PUBLIC DISCLOSURE

April 1, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Connect Bank
RSSD #126049

116 North Lincoln Avenue
Star City, Arkansas 71667

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.

Connect Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. 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.

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

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

- The loan distribution by borrower's profile reflects reasonable penetration among businesses of different revenue sizes and individuals of different income (including low- and moderate-income [LMI]) levels.

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

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Examination Procedures for Small Institutions. The bank maintains operations in two delineated assessment areas in the state of Arkansas. One assessment area consists of the Pine Bluff, Arkansas metropolitan statistical area (Pine Bluff MSA) in its entirety, which includes the counties of Jefferson, Lincoln, and Cleveland. The second assessment area comprises Desha County in its entirety, which is located in the southeast nonMSA portion of Arkansas.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each assessment area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation Deposit Market Share Report data as of June 30, 2018.

Assessment Area	Offices		Deposits as of June 30, 2018		CRA Review Procedures
	#	%	$ (000s)	%	
Pine Bluff MSA	4	80.0%	$70,164	93.9%	Full-Scope Review
Desha County	1	20.0%	$4,552	6.1%	Limited-Scope Review
OVERALL	**5**	**100%**	**$74,716**	**100%**	**1 – Full Scope**

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the Pine Bluff MSA is the basis for the CRA performance evaluation rating.

Furthermore, small business loans and residential real estate loans 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.[1] 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 commercial lending, performance based on the small business loan category carried the most weight 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, 2015 – December 31, 2018
Assessment Area Concentration	January 1, 2017 – December 31, 2017
Geographic Distribution of Loans	
Loan Distribution by Borrower's Profile	
Response to Written CRA Complaints	March 16, 2015 – March 31, 2019

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on U.S. Census data; certain business demographics are based on 2017 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $73.3 million to $161.9 million as of December 31, 2018.

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 assessment area. Key details from these community contact interviews are included in the *Description of Assessment Area* section for the Pine Bluff MSA.

[1] Small business loans were sampled for this review according to CA Letter 01-8, "CRA Sampling Procedures."

DESCRIPTION OF INSTITUTION

Connect Bank, formally known as Bank of Star City, is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank changed its name on March 25, 2019. The bank is wholly owned by Star City Bancshares, Inc., a one-bank holding company. The bank and its holding company are both headquartered in Star City, Arkansas. The bank's branch network consists of five full-service offices located in southern Arkansas. Of these offices, two are located in Pine Bluff (Jefferson County), one in White Hall (Jefferson County), one in Star City (Lincoln County), and one in Dumas (Desha County). All offices include a full-service automated teller machine (ATM) on site. The bank did not open or close any branch offices during this review period. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to its entire assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the credit needs of its assessment areas based on its available resources and financial products. As of December 31, 2018, the bank reported total assets of $92.9 million. As of the same date, total loans and leases were $68.1 million (73.3 percent of total assets), and deposits totaled $76.5 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of December 31, 2018		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$6,117	9.0%
Commercial Real Estate	$16,968	24.9%
Multifamily Residential	$2,680	3.9%
1–4 Family Residential	$18,154	26.7%
Farmland	$7,391	10.9%
Farm Loans	$3,876	5.7%
Commercial and Industrial	$11,412	16.8%
Loans to Individuals	$1,431	2.1%
Total Other Loans	$44	0.1%
TOTAL LOANS	**$68,073**	**100%**

As indicated by the preceding table, a significant portion of the bank's lending resources is directed to commercial loans (including both commercial real estate and commercial and industrial) and loans secured by 1–4 family residential real estate properties.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on March 16, 2015.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Loan-to-Deposit (LTD) Ratio

The table below displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents a 16-quarter average dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of December 31, 2018**	**Average LTD Ratio**
Connect Bank	Star City, Arkansas	$92,923	81.4%
Regional Banks	Rison, Arkansas	$73,256	80.3%
	Fordyce, Arkansas	$161,857	70.2%
	Dumas, Arkansas	$139,720	87.0%

