

# **PUBLIC DISCLOSURE**

June 12, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Arkansas Bank and Trust  
Certificate Number: 16849

600 West Main Street  
Jacksonville, Arkansas 72076

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

600 North Pearl Street, Suite 700  
Dallas, Texas 75201

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 this 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 RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The bank's satisfactory Lending Test record not sufficiently lifted by its outstanding Community Development Test record supports the overall Community Reinvestment Act (CRA) rating.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio (LTD) is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area (AA) credit needs.
- The bank granted a majority of its non-credit card small business and home mortgage loans in the AAs. The bank originated a majority of its small business credit card loans outside the defined AAs. However, the effect of this out of AA lending on the bank's overall CRA rating was limited due to performance context factors and the relative product weightings.
- The geographic distribution of loans reflects poor dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**The Community Development Test is rated Outstanding.**

The institution's community development (CD) performance demonstrates excellent responsiveness to CD needs in its AAs through CD loans (CDLs), qualified investments (QIs), and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs. Excellent responsiveness to the CD needs coupled with an excellent record regarding CDLs without simply ignoring the other type of CD activities, support this conclusion. The bank also demonstrated an excellent record of QIs and an adequate record regarding CD services.

## DESCRIPTION OF INSTITUTION

First Arkansas Bank and Trust (FAB&T) operates as a full-service community bank headquartered in Jacksonville, Arkansas. First Arkansas Bancshares, Inc., a one-bank holding company also located in Jacksonville, wholly owns the bank. The bank received a "Satisfactory" rating based on Intermediate Small Bank Procedures at its previous FDIC evaluation dated June 15, 2020.

FAB&T functions as a retail bank operating 19 locations (includes main office and full-service branches), two limited-service drive- thru only locations, and one stand-alone ATM located throughout its AAs in Central Arkansas. The bank also continues to maintain a limited-service loan production office (LPO) in Kennesaw, Georgia. The LPO processes and services credit card loans on a national scale. Since the previous evaluation, the bank closed one and converted two full-service branches to limited service branches. The bank closed a full-service branch located in a middle-income census tract in Heber Springs (Cleburne County) effective December 31, 2020. The bank also converted the business structure of two full-service branches located in Cabot (Lonoke County) and Jacksonville (Pulaski County) to limited-service, detached drive-thru only locations. The bank did not open any branches or participate in any merger or acquisition activity since the previous evaluation.

The bank offers various loan products including commercial, home mortgage, agricultural, and consumer loans, primarily focusing on commercial lending followed by home mortgage lending. The institution also offered loans through the Small Business Administration (SBA) Paycheck Protection Program (PPP) and originated 647 PPP loans totaling approximately \$36.6 million during the evaluation period. The SBA, with support from the Department of the Treasury, implemented the PPP, which provides loans to encourage qualified businesses that meet certain standards established by the SBA to retain employees through the COVID-19 pandemic. The program includes loan forgiveness subject to certain conditions.

FAB&T also offers a variety of deposit services including demand deposit, savings, certificates of deposit, and individual retirement accounts. Alternative delivery systems for provision of banking services include a transactional website for online banking services, a mobile banking application, and access to automated teller machines (ATM).

As of March 31, 2023, the institution's assets totaled approximately \$1.0 billion, total loans equaled \$668.2 million, and total deposits equaled \$831.2 million. Since the prior evaluation, total assets increased 28.4 percent, total loans increased 34.6 percent, and total deposits increased 51.4 percent.

The following table illustrates the outstanding loan portfolio as of March 31, 2023, reflecting a distribution supportive of the institution's commercial and residential focus, with commercial loans at 49.5 percent and residential loans at 19.6 percent.

<b>Loan Portfolio Distribution as of 03/31/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	102,947	15.4
Secured by Farmland	3,269	0.5
Secured by 1-4 Family Residential Properties	116,314	17.4
Secured by Multifamily (5 or more) Residential Properties	14,887	2.2
Secured by Nonfarm Nonresidential Properties	147,415	22.1
<b>Total Real Estate Loans</b>	<b>384,832</b>	<b>57.6</b>
Commercial and Industrial Loans	183,262	27.4
Agricultural Production and Other Loans to Farmers	1,113	0.2
Consumer Loans	97,649	14.6
Other Loans	1,334	0.2
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>668,190</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

Examiners did not identify any financial, legal, or other impediments that affected the institution's ability to meet its AAs' credit needs.

## **DESCRIPTION OF ASSESSMENT AREAS**

FAB&T defined two AAs, a portion of the Arkansas Non-Metropolitan Statistical Area (Arkansas Non-MSA) and a portion of the Little Rock-North Little Rock-Conway Metropolitan Statistical Area (Little Rock MSA). Based on 2020 Census Data, the combined AAs contained 168 total census tracts with the following income designations: 16 low-, 38 moderate-, 72 middle-, 39 upper-income, and 3 tracts designated as data not available.

The bank's AAs meet the technical requirements of the CRA. The following table provides additional details regarding each AA. Refer to the individual discussion of the AAs for more details.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Little Rock MSA	Faulkner, Lonoke, and Pulaski	153	14
Arkansas Non-MSA	Cleburne and Van Buren	15	5
<i>Source: Bank Records.</i>			

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated June 15, 2020, to the current evaluation dated June 12, 2023. Examiners evaluated the bank's performance following the Federal Financial Institutions Examination Council's (FFIEC) Intermediate Small Bank Procedures, which

include the Lending and CD Tests. The appendices provide details on the criteria used under each test.

As previously noted, the institution operates in two separate AAs. Based on the concentration of loans, deposits, and branches noted in the following table, examiners used full-scope procedures and weighed performance more heavily in the Little Rock MSA AA when arriving at conclusions and the rating. Examiners also applied full-scope procedures to the Arkansas Non-MSA AA due to the AA not receiving a full-scope review in either of the prior two evaluations.

