PUBLIC DISCLOSURE

October 2, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Heartland Bank
RSSD #155777

One Information Way, Suite 300
Little Rock, Arkansas 72202

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.

Heartland Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending activity. The factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of loans and other lending-related activities are in the assessment areas.
- Distribution of loans to borrowers reflects reasonable penetration to businesses of different revenue sizes.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) small bank procedures. Bank performance under this test is rated at the institution level. The bank maintains operations in two delineated assessment areas in the state of Arkansas. The bank's primary assessment area is comprised of Pulaski, Saline, and Grant Counties, which are part of the Little Rock-North Little Rock-Conway, Arkansas metropolitan statistical area (Little Rock MSA). The second assessment area includes Dallas County, which is located directly south of the Little Rock MSA, in the nonMSA portion of the state.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each assessment area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2017.

Assessment Area	Offices		Deposits as of 6/30/2017		Assessment Area Reviews		
	#	%	$ (000s)	%	Full-Scope	Limited-Scope	TOTAL
Partial Little Rock MSA	4	80.0%	$161,227	86.2%	1	0	**1**
Dallas County	1	20.0%	$25,801	13.8%	1	0	**1**
OVERALL	**5**	**100%**	**$187,028**	**100%**	**2**	**0**	**2**

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the Little Rock partial MSA was given primary consideration, as it contains the majority of the bank's loan and deposit activity and 4 of the 5 bank offices.

Furthermore, small business loans were used to evaluate the bank's lending performance, as this loan category is considered the bank's core business line, based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by this credit product is deemed indicative of the bank's overall lending performance. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	September 30, 2013 – June 30, 2017
Assessment Area Concentration	July 8, 2013 – December 31, 2016
Loan Distribution by Borrower's Profile	July 8, 2013 – December 31, 2016
Geographic Distribution of Loans	July 8, 2013 – December 31, 2016
Response to Written CRA Complaints	July 8, 2013 – October 1, 2017

Lending Test analyses often entail comparisons of bank performance to assessment area demographics. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain business geodemographics are based on 2013, 2014, 2015, and 2016 Dun & Bradstreet data. 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 $157.8 million to $391.8 million as of June 30, 2017.

To augment this evaluation, four community contact interviews were conducted with members of the local community in order to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Assessment Area* section, applicable to the assessment area in which they were conducted.

DESCRIPTION OF INSTITUTION

Heartland Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Simmons Bank of Pine Bluff, a state-chartered subsidiary of Simmons First National Corporation. Simmons Bank and its holding company are headquartered in Pine Bluff, Arkansas. Heartland Bank's branch network consists of five offices (including the main office), all of which are full service. The main office and one branch are located in Little Rock, Arkansas (Pulaski County); one branch is located in Sheridan, Arkansas (Grant County); one branch is located in Bryant, Arkansas (Saline County); and one branch is located in Fordyce, Arkansas (Dallas County). The bank did not open or close any branch offices during this review period, but, since the last examination, the bank converted an existing loan production office to its main branch. Based on this branch network and other service delivery systems, such as online and mobile banking capabilities, the bank is well positioned to deliver financial services to its Dallas County assessment area. However, given the bank's branching structure and the level of competition in the larger Little Rock market, the bank's ability to serve the entirety of its Little Rock assessment area is limited.

For this review period, the bank faced legal constraints that may have hindered the bank from serving the credit needs of its customers. On December 13, 2016, the bank entered into a public Written Agreement with the Federal Reserve Bank of St. Louis that required strengthening of its credit risk practices and oversight. As a result of the agreement, the bank had some constraints on its ability to extend credit. The bank also faces physical constraints in both assessment areas due to branch structure with its limited presence in the Little Rock MSA and in Dallas County Arkansas. As of June 30, 2017, the bank reported total assets of $199.2 million. As of the same date, loans and leases outstanding were $131.7 million (66.1 percent of total assets), and deposits totaled $187.0 million. The bank's loan portfolio composition by credit category is displayed in the following table:

