PUBLIC DISCLOSURE

August 16, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Encore Bank
RSSD #2594240

1801 Rahling Road
Little Rock, Arkansas 72223

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.**

TABLE OF CONTENTS

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

Encore 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 poor penetration among individuals of different income levels (including low- and moderate-income (LMI)) and businesses of different revenue sizes.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- There was one CRA-related complaint filed against the bank since the previous CRA evaluation, which management took appropriate action to address.
- At management's option, the bank's community development investments and services were considered as part of this evaluation. The review of this activity affirmed satisfactory CRA performance; however, it was not significant enough to enhance the bank's rating.

During the COVID-19 pandemic, the bank responded to the needs of the community through its participation in the CARES Act[1] Paycheck Protection Program (PPP), and such activity was also considered while evaluating the bank's CRA performance.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) small bank procedures, and the overall CRA rating is based on lending activity performance within three delineated assessment areas, all of which are within the state of Arkansas.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each assessment area completed as part of this evaluation. Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2020.

[1] Coronavirus Aid, Relief, and Economic Security Act, signed into law on March 27, 2020.

Assessment Area	Offices		Deposits as of June 30, 2020		2020 HMDA Loan Volume inside Assessment Areas		Assessment Area Reviews		
	#	%	$ (000s)	%	$ (000s)	%	Full Scope	Limited Scope	TOTAL
Little Rock	2	40.0%	$362,721	88.0%	$65,488	37.4%	1	0	**1**
Fayetteville	2	40.0%	$21,693	5.3%	$66,367	37.9%	1	0	**1**
Jonesboro	1	20.0%	$27,746	6.7%	$43,083	24.6%	1	0	**1**
OVERALL	**5**	**100%**	**$412,160**	**100%**	**$174,938**	**100.0%**	**3**	**0**	**3**

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the Little Rock assessment area was given primary consideration, as it contains the majority of the bank's deposit activity and is the only assessment area in which the bank has maintained a branch presence throughout the entire review period.

Furthermore, residential real estate and small business loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a significantly higher volume of home mortgage lending relative to small business lending, performance based on the Home Mortgage Disclosure Act (HMDA) loan category carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	June 30, 2017 – March 31, 2021
Assessment Area Concentration	January 1, 2020 – December 31, 2020
Loan Distribution by Borrower's Profile	January 1, 2020 – December 31, 2020
Geographic Distribution of Loans	January 1, 2020 – December 31, 2020
Response to Written CRA Complaints	May 15, 2017 – August 15, 2021
Community Development Activities	May 15, 2017 – August 15, 2021

CRA lending analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) and U.S. Census data; certain business demographics are based on 2020 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are,

therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from $659.3 million to $1.1 billion as of March 31, 2021.

To augment this evaluation, six community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions within the bank's assessment 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 Institution's Operations* section, applicable to the assessment area in which they were conducted.

DESCRIPTION OF INSTITUTION

Encore Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by Encore Bancshares, Inc., a one-bank holding company; the bank and its holding company are both headquartered in Little Rock, Arkansas. The bank's branch network consists of five offices (including the main office), all of which are located in Arkansas. As of the previous CRA evaluation, the bank operated a single branch office, which was located in Little Rock, Arkansas. Since that time, the bank has added five full-service branches and closed its former main office location. Specifically, the bank opened two new branches in Little Rock, Arkansas, including a new main office. In addition, the bank added three full-service branches in two new markets—one in Jonesboro, Arkansas (Jonesboro, Arkansas MSA); one in Rogers, Arkansas, and one in Fayetteville, Arkansas (both branches are in the Fayetteville-Springdale-Rogers, Arkansas MSA). Two of these branches—one in Little Rock, Arkansas, and one in Jonesboro, Arkansas—have on-site automated teller machines (ATMs). These two branches, along with the second Little Rock, Arkansas, branch, have drive-up accessibility. Given the limited size of the bank's branch network, the bank is unlikely to be able to deliver financial services to the entirety of its three separate assessment areas.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the credit needs of its assessment areas based on its available resources and financial products. As of March 31, 2021, the bank reported total assets of $908.1 million. As of the same date, loans and leases outstanding were $648.7 million (71.4 percent of total assets), and deposits totaled $700.0 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2021		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$47,711	7.4%
Commercial Real Estate (CRE)	$265,759	41.1%
Multifamily Residential	$ 52,776	8.2%
1–4 Family Residential	$157,605	24.4%
Farmland	$1,863	0.3%
Farm Loans	$3,378	0.5%
Commercial and Industrial	$108,019	16.7%
Loans to Individuals	$2,211	0.3%
Total Other Loans	$9,368	1.2%
TOTAL	**$648,690**	**100%**

As indicated by the table above, a significant portion of the bank's lending resources is directed to CRE loans and loans secured by 1–4 family residential properties. The bank also originates and subsequently sells a significant volume of loans related to residential real estate. In 2020, the bank originated and sold 481 HMDA loans totaling $128.2 million. As these loans are sold on the secondary market shortly after origination, this activity would not be captured in the table.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on May 15, 2017.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Encore 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 in comparison 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) on 3/31/21	Average LTD Ratio
Encore Bank	Little Rock, Arkansas	$908,083	80.3%
Regional Banks	Rogers, Arkansas	$659,308	94.1%
	Jacksonville, Arkansas	$932,369	84.5%
	Batesville, Arkansas	$1,112,002	88.8%

Based on data from the previous table, the bank's level of lending is below those of other banks in the region. During the entirety of the review period, the bank's quarterly LTD ratio experienced considerable volatility, with a quarterly LTD ranging from a low of 55.6 percent (June 30, 2017) to a high of 117.5 percent (December 31, 2019). However, since the second quarter of 2019, Encore Bank's LTD ratio has been relatively stable, with the bank maintaining a quarterly LTD ratio above 83.3 percent. This performance is generally in line with data from regional peers; therefore, the bank's performance is considered reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Areas
January 1, 2020 through December 31, 2020

Loan Type	Inside Assessment Areas		Outside Assessment Areas		TOTAL	
HMDA	564	80.9%	133	19.1%	697	**100%**
	$174,938	74.3%	$60,596	25.7%	$235,533	**100%**
Small Business	73	70.9%	30	29.1%	103	**100%**
	$16,125	68.8%	$7,322	31.2%	$23,446	**100%**
TOTAL LOANS	**637**	**79.6%**	**163**	**20.4%**	**800**	**100%**
	$191,062	**73.8%**	**67,918**	**26.2%**	**$258,980**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment areas. As shown above, 79.6 percent of the total loans were made inside the assessment areas, accounting for 73.8 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

Overall, performance by borrower's income/revenue profile is poor, based on the analyses of lending in the bank's three Arkansas assessment areas, as is displayed in the following table.

Assessment Area	Loan Distribution by Borrower's Profile
Little Rock	Poor
Fayetteville	Poor
Jonesboro	Poor
OVERALL	**POOR**

Conversely, as shown in the following table, the bank's overall distribution of lending by income level of census tract reflects reasonable penetration throughout the assessment areas.

Assessment Area	Geographic Distribution of Loans
Little Rock	Reasonable
Fayetteville	Reasonable
Jonesboro	Excellent
OVERALL	**REASONABLE**

Responses to Complaints

During the review period (May 15, 2017 through August 15, 2021), the bank received one CRA complaint on April 15, 2021. Bank management responded appropriately by including a copy of the complaint and bank response in its CRA Public File.

Community Development Investments and Services

As part of this CRA performance evaluation, Encore Bank management requested that the bank's community development investments and services be reviewed to determine whether such activity could enhance the bank's overall CRA rating. The bank provided evidence of eight separate employees providing qualified community development services to seven separate organizations benefitting the assessment areas. While the review of the submitted materials revealed several activities pertaining to community services in the bank's assessment areas, none of the donations or services were specifically tied to enhancing credit availability. Consequently, these supplemental activities did not warrant enhancing the bank's CRA rating to outstanding.

COVID-19 Pandemic Response

In response to the COVID-19 pandemic, the bank worked with a local community development financial institution to originate approximately $18 million in PPP loans. These loans are administered by the Small Business Administration as part of the CARES Act. PPP loans are designed to help eligible businesses retain workers and staff during the economic hardship resulting from the pandemic. In addition to participating in the PPP loan program, the bank also worked with its customers impacted by the pandemic to offer loan payment deferrals and modifications when prudent. These actions demonstrate the bank's responsiveness in helping to serve the credit needs of its assessment area.

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

The bank operates two of its five offices in this assessment area, one of which has cash-dispensing ATM services. Both offices are located in upper-income census tracts. During its previous CRA evaluation, the bank only operated one office, approximately ten miles west of downtown Little Rock. Since that time, the main office was closed and re-opened approximately four miles west of the previous location. In addition, the bank opened a new branch northwest of downtown, approximately nine miles from the main office. Based on its limited branch network, the bank is not adequately positioned to deliver financial services to all areas within such a geographically expansive assessment area. Specifically, the bank may experience difficulty in reaching the eastern portions of the county and the area north of the Arkansas River.

General Demographics

The assessment area is composed of Pulaski County in its entirety. The bank's main office is located in this assessment area, which is in central Arkansas, bisected by the Arkansas River. The city of Little Rock is contained within this county, and it is part of the Little Rock – North Little Rock – Conway, Arkansas MSA. As of the 2015 ACS, the assessment area population was 390,463, comprising 54.0 percent of the total MSA population. Of the 30 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 11th in deposit market share, encompassing 1.6 percent of total deposit dollars.