The following table shows the breakdown of each AA.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Little Rock MSA	381,848	97.7	666,292	78.8	14	73.7
Arkansas Non-MSA	8,809	2.3	179,175	21.2	5	26.3
<b>Total</b>	<b>390,657</b>	<b>100.0</b>	<b>845,467</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>

*Source: Bank Records; FDIC Summary of Deposits (06/30/22).*

### Activities Reviewed

Intermediate Small Bank Procedures require examiners to determine the bank's major product lines from which to review. Examiners may select from the same loan categories used for Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows bank lending activity for 2022.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	169,684	39.8	443	10.7
Secured by Farmland	1,620	0.4	12	0.3
Secured by 1-4 Family Residential Properties	65,006	15.2	422	10.2
Multi-Family (5 or more) Residential Properties	15,733	3.7	6	0.1
Commercial Real Estate Loans	62,138	14.6	106	2.6
Commercial and Industrial Loans*	91,989	21.6	2,812	67.9
Agricultural Loans	1,841	0.4	20	0.5
Consumer Loans	18,475	4.3	318	7.7
Other Loans	0	0.0	0	0.0
<b>Total Loans</b>	<b>426,486</b>	<b>100.0</b>	<b>4,139</b>	<b>100.0</b>

*Source: 2022 Bank Data. \*Includes 2,579 commercial credit card loans totaling \$35.8 million.*

Considering the dollar volume and number of loans originated, as well as management's stated business strategy, examiners determined that the bank's major product lines consist of commercial (small business) and home mortgage lending. Since the other categories typically reviewed for CRA do not represent major product lines and thus would not materially affect any conclusions or

ratings, this evaluation does not include a review of them. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period.

For the Lending Test, this evaluation includes a review of small business loans originated or purchased in 2022, which represents the most recent completed calendar year of available data. D&B data for 2022 provided a standard comparison for small business loans. This evaluation considers the following small business loans for the noted Lending Test performance factors:

- AA Concentration – universe of 317 small business loans totaling \$54.0 million;
- Geographic Distribution – universe of 236 small business loans totaling \$42.5 million originated in the bank’s AAs; and
- Borrower Profile – random sample of 143 small business loans totaling \$27.7 million taken from the loan universe used for the Geographic Distribution, using a 5 percent precision level.

This evaluation includes a separate review of small business credit card loans due to the size of the portfolio of this product. For AA concentration, examiners reviewed the universe of 2,579 small business credit card loans totaling \$35.8 million originated in 2022. For geographic distribution and borrower profile, examiners reviewed the universe of 33 small business credit card loans totaling \$540,875.00 originated in the AAs. D&B data for 2022 provided a standard comparison for small business credit card loans.

FAB&T reports home mortgage loans pursuant to the Home Mortgage Disclosure Act (HMDA). Therefore, this evaluation also includes a review of all home mortgage loans reported on the bank’s 2020, 2021, and 2022 HMDA Loan Application Registers (LARs), as follows:

- 2020: 383 home mortgage loans totaling \$67.6 million,
- 2021: 106 home mortgage loans totaling \$18.9 million, and
- 2022: 126 home mortgage loans totaling \$43.3 million.

Aggregate data served as the primary standard of comparison for home mortgage loans. Bank records indicate that while the volume of home mortgage lending decreased since the previous evaluation, examiners did not identify any performance trends between the different years’ data that materially affect conclusions. Therefore, the geographic distribution and borrower profile analyses present home mortgage loan data for 2021, the most recent year for which aggregate data exists. However, the AA Concentration discussion includes home mortgage loan data for all years reviewed.

Examiners considered the universe of small business and home mortgage loans when determining loan product weighting. The following table shows that small business loans represent a majority by number, and by dollar of the loan categories reviewed. Therefore, small business loans received more weight when drawing conclusions for the overall conclusions as well as for each AA.

Loan Products Reviewed				
Loan Category	Universe			
	#	%	\$(000s)	%
Small Business Loans	317	10.5	54,031	40.6
Small Business Credit Cards	2,579	85.3	35,829	26.9
<b>Total Small Business Loans</b>	<b>2,896</b>	<b>95.8</b>	<b>89,860</b>	<b>67.5</b>
Home Mortgage	126	4.2	43,306	32.5
<b>Total Loans</b>	<b>3,022</b>	<b>100.0</b>	<b>133,166</b>	<b>100.0</b>

*Source: 2022 HMDA and 2022 Bank Data.*

While the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans when arriving at conclusion for the performance factors because the number of loans better indicates the number of businesses and individuals served.

For the CD Test, the scope of the evaluation includes data provided by management on CDLs, QIs, and CD services since the prior evaluation. The evaluation of QIs also considers the book value of prior period QIs that remain outstanding as of this evaluation's date.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

FAB&T demonstrated satisfactory performance regarding the Lending Test. Reasonable records regarding borrower profile, as well as reasonable LTD ratio and majority of loans originated inside the AAs support this conclusion. The geographic distribution reflects a poor record. The conclusion regarding the institution's overall performance is generally consistent with the conclusions for each AA.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and AAs credit needs. For the 12 quarters since the previous evaluation, the bank recorded a 77.3 percent average, net LTD ratio, slightly lower than the 84.6 percent ratio reported at the previous evaluation. The quarterly, net LTD ratio ranged from a high of 86.6 percent on September 30, 2020, to a low of 70.7 percent on December 31, 2021. Although the ratio fluctuated, it reflects a generally stable trend over the evaluation period.

Examiners identified and listed in the following table comparable institutions operating in similar areas, with comparable asset sizes and lending emphases. As illustrated, FAB&T's average net LTD ratio falls lower, but remains within a reasonable range of the comparable institutions.



Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 03/31/2023 (\$000s)	Average Net LTD Ratio (%)
First Arkansas Bank and Trust	1,000,423	77.3
Generations Bank, Rogers, Arkansas	831,532	90.2
Relyance Bank, White Hall, Arkansas	1,184,259	88.2
Signature Bank of Arkansas, Fayetteville, Arkansas	1,079,280	94.0
<i>Source: Reports of Condition and Income 06/30/2020–03/31/2023.</i>		

### Assessment Area Concentration

FAB&T originated the majority of its loans inside the institution's AAs, with the exception of the bank's nation-wide small business credit card program. A majority of non-credit card small business loans and home mortgage loans originated inside the AAs supports this conclusion.