Distribution of Total Loans as of June 30, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$6,360	4.8%
Commercial Real Estate	$29,082	22.1%
Multifamily Residential	$140	0.1%
1–4 Family Residential	$8,264	6.3%
Farmland	$648	0.5%
Commercial and Industrial	$85,033	64.6%
Loans to Individuals	$1,021	0.8%
Total Other Loans	$1,118	0.8%
TOTAL	**$131,666**	**100%**

As indicated in the table above, a significant portion of the bank's lending resources is directed to commercial and industrial loans and commercial real estate loans. Together, these products account for 86.7 percent of the bank's lending portfolio.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on July 8, 2013.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Heartland Bank meets the standards for a Satisfactory rating under the small bank procedures, which evaluate bank performance under the following five criteria as applicable.

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents a 16-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of June 30, 2017**	**Average LTD Ratio**
Heartland Bank	Little Rock, Arkansas	$199,193	87.1%
Regional Banks	Little Rock, Arkansas	$205,467	59.7%
	Fordyce, Arkansas	$157,840	68.7%
	Little Rock, Arkansas	$391,761	49.3%

Based on data from the previous table, the bank's level of lending is above those of other banks in the region. During the review period, the bank's quarterly LTD ratio experienced a generally stable trend, though decreasing in the last three quarters, with a 16-quarter average of 87.1 percent. In comparison, the average LTD ratios for the regional peers were lower. Two peers had generally stable trends during the review period, while one had an increasing trend. The bank's lowest, and most recent, LTD of 67.6 percent is more closely in line with regional peers than the bank's overall average LTD. Therefore, compared to data from regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Areas July 8, 2013 through December 31, 2016						
Loan Type	**Inside Assessment Areas**		**Outside Assessment Areas**		**TOTAL**	
Small Business	47	63.5%	27	36.5%	**74**	**100%**
	$7,822	50.0%	$7,820	50.0%	**$15,642**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment areas. As shown in the preceding table, 63.5 percent of the bank's small business loans were made inside the assessment areas, accounting for 50.0 percent of the dollar volume of small business loans.

Borrower and Geographic Distribution

As shown in the following table, overall performance by borrower's profile is reasonable, based on the lending analyses in both of the bank's assessment areas, with the greatest emphasis on the partial Little Rock MSA assessment area. This performance criterion analyzes the bank's lending penetration among businesses with gross annual revenues of $1 million or less.

Assessment Area	Loan Distribution by Borrower's Profile
Little Rock Partial MSA	Reasonable
Dallas County	Excellent
OVERALL	**REASONABLE**

Additional details regarding the loan distribution by borrower's profile are included later in this evaluation under the sections applicable to individual assessment area analyses.

Geographic distribution performance analyzes the bank's lending penetration among geographies of different income levels, with a specific emphasis on lending in low- and moderate-income (LMI) geographies. As displayed in the following table, the bank's overall distribution of lending by income level of census tract reflects reasonable penetration throughout the bank's two assessment areas.

Assessment Area	Geographic Distribution of Loans
Little Rock Partial MSA	Poor
Dallas County	Excellent
OVERALL	**REASONABLE**

While the bank's performance was poor in the partial Little Rock MSA assessment area, the overall geographic distribution of loans was considered reasonable. Additional details regarding the geographic distribution of loans are included later in this evaluation under the sections applicable to individual assessment area analyses.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (July 8, 2013 through October 1, 2017).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

LITTLE ROCK-NORTH LITTLE ROCK-CONWAY, ARKANSAS METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

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

Bank Structure

As previously stated, the bank operates its main office and one branch in the city of Little Rock and one branch each in the cities of Sheridan and Bryant, Arkansas in this assessment area. The main office, the second Little Rock branch, and the Bryant branch are located in upper-income census tracts, while the Sheridan branch is located in a middle-income census tract. Based on its branch network, the size of the assessment area, and high levels of banking competition in Little Rock, the bank is not well positioned to deliver financial services to all of the assessment area, especially the densely populated portions of Pulaski and Saline Counties not geographically near the bank's branches.

