PUBLIC DISCLOSURE

July 9, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Bank & Trust Company
RSSD #192147

3110 Alma Highway
Van Buren, Arkansas 72956

Federal Reserve Bank of St. Louis

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

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

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

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

Citizens Bank & Trust Company (Citizens Bank) meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating are as follows:

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

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

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

- The borrower's profile analysis reveals excellent penetration among businesses of different revenue size and individuals of different income levels, including low- and moderate-income (LMI) levels.

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

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

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) Intermediate Small Institution Examination Procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA), small business, and consumer motor vehicle 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.[1] Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall

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

lending performance. However, as the bank has a particular emphasis on commercial and consumer motor vehicle lending, performance based on the small business and consumer motor vehicle loan categories carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2014 – March 31, 2018
Assessment Area Concentration	January 1, 2016 – December 31, 2016
Geographic Distribution of Loans	January 1, 2016 – December 31, 2016
Loan Distribution by Borrower's Profile	January 1, 2016 – December 31, 2016
Response to Written CRA Complaints	July 14, 2014 – July 8, 2018
Community Development Activities	July 14, 2014 – July 8, 2018

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 2010 U.S. Census data, and certain business demographics are based on 2016 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, as it is expected to describe many factors impacting lenders in an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $204.5 million to $477.3 million as of March 31, 2018.

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

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

The review included community development activities initiated from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation but still outstanding as of this review date were considered.

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 in the assessment area. 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 interviews are included in the *Description of Assessment Area* section.

DESCRIPTION OF INSTITUTION

Citizens Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is 99.0 percent owned by First Bank Corporation, a multibank holding company headquartered in Fort Smith, Arkansas, that has one other wholly owned bank subsidiary, The First National Bank of Fort Smith, Fort Smith, Arkansas. Citizens Bank operates six full-service facilities, including the main office, all of which are in Crawford County, in the cities of Van Buren, Alma, and Mountainburg. In addition, a new limited-service branch was opened in July 2017 in Cedarville, Arkansas. All of the bank's offices offer full-service automated teller machines. In mid-2016, the bank closed its three loan production offices, which were located in Fort Smith, Arkansas. Based on this branch network and other service delivery systems such as full-service online banking capabilities, 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 assessment area credit needs based on its available resources and financial products. As of March 31, 2018, the bank reported total assets of $400.9 million. As of the same date, loans and leases outstanding were $237.6 million (59.3 percent of total assets) and deposits totaled $348.1 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2018		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$8,400	3.5%
Commercial Real Estate	$102,871	43.3%
Multifamily Residential	$10,525	4.4%
1–4 Family Residential	$67,345	28.3%
Farmland	$1,698	0.7%
Farm Loans	$1,816	0.8%
Commercial and Industrial	$22,271	9.4%
Loans to Individuals	$22,446	9.4%
Total Other Loans	$198	0.1%
TOTAL	**$237,570**	**100%**

As indicated in the preceding table, a significant portion of the bank's lending resources are directed to commercial real estate loans and loans secured by 1–4 family residential properties. The bank also originates and subsequently sells a significant volume of loans related to residential real estate. As these loans are sold on the secondary market shortly after origination, this activity would not be captured in the table. In 2016, Citizens Bank originated 110 loans totaling $13.9 million, which were sold into the secondary market.

While not reflected in the previous table, it is worth noting that by number of loans originated, loans to individuals, such as consumer motor vehicle loans, represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted on July 14, 2014, by this Reserve Bank.

