PUBLIC DISCLOSURE

June 12, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bear State Bank
RSSD #324649

5315 Highland Drive
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.**

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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Outstanding

Bear State Bank meets the criteria for a Satisfactory rating based on the evaluation of the bank's lending and community development activities. The factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- A majority of loans and other lending-related activities are in the assessment areas.
- Distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income (LMI)) and businesses and farms of different revenue sizes.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- No CRA-related complaints were filed against the bank since the previous CRA evaluation.
- The bank's overall community development performance demonstrates excellent responsiveness to the community development needs of its assessment areas, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The bank has responded to these needs through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC's) intermediate small bank procedures. The intermediate small bank examination procedures entail two performance tests: the Lending Test and the Community Development Test. Bank performance under these tests is rated at the institution level and by state levels, and resulted in four sets of ratings. The bank maintains operations in 11 delineated assessment areas in 3 states: Arkansas, Missouri, and Oklahoma.

The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each rated area completed as part of this evaluation.

State	Offices		Deposits as of 6/30/16		Assessment Area Reviews		
	#	%	$ (000s)	%	Full Scope	Limited Scope	TOTAL
Arkansas	30	71.4%	$1,226,888	74.7%	4	4	**8**
Missouri	10	23.8%	$358,782	21.8%	1	1	**2**
Oklahoma	2	4.8%	$56,578	3.4%	1	0	**1**
OVERALL	**42**	**100%**	**$1,642,248**	**100%**	**6**	**5**	**11**

In light of branch structure and loan and deposit activity, CRA performance in the state of Arkansas was given primary consideration, followed by the state of Missouri, and, to a much lesser extent, the state of Oklahoma.

Furthermore, Home Mortgage Disclosure Act (HMDA), small business, and small farm 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's emphasis is on home mortgage lending, performance based on the HMDA loan category carried the greatest significance toward the bank's overall performance conclusions, followed by performance in the small business category. The following table details the performance criterion and the corresponding time periods used in each analysis.

Performance Criterion	Time Period
LTD Ratio	June 30, 2013 – March 31, 2017
Assessment Area Concentration	January 1, 2015 – December 31, 2015
Loan Distribution by Borrower's Profile	January 1, 2015 – December 31, 2015
Geographic Distribution of Loans	January 1, 2015 – December 31, 2015
Response to Written CRA Complaints	June 3, 2013 – June 11, 2017
Community Development Activities[1]	June 3, 2013 – June 11, 2017

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, the following are the information sources referenced throughout this evaluation:

- Assessment area demographics are based on 2010 U.S. Census data; certain business and farm geodemographics are based on 2015 Dun & Bradstreet data.

[1] One of the three institutions acquired during the review period had a CRA examination occurring after the June 3, 2013, start date noted in this table. To avoid double counting activities that already received credit at the previous examination, community development activities from that acquired institution, Metropolitan National Bank, were only considered from its previous examination date (February 3, 2014) forward.

- Median family incomes are based on the FFIEC's 2015 annual estimates. The 2015 estimates were used to classify borrowers into low-, moderate-, middle- and upper-income categories by comparing their reported income to the applicable median family income figure for that area.

- Deposit dollar amounts are taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016.

- Industry demographics are sourced from 2015 U.S. Census Bureau Business Patterns data, according to the North American Industry Classification System.

- Unemployment data are sourced from the U.S. Department of Labor, Bureau of Labor Statistics and are not seasonally adjusted.

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 incorporate many factors impacting lenders in an assessment area. Aggregate lending datasets are also updated annually and are therefore expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Four other banks were identified as similarly situated peers, with asset sizes ranging from $564.2 million to $5.4 billion as of March 31, 2017.

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

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

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

To augment this evaluation, 14 community contact interviews were conducted with members of the local community to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from community contact interviews are included in the *Description of Assessment Area* section, applicable to the assessment area in which they were conducted.

DESCRIPTION OF INSTITUTION

Bear State Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank, headquartered in Little Rock, Arkansas, is a wholly owned subsidiary of Bear State Financial, Inc., a one-bank holding company that is partially owned by Bear State Financial Holdings, LLC. Since its previous CRA examination, the bank changed its name from First National Bank to Bear State Bank and moved its headquarters from Hot Springs to Little Rock, Arkansas. Bear State Bank has also achieved significant growth through acquisitions of First Federal Bank, Heritage Bank National Association, and Metropolitan National Bank. The following table shows the branching activity for the bank since the previous CRA evaluation on June 3, 2013.

Change in Offices During the Review Period

June 3, 2013 through June 11, 2017

Assessment Area	Office # (Previous Examination As First National Bank)	Closed Offices	New Office Openings	New Office Acquisitions	Current # of Offices (Bear State Bank)
Southwest NonMSA* Arkansas	13	(4)	0	0	9
North Central NonMSA Arkansas	0	(1)	0	7	6
Mississippi County NonMSA	0	(1)	0	2	1
Fayetteville	0	(1)	0	5	4
Jonesboro	0	(3)	0	7	4
Hot Springs	4	(1)	0	0	3
Little Rock	3	(3)	1	1	2
Texarkana	2	(1)	0	0	1
Springfield	0	(2)	0	10	8
Barton County	0	0	0	2	2
NonMSA Oklahoma	2	0	0	0	2
TOTAL	**24**	**(17)**	**1**	**34**	**42**

*Nonmetropolitan statistical area

All of the 42 current offices[2] listed in the previous table are full-service. The bank also operates 37 cash-dispensing only ATMs at its various offices, 8 stand-alone ATMs (4 of which accept deposits), and 6 interactive teller machines (ITMs)[3] throughout its assessment areas.

Based on its branch network, the bank is not adequately positioned to deliver financial services to the entirety of some of its assessment areas. While the bank offers full-service online banking

[2] This total does not include the four loan production offices (three in Arkansas and one in Missouri).
[3] ITMs offer the same functionality as ATMs and allow customers to videoconference with bank employees.

options that have improved its ability to deliver financial services to substantially all of the remaining portions of its assessment areas, the Little Rock, Mississippi County, and Oklahoma assessment areas contain additional barriers that limit the bank's ability to fully serve those areas. A limited presence and a saturation of banks in the Little Rock assessment area restrict the bank from adequately serving southeastern Pulaski County and northern Faulkner County. Additionally, due to largely rural areas with limited highway options, the bank is only positioned to adequately serve the areas nearest its branch locations in Mississippi County, Arkansas, and in Oklahoma.

The bank currently operates in 11 CRA assessment areas, as detailed below.

Arkansas

- Southwest nonMSA assessment area – Howard, Montgomery, Pike, Polk, Scott, and Sevier Counties
- North Central nonMSA assessment area – Baxter, Boone, and Marion Counties
- Mississippi County nonMSA assessment area – Mississippi County
- Fayetteville assessment area – Benton and Washington Counties
- Jonesboro assessment area – Craighead County
- Hot Springs assessment area – Garland County
- Little Rock assessment area – Faulkner and Pulaski Counties
- Texarkana assessment area – Little River and Miller Counties

Missouri

- Springfield assessment area – Christian, Greene, Stone, Taney, and Webster Counties
- Barton County assessment area – Barton County and census tract 4802 of Dade County

Oklahoma

- NonMSA Oklahoma assessment area – McCurtain County

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. As of March 31, 2017, the bank reported total assets of $2.2 billion. As of the same date, loans and leases outstanding were $1.6 billion (75.6 percent of total assets), and deposits totaled $1.7 billion.