General Demographics

The Little Rock assessment area is comprised of Grant, Pulaski, and Saline Counties in their entireties, which, as of the 2010 U.S. Census, had a population of 507,719. The assessment area is located in central Arkansas and includes 120 census tracts, the breakout of which is listed in the table below. Of the 31 FDIC-insured depository institutions with a branch presence in this assessment area as of June 30, 2017, the bank ranked 14th in terms of deposit market share with 1.0 percent of the total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Information gathered from community contacts revealed a need for affordable financial products for the unbanked and the need for financial technology. There is also a need for affordable housing for LMI borrowers and easier access to working capital loans for businesses.

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	10	30	50	29	1	**120**
	8.3%	25.0%	41.7%	24.2%	0.8%	**100%**
Family Population	6,828	28,122	56,251	39,850	0	**131,051**
	5.2%	21.5%	42.9%	30.4%	0.0%	**100%**

As demonstrated in the previous table, 26.7 percent of families in the assessment area reside in LMI census tracts, which is below the percentage of geographies in the county that are LMI (33.3 percent).

Based on 2010 U.S. Census data, the median family income for the assessment area was $58,679. At the same time, the median family income for the state of Arkansas was $48,491. More recently, the FFIEC estimates the median family income for the Little Rock MSA to be $62,100, $60,100, $63,400, and $62,400 in 2013, 2014, 2015, and 2016, respectively. The following table displays population percentages of assessment area families by income level compared to the state of Arkansas family populations as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Little Rock Assessment Area	28,243	23,505	26,401	56,902	**131,051**
	21.6%	17.9%	20.1%	40.4%	**100%**
Arkansas	162,389	137,133	153,290	309,951	**762,763**
	21.3%	18.0%	20.1%	40.6%	**100%**

Based on this data, the assessment area's income balance is on par with that of the state of Arkansas as a whole. The portion of families classified as LMI in the Little Rock partial MSA (39.5 percent) is very similar to that of the state of Arkansas (39.3 percent). Despite similar percentages of LMI, 11.0 percent of assessment area families across all income levels live below the poverty line compared to 13.5 percent throughout the state of Arkansas.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area is less affordable than in the state of Arkansas. The median housing value for the assessment area is $131,318, which is well above the figure for the state, $102,300. The assessment area housing affordability ratio (35.5) is below the state figure (38.4), indicating less affordability in relation to income. Similarly, the median gross rent for the assessment area of $726 per month is substantially higher than the $617 per month for the state of Arkansas. Additionally, the portion of renters paying more than 30 percent of their income on rental costs in the assessment area is 46.0 percent, which is slightly higher than the state of Arkansas as a whole (42.5 percent). Based on these constraints, lower income portions of the population may face challenges attaining housing.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. County business patterns indicate that there are 228,540 paid employees in the assessment area. The three largest sectors of the local economy are health care and social assistance, retail trade, and accommodation and food services, which account for 43.7 percent of the jobs in the assessment area. Of that amount, 20.2 percent are employed in the health care and social assistance industry, 13.3 percent in retail trade, and 10.2 percent in accommodation and food services.

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 the state of Arkansas.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**Arkansas**
2013	6.4%	7.3%
2014	5.4%	6.1%
2015	4.5%	5.1%
2016	3.5%	4.0%

As shown in the previous table, unemployment levels for the assessment area and the state of Arkansas have shown a consistently decreasing trend since 2013. The gap between unemployment rates in the assessment area and the state has decreased during this time period, with the assessment area average remaining lower than the state average since 2013.

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. Of these interviews, both were with individuals working in economic development.

