PUBLIC DISCLOSURE

October 15, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Warren Bank and Trust Company
RSSD #748441

201 South Main Street
Warren, Arkansas 71671

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'S COMMUNITY REINVESTMENT ACT RATING

Warren Bank and Trust Company (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 AA.
- The borrower's profile analysis reveals reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI).
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- 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) Interagency Examination Procedures for Small Institutions were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as AA demographic and economic characteristics and credit needs. Lending performance was assessed within the bank's AA.

The bank's lending performance was evaluated using 1–4 family residential real estate and consumer motor vehicle loans, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Greater weight was given to 1–4 family residential real estate loans in determining overall performance conclusions. The following table includes the corresponding time period for each performance category.

Performance Criterion	Time Period
LTD Ratio	December 31, 2019 – June 30, 2024
Assessment Area Concentration	January 1, 2022 – December 31, 2023
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	October 28, 2019 – October 14, 2024

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on Home Mortgage Disclosure Act data. Unless otherwise noted, AA demographics are based on 2020 American Community Survey 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 $114.0 million to $254.1 million as of June 30, 2024.

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

DESCRIPTION OF INSTITUTION

Warren Bank and Trust Company is an independent, full-service retail bank headquartered in Warren, Arkansas. The bank's characteristics include:

- The bank has no affiliates or subsidiaries.

- The bank has total assets of $151.8 million as of June 30, 2024. That represents an increase of 18.9 percent since the last evaluation.

- In addition to its main office, the bank has two other branches located in the city of Warren, as well as one branch located in the nearby city of Hermitage; all four bank branches are in Bradley County.

- Three of the four branches have cash-dispensing-only automated teller machines (ATMs).

- As shown in the following table, the bank's primary business focus is 1–4 family residential real estate lending.

- Additionally, loans to individuals, such as consumer motor vehicle loans, represent a significant product offering for the bank by volume. Consumer loans not related to residential real estate are typically made in smaller dollar amounts; thus, their importance to the bank's loan portfolio is not immediately evident in the following table.

Composition of Loan Portfolio as of June 30, 2024		
Loan Type	**Amount $ (000s)**	**Percentage of Total Loans**
1–4 Family Residential Real Estate	29,312	36.5
Farmland	17,932	22.3
Commercial Real Estate	12,680	15.8
Commercial and Industrial	10,240	12.7
Loans to Individuals	7,354	9.1
Construction and Development	2,188	2.7
Multifamily Residential	329	0.4
Total Other Loans	275	0.3
Farm Loans	102	0.1
TOTAL	**80,412**	**100.0**
Note: Percentages may not total 100.0% due to rounding.		

The bank was rated Satisfactory under the CRA at its October 28, 2019 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.

DESCRIPTION OF ASSESSMENT AREA

The bank's Bradley County AA consists of the entirety of Bradley County, which is located in a nonMSA portion of southern Arkansas (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 Insurance Corporation (FDIC) Market Share report, the bank has a market share of 44.7 percent, which ranks first out of three FDIC-insured depository institutions operating in the AA.

- According to the U.S. Department of Labor, Bureau of Labor Statistics, the three largest nongovernmental industries in the AA, determined by number of employees, are manufacturing (32.0 percent), healthcare (21.7 percent), and retail trade (10.7 percent).

- One community contact interview was conducted with an individual from an economic development organization.

- All five AA census tracts are designated as middle-income; consequently, 100 percent of the 2,593 AA families live in a middle-income-designated census tract.

- At the previous CRA evaluation, the bank's AA included four middle-income census tracts and one moderate-income census tract. However, as a result of census tract designation changes due to the release of 2020 census data, one census tract in the AA was reclassified from moderate-income to middle-income.