The following table shows that the bank originated a substantial majority of the small business credit card loans reviewed, by number and dollar volume, outside the bank's AAs. Weighing both measures equally, the institution originated less than a majority of its small business credit card loans inside the AAs. As previously noted, the bank's business strategy includes operating the credit card lending division on a national scale, attracting loans outside the bank's AAs. Considering this performance context, examiners applied limited weight to the small business credit card lending AA concentration analysis.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business Loans	236	74.4	81	25.6	317	42,479	78.6	11,552	21.4	54,031
Small Business Credit Card Loans	33	1.3	2,546	98.7	2,579	541	1.5	35,288	98.5	35,829
Home Mortgage										
2020	331	86.4	52	13.6	383	58,429	86.4	9,210	13.6	67,639
2021	95	89.6	11	10.4	106	16,786	88.7	2,145	11.3	18,931
2022	111	88.1	15	11.9	126	37,037	85.5	6,269	14.5	43,306
<b>Subtotal</b>	<b>537</b>	<b>87.3</b>	<b>78</b>	<b>12.7</b>	<b>615</b>	<b>112,252</b>	<b>86.4</b>	<b>17,624</b>	<b>13.6</b>	<b>129,876</b>
<i>Source: 2022 Bank Data and 2020, 2021, and 2022 HMDA Reported Data.</i>										

### Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the AAs. Poor performance in the Little Rock MSA, the more heavily weighted assessment area, outweighs reasonable performance in the Arkansas Non-MSA to support this conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. They focused on the percentages by

the number of loans in low- and moderate-income (LMI) geographies, if possible, when arriving at conclusions. This factor only considered loans originated inside the bank's AAs.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including LMI), and businesses of different sizes throughout the AAs. Reasonable performances in the Little Rock MSA and Arkansas Non-MSA AA support this conclusion. This factor only considered loans originated inside the bank's AAs.

### **Response to Complaints**

The bank has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

FAB&T demonstrated an outstanding record regarding the CD Test. The institution's CD performance demonstrates excellent responsiveness to CD needs in its AAs through CDLs, QIs, and CD services as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the institution's AAs. Excellent responsiveness to the CD needs coupled with the excellent record regarding CDLs without simply ignoring the other type of CD activities, support this conclusion. The bank also demonstrated an excellent record regarding QIs and an adequate record regarding CD services. Examiners also considered CD activities performed outside the bank's designated AAs, but within the broader statewide/regional area, since the bank met the needs of their AAs.

### **Community Development Loans**

The bank demonstrated an excellent record regarding its level of CD lending for the bank as a whole. The excellent level regarding the dollar volume of CDLs supports this conclusion. The following table shows that since the prior evaluation the bank granted CDLs totaling \$32.2 million. This level equates to 3.4 percent of average total assets of \$934.6 million since the prior evaluation and 5.5 percent of average net loans of \$581.4 million for the same timeframe. These levels reflect a decrease from the 6.3 percent of average total assets and 10.3 percent average net loans reported at the previous evaluation.

Of the bank's CDLs, approximately 38.6 percent of the dollar volume supported efforts to revitalize or stabilize qualifying geographies in the AAs and 17.6 percent of the dollar volume promoted efforts of community services to LMI individuals. Thus, the CDLs proved responsive to the AA's needs as community services and revitalize or stabilize were identified as CD needs. The CDLs benefited both AAs. The following tables illustrate the bank's CD lending activity by year and purpose and by AA and purpose.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020 (Partial)	0	0	1	4,505	0	0	2	513	3	5,018
2021	0	0	2	1,147	10	10,767	44	1,936	56	13,850
2022	0	0	0	0	8	3,281	4	9,491	12	12,772
YTD 2023	0	0	0	0	1	72	3	483	4	555
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>5,652</b>	<b>19</b>	<b>14,120</b>	<b>53</b>	<b>12,423</b>	<b>75</b>	<b>32,195</b>

Source: Bank Data.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Little Rock MSA AA	0	0	2	4,717	17	11,273	42	12,354	61	28,344
Arkansas Non-MSA AA	0	0	0	0	0	0	8	61	8	61
Statewide Activities	0	0	1	935	2	2,847	3	8	6	3,790
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>5,652</b>	<b>19</b>	<b>14,120</b>	<b>53</b>	<b>12,423</b>	<b>75</b>	<b>32,195</b>

Source: Bank Data.

The following is an example of a CDL benefitting the broader statewide area:

- Economic Development** – In 2022, the bank originated a loan for \$2.4 million to construct a fast food restaurant in a moderate-income census tract. The restaurant’s purpose supports the community by providing jobs to approximately 30 LMI individuals in the area, providing economic development (ED) to the moderate-income census tract and the individuals in the area. The activity promotes ED by financing an entity that meets the size eligibility standards of the regulation and by supporting permanent job creation, retention, and improvement for LMI persons in the food service industry.

Refer to the review of each AA for more detail on CD lending activities specific to the individual AAs.

### **Qualified Investments**

The institution displayed an excellent record regarding its QIs for the bank as a whole. An excellent level regarding the dollar volume of QIs supports this conclusion. The bank made use of 184 QIs totaling approximately \$82.0 million. The total dollar volume equates to 8.8 percent of average total assets of \$934.6 million and 38.2 percent of average total securities of \$214.6 million. These levels reflect a decrease from the 12.3 percent of average total assets and 51.2 percent of average total securities recorded at the prior evaluation.

Examiners noted that approximately 74 percent of the total dollar volume of QIs benefitted the larger Regional and Statewide Activities and primarily contributed to the overall excellent dollar level.