The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$154,737	9.4%
Commercial Real Estate	$509,176	31.0%
Multifamily Residential	$95,880	5.8%
1–4 Family Residential	$377,229	23.0%
Farmland	$98,757	6.0%
Farm Loans	$40,925	2.5%
Commercial and Industrial	$326,688	19.9%
Loans to Individuals	$35,988	2.2%
Lease Financing	$2,089	0.1%
Total Other Loans	$1,071	0.1%
TOTAL	**$1,642,540**	**100%**

As shown in the table above, a significant portion of the bank's lending resources is directed to commercial loan types, including commercial real estate and commercial and industrial loans, as well as loans secured by 1–4 family residential properties. The bank also originates and subsequently sells a significant volume of residential real estate loans. As these loans are sold on the secondary market shortly after origination, this activity would not be captured in the table. Therefore, while commercial loan types are most significant by dollar, the 1–4 family residential real estate category is more significant by number of originations. Additionally, the bank has a small farm focus in its primary assessment area in Arkansas, and the number of small farm loans originated is similar to the number of small business loans, indicating that, while not large in dollar volume in the table above, small farm lending is significant by number of originations.

Furthermore, while not a significant dollar amount in the table above, the bank offers a commercial lease purchase program to school districts in Arkansas that cannot be evaluated under standard analysis for either the Lending or Community Development Test. The bank provided lease information as "other loan data" for consideration under the Lending Test. As a result, the qualitative impact is addressed under the Lending Test discussion for the state of Arkansas.

The bank, under the name First National Bank, received a Satisfactory rating at its previous CRA evaluation conducted by the Office of the Comptroller of the Currency on June 3, 2013. The bank's name changed to Bear State Bank effective February 14, 2015.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Rated Area	Lending Test Rating
Arkansas	Satisfactory
Missouri	Satisfactory
Oklahoma	Satisfactory
OVERALL	**Satisfactory**

Bear State Bank meets the standards for a Satisfactory Lending Test rating under the intermediate small bank procedures, which evaluate bank performance under the following five criteria as applicable.

Loan-to-Deposit (LTD) Ratio

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

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) as of March 31, 2017**	**Average LTD Ratio**
Bear State Bank	Little Rock, Arkansas	$2,172,704	83.1%
Regional Banks	Searcy, Arkansas	$5,397,961	52.9%
	Fort Smith, Arkansas	$1,289,387	75.5%
	Murfreesboro, Arkansas	$564,237	72.8%
	Springfield, Missouri	$1,288,386	90.4%

Based on data from the previous table, the bank's level of lending is above that of three of the banks in the region and below that of the bank headquartered in Springfield, Missouri. During the review period, the bank's quarterly LTD ratio had an increasing trend with a 16-quarter average of 83.1 percent; furthermore, the most recent five quarters have shown an LTD ratio ranging from 90.1 to 97.3 percent. While having a larger average LTD ratio over the review period, the regional peer headquartered in Springfield, Missouri had a volatile trend, with spikes in LTD ratios over 100 percent. However, that peer's LTD ratio has continued to decrease slightly since its peak in December 2014. Therefore, compared to data from regional banks and trends as previously noted, the bank's average LTD ratio is more than 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, 2015 through December 31, 2015

Loan Type	Inside Assessment Areas		Outside Assessment Areas		TOTAL	
HMDA	1,213	85.9%	199	14.1%	**1,412**	**100%**
	183,489	84.4%	33,852	15.6%	**$217,341**	**100%**
Small Business	125	83.3%	25	16.7%	**150**	**100%**
	14,575	75.2%	4,803	24.8%	**$19,378**	**100%**
Small Farm	98	82.4%	21	17.6%	**119**	**100%**
	7,909	73.9%	2,793	26.1%	**$10,702**	**100%**
TOTAL LOANS	**1,436**	**85.4%**	**245**	**14.6%**	**1,681**	**100%**
	205,973	**83.2%**	**41,448**	**16.8%**	**$247,421**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment areas. As shown above, 85.4 percent of the total loans were made inside the assessment areas, accounting for 83.2 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

As the bank serves a significant LMI population throughout many of its assessment areas, borrower distribution carried more weight in the Lending Test analysis. Overall, performance by borrower's income/revenue profile is reasonable, based on the analyses of lending in all states.

Rated Area	Loan Distribution by Borrower's Profile
Arkansas	Reasonable
Missouri	Reasonable
Oklahoma	Reasonable
OVERALL	**Reasonable**

As displayed in the following table, the bank's overall distribution of lending by income level of census tract reflects reasonable penetration throughout two of the bank's rated areas subject to review. Greater emphasis is placed on performance in the state of Arkansas.

Rated Area	Geographic Distribution of Loans
Arkansas	Reasonable
Missouri	Excellent
Oklahoma	Reasonable
OVERALL	**Reasonable**

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (June 3, 2013 through June 11, 2017).

COMMUNITY DEVELOPMENT TEST

Bear State Bank's performance under the Community Development Test is rated Outstanding, as displayed in the following table. Based on the bank's branch structure and loan and deposit activity, the overall rating was weighted more heavily toward CRA performance in the state of Arkansas.

Rated Area	Community Development Test Rating
Arkansas	Outstanding
Missouri	Satisfactory
Oklahoma	Outstanding
OVERALL	**Outstanding**

During the review period, the bank made qualifying loans, investments, donations, and services to individuals and organizations in its assessment areas, broken down as follows:

Total Community Development Activities Inside Assessment Areas June 3, 2013 – June 11, 2017			
Community Development Component	**#**		**$**
Loans	28		$29.0 Million
Investments, Current and Prior	95		$23.7 Million
Current Period	74		$20.9 Million
Prior Period, Still Outstanding	21		$2.7 Million
Donations	584		$451,049
Services	503 Services	4,533 Hours	

The community development loans and investments qualified for various community development purposes, including affordable housing for LMI individuals, revitalization and stabilization of LMI and distressed or underserved communities, community services to LMI individuals, and economic development to small businesses and small farms. Service activities included delivering financial education in schools that serve children primarily from LMI families, providing financial expertise to community service organizations as board members, and fundraising for organizations with a community development purpose. Additional details of these activities are discussed in each assessment area impacted, with state totals shown when discussing each state's overall performance.

Additionally, the bank received CRA credit for one current period investment in a minority-owned depository institution. This activity is considered favorably in the bank's CRA performance, even though it is not located in and does not benefit the bank's assessment areas. The investment is in a certificate of deposit from a minority-owned depository institution headquartered in and serving Puerto Rico and is viewed favorably considering the minority-owned depository institution was noted as a leader in community development lending at its previous examination. Furthermore, the investment, which totaled $249,000, was designed to help meet the credit needs of the local communities in Puerto Rico.