Credit needs in the Little Rock assessment area include a mix of consumer and business loan products. Other particular credit-related needs noted by community contacts include financial outreach initiatives. Specifically, community contacts indicated there are many individuals in the assessment area who utilize nonbank financial institutions, and the interviewed contacts believe greater financial education initiatives by local institutions could be effective in increasing the reach of traditional financial institutions throughout the community.

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	29	24	30	2	**95**
	10.5%	30.5%	25.3%	31.6%	2.1%	**100%**
Family Population	5,842	23,025	26,843	36,466	698	**92,874**
	6.3%	24.8%	28.9%	39.3%	0.8%	**100%**

As shown in the preceding table, 41.0 percent of census tracts in the assessment area are LMI geographies, but only 31.1 percent of the family population resides in these tracts. These LMI census tracts are primarily concentrated in and closely surrounding the cities of Little Rock and North Little Rock.

Based on 2015 U.S. Census data, the median family income for the assessment area was $59,305 At the same time, the median family income for the state of Arkansas was estimated to be $51,782. More recently, the FFIEC estimates that the 2020 median family income for the entirety of the Little Rock MSA to be $72,300. The following table displays population percentages of assessment area families by income level compared to state family populations.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Little Rock Assessment Area	22,138	15,898	16,880	37,958	**92,874**
	23.8%	17.1%	18.2%	40.9%	**100%**
Arkansas	164,346	134,818	149,580	311,180	**759.924**
	21.6%	17.7%	19.7%	41.0%	**100%**

As shown in the table above, 40.9 percent of families within the assessment area were considered LMI, which is slightly higher than LMI family percentage of 39.3 percent in Arkansas. While not shown in the table, the percentage of families living below the poverty level in the assessment area, 12.3 percent, is below the 14.3 percent level in the state of Arkansas. Considering these factors, assessment area income levels are substantially similar to the state as a whole.

Housing Demographics

As displayed in the following table, homeownership and rental costs in the assessment area are more expensive than the average housing costs for the overall state of Arkansas.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Little Rock Assessment Area	$142,400	32.4%	$779
Arkansas	$111,400	37.1%	$677

Average housing values and rents are higher in the assessment area when compared to the state and, accounting for relative income levels, the assessment area affordability ratio (32.4 percent) is significantly below the Arkansas affordability ratio (37.1 percent). Additionally, homeownership may be out of reach of many LMI families due to other factors, as indicated by the interviewed community contacts. For example, much of the assessment area housing stock is in need of significant repairs; similarly, housing demographics indicate the assessment area median housing stock age is 36, which is older than the overall, Arkansas median housing stock age of 32.

Industry and Employment Demographics[2]

The assessment area supports a large and diverse business community. There are 186,372 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are health care and social assistance (19.4 percent), followed by retail trade (12.5 percent), and accommodation and food services (9.1 percent). The table below details unemployment data (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Levels			
Dataset	**Time Period (Annual Average)**		
	2018	**2019**	**2020**
Little Rock Assessment Area	3.4%	3.4%	7.4%
Arkansas	3.7%	3.5%	6.1%

As shown in the table above, the assessment area had been experiencing steady and low unemployment levels prior to the COVID-19 pandemic. The assessment area had lower levels of unemployment than the state of Arkansas until 2020, when the assessment area's unemployment levels increased dramatically and significantly outpaced the state's also rising unemployment levels.

[2] Industry and employment data in this section is sourced from the U. S. Department of Labor, Bureau of Labor Statistics.

Community Contact Information

Information from two community contacts was used to help shape the performance context in which the bank's activities were evaluated. Of these community contact interviews, one was with an individual specializing in affordable housing, and one was with a person concentrating on economic development within the area. The community contact interviewees categorized the economy as growing, albeit slower than other areas of the state, and with wealth flowing more quickly to those at the top of the economic ladder. One reason for the disparity in wealth accumulation described by both contacts is the numerous jobs lost in the hospitality and food service industry throughout the course of the COVID-19 pandemic. Conversely, other areas of employment (specifically cited were industrial businesses) have fared much better and already employed higher-wage workers prior to the start of the pandemic. The area's economy also benefits from a considerable number of stable jobs within the state and local government, as the city of Little Rock is the state capital. Additional jobs could be available in the assessment area, according to one community contact, if barriers to capital were lowered for local small businesses. Specifically, in the service industry, there is a need for working capital; however, a significant portion of these small businesses are unable to access the credit necessary for expansion because they can't meet collateral requirements.

The local area has experienced some population growth, with both community contacts citing a migration away from the state's rural areas to the Little Rock metropolitan area driving this growth. Within the Little Rock metropolitan area, there are numerous financial institutions, according to the interviewed contacts, leading to a generally high level of competition in the assessment area.

The area, according to community contacts, has a lack of affordable single-family housing stock. This lack of affordable homes available for purchase has also led to increased demand for affordable rental housing, as LMI households in particular are priced out of the market for homeownership. The community contact specializing in affordable housing stated that for banks to develop a mortgage product that would benefit LMI individuals, it would need to be competitively priced and include features such as down payment assistance and flexible underwriting requirements.

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

The bank's overall distribution of loans by borrower's profile reflects poor penetration among borrowers of different income levels and businesses of different revenue sizes. However, the overall geographic distribution of loans reflects reasonable penetration throughout the Little Rock assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is poor, based on performance from the two loan categories reviewed. While the bank's small business loan distribution by borrower's profile is reasonable, overall performance conclusions under this lending criterion are driven by the HMDA loan category, which reflects a poor distribution by borrower's profile.

First, HMDA loans were reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($72,300 for the Little Rock MSA as of 2020). The following table shows the distribution of HMDA loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2020 aggregate data is displayed.

Borrower Distribution of Residential Real Estate Loans
Assessment Area: Little Rock, Arkansas

Product Type	Borrower Income Levels	2020						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Home Purchase	Low	1	1.2%	8.2%	156	0.7%	4.6%	23.8%
	Moderate	3	3.7%	20.0%	520	2.3%	15.1%	17.1%
	Middle	7	8.5%	20.4%	**1,686**	7.4%	18.8%	18.2%
	Upper	25	30.5%	36.9%	**8,216**	35.9%	48.5%	40.9%
	Unknown	46	56.1%	14.5%	**12,295**	53.8%	12.9%	0.0%
	TOTAL	**82**	**100.0%**	**100.0%**	**22,874**	**100.0%**	**100.0%**	**100.0%**
Refinance	Low	3	2.8%	2.8%	473	1.1%	1.3%	23.8%
	Moderate	4	3.7%	9.4%	617	1.5%	5.7%	17.1%
	Middle	17	15.7%	16.0%	3,561	8.4%	12.1%	18.2%
	Upper	69	63.9%	45.8%	27,023	64.1%	56.8%	40.9%
	Unknown	15	13.9%	26.0%	10,514	24.9%	24.0%	0.0%
	TOTAL	**108**	**100.0%**	**100.0%**	**42,187**	**100.0%**	**100.0%**	**100.0%**

Home Improvement	Low	0	0.0%	7.0%	0	0.0%	4.1%	23.8%
	Moderate	0	0.0%	12.6%	0	0.0%	7.9%	17.1%
	Middle	0	0.0%	18.3%	0	0.0%	12.2%	18.2%
	Upper	0	0.0%	49.7%	0	0.0%	54.5%	40.9%
	Unknown	6	100.0%	12.3%	428	100.0%	21.3%	0.0%
	TOTAL	**6**	**100.0%**	**100.0%**	**428**	**100.0%**	**100.0%**	**100.0%**
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	23.8%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	17.1%
	Middle	0	0.0%	1.7%	0	0.0%	0.3%	18.2%
	Upper	0	0.0%	3.4%	0	0.0%	1.0%	40.9%
	Unknown	0	0.0%	94.8%	0	0.0%	98.7%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose LOC*	Low	0	0.0%	4.2%	0	0.0%	1.6%	23.8%
	Moderate	0	0.0%	10.2%	0	0.0%	5.4%	17.1%
	Middle	0	0.0%	20.4%	0	0.0%	11.9%	18.2%
	Upper	0	0.0%	62.3%	0	0.0%	77.2%	40.9%
	Unknown	0	0.0%	3.0%	0	0.0%	3.9%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose Closed/Exempt	Low	0	0.0%	5.3%	0	0.0%	1.6%	23.8%
	Moderate	0	0.0%	18.2%	0	0.0%	9.4%	17.1%
	Middle	0	0.0%	20.5%	0	0.0%	7.0%	18.2%
	Upper	0	0.0%	48.5%	0	0.0%	64.5%	40.9%
	Unknown	0	0.0%	7.6%	0	0.0%	17.4%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Purpose Not Applicable	Low	0	0.0%	0.1%	0	0.0%	0.1%	23.8%
	Moderate	0	0.0%	0.1%	0	0.0%	0.0%	17.1%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	18.2%
	Upper	0	0.0%	0.0%	0	0.0%	0.0%	40.9%
	Unknown	0	0.0%	99.8%	0	0.0%	99.9%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
HMDA TOTALS	Low	4	2.0%	5.1%	629	1.0%	2.6%	23.8%
	Moderate	7	3.6%	13.7%	1,137	1.7%	9.2%	17.1%
	Middle	24	12.2%	17.1%	5,247	8.0%	13.8%	18.2%
	Upper	94	48.0%	39.6%	35,239	53.8%	48.6%	40.9%
	Unknown	67	34.2%	24.5%	23,236	35.5%	25.8%	0.0%
	TOTAL	**196**	**100.0%**	**100.0%**	**65,488**	**100.0%**	**100.0%**	**100.0%**