The QIs demonstrate responsiveness within the bank's AAs to the areas' needs given that a significant majority of the activities support community services. This demonstrates the bank's responsiveness to an identified CD need in both of the AAs. The following tables illustrate the QIs by year and purpose and by AA and purpose.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	500	39	21,576	3	2,831	0	0	43	24,907
2020 (Partial)	3	6,000	8	9,215	0	0	0	0	11	15,215
2021	4	3,770	31	26,740	2	1,542	0	0	37	32,052
2022	1	283	11	9,385	0	0	0	0	12	9,668
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>9</b>	<b>10,553</b>	<b>89</b>	<b>66,916</b>	<b>5</b>	<b>4,373</b>	<b>0</b>	<b>0</b>	<b>103</b>	<b>81,842</b>
Qualified Grants & Donations	1	36	73	60	7	21	0	0	81	117
<b>Total</b>	<b>10</b>	<b>10,589</b>	<b>162</b>	<b>66,976</b>	<b>12</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>184</b>	<b>81,959</b>

Source: Bank Data.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Little Rock MSA AA	1	36	67	15,680	12	4,394	0	0	80	20,110
Arkansas Non-MSA AA	0	0	25	1,038	0	0	0	0	25	1,038
Statewide Activities	6	4,553	70	50,258	0	0	0	0	76	54,811
Regional Activities	3	6,000	0	0	0	0	0	0	3	6,000
<b>Total</b>	<b>10</b>	<b>10,589</b>	<b>162</b>	<b>66,976</b>	<b>12</b>	<b>4,394</b>	<b>0</b>	<b>0</b>	<b>184</b>	<b>81,959</b>

Source: Bank Data.

The following is an example of a QI benefitting the broader statewide area:

- **Community Services** – The bank made a \$4.7 million investment in school bonds in a school district in Arkansas, where more than a majority of students received free and/or reduced lunch programs. The investment activity benefits an organization that provides community services, in the form of educational services, targeted to LMI individuals.

**Community Development Services**

The bank established an adequate record regarding its CD services. Adequate performance regarding the types of services and adequate performance regarding the availability of services support this conclusion.

The bank showed adequate performance regarding the types of services that primarily benefit LMI individuals. An adequate extent, or number, of CD services supports this conclusion.

The following table shows that the bank provided 75 CD services since the prior evaluation. This number equates to an average of 1.2 CD services, per office, per year, since the prior evaluation, reflecting an adequate level. This level has remained the same from the average of 1.2 CD services, per office, per year recorded at previous evaluation. The services all involve bank personnel’s use of their technical expertise to benefit organizations or projects with a primary purpose of CD, as defined by the CRA regulation.

The table also shows that services primarily benefited community service organizations that serve LMI individuals, which demonstrate the bank’s responsiveness to identified CD needs. The following tables illustrate the CD services by year and purpose and by AA and purpose.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	0	11	1	0	12
2021	0	23	4	0	27
2022	0	12	0	0	12
YTD 2023	0	24	0	0	24
<b>Total</b>	<b>0</b>	<b>70</b>	<b>5</b>	<b>0</b>	<b>75</b>

*Source: Bank Data.*

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Little Rock MSA AA	0	56	4	0	60
Arkansas Non-MSA AA	0	12	1	0	13
Statewide Activities	0	2	0	0	2
<b>Total</b>	<b>0</b>	<b>70</b>	<b>5</b>	<b>0</b>	<b>75</b>

*Source: Bank Data.*

The following is an example of a CD service benefitting the broader statewide area:

- **Community Services** – A bank employee uses his financial expertise while serving on the Board of a municipal organization in Searcy County which is located outside the bank’s

AAs. The organization provides community services by providing services targeted to LMI individuals in the area.

The bank demonstrated adequate performance regarding the availability of its services to LMI individuals and geographies. An adequate branch distribution and alternative delivery systems support this conclusion. The bank operates four branches and five ATMs in moderate-income census tracts. The percentage of ATMs slightly exceeds the population in moderate-income census tracts. The following table details the geographic distribution of the branches and ATMs in relation to the AA demographics.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	16	9.5	47,834	7.5	0	0	0	0.0
Moderate	38	22.6	138,087	21.7	4	21.1	5	22.7
Middle	72	42.9	277,022	43.5	12	63.1	14	63.6
Upper	39	23.2	172,699	27.1	3	15.8	3	13.7
NA	3	1.8	1,503	0.2	0	0.0	0	0.0
<b>Total</b>	<b>168</b>	<b>100.0</b>	<b>637,145</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

*Source: 2020 ACS Data & Bank Records.*

Additionally, the bank provides alternative delivery systems such as internet, mobile, and telephone banking as well as electronic bill pay that help avail the bank’s services to LMI individuals or geographies across all AAs.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

### **LITTLE ROCK MSA AA – Full-Scope Review**

#### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN LITTLE ROCK MSA AA**

The Little Rock MSA AA includes all of Lonoke, Faulkner, and Pulaski counties, which represent three of the six counties that comprise the Little Rock MSA. The AA includes 17 additional census tracts since the prior evaluation due to changes resulting from the 2020 U.S. Census Data. The changes include an increase of five low-income tracts census tracts and one moderate-income census tract. The bank operates 14 full-service branches and 17 ATMs in the AA. Three branches and four ATMs are located in moderate-income census tracts, 10 branches and 12 ATMs are located in middle-income tracts, and one branch and one ATM is located in an upper-income census tract. The branches maintain hours consistent with the area and the industry. The delivery systems and

range of products and services remain consistent with those reflected in the overall Description of Institution Section of this performance evaluation.

### **Economic and Demographic Data**

Based on 2020 Census Data, the AA's 153 census tracts consist of 16 low-, 37 moderate-, 61 middle-, 37 upper-income tracts, and 2 tracts designated as income not available. The following table provides select demographic characteristics for the AA.

<b>Demographic Information of the Assessment Area Little Rock MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	153	10.5	24.2	39.9	24.2	1.3
Population by Geography	596,638	8.0	22.6	41.5	27.8	0.1
Housing Units by Geography	265,406	9.0	23.2	40.5	27.3	0.0
Owner-Occupied Units by Geography	141,347	4.5	18.3	43.7	33.5	0.0
Occupied Rental Units by Geography	92,614	13.5	29.3	36.0	21.2	0.0
Vacant Units by Geography	31,445	16.1	27.3	39.3	17.2	0.0
Businesses by Geography	47,422	7.8	22.1	35.6	33.9	0.5
Farms by Geography	1,497	3.7	21.0	44.8	30.3	0.1
Family Distribution by Income Level	144,073	24.3	16.3	19.0	40.4	0.0
Household Distribution by Income Level	233,961	25.5	17.2	16.5	40.8	0.0
Median Family Income MSA - 30780 Little Rock-North Little Rock-Conway, AR MSA		\$72,289	Median Housing Value Median Gross Rent Families Below Poverty Level			\$164,809 \$857 11.1%

*Source: 2020 U.S. Census and 2022 D&B Data.  
Due to rounding, totals may not equal 100.0%.  
(\* The NA category consists of geographies that have not been assigned an income classification.*

On April 13, 2023, FEMA made a disaster declaration affecting Pulaski and Lonoke Counties due to severe storms and tornadoes. On March 29, 2020, FEMA made a disaster declaration affecting all counties in Arkansas due to the COVID-19 pandemic.