Furthermore, at the institution level, the bank received CRA credit for investments made to a greater regional area that includes the bank's three states. The bank participated in several college bonds benefitting universities headquartered outside the bank's assessment areas that serve students from all states, including those in the bank's assessment areas. The bank also made four investments in Diamond State Ventures, a small business investment company (SBIC) that serves a regional area, that includes the state of Arkansas. Because these investments serve a broader regional area, they are discussed at the institution level rather than for each state. Regional area investments included:

- Eleven prior period investments with current balances totaling $1.4 million for a local university in northern Arkansas. These investments were for improvements and expansion of university facilities and housing units. The majority of students attending this university are from Arkansas, and approximately 9.0 percent of students are out-of-state. The majority of students attending the university are eligible for and receive Pell grants based on financial need.

- Four current period investments in Diamond State Ventures totaling $1.2 million. The SBIC has a stated purpose to invest in small and lower-middle market companies in Arkansas, the Midwest, and the southeastern United States.

- One prior period investment with a current balance totaling $443,379 for a local university in western Arkansas. The investment was for the acquisition, construction, and equipping of a student housing facility. The majority of students attending this university are from Arkansas (86.9 percent) and Oklahoma (9.1 percent). The majority of students attending the university are eligible for and receive Pell grants based on financial need.

- Nine current period investments totaling $3.4 million and two prior period investments with current balances totaling $245,063 for a university in southern Arkansas. These investments had multiple purposes, including the construction of off-campus and on-campus housing facilities and the renovation of various facilities across its main and satellite campuses in Arkansas. The majority of students attending the university are from Arkansas, with approximately 30 percent out-of-state. The majority of students attending the university are eligible for and receive Pell grants based on financial need.

In addition to meeting the community development needs of its own assessment areas, the bank made two current period investments to schools outside Arkansas, Missouri, and Oklahoma.[4] The investments totaled $685,000 and benefited two school districts in Texas, both of which contain a majority of students from LMI families.

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.

[4] Community development activities outside the bank's assessment areas but in the rated areas of Arkansas, Missouri, or Oklahoma are discussed under the Community Development Test write up for each applicable state.

CRA RATING FOR ARKANSAS: **Satisfactory**
The Lending Test is rated: **Satisfactory**
The Community Development Test is rated: **Outstanding**

Major factors supporting the institution's Arkansas rating include the following:

- The distribution of loans in the Arkansas assessment areas reflects reasonable penetration among individuals of different income levels (including LMI levels) and businesses and farms of different sizes.

- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Arkansas assessment areas.

- The commercial lease purchase program had a significant, qualitative impact on the Lending Test for Arkansas.

- The bank's community development performance demonstrates excellent responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need and availability for such opportunities for community development in Arkansas.

The bank's ratings in the state of Arkansas reflect a composite of the bank's performance in all eight of its assessment areas throughout the state. As detailed below, the bank's CRA performance in two of its nonMSA assessment areas and two of its MSA assessment areas were evaluated using full-scope review procedures. These four assessment areas contain 76.7 percent of the bank's Arkansas offices, 80.8 percent of the bank's Arkansas deposits, and 90.0 percent of the 2015 HMDA loans in Arkansas; consequently, performance in these assessment areas primarily shaped the bank's state rating.

SCOPE OF EXAMINATION

Scoping considerations applicable to the review of Arkansas assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. However, as the bank's small farm loan activity is *de minimis* in two of the assessment areas reviewed under full-scope procedures, the small farm lending category did not play a material role in the evaluation of lending performance in both assessment areas. Furthermore, demographic information indicates a low level of opportunity available. Consequently, small farm lending activity is not addressed in the evaluation of the Lending Test for the North Central nonMSA or Fayetteville assessment areas.

Although analyses for each full-scope nonMSA assessment area were completed individually, the conclusions for these two areas are presented together. Performance divergences between the two nonMSA assessment areas are noted where applicable. However, performance in the Southwest nonMSA assessment area received greater consideration when making nonMSA Arkansas performance conclusions. Moreover, when considering the branch structure, new market entry, and loan/deposit activity, CRA performance in nonMSA Arkansas and in the Fayetteville assessment area were given equal weight, followed by performance in the Jonesboro assessment area.

To augment the evaluation of the full-scope review assessment areas in Arkansas, nine community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. The interviews were with representatives from a variety of backgrounds, including local community organizations (three), local housing authorities (two), educational institutions (two), and small business development (two). Details from these interviews are included in the *Description of Institution's Operations* sections applicable to the assessment areas in which the community contacts were made.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARKANSAS

Bear State Bank operates 30 offices (71.4 percent of total branches) throughout the 8 CRA assessment areas in the state of Arkansas. The following table gives additional detail regarding the bank's operations in Arkansas.

Assessment Area	Offices		Deposits As of June 30, 2016		2015 HMDA Loans		Review Procedures
	#	%	$ (000s)	%	#	%	
Southwest NonMSA	9	30.0%	$318,253	25.9%	136	15.7%	Full-Scope
North Central NonMSA	6	20.0%	$410,681	33.5%	126	14.5%	Full-Scope
Mississippi County NonMSA	1	3.3%	$23,327	1.9%	9	1.0%	Limited-Scope
Fayetteville	4	13.3%	$106,298	8.7%	399	45.9%	Full-Scope
Jonesboro	4	13.3%	$155,914	12.7%	120	13.8%	Full-Scope
Hot Springs	3	10.0%	$131,152	10.7%	33	3.8%	Limited-Scope
Little Rock	2	6.7%	$42,563	3.5%	40	4.6%	Limited-Scope
Texarkana	1	3.3%	$38,700	3.2%	6	0.7%	Limited-Scope
TOTAL	**30**	**100%**	**$1,226,888**	**100%**	**869**	**100%**	**4 Full-Scope**

During the review period, the bank closed 15 branches, opened 1 de novo branch, and acquired 22 branches through merger/acquisition activity in the state. As previously shown, this activity occurred across all Arkansas assessment areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARKANSAS

LENDING TEST

Bear State Bank's Lending Test rating for the state of Arkansas is Satisfactory. The overall distribution of loans by borrower's income and revenue profile reflects reasonable penetration among borrowers of different income levels and businesses and farms of different sizes. The bank's overall geographic distribution of loans reflects reasonable penetration throughout Arkansas assessment areas. Furthermore, the commercial lease purchase program had a qualitative impact and further solidified the overall Satisfactory Lending Test rating for the state.

Borrower and Geographic Distribution

The bank's performance by borrower's income and revenue profile in Arkansas is reasonable.

Full-Scope Review Areas	Loan Distribution by Borrower's Profile
NonMSA Arkansas	Reasonable
Fayetteville	Reasonable
Jonesboro	Reasonable
OVERALL	**Reasonable**

Limited-Scope Review Areas	Loan Distribution by Borrower's Profile
NonMSA Arkansas (Mississippi County)	Consistent
Hot Springs	Consistent
Little Rock	Consistent
Texarkana	Consistent

The bank's overall geographic distribution of loans reflects reasonable penetration throughout Arkansas.