*Line of credit

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers by number of loans (2.0 percent) is substantially below the low-income family population figure (23.8 percent) and also below the 2020 aggregate lending level to low-income borrowers (5.1 percent), reflecting poor performance. Similarly, the bank's level of lending to moderate-income borrowers

(3.6 percent) is lower than both the moderate-income family population percentage (17.1 percent) and the 2020 aggregate lending level to moderate-income borrowers (13.7 percent), reflecting poor performance, as well. As previously noted, community contacts described a lack of affordable housing in the assessment area, which makes HMDA lending to LMI borrowers challenging. Despite this context, the bank's overall performance for HMDA lending is still below aggregate data and is therefore poor.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size
Assessment Area: Little Rock, Arkansas

Business Revenue and Loan Size			2020						
			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	$ (000s)	$ %	$ %	%
Business Revenue		$1 Million or Less	21	60.0%	32.2%	$4,438	49.3%	25.7%	89.6%
		Over $1 Million/ Unknown	14	40.0%	67.8%	$4,555	50.7%	74.3%	10.4%
		TOTAL	**35**	**100.0%**	**100.0%**	**$8,993**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	16	45.7%	84.0%	$994	11.1%	26.4%	
		$100,001–$250,000	9	25.7%	8.7%	$1,559	17.3%	20.7%	
		$250,001–$1 Million	10	28.6%	7.3%	$6,440	71.6%	53.0%	
		Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
		TOTAL	**35**	**100.0%**	**100.0%**	**$8,993**	**100.0%**	**100.0%**	
Loan Size	Revenue $1 Million or Less	$100,000 or Less	10	47.6%		$641	14.4%		
		$100,001–$250,000	7	33.3%		$1,232	27.8%		
		$250,001–$1 Million	4	19.0%		$2,565	57.8%		
		Over $1 Million	0	0.0%		$0	0.0%		
		TOTAL	**21**	**100.0%**		**$4,438**	**100.0%**		

The bank's level of lending to small businesses is reasonable. By number of loans, the bank originated the majority of its small business loans (60.0 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 89.6 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2020 aggregate lending level to small businesses is 32.2 percent.

Geographic Distribution of Loans

As noted previously, the Little Rock assessment area includes 10 low-income and 29 moderate-income census tracts, representing 41.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the HMDA and small business loan categories, with primary emphasis on the bank's HMDA lending.

First, HMDA loans were reviewed. The following table displays the geographic distribution of 2020 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Geographic Distribution of Residential Real Estate Loans
Assessment Area: Little Rock, Arkansas

Product Type	Tract Income Levels	2020						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Home Purchase	Low	3	3.7%	2.2%	278	1.2%	1.2%	4.4%
	Moderate	20	24.4%	15.5%	5,407	23.6%	9.3%	22.4%
	Middle	15	18.3%	27.6%	3,052	13.3%	22.8%	29.8%
	Upper	44	53.7%	54.6%	14,137	61.8%	66.6%	42.9%
	Unknown	0	0.0%	0.2%	0	0.0%	0.1%	0.5%
	TOTAL	**82**	**100.0%**	**100.0%**	**22,874**	**100.0%**	**100.0%**	**100.0%**
Refinance	Low	2	1.9%	1.0%	1,000	2.4%	0.6%	4.4%
	Moderate	6	5.6%	8.0%	3,332	7.9%	4.6%	22.4%
	Middle	8	7.4%	23.2%	2,454	5.8%	18.3%	29.8%
	Upper	92	85.2%	67.7%	35,401	83.9%	76.3%	42.9%
	Unknown	0	0.0%	0.1%	0	0.0%	0.2%	0.5%
	TOTAL	**108**	**100.0%**	**100.0%**	**42,187**	**100.0%**	**100.0%**	**100.0%**
Home Improvement	Low	0	0.0%	2.3%	0	0.0%	1.6%	4.4%
	Moderate	5	83.3%	15.6%	368	86.0%	10.7%	22.4%
	Middle	1	16.7%	25.9%	60	14.0%	20.0%	29.8%
	Upper	0	0.0%	56.0%	0	0.0%	67.6%	42.9%
	Unknown	0	0.0%	0.3%	0	0.0%	0.1%	0.5%
	TOTAL	**6**	**100.0%**	**100.0%**	**428**	**100.0%**	**100.0%**	**100.0%**
Multifamily	Low	0	0.0%	13.8%	0	0.0%	6.1%	10.6%
	Moderate	0	0.0%	38.8%	0	0.0%	36.3%	25.3%
	Middle	0	0.0%	16.4%	0	0.0%	19.8%	21.7%
	Upper	0	0.0%	30.2%	0	0.0%	37.6%	42.1%
	Unknown	0	0.0%	0.9%	0	0.0%	0.3%	0.3%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**

Other Purpose LOC	Low	0	0.0%	1.9%	0	0.0%	0.7%	4.4%
	Moderate	0	0.0%	10.2%	0	0.0%	6.8%	22.4%
	Middle	0	0.0%	23.8%	0	0.0%	16.2%	29.8%
	Upper	0	0.0%	64.2%	0	0.0%	76.3%	42.9%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.5%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose Closed/Exempt	Low	0	0.0%	3.0%	0	0.0%	0.6%	4.4%
	Moderate	0	0.0%	15.9%	0	0.0%	7.0%	22.4%
	Middle	0	0.0%	14.4%	0	0.0%	11.3%	29.8%
	Upper	0	0.0%	66.7%	0	0.0%	81.1%	42.9%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.5%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Purpose Not Applicable	Low	0	0.0%	5.6%	0	0.0%	3.3%	4.4%
	Moderate	0	0.0%	27.4%	0	0.0%	18.5%	22.4%
	Middle	0	0.0%	40.3%	0	0.0%	38.0%	29.8%
	Upper	0	0.0%	26.2%	0	0.0%	39.8%	42.9%
	Unknown	0	0.0%	0.5%	0	0.0%	0.3%	0.5%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
HMDA TOTALS	Low	5	2.6%	1.9%	1,278	2.0%	1.2%	4.4%
	Moderate	31	15.8%	12.7%	9,106	13.9%	8.9%	22.4%
	Middle	24	12.2%	26.0%	5,566	8.5%	20.7%	29.8%
	Upper	136	69.4%	59.2%	49,538	75.6%	69.0%	42.9%
	Unknown	0	0.0%	0.2%	0	0.0%	0.2%	0.5%
	TOTAL	**196**	**100.0%**	**100.0%**	**65,488**	**100.0%**	**100.0%**	**100.0%**

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in low-income geographies. The bank's total penetration of low-income census tracts by number of loans (2.6 percent) is below the percentage of owner-occupied housing units in low-income census tracts (4.4 percent). However, the bank's performance in low-income census tracts is above that of other lenders in the assessment area based on 2020 HMDA aggregate data, which indicate that 1.9 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies. The bank's performance in moderate-income geographies is similar; the bank originated 15.8 percent of its HMDA loans in moderate-income geographies which, again, was less than the percentage of owner-occupied housing units in moderate-income census tracts (22.4 percent). This level of lending, though, was above the 2020 aggregate performance in these census tracts of 12.7 percent. This represents reasonable performance and, therefore, the overall geographic distribution of 2020 HMDA loans is reasonable.

Next, the bank's geographic distribution of small business loans was reviewed. The following table displays 2020 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2020 small business aggregate data.

Geographic Distribution of Small Business Loans

Assessment Area: Little Rock, Arkansas							
Tract Income Levels	**2020**						
	Count			**Dollar**			**Businesses**
	Bank		**Aggregate**	**Bank**		**Aggregate**	
	#	**%**	**%**	**$ 000s**	**$ %**	**$ %**	**%**
Low	0	0.0%	6.2%	$0	0.0%	7.7%	6.4%
Moderate	9	25.7%	22.2%	$3,219	35.8%	25.1%	23.5%
Middle	4	11.4%	20.1%	$1,970	21.9%	15.2%	21.8%
Upper	22	62.9%	50.7%	$3,805	42.3%	51.7%	48.0%
Unknown	0	0.0%	0.7%	$0	0.0%	0.4%	0.3%
TOTAL	**35**	**100.0%**	**100.0%**	**$8,994**	**100.0%**	**100.0%**	**100.0%**

The bank did not originate any small business loans within the low-income census tracts in the assessment area, and the lending performance is below both the estimated percentage of businesses operating inside these census tracts (7.7 percent) and 2020 aggregate lending levels in low-income census tracts (6.2 percent), representing poor performance. Conversely, by number of loans, the bank's level of small business loans in moderate-income census tracts (25.7 percent) is in line with both the estimated percentage of businesses operating in these census tracts (23.5 percent) and the 2020 aggregate performance (22.2 percent); this represents reasonable performance. Additionally, the percentage of the bank's dollar amount of small business lending in moderate-income census tracts (35.8 percent) is significantly above the aggregate dollar percentage of lending (25.1 percent). Therefore, considering the bank's small business lending performance in both LMI geography categories, the bank's overall geographic distribution of small business loans is reasonable.

Lastly, based on reviews from both loan categories, Encore Bank had loan activity in 57.9 percent of all assessment census tracts, including 48.7 percent of LMI geographies. Furthermore, an analysis of this loan activity generally reflected a loan dispersion in line with assessment area demographics and the bank's branch network. Therefore, when considering the bank's minimal branching structure, no conspicuous lending gaps were noted in LMI areas.

