%
Middle	5	71.4%	64.7%	\$668	89.3%	64.5%	61.4%
Upper	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Unknown	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
TOTAL	7	100.0%	100.0%	\$748	100.0%	100.0%	100.0%
<i>Source: 2022 FFIEC Census Data 2016–2022 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0% due to rounding.</i>							

APPENDIX A – MAP OF THE ASSESSMENT AREAS

Little Rock Assessment Area



Central Arkansas Assessment Area



APPENDIX B – 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 by either 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.