Full-Scope Review Areas	Geographic Distribution of Loans
NonMSA Arkansas	Excellent
Fayetteville	Reasonable
Jonesboro	Reasonable
OVERALL	**Reasonable**

Limited-Scope Review Areas	Geographic Distribution of Loans
NonMSA Arkansas (Mississippi County)	Below
Hot Springs	Consistent
Little Rock	Below
Texarkana	Below

As previously stated, the bank offers a commercial lease purchase program in the state of Arkansas targeted to K–12 schools. This program allows rural school districts to manage improvements and make purchases in smaller dollar amounts without issuing larger dollar municipal bonds that require a greater level of expertise. Typically, commercial leases also allow the school districts to handle projects faster than creating, issuing, and funding a municipal bond. These factors indicate that this product offering has a significant qualitative impact on the school districts in the state. To determine its actual impact, one community contact interview was conducted with an individual who specializes in statewide education needs gleaned from direct connections to and discussions with all school districts in the state.

This individual stated that rural school districts have continued to see declines in student enrollment due in large part to students transferring to larger school districts. The decline in student enrollment directly impacts funding from the state; reductions in cash flow have resulted in an increasing need for short-term financing. The contact explained that opportunities for schools to remedy this are limited, further stating that only a few lending opportunity channels exist for schools in the state, including:

- Large dollar bonds (typically for new construction or facilities).
- The revolving loan program through the state (for short-term, smaller dollar needs).
- Lease programs through a limited number of banks in the state offering the product.
- Lease agreements through larger technology companies for specific needs, such as computers.

The contact noted that the primary option for rural districts has traditionally been the revolving loan program. The contact noted that the other options are most viable only for urban school districts. According to the contact, while the revolving loan program is a viable option, and nearly every school who applies is guaranteed funding, the interest rates for the loans are high. The contact noted that rural school districts are seeing the greatest need for more flexible options, including lease programs.

Based on the information gathered from this contact, the lease program was determined to have a significant qualitative impact on the rural areas in the state of Arkansas. The qualitative impact was considered overall, provides context for performance in the state, and is considered innovative. During the review period, the bank originated $3.4 million in commercial leases to various school districts throughout the state of Arkansas, approximately $710,000 of which directly benefited school districts in the bank’s assessment areas. In addition, each of these leases has a community development purpose in rural and distressed portions of the state of Arkansas.

COMMUNITY DEVELOPMENT TEST

Bear State Bank's Community Development Test rating in the state of Arkansas is Outstanding. The bank's overall community development performance demonstrates excellent responsiveness to the community development needs of Arkansas assessment areas, considering the bank's capacity and the need/availability of such opportunities for community development. The bank has addressed the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

Full-Scope Review Areas	Community Development Performance
NonMSA Arkansas	Excellent
Fayetteville	Excellent
Jonesboro	Excellent
OVERALL	**Outstanding**

Limited-Scope Review Areas	Community Development Performance
NonMSA Arkansas (Mississippi County)	Below
Hot Springs	Consistent
Little Rock	Below
Texarkana	Below

As will be described later, performance in the Mississippi County, Little Rock, and Texarkana assessment areas was below the excellent performance in nonMSA Arkansas and the MSA portions of the state. However, performance in two of these areas (Mississippi County and Little Rock) was still deemed adequate. As a result, performance in limited-scope areas did not diminish the overall Outstanding Community Development Test rating for the state.

The following table shows the number and dollar amount of community development activities made in the Arkansas assessment areas.

Community Development Activities Inside Arkansas Assessment Areas			
Community Development Component	**#**		**$**
Loans	18		$10.1 Million
Investments, Current and Prior	84		$22.1 Million
Current Period	63		$19.4 Million
Prior Period, Still Outstanding	21		$2.7 Million
Donations	431		$361,193
Services	293 Services	2,208 Hours	

The majority of the community development loans in the Arkansas assessment areas were affordable housing efforts, which was the primary need noted by community contacts in the state. The majority of investment and donation dollars benefited school districts in Arkansas assessment areas that primarily serve students from LMI families. Service activities included personnel providing financial expertise to local schools and community service organizations and acting as board members for community organizations.

The bank also made 11 donations totaling $26,100 to organizations that serve the entire state of Arkansas, including portions of Arkansas assessment areas. These donations benefited primarily LMI children throughout the state of Arkansas. The largest of these donations ($15,000) was to a children's hospital that serves primarily LMI families throughout the entire state of Arkansas.

In addition to meeting the community development needs of its Arkansas assessment areas, the bank participated in several community development activities benefitting Arkansas communities outside the bank's assessment areas. The following table shows the number and dollar amount of these activities with descriptions of the most qualitative activities below.

Community Development Activities Outside Assessment Areas in Arkansas
June 3, 2013 – June 11, 2017

Community Development Component	#	$
Loans	1	$1.0 Million
Investments, Current and Prior	111	$31.7 Million
Current Period	90	$25.9 Million
Prior Period, Still Outstanding	21	$5.8 Million
Donations	5	$5,500

- The bank made 72 current period investments in school bonds. These investments, which totaled $20.9 million, had a community service purpose and were made in 37 school districts across 26 Arkansas counties outside the bank's assessment areas. These bonds were issued to construct, improve, and/or equip school facilities in rural school districts that primarily serve students from LMI families and are located mainly in LMI or distressed/ underserved census tracts.

- The bank made current period investments in 18 municipal/city bonds totaling $5.0 million. One of these bonds had a community service purpose for improvements to a local hospital that primarily serves LMI patients. The remaining 17 investments were revitalization and stabilization projects in distressed and/or underserved areas of Arkansas. Projects helped retain residents and businesses in these areas and provided basic city or county needs, including water, sewer, law enforcement facilities, community centers, and hospitals.

NONMETROPOLITAN ARKANSAS STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SOUTHWEST ARKANSAS ASSESSMENT AREA

Bank Structure

The bank operates nine branch offices in this assessment area, located as follows:

Number of Branch Locations by Census Tract Classification					
Low-Income	Moderate-Income	Middle-Income			Upper-Income
		Distressed (Poverty)	Underserved	Distressed and Underserved (Poverty and Remote Rural)	
N/A	3	1	0	3	2

Since the last examination, the bank did not open or acquire any branches in this assessment area but did close four offices. Based on its branch network and other service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of six counties in their entireties, as shown in the following table.

County	Population
Howard	13,789
Montgomery	9,487
Pike	11,291
Polk	20,662
Scott	11,233
Sevier	17,058
Total Assessment Area Population	**83,520**

This has historically been the bank's primary assessment area. The assessment area has a large geographic footprint and is located in southwest Arkansas bordering the Texarkana MSA and the state of Oklahoma. Most of the northern portions of this assessment area, specifically Montgomery and Scott Counties, are sparsely populated and primarily made up of the Ouachita National Forest. Of the 13 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked first in deposit market share, encompassing 22.8 percent of total 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 from community contacts, include affordable housing and financial needs for local schools and colleges. For this assessment area, contacts noted that real estate was limited and not affordable for LMI residents in some portions of the assessment area. However, the contacts noted that banks continue to collaborate with local community organizations to adequately meet these needs.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	3	18	1	0	**22**
	0.0%	13.6%	81.8%	4.6%	0.0%	**100%**
Family Population	0	3,723	18,035	1,062	0	**22,820**
	0.0%	16.3%	79.0%	4.7%	0.0%	**100%**

As shown above, there are no low-income census tracts, and the vast majority of census tracts are middle-income. However, of the total families in the assessment area, 16.3 percent reside in moderate-income census tracts. Moreover, all 18 of the middle-income census tracts are distressed due to poverty, and 10 of those tracts are also underserved due to their remote rural location.