FAYETTEVILLE-SPRINGDALE-ROGERS, ARKANSAS-MISSOURI METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE FAYETTEVILLE ASSESSMENT AREA

Bank Structure

The bank operates two of its five offices in this assessment area. One branch is in an upper-income census tract in Rogers, Arkansas (Benton County), and one branch is located in a middle-income census tract in the city of Fayetteville (Washington County). As both of these branches have opened since the bank's previous CRA evaluation, this is a new assessment area for the bank and, based on its limited branch network, the bank is not well positioned to deliver financial services to all areas within such a geographically expansive assessment area.

General Demographics

The assessment area is composed of Benton and Washington counties in their entireties. They are two of the three counties that make up the Fayetteville – Springdale – Rogers, Arkansas – Missouri MSA (Fayetteville MSA). This assessment area is located in the northwest corner of Arkansas, bordering both Missouri and Oklahoma. The assessment area is urban and contains the three relatively large cities included in the MSA designation, as well as the city of Bentonville, Arkansas. As of the 2015 ACS, the assessment area population was 454,630, comprising 96.7 percent of the total MSA. The assessment area is a highly competitive banking market. Of the 32 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 30th in deposit market share, encompassing 0.2 percent of total deposit dollars. It is also worth noting that the institution with the highest portion of the deposit market share holds 45.2 percent of the assessment area deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from the interviewed community contacts, include greater financial access for Spanish-speaking residents and small-dollar loans for small businesses. One contact cited the language barrier as a deterrent for entrepreneurial activity within the local Hispanic community.

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	2	15	39	25	0	**81**
	2.5%	18.5%	48.1%	30.9%	0.0%	**100%**
Family Population	1,973	21,601	51,079	39,767	0	**114,420**
	1.7%	18.9%	44.6%	34.8%	0.0%	**100%**

As shown in the preceding table, 21.0 percent of census tracts in the assessment area are LMI geographies, and 20.6 percent of the family population resides in these tracts. The two counties in the assessment area each contain one low-income census tract; however, 11 of the 15 moderate-income census tracts are located in Washington County.

Based on 2015 U.S. Census data, the median family income for the assessment area was $61,497. At the same time, the median family income for the state of Arkansas was estimated to be $51,782. More recently, the FFIEC estimates that the 2020 median family income for the entirety of the Fayetteville MSA to be $69,000.

The following table displays population percentages of assessment area families by income level compared to state family populations.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Fayetteville Assessment Area	22,813	21,158	23,272	47,177	**114,420**
	19.9%	18.5%	20.3%	41.2%	**100%**
Arkansas	164,346	134,818	149,580	311,180	**759.924**
	21.6%	17.7%	19.7%	41.0%	**100%**

While assessment area families have income levels substantially similar to Arkansas state figures overall, a smaller portion of assessment area families live below the poverty level as compared to state demographics. As shown in the table above, 38.4 percent of families within the assessment area were considered LMI, which is slightly lower than the LMI family percentage of 39.3 percent in Arkansas. While not shown in the table, the percentage of families living below the poverty level in the assessment area, 10.9 percent, is below the 14.3 percent level in the state of Arkansas.

Housing Demographics

As displayed in the following table, homeownership and rental costs in the assessment area are more expensive than the average housing costs for the overall state of Arkansas.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Fayetteville Assessment Area	$151,265	33.2%	$746
Arkansas	$111,400	37.1%	$677

Within the assessment area, average housing values and rents are higher compared to the state. Additionally, the affordability ratio, 33.2 percent, is lower than the state as whole, 37.1 percent. This indicates that the assessment area is less affordable than the state of Arkansas for homebuyers. There are also additional factors limiting homeownership for LMI families. One reason for this, according to interviewed community contacts, is increased building material costs. These increases impact the cost of both building and repairing a house and may be putting some housing out of reach for the LMI population.

Industry and Employment Demographics[3]

The assessment area supports a large and diverse business community. There are 201,074 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are manufacturing (13.0 percent), health care and social assistance (12.7 percent), and retail trade (12.2 percent). The table below details unemployment data (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Levels			
Dataset	**Time Period (Annual Average)**		
	2018	**2019**	**2020**
Fayetteville Assessment Area	2.7%	2.5%	4.5%
Arkansas	3.7%	3.5%	6.1%

As shown in the table above, the assessment area has been outperforming the state as a whole in terms of employment levels since 2018. The assessment area had lower levels of unemployment than the state of Arkansas in each of the three years reviewed. Additionally, the gap between the state's levels of employment compared to the assessment area's levels of employment has widened each of the past three years, from 0.9 percent in 2018 to 1.6 percent in 2020.

[3] Industry and employment data in this section is sourced from the U. S. Department of Labor, Bureau of Labor Statistics.

Community Contact Information

As part of this evaluation, two community contact interviews were completed for this assessment area. One interview was conducted with a local affordable housing professional, and one interview was conducted with an entrepreneurial assistance professional. The community contact interviewees categorized the local economy as being an engine of growth for the entire state. Benton County is the corporate home of Walmart and J.B. Hunt, and Washington County contains the corporate headquarters of Tyson Foods. These large corporations have attracted significant numbers of people from within the state and from around the country. The area has experienced significant population growth, with numerous young individuals and families moving to the area.

The local economy experiencing sustained growth has coincided with considerable competition among financial institutions operating within the assessment area. Due to this high level of competition, the interviewed contacts noted that there has been an improved selection of financial products and services. Despite the community contact specializing in affordable housing stating that there are no gaps in mortgage credit offerings, there still exists significant barriers to homeownership, especially for LMI individuals. According to this contact, there simply are not enough affordable single-family homes in the assessment area, considering the size of the LMI population. Area developers are purchasing older homes, demolishing them, and building new and more expensive houses targeted toward more affluent families. This has forced area LMI renters, desiring to become homeowners, to look outside of the assessment area for affordable housing.

Additionally, there are areas for improvement for financial institutions looking to increase small business lending. The community contact working with entrepreneurs stated that some local small business owners have begun to utilize online financial technology firms to receive small business funding. This new avenue is attractive due to the automated nature of the lending platform, which recently proved an effective means to access PPP lending options for small business owners. According to interviewed contacts, other ways to improve the standing of financial institutions with small businesses include improving community outreach to ensure small businesses are aware of all financial products that banks offer, as well as providing some technical assistance by way of financial education and growth counseling.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE FAYETTEVILLE ASSESSMENT AREA

The bank's overall distribution of loans by borrower's income/revenue profile reflects poor penetration among borrowers of different income levels and businesses of different revenue sizes. However, the overall geographic distribution of loans reflects reasonable penetration throughout the Fayetteville, Arkansas assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is poor, based on performance from the two loan categories reviewed. While the bank's small business loan distribution by borrower's profile is reasonable, overall performance conclusions under this lending criterion are driven by the HMDA loan category, which reflects a poor distribution by borrower's profile.

First, HMDA loans were reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($69,000 for the Fayetteville MSA as of 2020). The following table shows the distribution of HMDA loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2020 aggregate data for the assessment area is displayed.

Borrower Distribution of Residential Real Estate Loans
Assessment Area: Fayetteville, Arkansas

Product Type	Tract Income Levels	2020						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Home Purchase	Low	3	3.3%	5.9%	400	1.8%	0.3%	19.9%
	Moderate	14	15.4%	17.4%	2,265	10.1%	8.4%	18.5%
	Middle	23	25.3%	20.3%	4,588	20.4%	38.8%	20.3%
	Upper	46	50.5%	42.6%	13,388	59.5%	52.4%	41.2%
	Unknown	5	5.5%	13.7%	1,865	8.3%	0.0%	0.0%
	TOTAL	**91**	**100.0%**	**100.0%**	**22,506**	**100.0%**	**100.0%**	**100.0%**
Refinance	Low	4	3.0%	4.0%	453	1.0%	0.2%	19.9%
	Moderate	11	8.1%	10.2%	1,713	3.9%	7.1%	18.5%
	Middle	28	20.7%	14.9%	5,387	12.3%	35.0%	20.3%
	Upper	74	54.8%	51.3%	19,908	45.4%	57.7%	41.2%
	Unknown	18	13.3%	19.6%	16,399	37.4%	0.0%	0.0%
	TOTAL	**135**	**100.0%**	**100.0%**	**43,860**	**100.0%**	**100.0%**	**100.0%**