The contacts described the local economy as stable, based on improving unemployment levels. Additionally, they described the assessment area as having a high level of banking competition, with financial institutions competing for creditworthy consumers and small businesses.

The contacts indicated that there are ample opportunities for financial institutions to participate in community development activities in the assessment area. In addition to establishing more flexible lending products for small businesses, the assessment area has a need for infrastructure improvements, workforce development, and small business counseling. Lastly, the contacts indicated that there are numerous community development-focused organizations and projects in the assessment area working to fulfill these needs that would benefit from collaboration with financial institutions.

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

Loan Distribution by Borrower's Profile

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2013, 2014, 2015, and 2016 small business loans by loan amount and business revenue size compared to Dun & Bradstreet data.

Distribution of Loans Inside Assessment Area by Business Revenue
July 8, 2013 through December 31, 2016

Gross Revenue	Loan Amounts in $000s						TOTAL	
	<u><</u>$100		>$100 and <u><</u>$250		>$250 and <u><</u>$1,000			
$1 Million or Less	16	40.0%	8	20.0%	6	15.0%	**30**	**75.0%**
Greater than $1 Million/Unknown	5	12.5%	2	5.0%	3	7.5%	**10**	**25.0%**
TOTAL	**21**	**52.5%**	**10**	**25.0%**	**9**	**22.5%**	**40**	**100%**
Dataset	**2013**		**2014**		**2015**		**2016**	
Dun & Bradstreet Businesses <u><</u> $1MM	89.4%		88.4%		91.0%		89.2%	

The bank originated the majority of its small business loans (75.0 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that, most recently, 89.2 percent of businesses in the assessment area had annual revenues of $1 million or less. The bank's level of small business lending showed an increasing trend throughout the years of data analyzed, with 24 of the bank's 30 small business loans being made in 2015 and 2016. Furthermore, the fact that 53.3 percent of the bank's small business loans in the assessment area are in amounts of $100,000 or less demonstrates that the bank is meeting a specific credit need identified by community contacts in this competitive market. Based on this analysis, the bank's distribution of small business loans by borrower profile is reasonable.

Geographic Distribution of Loans

As noted previously, the Little Rock partial MSA assessment area includes 10 low- and 30 moderate-income census tracts, representing 33.3 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts, based on the small business loan category. The following table displays 2013, 2014, 2015, and 2016 small business loan activity by geography income level compared to the location of businesses throughout this assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Geography July 8, 2013 through December 31, 2016											
	Geography Income Level									TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	1	2.5%	5	12.5%	20	50.0%	14	35.0%	0	0.0%	**40**	**100%**

Dun & Bradstreet Business Institutions						
	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
2013	5.3%	25.8%	37.5%	31.4%	0.0%	**100%**
2014	5.0%	25.5%	37.1%	32.5%	0.0%	**100%**
2015	4.7%	25.1%	36.9%	33.3%	0.0%	**100%**
2016	4.7%	26.0%	36.4%	32.9%	0.0%	**100%**

The bank's level of lending in low-income census tracts (2.5 percent) is below the estimated percentage of businesses operating inside these census tracts (5.3 percent, 5.0 percent, 4.7 percent, and 4.7 percent for 2013, 2014, 2015, and 2016, respectively). Consequently, the bank's distribution of loans in low-income geographies is poor.

Similarly, the bank's level of lending in moderate-income census tracts (12.5 percent) is below the estimated percentage of businesses operating inside these census tracts (25.8 percent, 25.5 percent, 25.1 percent, and 26.0 percent for 2013, 2014, 2015, and 2016, respectively). This also represents poor performance. Therefore, the bank's overall geographic distribution of small business loans is poor.