According to Moody's Analytics, the Little Rock MSA's largest employers include: the University of Arkansas for Medical Sciences, Baptist Health, Little Rock Air Force Base, and the Arkansas Children's Hospital.

D&B Business Demographic Data shows that the service industry represents the largest portion of businesses at 43.1 percent, followed by retail trade at 13.7 percent, and finance, insurance and real estate at 10.7 percent. In addition, 67.6 percent of area businesses have four or fewer employees and 87.4 percent operate from a single location.

The following table shows annual unemployment rates according to the U.S. Bureau of Labor Statistics over the evaluation period for each county within the AA, the state, and nationwide. The unemployment rates show a notable decrease since the onset of the COVID-19 pandemic in 2020.

Unemployment Rates				
Area	2020	2021	2022	April 2023
	%	%	%	%
Faulkner County AR	5.6	3.5	2.9	2.3
Lonoke County AR	5.7	3.4	2.8	2.1
Pulaski County AR	7.6	4.9	3.5	2.4
State of Arkansas	6.2	4.1	3.3	2.4
National Average	8.1	5.4	3.6	3.4

*Source: Bureau of Labor Statistics.*

Examiners use the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2021 FFIEC-updated median family income of \$70,600 for the Little Rock MSA.

Median Family Income Ranges- Little Rock MSA AA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$70,600)	<\$35,300	\$35,300 to <\$56,480	\$56,480 to <\$84,720	≥\$84,720

*Source: FFIEC.*

### **Competition**

The AA is a moderately competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2022, there were 35 institutions operating 253 offices within the bank's AA. Of these institutions, FAB&T ranked 10<sup>th</sup> with 2.5 percent of the deposit market share. Credit unions, mortgage companies, and finance companies also compete for loans in the area, thus heightening the competition level. Overall, the competition level allows for lending opportunities.

### **Community Contact**

As part of the evaluation process examiners obtain information from third parties knowledgeable of the AA to assist in identifying needs of the area. This information helps determine financial institutions' responsiveness to these needs and shows available credit and CD opportunities. Examiners utilized an economic development community contact knowledgeable of the area's business environment to help assess the area's current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact stated small business and start-up loans remain the main credit needs in the area. The contact also stated that rising interest rates are making it harder for businesses to obtain financing. The contact indicated financial institutions are actively involved with small businesses and other borrowers throughout the area. Finally, the contact noted that local institutions are willing to work with borrowers in the area.



## **Credit and Community Development Needs and Opportunities**

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the AA are small business and home mortgage loans.

Regarding the area's CD needs, demographic data shows over one-third, or 40.6 percent of the area's families reported LMIs, and 11.1 percent reported incomes below the poverty level. These levels suggest a need for activities that benefit organizations or projects that provide community services to these families. Additionally, the disaster declarations and the demographic data showing 34.7 percent of the AA's census tracts receiving LMI designations suggests a CD need for activities that revitalize or stabilize such geographies.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN LITTLE ROCK MSA AA**

### **LENDING TEST**

The bank demonstrated a satisfactory record regarding the Lending Test in the Little Rock MSA AA. A reasonable borrower profile outweighs a poor geographic loan distribution record to support this conclusion. The appendices lists the Lending Test's criteria.

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the Little Rock MSA AA. Poor performance regarding small business lending outweighs reasonable performance regarding small business credit cards and home mortgage lending to support this conclusion. As previously noted, small business received more weight when arriving at overall conclusions within the Little Rock MSA AA. This factor only considered loans originated inside the bank's AA.

### ***Small Business Loans***

The geographic distribution of small business loans reflects poor penetration throughout the AA. The following table shows that the bank's level of lending in the low-income census tracts falls below demographics by 2.2 percentage points reflecting reasonable performance. For moderate-income census tracts, the bank's lending falls below demographics by 12.5 percentage points, reflecting poor performance. Given the larger lending opportunities in moderate-income-census tracts as represented by the demographic data, the analysis placed more weight on lending in moderate-income census tracts when arriving at an overall conclusion.

<b>Geographic Distribution of Small Business Loans Little Rock MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	7.8	11	5.6	3,133	8.2
Moderate	22.1	19	9.6	5,172	13.5
Middle	35.6	109	55.3	19,753	51.4
Upper	33.9	58	29.5	10,328	26.9
Not Available	0.6	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>197</b>	<b>100.0</b>	<b>38,386</b>	<b>100.0</b>

*Source: 2022 D&B Data; 2022 Bank Data.*

### ***Small Business Credit Card Loans***

The geographic distribution of small business credit card loans reflects reasonable dispersion throughout the AA. Reasonable performance in LMI census tracts supports this conclusion. According to the following table, the bank's level of lending in low-income census tracts falls below demographics by 4.6 percentage points, reflecting reasonable performance. The table further shows that the bank's lending performance in moderate-income census tracts rises above demographics by 3.7 percentage points, also reflecting reasonable performance.