Home Improvement	Low	0	0.0%	3.6%	0	0.0%	0.1%	19.9%
	Moderate	0	0.0%	9.4%	0	0.0%	7.9%	18.5%
	Middle	0	0.0%	15.8%	0	0.0%	40.9%	20.3%
	Upper	0	0.0%	56.4%	0	0.0%	51.0%	41.2%
	Unknown	0	0.0%	14.7%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Multifamily	Low	0	0.0%	0.0%	0	0.0%	10.2%	19.9%
	Moderate	0	0.0%	1.0%	0	0.0%	19.2%	18.5%
	Middle	0	0.0%	0.0%	0	0.0%	39.9%	20.3%
	Upper	0	0.0%	6.3%	0	0.0%	30.7%	41.2%
	Unknown	0	0.0%	92.7%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose LOC	Low	0	0.0%	2.1%	0	0.0%	0.0%	19.9%
	Moderate	0	0.0%	10.0%	0	0.0%	6.1%	18.5%
	Middle	0	0.0%	13.5%	0	0.0%	31.4%	20.3%
	Upper	0	0.0%	61.1%	0	0.0%	62.5%	41.2%
	Unknown	0	0.0%	13.3%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose Closed/Exempt	Low	0	0.0%	8.4%	0	0.0%	0.0%	19.9%
	Moderate	0	0.0%	16.5%	0	0.0%	7.9%	18.5%
	Middle	0	0.0%	15.1%	0	0.0%	38.4%	20.3%
	Upper	0	0.0%	52.3%	0	0.0%	53.6%	41.2%
	Unknown	0	0.0%	7.7%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Purpose Not Applicable	Low	0	0.0%	0.0%	0	0.0%	0.3%	19.9%
	Moderate	0	0.0%	0.0%	0	0.0%	14.9%	18.5%
	Middle	0	0.0%	0.0%	0	0.0%	33.8%	20.3%
	Upper	0	0.0%	0.2%	0	0.0%	51.0%	41.2%
	Unknown	0	0.0%	99.8%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
HMDA TOTALS	Low	7	3.1%	4.8%	853	1.3%	2.5%	19.9%
	Moderate	25	11.1%	13.3%	3,978	6.0%	8.9%	18.5%
	Middle	51	22.6%	17.0%	9,975	15.0%	13.7%	20.3%
	Upper	120	53.1%	46.8%	33,296	50.2%	54.1%	41.2%
	Unknown	23	10.2%	18.2%	18,264	27.5%	20.8%	0.0%
	TOTAL	**226**	**100.0%**	**100.0%**	**66,367**	**100.0%**	**100.0%**	**100.0%**

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers by number of loans (3.1 percent) is substantially below the low-income family population figure (19.9 percent) and below the 2020 aggregate lending level to low-income borrowers (4.8 percent), reflecting poor performance. Similarly, the bank's level of lending to moderate-income borrowers by number of loans (11.1 percent) is lower than both the moderate-income family population percentage (18.5 percent) and the 2020 aggregate lending level to moderate-income borrowers (13.3 percent), reflecting poor bank performance. As previously noted, the assessment area is a highly competitive banking market. Encore Bank recently entered the assessment area and holds only 0.2 percent of total assessment area deposit dollars. Nevertheless, the bank's overall distribution of HMDA loans by borrower's profile is poor.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size
Assessment Area: Fayetteville, Arkansas

Business Revenue and Loan Size			2020						
			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	$ (000s)	$ %	$ %	%
Business Revenue		$1 Million or Less	6	46.2%	31.7%	$478	19.1%	29.7%	91.7%
		Over $1 Million/ Unknown	7	53.8%	68.3%	$2,028	80.9%	70.3%	8.3%
		TOTAL	**13**	**100.0%**	**100.0%**	**$2,506**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	8	61.5%	84.6%	$209	8.3%	27.5%	
		$100,001–$250,000	2	15.4%	8.8%	$373	14.9%	22.5%	
		$250,001–$1 Million	3	23.1%	6.5%	$1,924	76.8%	50.0%	
		Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
		TOTAL	**13**	**100.0%**	**100.0%**	**$2,506**	**100.0%**	**100.0%**	
Loan Size	Revenue $1 Million or Less	$100,000 or Less	4	66.7%		$105	22.0%		
		$100,001–$250,000	2	33.3%		$373	78.0%		
		$250,001–$1 Million	0	0.0%		$0	0.0%		
		Over $1 Million	0	0.0%		$0	0.0%		
		TOTAL	**6**	**100.0%**		**$478**	**100.0%**		

The bank's level of lending to small businesses is reasonable. By number of loans, the bank originated 46.2 percent of its small business loans to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 91.7 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2020 aggregate lending level to small businesses is 31.7 percent.

Geographic Distribution of Loans

As noted previously, the Fayetteville partial MSA assessment area includes 2 low-income and 15 moderate-income census tracts, representing 21.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout these LMI census tracts, based on the HMDA and small business loan categories, with primary emphasis on the bank's HMDA lending.

First, HMDA loans were reviewed. The following table displays the geographic distribution of 2020 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Geographic Distribution of Residential Real Estate Loans
Assessment Area: Fayetteville, Arkansas

Product Type	Borrower Income Levels	2020						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Home Purchase	Low	0	0.0%	0.5%	0	0.0%	0.3%	0.7%
	Moderate	10	11.0%	10.7%	2,321	10.3%	8.4%	15.4%
	Middle	29	31.9%	41.8%	7,576	33.7%	38.8%	46.2%
	Upper	52	57.1%	47.0%	12,609	56.0%	52.4%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**91**	**100.0%**	**100.0%**	**22,506**	**100.0%**	**100.0%**	**100.0%**
Refinance	Low	4	3.0%	0.3%	12,114	27.6%	0.2%	0.7%
	Moderate	14	10.4%	9.3%	3,948	9.0%	7.1%	15.4%
	Middle	36	26.7%	37.8%	7,686	17.5%	35.0%	46.2%
	Upper	81	60.0%	52.5%	20,112	45.9%	57.7%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**135**	**100.0%**	**100.0%**	**43,860**	**100.0%**	**100.0%**	**100.0%**
Home Improvement	Low	0	0.0%	0.3%	0	0.0%	0.1%	0.7%
	Moderate	0	0.0%	9.2%	0	0.0%	7.9%	15.4%
	Middle	0	0.0%	41.6%	0	0.0%	40.9%	46.2%
	Upper	0	0.0%	49.0%	0	0.0%	51.0%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Multifamily	Low	0	0.0%	11.7%	0	0.0%	10.2%	11.4%
	Moderate	0	0.0%	27.8%	0	0.0%	19.2%	28.5%
	Middle	0	0.0%	41.0%	0	0.0%	39.9%	30.4%
	Upper	0	0.0%	19.5%	0	0.0%	30.7%	29.8%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**

Other Purpose LOC	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.7%
	Moderate	0	0.0%	8.6%	0	0.0%	6.1%	15.4%
	Middle	0	0.0%	35.4%	0	0.0%	31.4%	46.2%
	Upper	0	0.0%	55.9%	0	0.0%	62.5%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose Closed/Exempt	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.7%
	Moderate	0	0.0%	12.6%	0	0.0%	7.9%	15.4%
	Middle	0	0.0%	43.5%	0	0.0%	38.4%	46.2%
	Upper	0	0.0%	43.9%	0	0.0%	53.6%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Purpose Not Applicable	Low	0	0.0%	0.7%	0	0.0%	0.3%	0.7%
	Moderate	0	0.0%	22.0%	0	0.0%	14.9%	15.4%
	Middle	0	0.0%	40.0%	0	0.0%	33.8%	46.2%
	Upper	0	0.0%	37.4%	0	0.0%	51.0%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
HMDA TOTALS	Low	4	1.8%	0.4%	12,114	18.3%	0.7%	0.7%
	Moderate	24	10.6%	10.2%	6,270	9.4%	8.3%	15.4%
	Middle	65	28.8%	39.8%	15,262	23.0%	37.0%	46.2%
	Upper	133	58.8%	49.6%	32,721	49.3%	54.0%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**226**	**100.0%**	**100.0%**	**66,367**	**100.0%**	**100.0%**	**100.0%**

The bank’s total originations of HMDA loans in low-income census tracts by number of loans (1.8 percent), while relatively small, is above the percentage of owner-occupied housing units in low-income census tracts (0.7 percent), as well as the aggregate performance in 2020 (0.4 percent). This represents reasonable performance. The bank’s performance in moderate-income census tracts (10.6 percent) is slightly above that of other lenders in the assessment area based on 2020 HMDA aggregate data (10.2 percent), but it is below the demographic data (15.4 percent), also representing reasonable performance. Therefore, the bank’s geographic distribution of HMDA loans in the Fayetteville assessment area is reasonable overall.

Next, the bank’s geographic distribution of small business loans was reviewed. The following table displays 2020 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2020 small business aggregate data.

Geographic Distribution of Small Business Loans Assessment Area: Fayetteville, Arkansas							
Tract Income Levels	**2020**						
	Count			**Dollar**			**Businesses**
	Bank		**Aggregate**	**Bank**		**Aggregate**	
	#	**%**	**%**	**$ 000s**	**$ %**	**$ %**	**%**
Low	0	0.0%	1.9%	$0	0.0%	2.7%	1.9%
Moderate	1	7.7%	15.4%	$23	0.9%	16.2%	16.9%
Middle	3	23.1%	45.0%	$192	7.7%	43.9%	45.8%
Upper	9	69.2%	37.4%	$2,291	91.4%	37.1%	35.4%
Unknown	0	0.0%	0.2%	$0	0.0%	0.1%	0.0%
TOTAL	**13**	**100.0%**	**100.0%**	**$2,506**	**100.0%**	**100.0%**	**100.0%**

While the bank did not originate any small business loans within the low-income census tracts in the assessment area, the small percentage of businesses in these geographies (1.9 percent) indicates a minimal level of lending opportunity; consequently, the bank’s performance is reasonable. Conversely, the bank’s low level of lending in moderate-income census tracts by number of small business loans (7.7 percent) reflects poor performance, as it is well below the estimated percentage of businesses operating in these census tracts (16.9 percent) and the 2020 aggregate lending level (15.4 percent). In addition, the bank’s overall small business lending is skewed to upper-income geographies (69.2 percent), which is significantly higher than the aggregate lending level in upper-income census tracts (37.4 percent) and the percentage of business in upper-income census tracts (35.4 percent). In consideration of all of these factors, the bank’s overall geographic distribution of small business loans is poor.