According to 2010 U.S. Census data, the median family income for the assessment area was $39,371, which is below the $42,175 median family income for nonMSA Arkansas as a whole. More recently, the FFIEC estimates the median family income for nonMSA Arkansas to be $46,300. The following table displays the distribution of assessment area families by income level compared to all nonMSA Arkansas families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	5,053	4,378	4,880	8,509	**22,820**
	22.1%	19.2%	21.4%	37.3%	**100%**
NonMSA Arkansas	65,135	57,160	62,634	128,266	**313,195**
	20.8%	18.3%	20.0%	40.9%	**100%**

While the table in the previous section shows that only 16.3 percent of families reside in moderate-income census tracts, the table above shows that a significant percentage of families in the assessment area are LMI. The LMI family percentage of the assessment area (41.3 percent) exceeds the 39.1 percent of LMI families in nonMSA Arkansas.

Poverty remains a challenge for families in the assessment area, evidenced by the 18 distressed census tracts in the assessment area. Additionally, the assessment area contains a higher percentage of families who live below the poverty line (16.3 percent) compared to nonMSA Arkansas (15.1 percent). Moreover, while Montgomery County has a substantially similar level of families living below the poverty line, every other county of the assessment area has a higher percentage of families who live below the poverty line compared to nonMSA Arkansas. These statistics all point to an assessment area that is less affluent than nonMSA Arkansas as a whole.

<u>Housing Demographics</u>

While income levels in the assessment area are lower than nonMSA Arkansas, housing costs in the assessment area are more affordable than nonMSA comparisons. Housing demographics are shown in the following table.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Assessment Area	$74,970	45.3%	$511
NonMSA Arkansas	$78,904	42.0%	$535

While the overall assessment area is more affordable than nonMSA Arkansas, it is worth noting that housing is less affordable in Pike and Polk Counties, both of which have a higher median housing value and a lower affordability ratio when compared to nonMSA Arkansas. Additionally, while this data from 2010 shows greater affordability when compared to the state, both community contacts noted decreasing affordability for the area in recent years. This indicates that LMI families in the assessment area may struggle to obtain affordable housing.

<u>Industry and Employment Demographics</u>

There are 19,573 paid employees in the assessment area, with the vast majority being employed in Howard, Polk, and Sevier Counties (30.9 percent, 25.9 percent, and 20.2 percent, respectively). By percentage of employees, manufacturing is by far the largest industry in the assessment area, employing 37.6 percent of all employees.

Howard and Scott Counties have the largest percentage of employees working in the manufacturing sector, which has been stable in this area. However, the retail and food service industries account for a large percentage of employees in the remaining assessment area counties. As shown below, this has a direct impact on unemployment in this area.

Unemployment Levels				
Dataset	**Time Period (Annual Average)**			
	2013	**2014**	**2015**	**2016**
Howard County	6.5%	5.9%	4.2%	3.3%
Montgomery County	8.5%	8.1%	6.8%	5.3%
Pike County	8.9%	7.4%	5.9%	4.3%
Polk County	7.3%	6.4%	5.8%	4.9%
Scott County	6.4%	5.1%	4.8%	3.8%
Sevier County	8.5%	7.1%	6.2%	5.0%
Total Assessment Area	**7.6%**	**6.5%**	**5.6%**	**4.4%**
Arkansas	**7.3%**	**6.1%**	**5.1%**	**4.0%**

As the previous table shows, the assessment area and the state of Arkansas have had similar levels of unemployment throughout the review period and have experienced declines year over year. However, Howard and Scott Counties have experienced significantly lower unemployment rates than the remaining counties of the assessment area and the state of Arkansas.

Community Contact Information

Two community contact interviews were conducted for this assessment area. One of the interviews was with the director of a local community service organization, and the other was with an administrator of a local college.

The community contact interviewees noted that the economy is stable but depressed compared to the state as a whole. Both contacts noted that the housing supply in the area is limited and that many residents live and work in different counties in the area. Both contacts stated that affordable housing is the greatest area need and that down payment assistance programs are limited. One contact elaborated by saying that many homes in the area cost more than what LMI families can afford. Both contacts stated that community development opportunities in the area are plentiful and banks are highly involved in the communities.

The contact working in education explained that much of the area is rural with larger pockets of LMI families in the cities of De Queen (Sevier County), Waldron (Scott County), and Glenwood (Pike County). This contact also noted that, in addition to the affordable housing need, the colleges and schools in the area need financial help in making improvements to facilities. The contact further explained that banks are highly involved with community projects in the area through the U.S. Department of Housing and Urban Development and Habitat for Humanity.

The contact working for a community service organization also noted that land prices are on the rise and there are limited ways for commercial entities to build affordable homes, thus restricting LMI individuals' ability to purchase affordable homes. This contact noted that rental property has historically been in limited supply; however, additional duplexes are being built, providing more rental options to many LMI residents in the area. The contact explained how food pantries and schools help shape the communities and acknowledged that banks have been diligent in addressing the needs of the area through donating to food pantries and schools and collaborating with local housing authorities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SOUTHWEST ARKANSAS ASSESSMENT AREA

LENDING TEST

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

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from all loan categories reviewed. As previously stated, greater emphasis is placed on performance in the HMDA loan category given the bank's emphasis on HMDA lending. The following table shows the distribution of HMDA-reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	10	13.3%	8	10.7%	15	20.0%	40	53.3%	2	2.7%	**75**	**100%**
Refinance	8	18.2%	6	13.6%	8	18.2%	20	45.5%	2	4.5%	**44**	**100%**
Home Improvement	2	11.8%	4	23.5%	2	11.8%	6	35.3%	3	17.6%	**17**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**20**	**14.7%**	**18**	**13.2%**	**25**	**18.4%**	**66**	**48.5%**	**7**	**5.1%**	**136**	**100%**
Family Population	22.1%		19.2%		21.4%		37.3%		0.0%		**100%**	
2015 HMDA Aggregate	7.0%		12.4%		20.8%		45.7%		14.1%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (14.7 percent) is below the low-income family population figure (22.1 percent). However, performance is significantly greater than the 2015 aggregate lending level to low-income borrowers (7.0 percent). Contacts noted that many homes in the area cost more than what low-income borrowers can afford, which diminishes the likelihood of homeownership for many low-income borrowers. Further, the greatest need in the area was noted as affordable housing for purchase, a category in which the bank also significantly outperformed the aggregate. Based on this context, performance to low-income borrowers is excellent.