<b>Geographic Distribution of Credit Card Loans Little Rock MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	7.8	1	3.2	50	9.6
Moderate	22.1	8	25.8	75	14.3
Middle	35.6	15	48.4	157	30.4
Upper	33.9	7	22.6	238	45.7
Not Available	0.6	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>520</b>	<b>100.0</b>

*Source: 2022 D&B Data; 2022 Bank Data.*

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Reasonable performance in LMI census tracts supports this conclusion. The following table shows that the bank's level of lending in low-income census tracts falls slightly below aggregate data by 0.6 percentage points, reflecting reasonable performance. The bank's level of lending in moderate-income census tracts rises above aggregate data by 11.2 percentage points, also reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans Little Rock MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.2	1.7	1	1.1	141	0.9
Moderate	18.7	12.7	22	23.9	2,694	16.6
Middle	36.7	34.8	33	35.9	5,367	33.0
Upper	41.1	50.6	36	39.1	8,066	49.5
Not Available	0.3	0.2	0	0.0	0	0.0
<b>Totals 2021</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>16,268</b>	<b>100.0</b>

*Source: 2015 ACS; 2021 HMDA Aggregate Data; 2021 HMDA Reported Data.*

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among businesses of different sizes and among individuals of different income levels in the AA. Reasonable small business and small business credit card lending performances support this conclusion. This factor only considered loans originated inside the Little Rock MSA AA.

As previously noted, small business received more weight when arriving at overall conclusions. For small business lending and small business credit card lending, examiners focused on the bank's overall level of businesses with gross annual revenues (GARs) of \$1 million or less when making conclusions. The companies GARs define the borrowers' profiles for this analysis.

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The overall level of small business lending supports this conclusion. As shown in the following table, FAB&T originated 71.8 percent or more than seven out of ten small business loans to businesses with GARs of \$1 million or less, evidencing reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenues Little Rock MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	49.0	54	43.5	9,563	37.0
\$100,000 - \$249,999	22.9	11	8.9	3,336	12.9
\$250,000 - \$499,999	7.2	14	11.3	1,356	5.3
\$500,000 - \$1,000,000	3.7	10	8.1	1,543	6.0
<b>Subtotal &lt;= \$1,000,000</b>	<b>82.7</b>	<b>89</b>	<b>71.8</b>	<b>15,798</b>	<b>61.2</b>
>\$1,000,000	5.3	33	26.6	9,257	35.8
Revenue Not Available	12.0	2	1.6	775	3.0
<b>Total</b>	<b>100.0</b>	<b>124</b>	<b>100.0</b>	<b>25,830</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data.*

### ***Small Business Credit Card Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The overall level of small business credit card lending supports this conclusion. As shown in the following table, FAB&T originated 84.0 percent or more than eight out of ten small business credit card loans to businesses with GARs of \$1 million or less, reflecting reasonable performance.

<b>Distribution of Small Business Credit Card Loans by Gross Annual Revenues Little Rock MSA AA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000	49.0	20	64.5	161	30.9
\$100,000 - \$249,999	22.9	2	6.5	20	3.9
\$250,000 - \$499,999	7.2	2	6.5	10	2.0
\$500,000 - \$1,000,000	3.7	2	6.5	4	0.7
<b>Subtotal &lt;= \$1,000,000</b>	<b>82.7</b>	<b>26</b>	<b>84.0</b>	<b>195</b>	<b>37.5</b>
>\$1,000,000	5.3	5	16.0	325	62.5
Revenue Not Available	12.0	0	0.0	0	0
<b>Total</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>520</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data.*

### ***Home Mortgage Loans***

The distribution of home mortgage loans based on the borrower profile reflects poor performance among individuals of different income levels in the Little Rock MSA AA. The poor performance to moderate-income borrowers outweighed the reasonable performance to low-income borrowers to support this conclusion. As shown in the following table, the bank's level of lending to low-income borrowers is below aggregate data by 5.4 percentage points, reflecting reasonable performance. The table further shows that the level of lending to moderate-income borrowers falls below aggregate data by 12.0 percentage points, reflecting poor performance. Given the larger loan demand and opportunities to moderate-income borrowers as represented by the aggregate data, the analysis placed more weight on lending to moderate-income borrowers when arriving at an overall conclusion.

Examiners noted the bank originated a significant percentage of its home mortgage loans to borrowers with incomes not available, which heavily skews the data and makes conclusions for this product less meaningful. As a result, examiners afforded little weight to the home mortgage lending performance when drawing the overall borrower profile conclusion.

Distribution of Home Mortgage Loans by Borrower Income Level Little Rock MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.4	5.4	0	0.0	0	0.0
Moderate	17.1	15.3	3	3.3	350	2.1
Middle	19.4	17.5	5	5.4	850	5.2
Upper	41.1	34.0	15	16.3	2,697	16.6
Not Available	0.0	27.8	69	75.0	12,371	76.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>16,268</b>	<b>100.0</b>

*Source: 2015 ACS; 2021 HMDA Aggregate Data; 2021 HMDA Reported Data.*

## COMMUNITY DEVELOPMENT TEST

FAB&T demonstrated a satisfactory record regarding the CD Test in the Little Rock MSA AA. The institution's CD performance demonstrates adequate responsiveness to CD needs in its Little Rock MSA AA through CDLs, QIs, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities for CD in this AA.

### Community Development Loans

As reflected in the table at the institution level, the bank originated 61 CDLs totaling \$28.3 million in the Little Rock MSA AA. This level reflects an increase in number but a decrease in dollar amount from the 40 CDLs totaling approximately \$44.7 million reported at the prior evaluation. The current dollar amount equates to 88.0 percent of the institution's overall level of CDLs compared to this area generating 97.7 percent of total loans. The largest by dollar volume and number of the CDLs were in the revitalize or stabilize category, which is an identified need of the AA and shows the bank's responsiveness to identified needs.

The following point highlights a notable example of the CDLs in the Little Rock MSA AA:

- **Community Services** – In 2020, the bank provided a \$4.5 million loan to purchase and remodel a commercial building providing pre-school and therapy services to income-based children. The business's purpose supports CD by providing services targeted specifically to LMI individuals.

### Qualified Investments

As reflected previously at the institution level, the bank made use of 80 QIs totaling \$20.1 million in the Little Rock MSA AA. This level reflects an increase from the 66 QIs totaling \$12.0 reported at the prior evaluation. The current dollar amount equates to 24.5 percent of the institution's overall level of QIs compared to 78.8 percent of the bank's total deposits in the AA, but equates to 95.1 percent of the QIs within the AAs. The largest by dollar volume and number of the QIs were for

community services, which is an identified need of the AA and shows the bank's responsiveness to identified needs.