Lastly, based on reviews from both loan categories, Encore Bank had loan activity in 79.0 percent of all assessment census tracts, including 64.7 percent of LMI geographies. Furthermore, an analysis of this loan activity generally reflected a loan dispersion in line with assessment demographics and the bank’s branch network; consequently, this lending analysis did not reveal conspicuous lending gaps.

JONESBORO, ARKANSAS METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE JONESBORO ASSESSMENT AREA

Bank Structure

The bank operates one of its five offices in this assessment area. This branch is located in a moderate-income census tract in Jonesboro, Arkansas, a city located in Craighead County. This branch, along with the assessment area, was added to the bank's operations in December 2019. Given its central location within the county, the bank is well positioned to deliver services to nearly all of assessment area, but may struggle to reach the easternmost and westernmost census tracts.

General Demographics

The assessment area is composed of Craighead County in its entirety. Craighead County is one-half of the two-county Jonesboro MSA, with the other county being Poinsett County, Arkansas. This assessment area is located in the northeast corner of the state bordering the Missouri bootheel. As of the 2015 ACS, the assessment area population was 101,409, comprising 80.7 percent of the total MSA. Of the 21 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 15th in deposit market share, encompassing 0.8 percent of total deposit dollars.

Credit needs in the assessment area include a standard mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from the interviewed community contacts, include a growing demand for home improvement loan products, financial literacy initiatives, and small-dollar business and consumer loans. The contacts noted that they believed that there currently are already many different credit and financial services offered for LMI individuals in the assessment area.

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	2	2	10	3	0	**17**
	11.8%	11.8%	58.8%	17.6%	0.0%	**100%**
Family Population	1,568	2,978	14,953	6,303	0	**25,802**
	6.1%	11.5%	58.0%	24.4%	0.0%	**100%**

As shown in the preceding table, 23.6 percent of census tracts in the assessment area are LMI geographies, but only 17.6 percent of the family population resides in these tracts. The four LMI census tracts are located near the center of the assessment area, with three LMI geographies located just north of the Jonesboro city center and one moderate-income census tract just south of the city center.

Based on 2015 U.S. Census data, the median family income for the assessment area was $52,715. At the same time, the median family income for the state of Arkansas was estimated to be $51,782. More recently, the FFIEC estimates that the 2020 median family income for the entirety of the Jonesboro MSA to be $60,700.

The following table displays population percentages of assessment area families by income level compared to state family populations.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Jonesboro Assessment Area	5,135	4,348	5,002	11,317	**25,802**
	19.9%	16.9%	19.4%	43.9%	**100%**
Arkansas	164,346	134,818	149,580	311,180	**759.924**
	21.6%	17.7%	19.7%	41.0%	**100%**

As shown in the table above, 36.8 percent of families within the assessment area were considered LMI, which is lower than LMI family percentages of 39.3 percent in Arkansas. In addition, a higher percentage of assessment area families are in the upper-income level, 43.9 percent, compared to the state figure, 41.0 percent. Considering these factors, the assessment area appears more affluent when compared to the state as a whole.

Housing Demographics

As displayed in the following table, housing costs in the assessment area are more expensive than the average housing costs for the overall state of Arkansas, particularly as related to homeownership.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (Monthly)**
Jonesboro Assessment Area	$129,700	33.0%	$681
Arkansas	$111,400	37.1%	$677

Housing affordability in the assessment area is lower than that of the state as a whole. This is demonstrated by the higher median housing value in the assessment area, as well as the lower affordability ratio. Community contact interviews also provided additional context illuminating the assessment area's housing situation. Currently, there is a significant shortage of affordable housing cited by one contact. This lack of housing stock has extended the problem into the rental market, resulting in increased demand and unmet affordable rental housing needs .

Industry and Employment Demographics[4]

The assessment area supports a diverse business community. There are 43,175 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are health care and social assistance (24.7 percent), manufacturing (16.5 percent), and retail trade (14.3 percent). The following table details unemployment data (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Levels			
Dataset	**Time Period (Annual Average)**		
	2018	**2019**	**2020**
Jonesboro Assessment Area	3.0%	2.8%	5.3%
Arkansas	3.7%	3.5%	6.1%

As shown in the preceding table, the assessment area has been outperforming the state as a whole in terms of employment levels since 2018. The assessment area had lower levels of unemployment than the state of Arkansas in each of the three years reviewed; although, both the state and the assessment area experienced increasing unemployment levels in 2020 due to effects from the pandemic.

Community Contact Information

[4] Industry and employment data in this section is sourced from the U. S. Department of Labor, Bureau of Labor Statistics.

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 community contact interviews, one was with an individual specializing in small business development, and one was with an individual working on affordable housing for LMI individuals within the assessment area. The community contact interviewees categorized the economy as experiencing a prolonged period of growth. The city of Jonesboro is the largest in northeast Arkansas and has become a hub for the area, including for financial services. This has led to a considerable amount of competition within the area, bringing new entrants into the crowded banking environment. Along with the new financial institutions in the area, there has been a lot of new industry that has begun operations within Jonesboro and the surrounding area. The community contacts cited the area's city and county governments—alongside the local chamber of commerce—and their close cooperation, as the reason for the positive economic growth. This growth, however, has led to some downsides specific to the local area housing.

As alluded to in the previous paragraph, housing supply has not kept pace with the assessment area's strong growth; this in turn has pushed up housing costs. According to one interviewed contact, significant portions of the local population are putting more than half of their income toward housing. Another contributing factor to the tight housing supply is a lack of available land within the city of Jonesboro. Without land available to build new homes, home-improvement loans have become a large and growing need to maintain the current housing stock. Exacerbating the housing situation for the LMI population is a lack of financial literacy, and training needs in the area are wide-spread—including the home loan application process, as well as budgeting and planning for maintaining a home.

Small business development was stated to be concentrated within the city of Jonesboro, according to the interviewed community contacts, with some additional growth in the immediate areas surrounding the city. The contacts indicated the biggest barrier to business expansion is a lack of funding as a result of businesses not meeting credit standards. Though specific credit products were not mentioned as being lacking in the area, a willingness to originate small-dollar loans was an issue that is impeding small businesses. This has led some area businesses to seek out alternative financial institutions to cover these small-dollar business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JONESBORO ASSESSMENT AREA

The bank's overall distribution of loans by borrower's income/revenue profile reflects poor penetration among borrowers of different income levels and businesses of different revenue sizes. However, the overall geographic distribution of loans reflects excellent penetration throughout the Jonesboro, Arkansas assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is poor, based on performance from the two loan categories reviewed. While the bank's small business loan distribution by borrower's profile is excellent, overall performance conclusions under this lending criterion are driven by the HMDA loan category, which reflects a poor distribution by borrower's profile.

First, HMDA loans were reviewed. Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC ($60,700 for the Jonesboro MSA as of 2020). The following table shows the distribution of HMDA loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2020 aggregate data for the assessment area is displayed.

Borrower Distribution of Residential Real Estate Loans
Assessment Area: Jonesboro, Arkansas

Product Type	Tract Income Levels	2020						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	$ (000s)	$ %	$ %	%
Home Purchase	Low	1	1.9%	5.0%	145	1.3%	2.9%	19.9%
	Moderate	4	7.4%	18.2%	723	6.5%	13.6%	16.9%
	Middle	6	11.1%	20.6%	1,017	9.1%	18.9%	19.4%
	Upper	22	40.7%	34.5%	6,256	55.9%	44.7%	43.9%
	Unknown	21	38.9%	21.8%	3,042	27.2%	19.9%	0.0%
	TOTAL	**54**	**100.0%**	**100.0%**	**11,183**	**100.0%**	**100.0%**	**100.0%**
Refinance	Low	0	0.0%	2.6%	0	0.0%	1.0%	19.9%
	Moderate	3	3.4%	8.7%	372	1.2%	5.2%	16.9%
	Middle	4	4.6%	14.0%	647	2.0%	9.7%	19.4%
	Upper	60	69.0%	51.3%	18,602	58.5%	61.9%	43.9%
	Unknown	20	23.0%	23.5%	12,188	38.3%	22.2%	0.0%
	TOTAL	**87**	**100.0%**	**100.0%**	**31,809**	**100.0%**	**100.0%**	**100.0%**

Home Improvement	Low	0	0.0%	4.1%	0	0.0%	2.3%	19.9%
	Moderate	0	0.0%	15.4%	0	0.0%	9.1%	16.9%
	Middle	0	0.0%	16.3%	0	0.0%	10.1%	19.4%
	Upper	0	0.0%	47.2%	0	0.0%	52.8%	43.9%
	Unknown	1	100.0%	17.1%	91	100.0%	25.7%	0.0%
	TOTAL	**1**	**100.0%**	**100.0%**	**91**	**100.0%**	**100.0%**	**100.0%**
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	19.9%
	Moderate	0	0.0%	2.2%	0	0.0%	0.6%	16.9%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	19.4%
	Upper	0	0.0%	6.5%	0	0.0%	1.4%	43.9%
	Unknown	0	0.0%	91.4%	0	0.0%	98.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose LOC	Low	0	0.0%	12.5%	0	0.0%	2.8%	19.9%
	Moderate	0	0.0%	12.5%	0	0.0%	6.2%	16.9%
	Middle	0	0.0%	22.5%	0	0.0%	11.7%	19.4%
	Upper	0	0.0%	50.0%	0	0.0%	77.8%	43.9%
	Unknown	0	0.0%	2.5%	0	0.0%	1.5%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Other Purpose Closed/Exempt	Low	0	0.0%	0.0%	0	0.0%	0.0%	19.9%
	Moderate	0	0.0%	7.1%	0	0.0%	9.2%	16.9%
	Middle	0	0.0%	25.0%	0	0.0%	13.2%	19.4%
	Upper	0	0.0%	67.9%	0	0.0%	77.6%	43.9%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Purpose Not Applicable	Low	0	0.0%	0.0%	0	0.0%	0.0%	19.9%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	16.9%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	19.4%
	Upper	0	0.0%	0.5%	0	0.0%	0.0%	43.9%
	Unknown	0	0.0%	99.5%	0	0.0%	100.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
HMDA TOTALS	Low	1	0.7%	3.7%	145	0.3%	1.7%	19.9%
	Moderate	7	4.9%	13.1%	1,095	2.5%	8.3%	16.9%
	Middle	10	7.0%	16.6%	1,664	3.9%	12.5%	19.4%
	Upper	82	57.7%	40.7%	24,859	57.7%	46.7%	43.9%
	Unknown	42	29.6%	25.9%	15,320	35.6%	30.7%	0.0%
	TOTAL	**142**	**100.0%**	**100.0%**	**43,083**	**100.0%**	**100.0%**	**100.0%**