DESCRIPTION OF ASSESSMENT AREA

General Demographics

The bank has designated Crawford and Sebastian Counties, in northwestern Arkansas, as its assessment area. The counties comprise the Arkansas side of the Fort Smith, Arkansas-Oklahoma Metropolitan Statistical Area (Fort Smith MSA). The assessment area has a population of 187,692. Major cities in the assessment area include Ft. Smith and Van Buren on opposite sides of the Arkansas River, with a number of bedroom and rural communities in the surrounding areas. Credit needs in the area are varied and include both consumer and commercial loan products. Both residential real estate and small business loans were noted as a specific credit need in the assessment area by community contacts. In particular, the contacts identified a need for small-dollar home improvement and small business loans.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2017, there are 17 FDIC-insured depository institutions operating 88 banking offices in the assessment area. Citizens Bank is ranked fourth in terms of deposit market share, with 9.6 percent of the total assessment area deposit dollars.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	10	17	10	0	**37**
	0.0%	27.0%	45.9%	27.0%	0.0%	**100%**
Family Population	0	10,182	25,266	14,464	0	**49,912**
	0.0%	20.4%	50.6%	29.0%	0.0%	**100%**

As shown in the preceding table, 27.0 percent of the census tracts in the assessment area are moderate-income, but only 20.4 percent of the family population resides in these tracts. These moderate-income census tracts are primarily concentrated in and around the cities of Fort Smith and Van Buren, which are contiguous and located on the western border between the two counties.

Based on 2010 U.S. Census data, the median family income for the assessment area was $48,055. At the same time, the median family income for the state of Arkansas was $48,491. More recently, the FFIEC estimates the 2016 median family income for the Fort Smith MSA to be $48,100. The following table displays population percentages of assessment area families by income level compared to the Arkansas family population as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	10,018	8,872	9,797	21,225	**49,912**
	20.1%	17.8%	19.6%	42.5%	**100%**
Arkansas	162,389	137,133	153,290	309,951	**762,763**
	21.3%	18.0%	20.1%	40.6%	**100%**

As shown in the preceding table, 37.9 percent of families in the assessment area are considered LMI, which is slightly lower than the LMI family percentage of 39.3 percent in Arkansas. The assessment area also has a slightly higher upper-income family population, 42.5 percent, compared to 40.6 percent in the state. However, the percentage of families living below the poverty threshold in the assessment area (14.1 percent) is similar to the 13.5 percent level in the state of Arkansas. Considering these factors, the assessment area appears comparably affluent to the state of Arkansas.

Housing Demographics

Based on home values and income levels, homeownership in the assessment area is similar in affordability when compared to the state of Arkansas. The median housing value for the assessment area is $104,910, which is similar to the figure for the state of Arkansas ($102,300). The assessment area housing affordability ratio of 37.8 percent is comparable to the statewide figure of 38.4 percent.
The median gross rent for the assessment area of $581 per month is below the $617 per month for the state. Despite the lower rental costs, 43.4 percent of assessment area renters spend over 30 percent of their incomes on rent, compared to 42.5 percent in the state of Arkansas, which indicates that rental units are not affordable for some people in the bank's assessment area. One community contact noted that the assessment area has a lack of affordable rental stock and a high demand for affordable and livable rentals. Therefore, based on housing data and community contact interviews, affordable housing does not appear to be within reach of the LMI population in the assessment area.

Industry and Employment Demographics

According to the 2016 county business patterns, there are 4,429 establishments in the assessment area, including a strong small business sector, which support a wide variety of industries. County business patterns indicate that there are 80,757 paid employees in the assessment area. By percentage of employees, the three largest job categories are manufacturing (21.6 percent), healthcare and social assistance (15.8 percent), and retail trade (13.0 percent). The following table details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to Arkansas as a whole.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**Arkansas**
2017	3.5%	3.6%
2016	3.8%	4.0%
2015	4.9%	5.1%
2014	5.9%	6.1%

As shown in the preceding table, unemployment levels for the assessment area, and the state of Arkansas have shown a decreasing trend. Additionally, unemployment levels in the assessment area are slightly lower than statewide levels.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. One was with an individual specializing in affordable housing, and one was with a person providing small business education and assistance. The interviewees categorized the economy as stable. However, both contacts noted that a significant portion of the assessment area population lives in poverty and does not earn a living wage. In addition, both contacts noted that, although unemployment in the assessment area is decreasing, workforce development programs continue to be needed and there is a shortage of skilled labor in the area. Both contacts noted transportation and childcare as barriers to workforce development programs in the area.