Population Change			
Area	**2015 Population**	**2020 Population**	**Percent Change**
Assessment Area	11,206	10,545	-5.9
NonMSA Arkansas	1,133,475	1,086,823	-4.1
Arkansas	2,958,208	3,011,524	1.8
Source: 2020 U.S. Census Bureau: Decennial Census *2011–2015 U.S. Census Bureau: American Community Survey*			

- The population of the AA decreased 5.9 percent from 2015 to 2020. In comparison, the population of nonMSA Arkansas decreased at a slightly slower rate of 4.1 percent over the same period.

- The community contact reported that the population decline was due in part to an aging population and to young professionals moving away for other economic opportunities.

Median Family Income Change			
Area	**2015 Median Family Income ($)**	**2020 Median Family Income ($)**	**Percent Change**
Assessment Area	45,687	55,286	21.0
NonMSA Arkansas	49,217	53,702	9.1
Arkansas	56,576	62,067	9.7
Source: 2011–2015 U.S. Census Bureau: American Community Survey *2016–2020 U.S. Census Bureau: American Community Survey* *Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.*			

- The median family income in the AA increased significantly (21.0 percent) from 2015 to 2020, whereas the median family income in nonMSA Arkansas (9.1 percent) and the state of Arkansas as a whole (9.7 percent) increased more moderately.

Unemployment Rates (%)					
Area	**2019**	**2020**	**2021**	**2022**	**2023**
Assessment Area	4.1	6.0	4.8	5.0	4.6
NonMSA Arkansas	4.3	6.6	4.5	3.9	3.9
Arkansas	3.5	6.2	4.1	3.3	3.3
Source: Bureau of Labor Statistics: Local Area Unemployment Statistics					

- An increase in unemployment in 2020 was experienced as a result of the COVID-19 pandemic. Subsequently, the unemployment levels have experienced declining trends. However, the unemployment rate in the AA has not yet reached its pre-pandemic level and is higher than the rates in nonMSA Arkansas and the state of Arkansas as a whole.

- The community contact reported that payrolls for the area's largest employers are still below pre-pandemic levels; however, the contact also noted these circumstances are partially offset by growth in small and medium-sized businesses.

Housing Cost Burden (%)						
Area	**Cost Burden – Renters**			**Cost Burden – Owners**		
	Low-Income	**Moderate-Income**	**All Renters**	**Low-Income**	**Moderate-Income**	**All Owners**
Assessment Area	52.4	24.2	30.0	64.8	16.8	18.5
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
Cost burden is housing cost that equals 30% or more of household income. *Source: 2016–2020 U.S. Department of Housing and Urban Development: Comprehensive Housing Affordability Strategy*						

- The housing cost burden of all renters in the AA is slightly less than the cost burden experienced by nonMSA Arkansas and Arkansas overall. This is primarily due to the significantly lower cost burden experienced by low-income renters in the AA.

- Conversely, the housing cost burden of all owners in the AA is slightly higher than the cost burden experienced by nonMSA Arkansas and Arkansas overall, which is primarily due to the significantly higher cost burden experienced by low-income owners in the AA.

- The community contact reported that the area lacks new housing inventory, particularly stock that is affordable to the LMI population.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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 AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and proximity of market areas.

Comparative LTD Ratios October 1, 2019 – June 30, 2024			
Institution	**Location**	**Asset Size $ (000s)**	**LTD Ratio (%) 20-Quarter Average**
Warren Bank and Trust Company	Warren, Arkansas	151,848	51.2
Similarly Situated Institutions			
Regional Banks	Warren, Arkansas[1]	113,968	45.8
	Smackover, Arkansas	226,904	56.5
	Fordyce, Arkansas	254,058	63.7

The bank's LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The 20-quarter average LTD for the bank is below two regional peers, but above the third. During the review period, the bank's level of lending experienced an increasing trend, with the quarterly LTD ratio increasing from 48.4 percent at December 31, 2019, to 69.0 percent at June 30, 2024.

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA.