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (0.7 percent) is substantially below the low-income family population figure (19.9 percent) and below the 2020 aggregate lending level to low-income borrowers (3.7 percent), reflecting poor performance. The bank's level of lending to moderate-income borrowers (4.9 percent) is lower than both the moderate-income family population percentage (16.9 percent) and the 2020 aggregate lending level to moderate-income borrowers (13.1 percent), reflecting poor performance. As previously noted, the assessment area is experiencing a lack of affordable housing options for LMI borrowers. However, the bank's overall distribution of MDA loans by borrower's profile is still well below aggregate performance and is therefore poor.

Next, small business loans were reviewed to determine the bank's lending levels to businesses of different sizes. The following table shows the distribution of 2020 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size
Assessment Area: Jonesboro, Arkansas

Business Revenue and Loan Size			2020						
			Count			Dollars			Total Businesses
			Bank		Aggregate	Bank		Aggregate	
			#	%	%	$ (000s)	$ %	$ %	%
Business Revenue		$1 Million or Less	23	92.0%	43.4%	$4,280	92.5%	44.7%	89.9%
		Over $1 Million/ Unknown	2	8.0%	56.6%	$345	7.5%	55.3%	10.1%
		TOTAL	**25**	**100.0%**	**100.0%**	**$4,625**	**100.0%**	**100.0%**	**100.0%**
Loan Size		$100,000 or Less	14	56.0%	82.4%	$733	15.8%	25.9%	
		$100,001–$250,000	6	24.0%	9.7%	$1,109	24.0%	21.2%	
		$250,001–$1 Million	5	20.0%	7.9%	$2,783	60.2%	52.9%	
		Over $1 Million	0	0.0%	0.0%	$0	0.0%	0.0%	
		TOTAL	**25**	**100.0%**	**100.0%**	**$4,625**	**100.0%**	**100.0%**	
Loan Size	Revenue $1 Million or Less	$100,000 or Less	13	56.5%		$638	14.9%		
		$100,001–$250,000	5	21.7%		$859	20.1%		
		$250,001–$1 Million	5	21.7%		$2,783	65.0%		
		Over $1 Million	0	0.0%		$0	0.0%		
		TOTAL	**23**	**100.0%**		**$4,280**	**100.0%**		

The bank's level of lending to small businesses is excellent. The bank originated 92.0 percent of its small business loans to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 89.9 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2020 aggregate lending level to small businesses is 43.4 percent.

Geographic Distribution of Loans

As noted previously, the Jonesboro assessment area includes two low-income and two moderate-income census tracts, representing 23.6 percent of all assessment area census tracts. While the bank's geographic distribution of small business loans is poor, overall performance is driven by the HMDA loan category, which was excellent.

First, HMDA loans were reviewed. The following table displays the geographic distribution of 2020 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Geographic Distribution of Residential Real Estate Loans Assessment Area: Jonesboro, Arkansas								
Product Type	**Borrower Income Levels**	**2020**						
		Count			**Dollar**			**Owner-Occupied Units**
		Bank		**HMDA Aggregate**	**Bank**		**HMDA Aggregate**	
		#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**%**
Home Purchase	Low	3	5.6%	2.6%	560	5.0%	1.9%	3.0%
	Moderate	6	11.1%	7.0%	1,240	11.1%	6.0%	9.9%
	Middle	26	48.1%	54.7%	3,992	35.7%	49.4%	58.5%
	Upper	19	35.2%	35.6%	5,392	48.2%	42.6%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**54**	**100.0%**	**100.0%**	**11,183**	**100.0%**	**100.0%**	**100.0%**
Refinance	Low	6	6.9%	2.7%	3,006	9.5%	1.9%	3.0%
	Moderate	7	8.0%	5.9%	2,140	6.7%	4.9%	9.9%
	Middle	32	36.8%	48.9%	9,821	30.9%	44.2%	58.5%
	Upper	42	48.3%	42.5%	16,842	52.9%	48.9%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**87**	**100.0%**	**100.0%**	**31,809**	**100.0%**	**100.0%**	**100.0%**
Home Improvement	Low	0	0.0%	8.1%	0	0.0%	6.3%	3.0%
	Moderate	0	0.0%	10.6%	0	0.0%	5.7%	9.9%
	Middle	1	100.0%	56.1%	91	100.0%	47.0%	58.5%
	Upper	0	0.0%	25.2%	0	0.0%	41.0%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**1**	**100.0%**	**100.0%**	**91**	**100.0%**	**100.0%**	**100.0%**
Multifamily	Low	0	0.0%	31.2%	0	0.0%	21.7%	28.5%
	Moderate	0	0.0%	11.8%	0	0.0%	15.9%	38.6%
	Middle	0	0.0%	48.4%	0	0.0%	45.5%	24.7%
	Upper	0	0.0%	8.6%	0	0.0%	17.0%	8.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**

Other Purpose LOC	Low	0	0.0%	10.0%	0	0.0%	14.7%	3.0%
	Moderate	0	0.0%	15.0%	0	0.0%	14.2%	9.9%
	Middle	0	0.0%	40.0%	0	0.0%	37.4%	58.5%
	Upper	0	0.0%	35.0%	0	0.0%	33.7%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**

Other Purpose Closed/Exempt	Low	0	0.0%	3.6%	0	0.0%	1.2%	3.0%
	Moderate	0	0.0%	17.9%	0	0.0%	14.4%	9.9%
	Middle	0	0.0%	53.6%	0	0.0%	63.3%	58.5%
	Upper	0	0.0%	25.0%	0	0.0%	21.1%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
Purpose Not Applicable	Low	0	0.0%	1.5%	0	0.0%	0.5%	3.0%
	Moderate	0	0.0%	10.1%	0	0.0%	7.2%	9.9%
	Middle	0	0.0%	59.8%	0	0.0%	59.3%	58.5%
	Upper	0	0.0%	28.6%	0	0.0%	33.0%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**0**	**0.0%**	**100.0%**	**0**	**0.0%**	**100.0%**	**100.0%**
HMDA TOTALS	Low	9	6.3%	3.2%	3,566	8.3%	4.0%	3.0%
	Moderate	13	9.2%	6.9%	3,380	7.8%	6.7%	9.9%
	Middle	59	41.5%	52.2%	13,904	32.3%	47.0%	58.5%
	Upper	61	43.0%	37.7%	22,234	51.6%	42.3%	28.6%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	**142**	**100.0%**	**100.0%**	**43,083**	**100.0%**	**100.0%**	**100.0%**

The bank's total originations of HMDA loans in low-income census tracts by number of loans (6.3 percent) is above the percentage of owner-occupied housing units in low-income census tracts (3.0 percent), as well as the aggregate performance in 2020 (3.2 percent). This represents excellent performance, especially in light of the bank's recent entry into the assessment area and low deposit market share (0.8 percent) previously noted. The bank's performance in moderate-income census tracts (9.2 percent) is above that of other lenders in the assessment area, based on 2020 HMDA aggregate data (6.9 percent), but is slightly below the percentage of owner-occupied housing units in the assessment area (9.9 percent), representing reasonable performance. Combined, the bank's geographic distribution of HMDA loans in LMI geographies, 15.5 percent, is excellent.

Next, the bank's geographic distribution of small business loans was reviewed. The following table displays 2020 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2020 small business aggregate data.