One contact noted a lack of affordable single-family housing in livable conditions, which has led to a decrease in homeownership and an increase in rental rates. Furthermore, the same contact noted homeownership counseling and down payment assistance programs as significant needs for the assessment area. In addition, both contacts noted the need for more small-dollar loans, both to small businesses and for home improvement. Finally, the contacts considered poor credit histories to be the most significant barrier to credit. To this end, financial literacy programs for LMI individuals are needed. While the assessment area has many community development-related needs and opportunities, the contacts indicated that area banks are active and engaged in community development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The chart below displays the bank's average LTD ratio compared to that of regional peers. The average LTD ratio represents a 15-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of March 31, 2018**	**Average LTD Ratio**
Citizens Bank	Van Buren, Arkansas	$400,898	67.2%
Regional Banks	Huntsville, Arkansas	$204,521	84.8%
	Greenwood, Arkansas	$206,872	56.1%
	Hampton, Arkansas	$477,324	86.2%

Based on data from the previous table, the bank's level of lending is above that of one other bank in the region. During the review period, the LTD ratio experienced a generally stable trend, with a 15-quarter average of 67.2 percent. In comparison, the average LTD ratio for one of the regional peers was lower, but with an increasing trend. The average LTD ratios for the other two regional peers were higher, and both had generally increasing trends with some fluctuation. Although the bank's average LTD ratio is below that of two comparable banks, the bank sells a significant portion of its mortgage loans on the secondary market. The loans that are sold on the secondary market are not captured in the bank's total loan balance. Therefore, the bank's average LTD ratio is reasonable given its size, financial condition, and assessment area credit needs.

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 area.

Lending Inside and Outside of Assessment Area January 1, 2016 through December 31, 2016						
Loan Type	**Inside Assessment Area**		**Outside Assessment Area**		**TOTAL**	
Small Business	81	91.0%	8	9.0%	**89**	**100%**
	$12,324	92.4%	$1,014	7.6%	**$13,338**	**100%**
Consumer Motor Vehicle	130	87.8%	18	12.2%	**148**	**100%**
	$1,667	87.1%	$246	12.9%	**$1,913**	**100%**
HMDA	156	86.7%	24	13.3%	**180**	**100%**
	$20,722	87.2%	$3,037	12.8%	**$23,759**	**100%**
TOTAL LOANS	**367**	**88.0%**	**50**	**12.0%**	**417**	**100%**
	$34,713	**89.0%**	**$4,297**	**11.0%**	**$39,010**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment area. As shown above, 88.0 percent of the total loans were made inside the assessment area, accounting for 89.0 percent of the dollar volume of total loans.

Geographic Distribution of Loans

As noted previously, the assessment area includes ten moderate-income census tracts, representing 27.0 percent of all assessment area census tracts; it does not contain any low-income census tracts. Overall, the bank's geographic distribution of loans reflects reasonable penetration throughout the moderate-income census tracts, based on the HMDA, small business, and consumer motor vehicle loan categories.

First, the bank's geographic distribution of small business loans was reviewed. The following table displays 2016 small business loan activity by geography income level compared to the location of businesses throughout the bank's assessment area and 2016 small business aggregate data.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	0	0.0%	23	28.4%	47	58.0%	11	13.6%	0	0.0%	**81**	**100%**
Business Institutions	0.0%		29.0%		42.4%		28.7%		0.0%		**100%**	
2016 Small Business Aggregate	0.0%		26.8%		42.6%		28.9%		1.7%		**100%**	

The bank's percentage of loans in moderate-income census tracts (28.4 percent) is above 2016 aggregate lending percentage in moderate-income census tracts (26.8 percent) and nearly equal to the percentage of small businesses in moderate-income census tracts (29.0 percent), reflecting reasonable performance.