The following point highlights a notable example of the QIs in the Little Rock MSA AA:

- **Community Services** – The bank made over \$5 million in investments in Jacksonville North Pulaski School District bonds since the prior evaluation, where more than a majority of students received free and/or reduced lunch programs. The investment activity benefits an organization that provides community services, in the form of educational services, targeted to LMI individuals.

### **Community Development Services**

As reflected previously at the institution level, the bank provided 60 CD services in this area since the prior evaluation. This level reflects a decrease from the 72 CD services in this AA noted at the prior evaluations. The current level represents 80.0 percent of the bank's total CD services, whereas this AA contains 73.7 percent of the bank's total branches. The services all involve bank personnel's use of their technical expertise to benefit organizations or projects with a primary purpose of CD, as defined by the CRA regulation.

The following point highlights an example of a CD service in the Little Rock MSA AA:

- **Community Services** – Bank employees taught financial literacy classes at a school where the majority of students receive free or reduced lunches. Thus, the activity provides community services primarily to LMI individuals.

The bank's retail and alternative delivery systems help avail the bank's services to LMI individuals and geographies. The bank operates 14 full-service branches and 17 ATMs in this AA. Three full-service branches with ATMs and the stand-alone ATM are located in moderate-income tracts. Alternative delivery systems available throughout this AA remain consistent with those discussed previously at the institution level.

## **ARKANSAS NON-MSA AA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARKANSAS NON-MSA AA**

The Arkansas Non-MSA AA includes all of Cleburne and Van Buren counties. The AA includes three additional census tracts since the prior evaluation due to changes resulting from the 2020 U.S. Census Data. The changes did not increase the number of LMI tracts in the AA.

The bank operates five full-service branches with ATMs in the AA. One branch and ATM is located in a moderate-income census tract, two branches and ATMs are located in middle-income tracts, and two branches and ATMs are located in upper-income census tracts. The branches maintain hours consistent with the area and the industry. The delivery systems and range of

products and services remain consistent with those reflected in the overall Description of Institution Section of this performance evaluation.

**Economic and Demographic Data**

Based on 2020 Census Data, the AA’s 15 census tracts consist of 1 moderate-, 11 middle-, and 2 upper-income tracts, and 1 tract designated as income not available. This AA contains no low-income geographies. The following table provides select demographic characteristics for the AA.

<b>Demographic Information of the Assessment Area Arkansas Non MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	15	0.0	6.7	73.3	13.3	6.7
Population by Geography	40,507	0.0	8.4	72.8	16.5	2.3
Housing Units by Geography	26,662	0.0	7.8	73.4	16.3	2.5
Owner-Occupied Units by Geography	14,093	0.0	6.4	75.4	15.7	2.5
Occupied Rental Units by Geography	4,009	0.0	12.5	69.1	17.3	1.0
Vacant Units by Geography	8,560	0.0	7.7	72.2	16.8	3.2
Businesses by Geography	2,686	0.0	10.9	68.2	18.6	2.3
Farms by Geography	142	0.0	4.9	79.6	12.7	2.8
Family Distribution by Income Level	11,932	16.4	21.4	22.9	39.3	0.0
Household Distribution by Income Level	18,102	21.2	16.6	20.2	42.0	0.0
Median Family Income Non-MSAs - AR		\$53,702	Median Housing Value Median Gross Rent Families Below Poverty Level			\$119,225 \$665 10.7%

*Source: 2020 U.S. Census and 2022 D&B Data.  
Due to rounding, totals may not equal 100.0%.  
(\* The NA category consists of geographies that have not been assigned an income classification.*

On March 29, 2020, FEMA made a disaster declaration affecting all counties in Arkansas due to the COVID-19 pandemic.

According to the Arkansas Economic Development Commission, the major employers in the Arkansas Non-MSA AA include the Heber Springs School District, Walmart Stores, Inc., Ozark Health Medical Center, and Clinton School District.

D&B Business Demographic Data shows that the service industry represents the largest portion of businesses at 36.7 percent, followed by retail trade at 14.5 percent, non-classifiable establishments at 11.0 percent, and construction at 8.8 percent. In addition, 69.3 percent of area businesses have four or fewer employees and 86.4 percent operate from a single location.

The U.S. Bureau of Labor Statistics shows that the counties in the Arkansas Non-MSA AA generally maintained unemployment rates higher when compared to the State of Arkansas and lower than national averages throughout the evaluation period. The following table shows the annual unemployment rates over the evaluation period for each county in the AA, the state, and

nationwide. The unemployment rates show a notable decrease since the onset of the COVID-19 pandemic in 2020.

Unemployment Rates				
Area	2020	2021	2022	April 2023
	%	%	%	%
Cleburne County AR	7.8	4.7	4.2	3.1
Van Buren County AR	7.3	4.9	4.3	3.1
State of Arkansas	6.2	4.1	3.3	2.4
National Average	8.1	5.4	3.6	3.4

*Source: Bureau of Labor Statistics.*

### **Competition**

The AA is a fairly competitive market for financial services. According to the FDIC Deposit Market Share report as of June 20, 2022, there were 12 institutions operating 24 offices within the bank’s AA. Of these institutions, FAB&T ranked 3<sup>rd</sup> with 15.3 percent of the deposit market share. Credit unions, mortgage companies, and finance companies also compete for loans in the area, thus heightening the competition level. Overall, the competition level allows for lending opportunities.

### **Credit and Community Development Needs and Opportunities**

Considering information obtained from bank management and demographic and economic data, examiners concluded the primary credit needs of the AA are small business loans.

Regarding the area’s CD needs, demographic data shows 37.8 percent of the area’s families reported LMIs, and 10.7 percent reported incomes below the poverty level. These levels suggest a need for activities that benefit organizations or projects that provide community services to these families. In addition, the disaster declaration suggests a need for activities that revitalize or stabilize such geographies.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ARKANSAS NON-MSA AA**

### **LENDING TEST**

The bank demonstrated a satisfactory record regarding the Lending Test in the Arkansas Non-MSA AA. A reasonable geographic distribution and borrower profile supports this conclusion. The appendices lists the Lending Test’s criteria.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the Arkansas Non-MSA AA. Reasonable performance regarding small business loans supports this conclusion. Small business



lending received all the weight when arriving at overall conclusions within the Arkansas Non-MSA AA. This factor only considered loans originated inside the bank's AA.