Based on data from the previous table, the bank's level of lending is in line with other banks in the region. During the review period, the bank's quarterly LTD ratio experienced a generally increasing trend with a 16-quarter average of 81.4 percent. In comparison, the bank headquartered in Rison, Arkansas, also experienced an increasing trend, while both remaining peers in Fordyce and Dumas experienced generally stable trends. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Areas January 1, 2017 through December 31, 2017						
Loan Type	**Inside Assessment Areas**		**Outside Assessment Areas**		**TOTAL**	
Small Business	52	77.6%	15	22.4%	**67**	**100%**
	$2,534	55.5%	$2,028	44.5%	**$4,562**	**100%**
HMDA	44	84.6%	8	15.4%	**52**	**100%**
	$2,318	69.9%	$997	30.1%	**$3,315**	**100%**
TOTAL LOANS	**96**	**80.7%**	**23**	**19.3%**	**119**	**100%**
	$4,852	**61.6%**	**$3,025**	**38.4%**	**$7,877**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment areas. As shown in the preceding table, 80.7 percent of the total loans were made inside the assessment areas, accounting for 61.6 percent of the dollar volume of total loans.

<u>Geographic and Borrower Distribution</u>

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

Similarly, the bank's distribution of lending by borrower's income/revenue profile is reasonable throughout the bank's assessment area

<u>Responses to Complaints</u>

No CRA-related complaints were filed against the bank during this review period (March 16, 2015 through March 31, 2019).

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.

PINE BLUFF, ARKANSAS
METROPOLITAN STASTICAL AREA
(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PINE BLUFF MSA

Bank Structure

The bank operates four of its five offices (80.0 percent) in this assessment area. The main office is located in Star City, with two branch offices in Pine Bluff and one in White Hall. All four offices are located in middle-income census tracts. During this review period, the bank did not open or close any branches in this assessment area. Based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to the entire assessment area.

General Demographics

The assessment area comprises Jefferson, Lincoln, and Cleveland Counties, which make up the Pine Bluff MSA in its entirety. Jefferson County contains the city of Pine Bluff, with Lincoln and Cleveland Counties comprising the more rural portion of the MSA. The assessment area population according to 2015 U.S. Census data is shown in the following table:

County	Population
Jefferson	73,548
Lincoln	14,062
Cleveland	8,510
TOTAL POPULATION	**96,120**

This assessment area is not considered a highly competitive banking market, with only eight financial institutions operating in the Pine Bluff MSA. One institution dominates the market share in this area, encompassing 80.6 percent of all deposits. Connect Bank ranks fourth, encompassing only 2.0 percent of the assessment area's deposit market share.

Credit needs in the assessment area include a mix of consumer and business loan products. Other specific credit needs in the assessment area, as noted primarily from community contacts, include home improvement loans and Small Business Administration (SBA) loan programs.

Income and Wealth Demographics

The following table summarizes the distribution of assessment area 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	1	8	17	3	1	**30**
	3.3%	26.7%	56.7%	10.0%	3.3%	**100%**
Family Population	526	3,835	14,132	4,235	9	**22,737**
	2.3%	16.9%	62.2%	18.6%	0.0%	**100%**

As shown above, 30.0 percent of the census tracts in the assessment area are LMI geographies, but only 19.2 percent of the family population resides in these tracts. These LMI areas are primarily concentrated in and around the city of Pine Bluff.

Based on 2015 U.S. Census data, the median family income for the assessment area was $47,667. At the same time, median family income for Arkansas was $51,782. More recently, the FFIEC estimates the 2017 median family income for the Pine Bluff MSA to be $47,700. The following table displays population percentages of assessment area families by income level compared to the Arkansas family population.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	5,584	3,442	4,148	9,563	**22,737**
	24.6%	15.1%	18.2%	42.1%	**100%**
Arkansas	163,727	134,396	149,441	312,360	**759,924**
	21.5%	17.7%	19.7%	41.1%	**100%**

While the table from the previous section shows only 19.2 percent of geographies were LMI, the preceding table shows a much larger percentage of families, 39.7 percent, are considered LMI. This is similar to the LMI family percentage of 39.2 percent in Arkansas. However, the percentage of families living below the poverty level in the Pine Bluff MSA, 19.6 percent, is well above the 14.3 percent level for the state of Arkansas. Considering these factors, the assessment area appears less affluent than the state of Arkansas as a whole, which was further confirmed by community contacts who described the area as economically distressed with a lack of job opportunities and good wages.

Housing Demographics

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Assessment Area	$80,180	46.1%	$661
Arkansas	$111,400	37.1%	$677

As displayed in the preceding table, housing in the assessment area is more affordable than in the state of Arkansas. The median housing value for the assessment area was $80,180, which is considerably lower than the figure for the state of Arkansas ($111,400). The affordability ratio, which considers median family income in relation to housing values, is 46.1 percent in the assessment area and is above that of the state figure of 37.1 percent. Furthermore, the median gross rent for the assessment area of $661 is slightly below the $677 per month for the state of Arkansas. While the data indicates housing is more affordable overall when compared to the state of Arkansas, the housing is less affordable in Jefferson County, which is the population center of the assessment area and contains the majority of the LMI census tracts. Additionally, community contacts noted a need for affordable housing in Jefferson County.