Next, the geographic distribution of consumer motor vehicle loans was reviewed. The table below details the distribution of consumer motor vehicle loans compared to the household population by geography income level.

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle Loans	0	0.0%	28	21.5%	85	65.4%	17	13.1%	0	0.0%	**130**	**100%**
Household Population	0.0%		22.9%		49.0%		28.0%		0.0%		**100%**	

The bank's performance in moderate-income census tracts, 21.5 percent, is nearly equal to the household population in those tracts (22.9 percent). Based on this data, the geographic distribution of consumer motor vehicle loans is reasonable.

Finally, the geographic distribution of HMDA loans was reviewed. The following table displays the geographic distribution of 2016 HMDA loans compared to owner-occupied housing demographics and aggregate performance for the assessment area

Distribution of Loans Inside Assessment Area by Geography Income Level January 1, 2016 through December 31, 2016												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	7	7.8%	69	76.7%	14	15.6%	0	0.0%	**99**	**100%**
Refinance	0	0.0%	7	11.9%	45	76.3%	7	11.9%	0	0.0%	**59**	**100%**
Home Improvement	0	0.0%	0	0.0%	5	100.0%	0	0.0%	0	0.0%	**5**	**100%**
Multifamily	0	0.0%	1	50.0%	0	0.0%	1	50.0%	0	0.0%	**2**	**100%**
TOTAL HMDA	**0**	**0.0%**	**15**	**9.6%**	**119**	**76.3%**	**22**	**14.1%**	**0**	**0.0%**	**156**	**100%**
Owner-Occupied Housing	0.0%		16.8%		52.2%		31.0%		0.0%		**100%**	
2016 HMDA Aggregate	0.0%		12.8%		49.5%		37.7%		0.0%		**100%**	

Bank performance in moderate-income census tracts was below comparison data but deemed reasonable. The bank's total penetration of moderate-income census tracts by number of loans, 9.6 percent, is below the percentage of owner-occupied housing units in moderate-income census tracts (16.8 percent). The bank's performance is also below that of other lenders based on aggregate lending data, which indicate that 12.8 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. According to the 2010 U.S. Census data, 61.9 percent of families in the moderate-income census tracts are LMI, compared to 37.9 percent in the assessment area. Furthermore, 44.6 percent of families in these census tracts are below the poverty level, compared to an assessment area poverty level of 14.1 percent. These constraints, along with a lack of affordable, livable housing noted by community contacts, make it more difficult for the bank to lend in these areas and support the overall reasonable conclusion.

Lastly, based on reviews of the three loan categories, Citizens Bank had loan activity in 89.2 percent of all assessment area census tracts. While not all census tracts contained lending activity, the bank originated loans in eight of the ten moderate-income census tracts. In addition, while some moderate-income census tracts did not contain loans, the bank's loans were dispersed throughout the assessment area consistent with its branching structure, including the urban core of the MSA, specifically Fort Smith and Van Buren. Therefore, no conspicuous lending gaps were noted in LMI areas. This information supports the conclusion that the bank's overall geographic distribution of loans is reasonable.

Loan Distribution by Borrower's Profile

Overall, the loan distribution by borrower's profile is excellent, based on performance from all loan categories reviewed. While the distribution of HMDA loans is reasonable, performance under the small business and consumer motor vehicle categories is excellent. As previously mentioned, greater significance is placed on performance in these two loan categories.

First, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2016 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, 2016 through December 31, 2016

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	54	66.7%	13	16.0%	14	17.3%	**81**	**100.0%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**54**	**66.7%**	**13**	**16.0%**	**14**	**17.3%**	**81**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**87.1%**	
2016 CRA Aggregate Data							**45.5%**	

The bank's level of lending to small businesses is excellent. The bank originated all of its small business loans (100.0 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 87.1 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2016 aggregate lending level to small businesses was 45.5 percent.