Lastly, based on a review of the small business loan category, Heartland Bank had loan activity in 20.8 percent of all assessment census tracts. The bank operates in a three-county assessment area with a single branch in each county, with the exception of the main office and a second branch located two miles apart in Pulaski County. Furthermore, as previously noted, banking competition levels are high, and the bank holds only 1.0 percent of the total deposit market share. Therefore, the bank cannot be reasonably expected to serve the entire area for all three counties. Nevertheless, the central location of the main office and branch in Pulaski County is within five miles of the majority of LMI tracts. As loan dispersion is not spread throughout the assessment area, including LMI census tracts, the bank's overall geographic distribution of loans remains poor.

DALLAS COUNTY, ARKANSAS NONMETROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DALLAS COUNTY ASSESSMENT AREA

Bank Structure

The bank operates one branch in this assessment area, located in a moderate-income census tract, in the city of Fordyce. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of Dallas County in its entirety, which, as of the 2010 U.S. Census, had a population of only 8,116. The Dallas County assessment area is located just south of the Little Rock MSA and includes three census tracts, one of which is moderate-income and two of which are middle-income. Of the four FDIC-insured depository institutions with a branch presence in this assessment area as of June 30, 2017, the bank ranked third in terms of deposit market share with 15.4 percent of the total deposit dollars.

Information gathered from community contacts revealed a need for business loan products and loans for city improvements to attract small businesses.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	1	2	0	0	**3**
	0.0%	33.3%	66.7%	0.0%	0.0%	**100%**
Family Population	0.0%	1,074	1,094	0	0	**2,168**
	0.0%	49.5%	50.5%	0.0%	0.0%	**100%**

As demonstrated in the previous table, 49.5 percent of families in the assessment area reside in the moderate-income census tract, which is significantly above the percentage of geographies in the county that are moderate-income (33.3 percent). As stated earlier, the moderate-income census tract is located in the city of Fordyce, Arkansas. The remaining two middle-income tracts are more rural and have been designated distressed based on poverty and population loss for the duration of the examination review period and additionally for unemployment for 2015.

Based on 2010 U.S. Census data, the median family income for the assessment area was $37,060. At the same time, the median family income for nonMSA Arkansas was $42,175. More recently, the FFIEC estimates the median family income for nonMSA Arkansas to be $44,000, $45,300, $46,300, and $44,700 in 2013, 2014, 2015, and 2016, respectively. The following table displays population percentages of assessment area families by income level compared to the state of Arkansas family populations as a whole.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Dallas County	553 25.5%	415 19.1%	362 16.7%	838 38.7%	**2,168** **100%**
NonMSA Arkansas	65,135 20.8%	57,160 18.3%	62,634 20.0%	128,166 41.0%	**313,195** **100%**

Based on the data in the preceding table, the assessment area is slightly less affluent than nonMSA Arkansas as a whole. The portion of families classified as LMI in the Dallas County assessment area (44.6 percent) is higher than that of nonMSA Arkansas (39.1 percent). Meanwhile, 15.1 percent of assessment area families live below the poverty line, which is equal to the percentage throughout all of nonMSA Arkansas.

Housing Demographics

Based on housing values, income levels, and rental costs, housing in the assessment area is more affordable than in the state of Arkansas. The median housing value for the assessment area is $59,200, which is below the figure for nonMSA Arkansas, $78,904. The assessment area housing affordability ratio of 50.0 is above the nonMSA Arkansas figure of 42.0, indicating more affordability in relation to income. Similarly, the median gross rent for the assessment area ($428 per month) is lower than nonMSA Arkansas ($535 per month). Additionally, the portion of renters paying more than 30 percent of their income on rental costs in the assessment area (42.4 percent) is slightly higher than nonMSA Arkansas as a whole (39.8 percent). Based on these factors, housing in this assessment area appears to be within reach for the majority of the population.

Industry and Employment Demographics

The three largest sectors of the local economy are health care and social assistance, manufacturing, and retail trade, which account for 70.6 percent of the jobs in the assessment area. County business patterns indicate that there are 2,324 paid employees in the assessment area. Of that amount, 30.6 percent are employed in the health care and social assistance industry, 24.9 percent in manufacturing, and 15.1 percent in retail trade.