Industry and Employment Demographics

Employment opportunities in the assessment area are limited. Community contacts noted that residents often commute outside of the assessment area for work. County business patterns from 2016 indicate that there are 22,560 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (24.7 percent), healthcare and social assistance (19.0 percent), and retail trade (16.5 percent). The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for each county of the assessment area, the assessment area as a whole, and the state of Arkansas.

Unemployment Levels for the Assessment Area				
Dataset	**Time Period (Annual Average)**			
	2015	**2016**	**2017**	**2018 (through November)**
Jefferson County	7.0%	5.6%	5.2%	5.3%
Lincoln County	6.1%	4.8%	4.2%	4.4%
Cleveland County	5.6%	4.5%	4.4%	4.0%
Assessment Area Average	**6.8%**	**5.4%**	**5.0%**	**5.1%**
Arkansas	5.0%	4.0%	3.7%	3.7%

As shown in the preceding table, unemployment levels varied between individual counties within the assessment area. Unemployment rates were highest in Jefferson County, which includes the city of Pine Bluff and the majority of the assessment area’s LMI census tracts. As shown, the assessment area as a whole had a higher unemployment rate when compared to the state of Arkansas. Similarly, community contacts noted high unemployment rates and a lack of employment opportunities in the Pine Bluff area. For both the assessment area and the state, unemployment rates steadily dropped from 2015 to 2018.

Community Contact Information

Information from two community contact interviews was used as part of this evaluation. One contact is an individual specializing in affordable housing, and the other individual's specialty is in small business development.

The contact specializing in small business development characterized the local economy as declining, with unemployment rates and poverty rates higher than the figures for the state of Arkansas. The contact cited low education levels and a shrinking workforce as factors negatively effecting the local economy. Furthermore, the contact indicated that there are not enough banking opportunities in the area, and more banks would drive healthier competition and thus improve the services offered in the community. Needs identified by this contact include more SBA loan products, financial education training, and credit-builder loans designed to help people who have low or no credit history.

The second community contact specializing in affordable housing had comparable observations of the local economy, including high unemployment and poverty rates when compared to the state as a whole. The contact indicated that home improvement loans are a specific credit need, and they would benefit LMI families that lack the disposable income needed for home repairs. Furthermore, this contact described an issue with abandoned homes or homes in need of repair in the Pine Bluff area, further reinforcing the need for home improvement loans. The contact also noted that there is a lack of funding for multifamily, affordable housing that benefits LMI seniors and disabled individuals. As previously mentioned, financial education and budgeting classes and small-dollar loans were identified by this contact as needs for LMI individuals and families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PINE BLUFF MSA

Geographic Distribution of Loans

As previously noted, the Pine Bluff MSA includes one low- and eight moderate-income census tracts, representing 30.0 percent of all census tracts. The bank's geographic distribution of HMDA loans reflects excellent performance, while its distribution of small business loans was poor. As such, geographic distribution is reasonable when considering both loan categories.

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

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2017 through December 31, 2017

	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	2	4.0%	4	8.0%	39	78.0%	5	10.0%	0	0.0%	**50**	**100%**
Business Institutions	4.9%		22.6%		55.3%		17.1%		0.0%		**100%**	
2017 Small Business Aggregate	4.6%		18.0%		56.5%		19.0%		1.9%		**100%**	

The bank's level of lending in low-income census tracts (4.0 percent) is similar to the estimated percentage of businesses operating inside these census tracts (4.9 percent) and 2017 aggregate lending levels in low-income census tracts (4.6 percent). Consequently, the bank's performance in low-income areas is reasonable. The bank's percentage of loans in moderate-income census tracts (8.0 percent) is below the 2017 aggregate lending percentage in moderate-income census tracts (18.0 percent) and the percentage of small businesses in moderate-income census tracts (22.6 percent), representing poor performance. When combined, the bank's LMI performance of 12.0 percent is below the percentage of businesses in LMI tracts (27.5 percent) and aggregate performance in LMI tracts (22.6 percent), representing poor performance overall.