Next, the distribution of consumer motor vehicle loans was reviewed. 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 ($48,100 for the Fort Smith MSA as of 2016). The following table displays the distribution of consumer motor vehicle loans by borrower income level compared to the household population income demographics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower July 29, 2013 through December 31, 2016												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	29	22.3%	36	27.7%	33	25.4%	32	25.4%	0	0.0%	**130**	**100%**
Household Population	21.3%		17.5%		18.1%		43.1%		0.0%		**100%**	

This analysis revealed excellent penetration to LMI borrowers. The bank's performance by number of motor vehicle loans made to low-income borrowers (22.3 percent) is above the household population comparison (21.3 percent), reflecting excellent performance. Also the bank's lending performance to moderate-income borrowers (27.7 percent) is significantly above the household population comparison (17.5 percent), reflecting excellent performance. Combined, 50.0 percent of the consumer motor vehicle loans were made to LMI borrowers, which is above the LMI household population (38.8 percent).

Lastly, the distribution of HMDA loans was reviewed. The following table shows the distribution of HMDA-reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2016 aggregate data is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2016 through December 31, 2016												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	5	5.6%	14	15.6%	27	30.0%	38	42.2%	6	6.7%	**90**	**100%**
Refinance	7	11.9%	4	6.8%	15	25.4%	27	45.8%	6	10.2%	**59**	**100%**
Home Improvement	3	60.0%	1	20.0%	1	20.0%	0	0.0%	0	0.0%	**5**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	**2**	**100%**
TOTAL HMDA	**15**	**9.6%**	**19**	**12.2%**	**43**	**27.6%**	**65**	**41.7%**	**14**	**9.0%**	**156**	**100%**
Family Population	20.1%		17.8%		19.6%		42.5%		0.0%		**100%**	
2016 HMDA Aggregate	5.4%		13.2%		18.7%		41.9%		20.8%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (9.6 percent) is substantially below the low-income family population figure (20.1 percent) but exceeds the 2016 aggregate lending level to low-income borrowers (5.4 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (12.2 percent) is below the moderate-income family population percentage (17.8 percent) but similar to the 2016 aggregate lending level to moderate-income borrowers (13.2 percent), reflecting reasonable performance. As previously mentioned, community contacts noted a limited availability of affordable single family housing and that many LMI borrowers are likely unable to purchase a home due to poor credit and employment histories. Therefore, considering performance to both income categories, the bank's overall distribution of loans by borrower's profile is reasonable.

<u>Responses to Complaints</u>

No CRA-related complaints were filed against the bank during this review period (July 14, 2014 through July 8, 2018).

COMMUNITY DEVELOPMENT TEST

The bank's overall community development performance demonstrates excellent responsiveness to the community development needs of the assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank has addressed the community development needs of the assessment area through qualified loans, investments, and services. The number and dollar amount of these activities are shown in the following table, with noteworthy activities described below.

Community Development Activities Inside Assessment Area			
Community Development Activity	**#**		**$**
Loans	20		$15.5 Million
Investments	16		$22.1 Million
Current Period	12		$19.0 Million
Prior Period, Still Outstanding	4		$3.1 Million
Donations	61		$210,360
Services	11 Employees	18 Organizations	

As the table shows, the bank had numerous activities that qualified for community development during the review period. These activities were spread throughout the entire assessment area, with activities in both counties.

- The bank extended or renewed ten loans and lines of credit totaling $2.4 million for the construction and expansion of apartments and duplexes for LMI rental housing. These efforts increase the supply of affordable housing to LMI residents, which was noted by both community contacts as an assessment area need.

- The bank extended one loan and one line of credit totaling $611,000 to a small business in the assessment area. The small businesses created jobs for 22 low-income individuals, which supports economic development in the assessment area.

- The bank made 12 current period investments totaling $19.0 million in municipal bonds, 11 of which were used for capital improvements to school facilities that primarily serve students from LMI families.

- The bank made 61 donations totaling $210,360 to various school districts and originations that provide community services for LMI individuals.