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 nonMSA Arkansas.

Unemployment Levels for the Assessment Area		
Time Period (Annual Average)	**Assessment Area**	**NonMSA Arkansas**
2013	11.0%	8.5%
2014	9.4%	7.2%
2015	7.2%	6.0%
2016	5.0%	4.9%

As shown in the previous table, unemployment levels for the assessment area and nonMSA Arkansas have shown a consistently decreasing trend since 2013. The gap between unemployment rates in the assessment area and nonMSA Arkansas has decreased during this time period with the assessment area average remaining greater than the state average since 2013. Some of the decrease in unemployment may be explained by the fact that population in the assessment area has been declining.

Community Contact Information

Information from two new community contacts was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these interviews, one was with an individual working in community development and the other was with an individual working in local government.

The contacts described the local economy as struggling overall with a need for infrastructure improvements as part of initiatives to attract small businesses. Both contacts identified timber as the dominant industry in the area, but noted the healthcare industry as a large employer that continues to grow.

Contacts indicated that area banks assist with community needs and provide some focus on business and community development. Additionally, the contacts did not identify any opportunities for financial institutions involvement at this time and stated the banks appear to be meeting the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DALLAS COUNTY ASSESSMENT AREA

Loan Distribution by Borrower's Profile

Small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2013, 2014, 2015, and 2016 small business loans by loan amount and business revenue size compared to Dun & Bradstreet data. As seen in the tables below, limited loan volume was available to use for the analysis.

Distribution of Loans Inside Assessment Area by Business Revenue July 8, 2013 through December 31, 2016								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	7	100%	0	0.0%	0	0.0%	**7**	**100%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**7**	**100%**	**0**	**0.0%**	**0**	**0.0%**	**7**	**100%**
Dataset	**2013**		**2014**		**2015**		**2016**	
Dun & Bradstreet Businesses ≤ $1MM	84.4%		82.3%		84.8%		83.7%	

The bank originated all of its small business loans to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that, most recently, 83.7 percent of businesses in the assessment area had annual revenues of $1 million or less. Based on this analysis, the bank's distribution of small business loans by borrower profile is excellent.

Geographic Distribution of Loans

As noted previously, the Dallas County assessment area contains one moderate-income census tract and two middle-income census tracts, and does not contain any low- or upper-income census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout the moderate-income geography, based on an analysis of small business loans. The following table displays 2013, 2014, 2015, and 2016 small business loan activity by geography income level compared to the location of businesses throughout this assessment area.