Second, the bank's geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2017 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2017 through December 31, 2017												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	3.8%	4	15.4%	20	76.9%	1	3.8%	0	0.0%	**26**	**100%**
Refinance	0	0.0%	1	11.1%	7	77.8%	1	11.1%	0	0.0%	**9**	**100%**
Home Improvement	0	0.0%	0	0.0%	5	83.3%	1	16.7%	0	0.0%	**6**	**100%**
Multifamily	0	0.0%	1	100.0%	0	0.0%	0	0.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**1**	**2.4%**	**6**	**14.3%**	**32**	**76.2%**	**3**	**7.1%**	**0**	**0.0%**	**42**	**100%**
Owner-Occupied Housing	2.0%		13.5%		63.6%		21.0%		0.0%		**100%**	
2017 HMDA Aggregate	0.4%		7.6%		61.1%		30.9%		0.0%		**100%**	

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in low-income geographies. The bank's total penetration of low-income census tracts by number of loans (2.4 percent) is similar to the percentage of owner-occupied housing units in low-income census tracts (2.0 percent). The bank's performance in low-income census tracts is above that of other lenders in the assessment area based on 2017 HMDA aggregate data, which indicate that 0.4 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies.

Bank performance in moderate-income census tracts is excellent. The bank's total penetration of moderate-income census tracts by number of loans (14.3 percent) is similar to the percentage of owner-occupied housing units in moderate-income census tracts (13.5 percent). However, the bank's performance in moderate-income census tracts is significantly above that of other lenders based on aggregate lending data, which indicate that 7.6 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. Combined, the bank's geographic distribution of HMDA loans in LMI geographies (16.7 percent) exceeds the owner-occupied housing in LMI tracts (15.5 percent) and is significantly above the combined HMDA aggregate data of 8.0 percent and reflects excellent performance.

Lastly, based on reviews from both loan categories, Connect Bank had loan activity in 80.0 percent of all assessment census tracts, including seven of the nine LMI tracts. Therefore, no conspicuous lending gaps were noted in LMI areas.

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. For this review, greater emphasis is placed on performance in the small business loan category given the bank's emphasis on small business lending. Additionally, the bank's performance in the HMDA loan category was not significantly below performance in the small business loan category, particularly in light of local area demographics.

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2017 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	39	78.0%	1	2.0%	0	0.0%	**40**	**80.0%**
Greater than $1 Million/ Unknown	5	10.0%	4	8.0%	1	2.0%	**10**	**20.0%**
TOTAL	**44**	**88.0%**	**5**	**10.0%**	**1**	**2.0%**	**50**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**89.3%**	
2017 CRA Aggregate Data							**37.0%**	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (80.0 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 89.3 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2017 aggregate lending level to small businesses is 37.0 percent.

Next, 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 ($47,700 for Pine Bluff MSA as of 2017). The following table shows the distribution of HMDA-reportable loans by borrower income level compared to family population income demographics and 2017 aggregate data for the assessment area.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	2	7.7%	3	11.5%	14	53.8%	7	26.9%	**26**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	8	88.9%	1	11.1%	**9**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	3	50.0%	3	50.0%	**6**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	**1**	**100%**
TOTAL HMDA	**0**	**0.0%**	**2**	**4.8%**	**3**	**7.1%**	**25**	**59.5%**	**12**	**28.6%**	**42**	**100%**
Family Population	24.6%		15.1%		18.2%		42.1%		0.0%		**100%**	
2017 HMDA Aggregate	3.2%		14.6%		17.2%		35.5%		29.4%		**100%**	

As displayed in the preceding table, the bank did not originate any HMDA loans to low-income borrowers, which is well below the low-income family population figure (24.6 percent) but not significantly below the 2017 aggregate lending level to low-income borrowers (3.2 percent). Despite the lack of loans to low-income borrowers, performance is deemed poor in light of performance context. As previously stated, this area struggles with elevated poverty levels, which creates significant hurdles to lending to many borrowers, with a particular struggle for low-income borrowers as confirmed by community contacts. Similarly, the bank's level of lending to moderate-income borrowers (4.8 percent) is well below the moderate-income family population percentage (15.1 percent) and the aggregate lending levels (14.6 percent), reflecting poor performance. Considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile is poor.