Lending Inside and Outside the Assessment Area								
Loan Type	**Inside**				**Outside**			
	#	**# %**	**$ (000s)**	**$ %**	**#**	**# %**	**$ (000s)**	**$ %**
1–4 Family Residential Real Estate	42	67.7	4,831	62.9	20	32.3	2,854	37.1
Consumer Motor Vehicle	82	82.0	1,409	81.1	18	18.0	329	18.9
TOTAL LOANS	124	76.5	6,240	66.2	38	23.5	3,183	33.8
Note: Percentages may not total 100.0% due to rounding.								

[1] This similarly situated institution merged with a larger institution as of June 24, 2024; consequently, the asset size and LTD review period for this bank is as of the quarter ending March 30, 2024.

A majority of the bank's loans, by number and dollar, are originated inside the AA. As shown in the preceding table, 76.5 percent of the total loans were made inside the AA, accounting for 66.2 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

This performance criterion evaluates the bank's lending to borrowers of different income levels. Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance within the two loan categories that were reviewed. The bank's residential real estate lending performance was reasonable, while its consumer motor vehicle lending performance was excellent. As previously noted, more weight was placed on the 1–4 family residential real estate loan category.

<u>Residential Real Estate Lending</u>

The bank's 1–4 family residential real estate loan distribution to LMI borrowers is reasonable. Lending performance to low-income borrowers (4.8 percent) trails both the aggregate (7.2 percent) and demographic figure (18.4 percent). However, the bank's lending performance to moderate-income borrowers (35.7 percent) is well above the aggregate (17.5 percent) and the demographic figure (20.2 percent). Therefore, on a combined basis, the bank's lending performance to LMI borrowers (40.4 percent) compares favorably to the aggregate (24.7 percent) and the demographic (38.6 percent).

Distribution of 2022–2023 Residential Real Estate Lending by Borrower Income Level
Assessment Area: Bradley County

Borrower Income Level	Bank of Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	$ (000s)	$ %	$ %	
Low	2	4.8	7.2	83	1.7	4.0	18.4
Moderate	15	35.7	17.5	959	19.8	13.3	20.2
Middle	10	23.8	18.1	755	15.6	16.2	21.1
Upper	15	35.7	30.7	3,034	62.8	41.2	40.3
Unknown	0	0.0	26.5	0	0.0	25.3	0.0
TOTAL	**42**	**100.0**	**100.0**	**4,831**	**100.0**	**100.0**	**100.0**

Source: 2022 and 2023 FFIEC Census Data
2016–2020 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding.

Consumer Motor Vehicle

The borrower distribution of consumer motor vehicle lending is excellent. The bank's lending to low-income borrowers (26.8 percent) is above the percentage of low-income households in the AA (24.0 percent), while the bank's lending to moderate-income borrowers (32.9 percent) more than doubles the household comparator (15.9 percent). When combined, the bank's lending to LMI borrowers (59.7 percent) exceeds the percentage of LMI households in the AA (39.9 percent).

Distribution of 2022–2023 Consumer Motor Vehicle Lending by Borrower Income Level
Assessment Area: Bradley County

Borrower Income Level	Bank Loans				Households by Household Income %
	#	# %	$ (000s)	$ %	
Low	22	26.8	187	13.3	24.0
Moderate	27	32.9	445	31.6	15.9
Middle	12	14.6	181	12.9	19.6
Upper	21	25.6	595	42.3	40.5
Unknown	0	0.0	0	0.0	0.0
TOTAL	**82**	**100.0**	**1,408**	**100.0**	**100.0**

Source: 2020 FFIEC Census Data
2022–2023 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0% due to rounding.