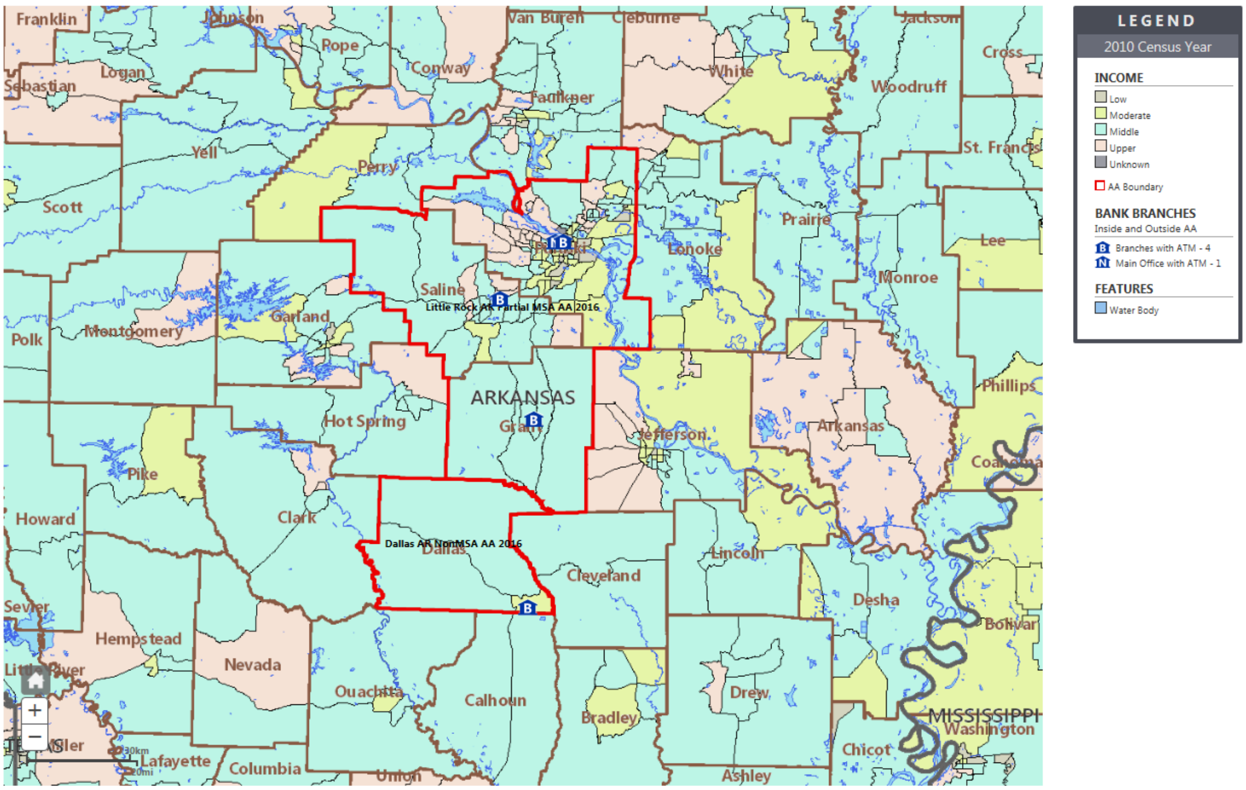
Distribution of Loans Inside Assessment Area by Income Level of Geography July 8, 2013 through December 31, 2016												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	0	0.0%	5	71.4%	2	28.6%	0	0.0%	0	0.0%	**7**	**100%**
Dun & Bradstreet Business Institutions												
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**		**TOTAL**	
2013	0.0%		68.0%		32.0%		0.0%		0.0%		**100%**	
2014	0.0%		68.2%		31.8%		0.0%		0.0%		**100%**	
2015	0.0%		68.9%		31.1%		0.0%		0.0%		**100%**	
2016	0.0%		68.9%		31.1%		0.0%		0.0%		**100%**	

The bank’s level of lending in the moderate-income census tract (71.4 percent) was consistently above the estimated percentage of businesses operating inside this census tract, which ranged from 68.0 percent to 68.9 percent during 2013, 2014, 2015, and 2016. Therefore, compared to demographic data, the bank’s overall geographic distribution of small business loans is excellent.

Lastly, based on a review of small business loans, Heartland Bank had loan activity in two of the three assessment area census tracts. The census tract with no loan activity only encompasses 15.5 percent of small businesses in the assessment area (35 out of 226). Furthermore, the bank had loan activity in the moderate-income census tract for all years, excluding 2013. The bank’s overall geographic distribution of loans remains excellent, primarily based on lending performance within the moderate-income census tract.

ASSESSMENT AREA DETAIL

Heartland Bank - Little Rock, AR
Tract Income Map



GLOSSARY

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

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

Census tract: A small subdivision of metropolitan and 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 upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- and moderate-income (LMI) individuals; (2) <u>community services</u> targeted to LMI individuals; (3) activities that promote <u>economic development</u> by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that <u>revitalize or stabilize</u> LMI geographies, designated disaster areas, or distressed or underserved non-metropolitan 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 non-metropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders 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 a MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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

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

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

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

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

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

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs
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Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

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

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

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

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

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