DESHA COUNTY, ARKANSAS
NONMETROPOLITAN STASTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN DESHA COUNTY

The bank operates one office in this assessment area, which comprises Desha County. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	**Population Income Level**				**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	
Family Population	1,052	596	515	1,195	**3,358**
	31.3%	17.8%	15.3%	35.6%	**100%**
Household Population	1,793	938	735	1,806	**5,272**
	34.0%	17.8%	13.9%	34.3%	**100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	
Census Tracts	2	0	3	0	0	**5**
	40.0%	0.0%	60.0%	0.0%	0.0%	**100%**
Family Population	1,191	0	2,167	0	0	**3,358**
	35.5%	0.0%	64.5%	0.0%	0.0%	**100%**
Household Population	1,939	0	3,333	0	0	**5,272**
	36.8%	0.0%	63.2%	0.0%	0.0%	**100%**
Business Institutions	101	0	264	0	0	**365**
	27.7%	0.0%	72.3%	0.0%	0.0%	**100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DESHA COUNTY

The bank's performance in this assessment area is consistent with the bank's overall performance, as detailed in the following table. For more detailed information, see the tables in *Appendix A*.

Lending Test Criteria	Performance
Geographic Distribution of Loans	Consistent
Distribution of Loans by Borrower's Profile	Consistent
OVERALL	**CONSISTENT**

LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW ASSESSMENT AREA

Desha County, Arkansas Assessment Area

Distribution of Loans Inside Assessment Area by Income Level of Geography

January 1, 2017 through December 31, 2017

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Home Improvement	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
Multifamily	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
TOTAL HMDA	**0**	**0.0%**	**0**	**0.0%**	**2**	**100.0%**	**0**	**0.0%**	**0**	**0.0%**	**2**	**100%**
Owner-Occupied Housing	29.7%		0.0%		70.3%		0.0%		0.0%		**100%**	
2017 HMDA Aggregate	23.8%		0.0%		76.2%		0.0%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography

January 1, 2017 through December 31, 2017

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	1	50.0%	0	0.0%	1	50.0%	0	0.0%	0	0.0%	**2**	**100%**
Business Institutions	27.7%		0.0%		72.3%		0.0%		0.0%		**100%**	
2017 Small Business Aggregate	19.8%		0.0%		78.4%		0.0%		1.7%		**100%**	

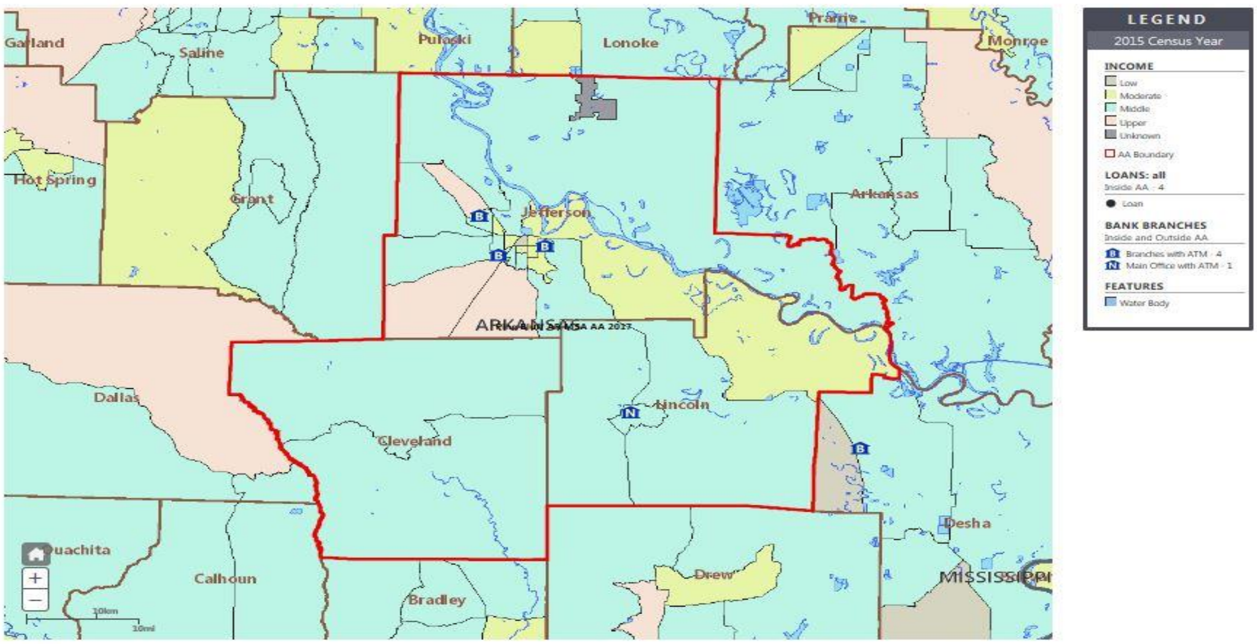
Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2017 through December 31, 2017												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	**1**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	100.0%	**1**	**100%**
TOTAL HMDA	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**2**	**100.0%**	**2**	**100%**
Family Population	31.3%		17.7%		15.3%		35.6%		0.0%		**100%**	
2017 HMDA Aggregate	2.7%		10.2%		21.8%		36.7%		28.6%		**100%**	