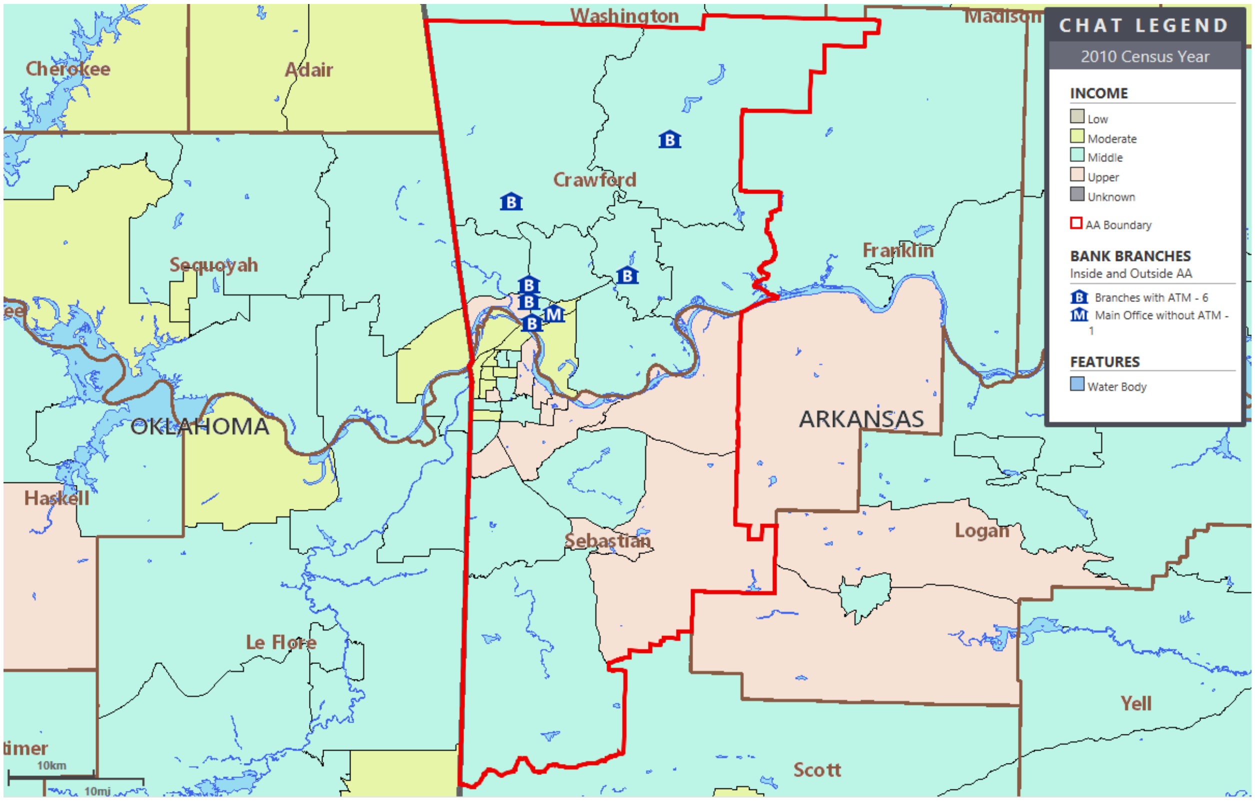
- As board members, bank employees provided several services to organizations throughout the assessment area. In addition, bank staff provided financial education to LMI individuals through numerous organizations. Overall, most services qualified as community services for LMI families, children, and schools throughout the assessment area. These services are responsive to financial literacy needs, as noted by community contacts.

Furthermore, the bank made an investment in Diamond State Ventures, which promotes economic development by providing financing to businesses throughout the entire state of Arkansas. The investment began in a prior period and has an outstanding balance of $206,250, $168,750 of which was new disbursements during the review period.

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.

ASSESSMENT AREA DETAIL



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- and moderate-income (LMI) individuals; (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 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 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 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.