The bank's level of lending to moderate-income borrowers (13.2 percent) is below the moderate-income family population percentage (19.2 percent) but similar to aggregate lending levels of

12.4 percent, reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile (27.9 percent) is reasonable.

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 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue

January 1, 2015 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	29	72.5%	2	5.0%	1	2.5%	**32**	**80.0%**
Greater than $1 Million/Unknown	7	17.5%	1	2.5%	0	0.0%	**8**	**20.0%**
TOTAL	**36**	**90.0%**	**3**	**7.5%**	**1**	**2.5%**	**40**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**92.2%**	
Small Business Aggregate ≤ $1MM							**41.2%**	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (80.0 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 92.2 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small businesses is 41.2 percent.

Small farm loans were also reviewed to determine lending levels to farms of different sizes. The following table shows the distribution of 2015 small farms loans by loan amount and farm revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Farm Revenue

January 1, 2015 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$500			
$1 Million or Less	16	34.8%	7	15.2%	2	4.3%	**25**	**54.3%**
Greater than $1 Million/Unknown	21	45.7%	0	0.0%	0	0.0%	**21**	**45.7%**
TOTAL	**37**	**80.4%**	**7**	**15.2%**	**2**	**4.3%**	**46**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**98.3%**	
Small Farm Aggregate ≤ $1MM							**79.3%**	

The bank's level of lending to small farms is poor. The bank originated the majority of its small farms loans (54.3 percent) to farms with revenues of $1 million or less; however, assessment area demographics estimate that 98.3 percent of farms in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small farms is 79.3 percent. While the bank made 16 of its 25 small farms loans (64.0 percent) for less than $100,000, aggregate lenders made 89.7 percent of small farm loans for under $100,000.

Geographic Distribution of Loans

As noted previously, the assessment area includes no low-income and three moderate-income census tracts, representing 13.6 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout these moderate-income census tracts, based on the loan categories reviewed with primary emphasis on the bank's HMDA lending.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2015 through December 31, 2015

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	11	14.7%	52	69.3%	12	16.0%	0	0.0%	**75**	**100%**
Refinance	0	0.0%	11	25.0%	29	65.9%	4	9.1%	0	0.0%	**44**	**100%**
Home Improvement	0	0.0%	4	23.5%	11	64.7%	2	11.8%	0	0.0%	**17**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**26**	**19.1%**	**92**	**67.6%**	**18**	**13.2%**	**0**	**0.0%**	**136**	**100%**
Owner-Occupied Housing	0.0%		12.5%		82.2%		5.2%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		17.4%		75.2%		7.1%		0.4%		**100%**	

The analysis of HMDA loans revealed excellent lending performance to borrowers residing in moderate-income geographies. The bank's total penetration of moderate-income census tracts by number of loans (19.1 percent) is above both the percentage of owner-occupied housing units in moderate-income census tracts (12.5 percent) and the performance of aggregate lenders (17.4 percent).

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	3	7.5%	34	85.0%	3	7.5%	0	0.0%	**40**	**100%**
Business Institutions	0.0%		18.7%		75.1%		6.2%		0.0%		**100%**	
2015 Small Business Aggregate	0.0%		16.5%		69.8%		7.0%		6.7%		**100%**	

The bank's percentage of loans in moderate-income census tracts (7.5 percent) is below the 2015 aggregate lending percentage in moderate-income census tracts (16.5 percent) and the percentage of small businesses in moderate-income census tracts (18.7 percent). While performance may appear to be lacking, all middle-income census tracts are distressed. As the table above shows, the bank has most of its small business lending in these tracts, and this performance exceeds demographic and aggregate comparisons in middle-income geographies. Therefore, the bank's overall geographic distribution of small business loans is reasonable.

The bank's geographic distribution of small farms loans was also reviewed. The following table displays 2015 small farm loan activity by geography income level compared to the location of farms throughout this assessment area and 2015 small farm aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	1	2.2%	42	91.3%	3	6.5%	0	0.0%	**46**	**100%**
Agricultural Institutions	0.0%		6.7%		92.4%		0.8%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		0.7%		99.3%		0.0%		0.0%		**100%**	

The volume of small farm loans in moderate-income census tracts is minimal but is still considered reasonable. The bank's performance of 2.2 percent exceeds the aggregate performance of 0.7 percent and is below the percentage of agricultural institutions in moderate-income tracts (6.7 percent).

Lastly, based on reviews from all 3 loan categories, Bear State Bank had loan activity in 21 of its 22 census tracts (95.5 percent). The one tract without lending was a middle-income census tract. Therefore, no conspicuous lending gaps were noted in LMI areas.

COMMUNITY DEVELOPMENT TEST

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

Community Development Activities Southwest Arkansas nonMSA Assessment Area			
Community Development Component	**#**		**$**
Loans	5		$973,805
Investments, Current and Prior	27		$6.6 Million
Current Period	16		$5.3 Million
Prior Period, Still Outstanding	11		$1.3 Million
Donations	236		$136,749
Services	78 Services	458 Hours	

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

- The bank extended a loan and a line of credit totaling $549,305 for the construction and expansion of apartments, duplexes, and quadplexes for LMI rental housing. These efforts increase the supply of affordable housing to LMI residents, which was noted by both community contacts as the greatest need in the area.

- The bank made 11 current period investments totaling $4.3 million in school and university bonds. These bonds had a community service purpose and were used for capital improvements to school facilities. The schools and universities benefitting primarily serve students from LMI families. These bonds are responsive to assessment area needs, as noted by the community contact specializing in education.

- The bank made five current period investments totaling $1.0 million in municipal bonds. The bonds were used to revitalize and stabilize distressed or underserved communities by providing essential infrastructure and facilities that retain businesses and residents.

- The bank made 30 donations totaling $65,290 to various fair and rodeo associations throughout the assessment area. The donations were made in conjunction with the Future Farmers of America to purchase livestock for students from local school districts, the majority of which are LMI.

- The bank made 44 donations totaling $21,050 to various universities. The donations were part of scholarship programs offered by Bear State Bank for high school seniors and single parents. The scholarship fund for high school seniors is earmarked for students from local school districts primarily serving LMI students while the single-parent scholarship fund is focused on low-income parents completing college. The scholarship programs are designed to meet essential education needs of underserved communities in this assessment area and are in direct response to the needs of the assessment area.

- As board members, bank employees provided numerous services to organizations throughout the assessment area. Staff also provided financial education to numerous organizations throughout the assessment area, all of which primarily serve LMI individuals. Services qualified as revitalization and stabilization, economic development, and community services for LMI families, businesses, and farms throughout the assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NORTH CENTRAL ARKANSAS ASSESSMENT AREA

Bank Structure

The bank operates six branch offices in this assessment area, located as follows:

Number of Branch Locations by Census Tract Classification			
Low-Income	**Moderate-Income**	**Middle-Income**	**Upper-Income**
N/A	1	4	1

The bank did not operate in this assessment area at its previous examination but entered the assessment area as part of the First Federal Bank acquisition in February 2015. This was the primary assessment area for First Federal Bank prior to acquisition, and Bear State Bank closed one branch in this assessment area during the review period. The bank also operates two stand-alone ATMs, one stand-alone ITM (both of which accept deposits) and one stand-alone ATM that is cash dispensing only. The bank's lending footprint in the assessment area shows that the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of the entireties of Baxter, Boone, and Marion Counties and is located in northern Arkansas bordering the state of Missouri. Portions of this assessment area are sparsely populated, while the central portions of Baxter and Boone Counties are more densely populated with the larger cities of Mountain Home and Harrison. The sparsely populated areas of Marion County and Baxter County contain two geographically large lakes (Bull Shoals Lake and Norfork Lake) and portions of the Ozark National Forest and the Buffalo National River and corresponding state park. Because large portions of this assessment area contain natural landscapes and are in close proximity to Branson, Missouri, the assessment area attracts many tourists and retirees. The total population of this assessment area is 95,069.