***Small Business Loans***

The geographic distribution of small business loans reflects reasonable penetration throughout the AA. The following table shows that the bank's level of lending in moderate-income census tracts rises above demographics by 1.9 percentage points, reflecting reasonable performance.

<b>Geographic Distribution of Small Business Loans Arkansas Non-MSA AA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	10.9	5	12.8	782	19.1
Middle	68.2	29	74.4	2,336	57.1
Upper	18.6	5	12.8	975	23.8
Not Available	2.3	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>4,093</b>	<b>100.0</b>

*Source: 2022 D&B Data; Bank Data.*

***Small Business Credit Card Loans***

The bank originated two of the reviewed small business credit card loans in the Arkansas Non-MSA AA during 2022. As such, examiners did not review the bank's geographic distribution performance in this AA, since the analysis would not yield meaningful conclusions.

***Home Mortgage Loans***

The bank originated three of the reviewed home mortgage loans in the Arkansas Non-MSA AA during 2021. As such, examiners did not review the bank's geographic distribution performance in this AA, since the analysis would not yield meaningful conclusions.

**Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among businesses of different sizes in the AA. Reasonable small business lending performance supports this conclusion. Small business lending received all the weight when arriving at overall conclusions within the Arkansas Non-MSA AA. Examiners focused on the bank's overall level of businesses with gross annual revenues (GARs) of \$1 million or less when making conclusions. The companies GARs define the borrowers' profiles for this analysis. This factor only considered loans originated inside the bank's AA.

***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The overall level of small business credit card lending supports this conclusion. As shown in the following table, FAB&T originated 63.2 percent or more than six out of ten small business loans to businesses with GARs of \$1 million or less, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenues Arkansas Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	48.2	8	42.1	383	20.6
\$100,000 - \$249,999	24.2	2	10.5	347	18.6
\$250,000 - \$499,999	7.7	1	5.3	55	2.9
\$500,000 - \$1,000,000	3.6	1	5.3	75	4.0
<b>Subtotal &lt;= \$1,000,000</b>	<b>83.7</b>	<b>12</b>	<b>63.2</b>	<b>860</b>	<b>46.1</b>
>\$1,000,000	3.7	5	26.3	893	48.0
Revenue Not Available	12.6	2	10.5	109	5.9
<b>Total</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,862</b>	<b>100.0</b>

Source: 2022 D&B Data, Bank Data.

### ***Small Business Credit Card Loans***

The bank originated two of the reviewed small business credit card loans in the Arkansas Non-MSA AA during 2022. As such, examiners did not review the bank's borrower distribution performance in this AA, since the analysis would not yield meaningful conclusions.

### ***Home Mortgage Loans***

The bank originated three of the reviewed home mortgage loans in the Arkansas Non-MSA AA during 2021. As such, examiners did not review the bank's borrower distribution performance in this AA, since the analysis would not yield meaningful conclusions.

## **COMMUNITY DEVELOPMENT TEST**

FAB&T demonstrated a satisfactory record regarding the CD Test in the Arkansas Non-MSA AA. The institution's CD performance demonstrates adequate responsiveness to CD needs in its Arkansas Non-MSA AA through CDLs, QIs, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities for CD in this AA.

### **Community Development Loans**

As noted within the rated area level, the bank originated 8 CDLs totaling \$61,000 in the Non-MSA AA. This level reflects a decrease in dollar amount from the 3 CDLs totaling approximately \$2.1 million reported for the prior evaluation. The current dollar amount equates to 0.2 percent of the institution's overall level of CDLs compared to this area generating 2.3 percent of total loans. All of the CDLs were in the revitalize or stabilize category, which is an identified need of the AA and shows the bank's responsiveness to identified CD needs.

The following point highlights a notable example of the CDLs in the Arkansas Non-MSA AA:

- ***Revitalization and Stabilization*** – In 2021, the bank provided a \$29,000 PPP loan to a small radio company in Van Buren County. The loan helped retain approximately five jobs during the COVID-19 pandemic, helping revitalize and stabilize the local community.

### **Qualified Investments**

As reflected previously at the institution level, the bank made use of 25 QIs totaling only \$1.0 million in the Arkansas Non-MSA AA. This level reflects a decrease from the 37 QIs totaling \$1.6 reported in the prior evaluation. The current dollar amount equates to only 1.3 percent of the institution's overall level of QIs compared to 21.2 percent of the bank's total deposits in the AA. All of the QIs were for community services, which is an identified need of the AA and shows the bank's responsiveness to identified needs.

The following point highlights a notable example of the QIs in the Arkansas Non-MSA AA:

- **Community Services** – The bank made investments of \$785,000 in school bonds in a school district in the Arkansas Non-MSA AA, where more than a majority of students received free and/or reduced lunch programs. The investment activity benefits an organization that provides community services, in the form of educational services, to primarily LMI individuals.

### **Community Development Services**

As reflected previously at the institution level, the bank provided 13 CD services in this area since the prior evaluation. This level reflects an increase from the 9 CD services in this AA noted at the prior evaluations. The current level represents 17.3 percent of the bank's total CD services, whereas this AA contains 26.3 percent of the bank's total branches. The majority of the CD services benefited community services efforts within the Arkansas Non-MSA AA, which demonstrates the bank's responsiveness to an identified CD need.

The following point highlights an example of a CD service in the Arkansas Non-MSA AA:

- **Community Services** – A bank employee taught financial literacy classes at a school where the majority of students receive free or reduced lunches. Thus, the activity provides community services primarily to LMI individuals.

The bank's retail and alternative delivery systems help avail the bank's services to LMI individuals and geographies. The bank operates five full-service branches with ATMs in this AA. One full-service branch with an ATM is located in the moderate-income tract.

Alternative delivery systems available throughout this AA remain consistent with those discussed previously at the institution level.

## **APPENDICES**

### **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income 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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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 Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.



**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**Qualified Investment:** A 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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

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

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating 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.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.