Geographic Distribution of Loans

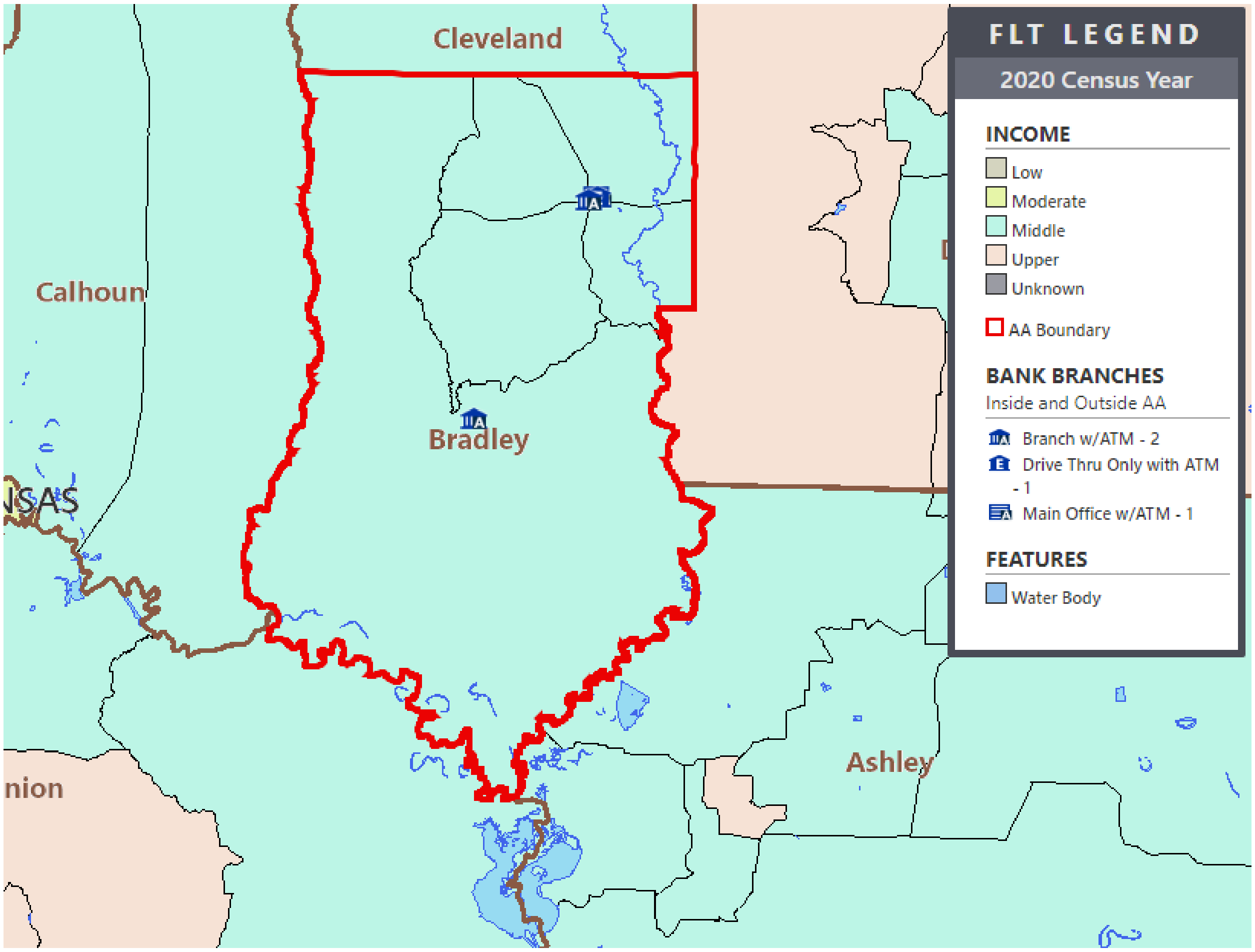
Under the geographic distribution of loans analysis, emphasis is normally placed on the bank's performance in LMI geographies. However, the bank's AA does not contain any LMI census tracts. As previously stated, the bank's AA is comprised of five middle-income census tracts. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the AA census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the AA, consistent with demographics and bank structure. Therefore, the bank's geographic distribution of loans is 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.

APPENDIX A – MAP OF THE ASSESSMENT AREA

<u>Bradley County, Arkansas Assessment Area</u>



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) <u>affordable housing</u> (including multifamily rental housing) for low- or moderate-income individuals; (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> 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 <u>revitalize or stabilize</u> 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.