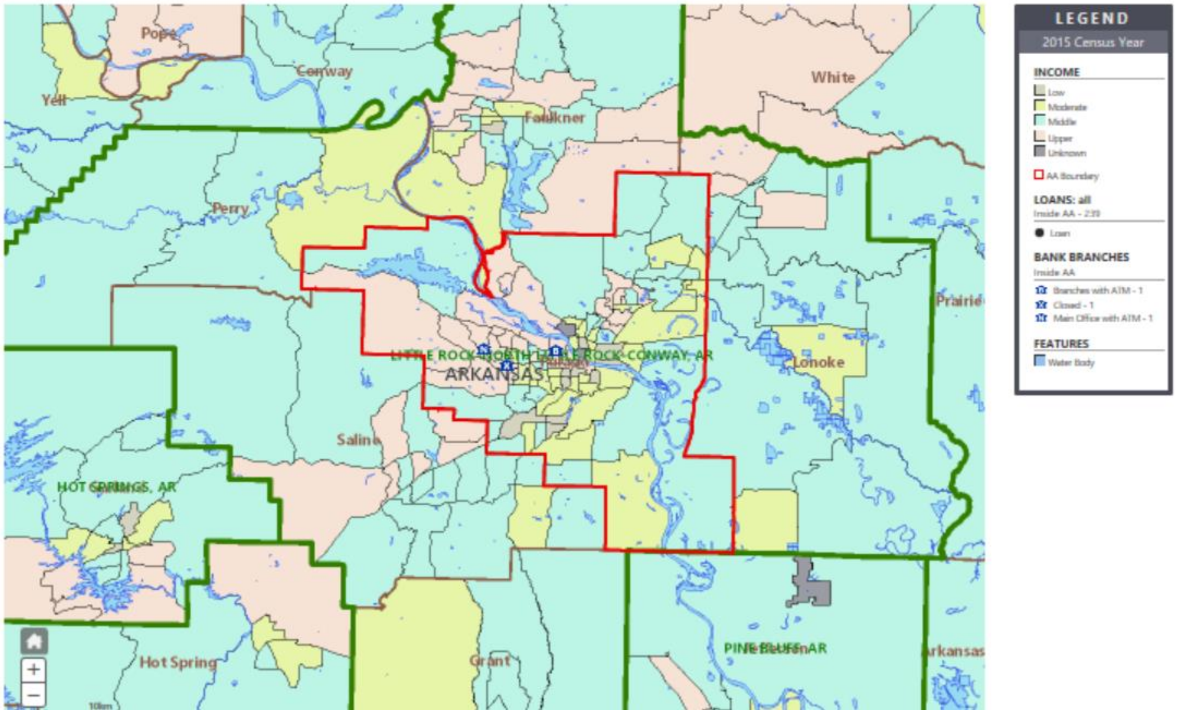
Geographic Distribution of Small Business Loans Assessment Area: Jonesboro, Arkansas							
Tract Income Levels	2020						
	Count			Dollar			Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	$ 000s	$ %	$ %	%
Low	2	8.0%	8.7%	$600	13.0%	11.4%	9.9%
Moderate	2	8.0%	13.4%	$371	8.0%	13.8%	17.2%
Middle	14	56.0%	54.0%	$2,464	53.3%	53.7%	51.7%
Upper	7	28.0%	23.6%	$1,191	25.7%	21.0%	21.2%
Unknown	0	0.0%	0.3%	$0	0.0%	0.1%	0.0%
TOTAL	**25**	**100.0%**	**100.0%**	**$4,626**	**100.0%**	**100.0%**	**100.0%**

Encore Bank originated 8.0 percent of its small business loans within the low-income census tracts in the assessment area. This performance is in line with 2020 aggregate lending levels in low-income census tracts (8.7 percent) and near the estimated percentage of businesses operating inside these census tracts (9.9 percent), representing reasonable performance. However, the bank’s level of lending in moderate-income census tracts (8.0 percent) was below both the estimated percentage of businesses operating in these census tracts (17.2 percent) and the 2020 aggregate lending level in moderate-income census tracts (13.4 percent); this represents poor performance. Combined, the bank’s overall geographic distribution of small business loans in LMI geographies, 16.0 percent, is poor.

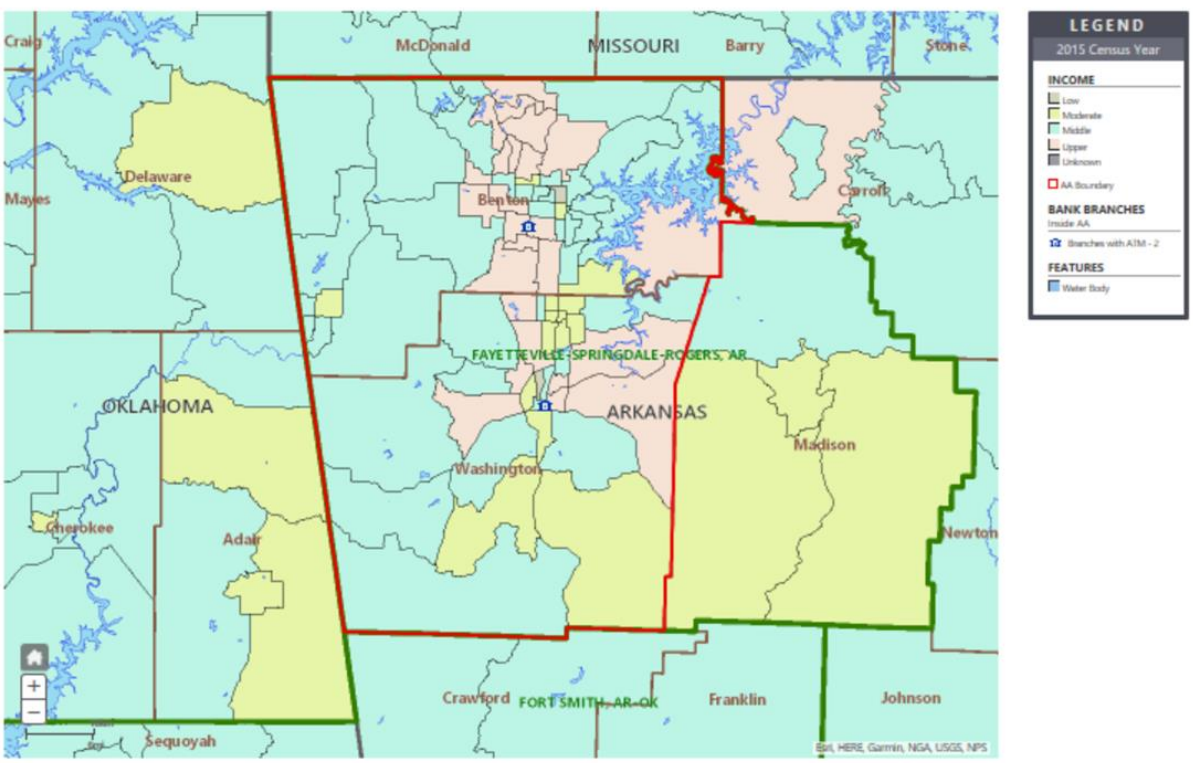
Lastly, based on reviews from both loan categories, Encore Bank had loan activity in all but one of the assessment area census tracts (94.1 percent). This included loans originated in all four of the LMI census tracts. Therefore, no conspicuous lending gaps were noted in LMI areas.

ASSESSMENT AREA DETAIL

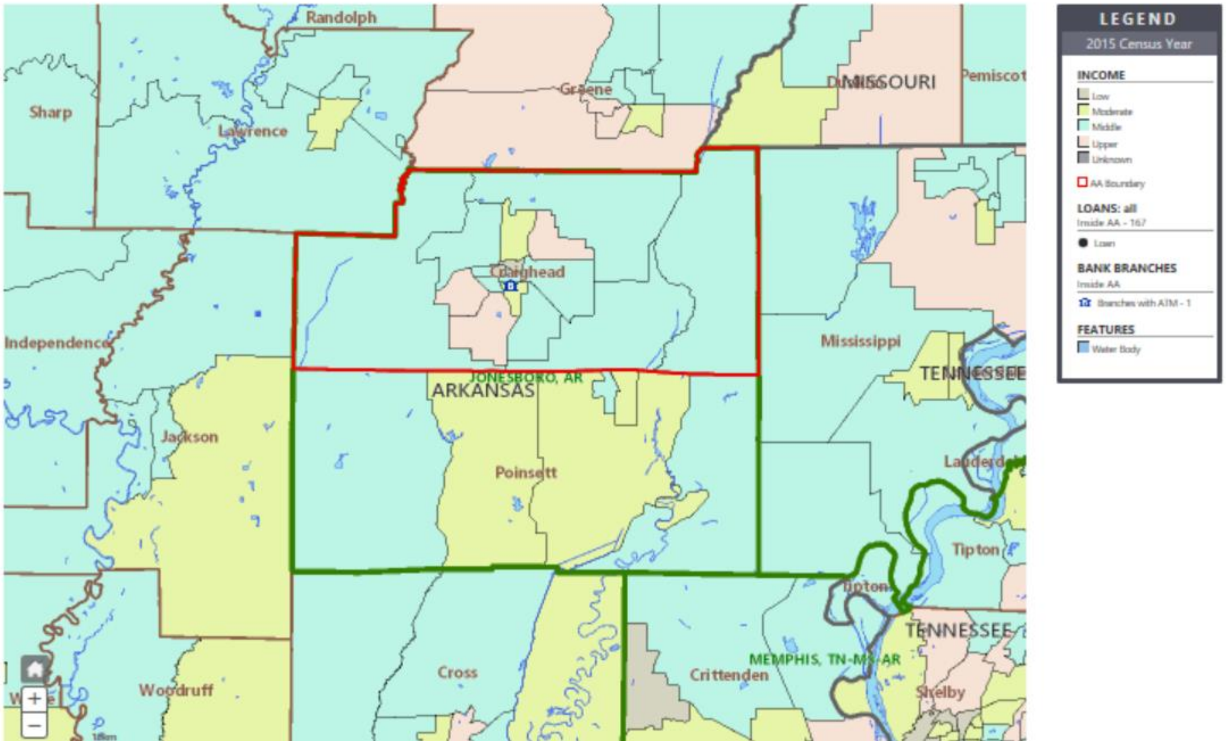
Encore Bank - Little Rock, AR 2021
Partial Little Rock MSA AA



Encore Bank - Little Rock, AR 2021
Partial Fayetteville MSA AA



Encore Bank - Little Rock, AR 2021
Craighead County AA



GLOSSARY

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

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

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

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

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

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

Demographics: The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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