This is a competitive banking market, with 15 FDIC-insured depository institutions operating 55 branch offices. Of the FDIC-insured institutions with a branch presence in this assessment area, the bank ranked first in deposit market share, encompassing 19.4 percent of total deposit dollars.

Credit needs in the assessment area include a mix of consumer and business loan products. One particular credit need in the assessment area, noted primarily from community contacts, is affordable housing. Specifically, contacts noted that real estate options were lacking and out of reach for many, especially LMI residents.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	1	17	2	0	**20**
	0.0%	5.0%	85.0%	10.0%	0.0%	**100%**
Family Population	0	1,011	23,222	3,061	0	**27,294**
	0.0%	3.7%	85.1%	11.2%	0.0%	**100%**

As shown above, there are no low-income census tracts, and the vast majority of census tracts are middle-income. Of the total families in the assessment area, only 3.7 percent reside in the moderate-income census tract, which is geographically large and located in a rural portion of Marion County. In addition, the three middle-income census tracts in Marion County are designated as underserved due to remote rural location.

According to 2010 U.S. Census data, the median family income for the assessment area was $43,434, which is above the $42,175 median family income for nonMSA Arkansas as a whole. More recently, the FFIEC estimates the median family income for nonMSA Arkansas to be $46,300. The following table displays the distribution of assessment area families by income level compared to all nonMSA Arkansas families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	4,357	5,209	6,449	11,279	**27,294**
	16.0%	19.1%	23.6%	41.3%	**100%**
NonMSA Arkansas	65,135	57,160	62,634	128,266	**313,195**
	20.8%	18.3%	20.0%	40.9%	**100%**

While the table in the previous section shows that only 3.7 percent of families reside in the moderate-income census tract, the table above shows that a large percentage of families in the assessment area are LMI. While significant, the LMI family percentage of the assessment area (35.1 percent) is still below the 39.1 percent of LMI families in nonMSA Arkansas.

Additionally, the percentage of families living below the poverty level in the assessment area, 10.8 percent, is well below the 15.1 percent found in nonMSA Arkansas. However, it is worth noting that Marion County has the highest percentage of families living below the poverty level (12.2 percent). While this figure is still below the nonMSA figure, the one moderate-income census tract in the assessment area is located in Marion County and contains 27.3 percent of families living below poverty level. Moreover, the largest percentage of families residing in this tract are low-income (30.8 percent), with a total of 53.7 percent of families being LMI. The data points to an assessment area that is more affluent than nonMSA Arkansas but with extremely less affluent areas in the moderate-income census tract of Marion County.

Housing Demographics

While income levels in the assessment area are higher than nonMSA Arkansas, housing in the assessment area is significantly less affordable than nonMSA comparisons. Housing demographics are shown in the following table.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Baxter County	$118,400	30.1%	$585
Boone County	$105,700	35.0%	$532
Marion County	$91,600	37.2%	$525
Assessment Area	**$109,199**	**32.6%**	**$551**
NonMSA Arkansas	$78,904	42.0%	$535

As the previous table shows, housing in each county of the assessment area is less affordable than in nonMSA Arkansas; however, housing is least affordable in Baxter County. Additionally, rentals in Baxter County are more expensive than in Boone County, Marion County, and nonMSA Arkansas; additionally, in Baxter County, 44.8 percent of renters have rental costs that exceed 30 percent of their income compared to 34.7 percent for Boone County, 37.0 percent for Marion County, and 39.8 percent for nonMSA Arkansas.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. County business patterns indicate that there are 27,696 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (22.3 percent), closely followed by manufacturing (20.4 percent), and retail trade (17.0 percent).

The following table details unemployment data for each county of the assessment area, the assessment area as a whole, and the state of Arkansas.

Unemployment Levels				
Dataset	**Time Period (Annual Average)**			
	2013	**2014**	**2015**	**2016**
Baxter County	8.1%	6.8%	5.5%	4.3%
Boone County	7.1%	6.1%	4.9%	3.7%
Marion County	7.8%	6.4%	5.2%	4.0%
Total Assessment Area	**7.7%**	**6.4%**	**5.2%**	**4.0%**
Arkansas	7.3%	6.1%	5.1%	4.0%

As the previous table shows, unemployment levels have consistently declined during the review period for each county of the assessment area and the state of Arkansas. However, unemployment rates remain highest in Baxter County.

Community Contact Information

For this assessment area, two community contact interviews were conducted. Both of the interviews were with individuals working in the public sector. The community contact interviewees noted that the economy differs throughout the three-county area, due largely to tourism. Both contacts noted that the housing supply in the area is limited and that many residents cannot afford housing of the stock available.

One contact noted that Baxter County's economy has remained stable and there are numerous jobs in the area. Many of those jobs do not provide a livable wage when considering the high cost of housing in the area, with jobs being heavily reliant on tourism. However, formal plans are now in place, and community efforts are focused on affordable housing and economic development. This contact explained that while affordable housing remains the greatest need in the area, including a greater supply of housing overall, banks have continued to meet those needs, specifically through financing new duplexes and new housing developments in 2017 and additional units forthcoming in 2018. The contact further explained that there are significant opportunities in Baxter and Boone Counties but that there greatest impact occurs when banks combine efforts with the Food Bank of North Central Arkansas, the local college, and the hospital. The contact noted that Bear State Bank is active and highly involved in the area, donating money and time to numerous community organizations in the area.