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2017 through December 31, 2017								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	<u><</u>$100		>$100 and <u><</u>$250		>$250 and <u><</u>$1,000			
$1 Million or Less	1	50.0%	0	0.0%	0	0.0%	**1**	**50.0%**
Greater than $1 Million/ Unknown	1	50.0%	0	0.0%	0	0.0%	**1**	**50.0%**
TOTAL	**2**	**100.0%**	**0**	**0.0%**	**0**	**0.0%**	**2**	**100%**
Dun & Bradstreet Businesses <u><</u> $1MM							**84.7%**	
2017 CRA Aggregate Data							**31.9%**	

ASSESSMENT AREA MAPS

Pine Bluff MSA

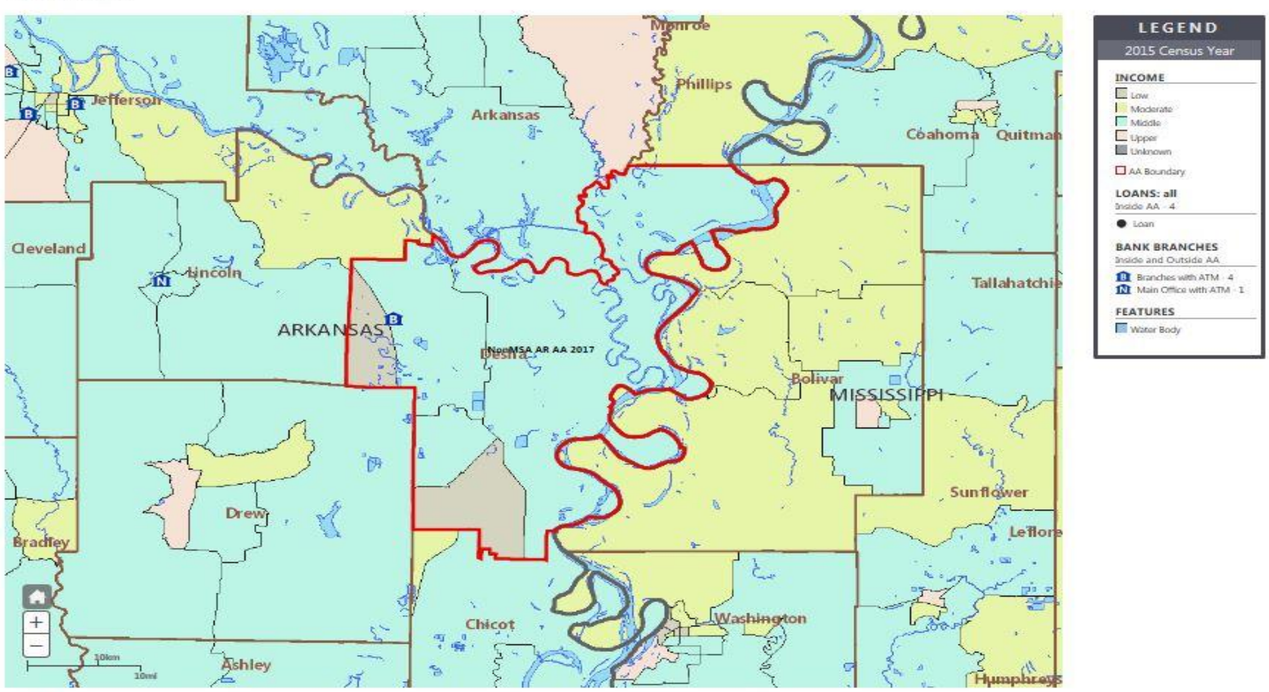
Bank of Star City - Star City, AR
Pine Bluff AR MSA AA



PE Map

Desha County, Arkansas

Bank of Star City - Star City, AR
NonMSA AR AA



PE Map

GLOSSARY

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

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

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

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

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

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

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

Distressed 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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (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 that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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