The other contact stated that the economy in Marion County is struggling, due in part to the largely rural nature of the county and many towns and cities being a pass-through connecting the more tourist-driven areas of Baxter and Boone Counties. This contact noted that families in Marion County struggle with poverty and that homes and rents are too high for low-income families in the area. In addition, opportunities for improvement for low-income families are limited, with a limited number of food pantries and homeless shelters in Marion County. The contact noted that food pantries were not able to meet the demand and that without the efforts of banks in the area, food pantries would be forced to turn away LMI individuals and families. The towns of Yellville and Summit were noted as having a limited supply of housing and being the most impoverished. Both of these areas are located in the only moderate-income census tract in this assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NORTH CENTRAL ARKANSAS ASSESSMENT AREA

LENDING TEST

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

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from the HMDA and small business loan categories reviewed. The following table shows the distribution of HMDA reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	9	12.9%	21	30.0%	13	18.6%	23	32.9%	4	5.7%	**70**	**100%**
Refinance	1	2.1%	6	12.8%	14	29.8%	19	40.4%	7	14.9%	**47**	**100%**
Home Improvement	1	11.1%	0	0.0%	4	44.4%	3	33.3%	1	11.1%	**9**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**11**	**8.7%**	**27**	**21.4%**	**31**	**24.6%**	**45**	**35.7%**	**12**	**9.5%**	**126**	**100%**
Family Population	16.0%		19.1%		23.6%		41.3%		0.0%		**100%**	
2015 HMDA Aggregate	6.8%		15.6%		20.0%		39.0%		18.6%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (8.7 percent) is below the low-income family population figure (16.0 percent), but slightly above the 2015 aggregate lending level to low-income borrowers (6.8 percent). While this appears to reflect reasonable performance, community contacts noted a limited housing supply, an inability of low-income residents to afford the housing stock that is available, and a need for affordable homes. While bank performance is not substantially above the aggregate in overall HMDA lending, it is substantially above aggregate performance in the home purchase category (12.9 percent compared to 7.4 percent, respectively). Given these factors, performance to low-income borrowers is excellent.

Similarly, the bank's level of lending to moderate-income borrowers (21.4 percent) is excellent as it is above both the moderate-income family population percentage (19.1 percent) and the aggregate lending levels of 15.6 percent. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile is excellent.

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 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	2	50.0%	1	25.0%	1	25.0%	**4**	**100.0%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**2**	**50.0%**	**1**	**25.0%**	**1**	**25.0%**	**4**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**93.6%**	
Small Business Aggregate ≤ $1MM							**61.9%**	

The bank's level of lending to small businesses is excellent. The bank originated all of its small business loans to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 93.6 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small businesses is 61.9 percent.

Geographic Distribution of Loans

As noted previously, the assessment area includes no low-income and one moderate-income census tract, representing only 5.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration based on the HMDA and small business loan categories, with primary emphasis on the bank's HMDA lending.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	2	2.9%	59	84.3%	9	12.9%	0	0.0%	**70**	**100%**
Refinance	0	0.0%	1	2.1%	40	85.1%	6	12.8%	0	0.0%	**47**	**100%**
Home Improvement	0	0.0%	0	0.0%	6	66.7%	3	33.3%	0	0.0%	**9**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**3**	**2.4%**	**105**	**83.3%**	**18**	**14.3%**	**0**	**0.0%**	**126**	**100%**
Owner-Occupied Housing	0.0%		3.3%		85.7%		11.0%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		2.3%		84.7%		13.0%		0.0%		**100%**	

The analysis of HMDA loans revealed excellent lending performance to borrowers residing in the moderate-income geography. The bank's total penetration of the moderate-income census tract by number of loans (2.4 percent) is in line with the percentage of owner-occupied housing units in the moderate-income census tract (3.3 percent) and the 2015 aggregate percentage (2.3 percent). Furthermore, community contacts noted a lack of housing supply in the moderate-income census tract. In addition, as previously stated, over 30 percent of the family population in the moderate-income tract is low-income. This reduces the likelihood of homeownership in this area; nevertheless, two of the bank's three loans in this tract were for home purchase.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	4	100.0%	0	0.0%	0	0.0%	**4**	**100%**
Business Institutions	0.0%		2.8%		86.9%		10.3%		0.0%		**100%**	
2015 Small Business Aggregate	0.0%		2.3%		85.8%		9.5%		2.3%		**100%**	

The bank did not make any small business loans in the moderate-income census tract, which is less than the 2015 aggregate lending percentage in the moderate-income census tract (2.3 percent) or the percentage of small businesses in the moderate-income census tract (2.8 percent). Nevertheless, as the percentage would indicate, there are limited opportunities for small business lending with only 131 businesses operating in the moderate-income census tract. Consequently, performance in the moderate-income census tract remains reasonable.

Lastly, based on reviews from both loan categories, Bear State Bank had loan activity in all assessment area census tracts. While this is indicative of no conspicuous lending gaps in LMI areas, it also provides additional context supporting an excellent rating for geographic distribution in this assessment area.

COMMUNITY DEVELOPMENT TEST

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

Community Development Activities North Central Arkansas NonMSA Assessment Area			
Community Development Component	**#**		**$**
Loans	3		$444,000
Investments, Current and Prior	21		$3.5 Million
Current Period	14		$2.6 Million
Prior Period, Still Outstanding	7		$925,000
Donations	51		$29,245
Services	90 Services	790 Hours	

- The bank participated with eight other financial institutions to extend a loan totaling $1.9 million to a local school for capital improvements to its sports facility. The school had a majority of students qualifying for free or reduced lunch. The bank's amount of participation in this loan was $332,000.

- The bank made nine current period investments totaling $1.8 million in municipal bonds for a local water district. The purpose of the bonds was for the acquisition, construction, installation, and equipping of water facilities in the assessment area. The improvements served to retain businesses and residents in the distressed portions of the assessment area.

- The bank made three current period investments totaling $225,000 and had two prior period investments totaling $455,000 in municipal bonds. The bonds were for the cost of construction and equipment for a local hospital, which served to retain residents in the distressed portions of the assessment area.

- The bank made one current period investment totaling $285,000 and had one prior period investment totaling $145,000 in school bonds for Marion County. These bonds were for improvements to a local school district in the moderate-income census tract of Marion County. As previously noted, this tract has a significant level of poverty. The improvements, while not part of a formal revitalization plan, help stabilize the area and provide an education service to students from families who are primarily LMI.

- The bank made seven donations totaling $3,900 to organizations serving families in the moderate-income census tract of Marion County. As previously noted, the areas in this tract struggle with poverty and have fewer opportunities for community development. The donations were to local schools, a food pantry, and a city park that all serve primarily LMI residents in Yellville and Flippin.

- Bank employees provided a significant level of services in this area, the majority as board members on various organizations throughout the assessment area, including chambers of commerce, education organizations, and homebuilder associations. While over 700 of the service hours benefited Baxter and Boone Counties, it is noted that approximately 50 service hours directly benefited families in the moderate-income census tract of Marion County. While the number of hours in Marion County is not large compared to the entire assessment area, community contacts noted this is a more impoverished area with fewer opportunities for community development. As a result, these services have a qualitative impact for the area and show the bank's willingness to serve the entire assessment area.

NONMETROPOLITAN ARKANSAS STATEWIDE AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MISSISSIPPI COUNTY

The bank operates one office in this assessment area, which includes the entirety of Mississippi County. The bank did not operate in this assessment area at its previous examination but entered the assessment area as part of the Heritage Bank National Association acquisition in February 2015. Through the acquisition, the bank acquired two offices and subsequently closed one. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	**Population Income Level**				**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	
Family Population	3,189 26.2%	2,104 17.3%	1,891 15.5%	5,001 41.0%	**12,185** **100%**
Household Population	4,416 25.7%	2,656 15.4%	2,761 16.1%	7,369 42.8%	**17,202** **100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	
Census Tracts	0 0.0%	4 33.3%	6 50.0%	2 16.7%	0 0.0%	**12** **100%**
Family Population	0 0.0%	3,457 28.4%	5,688 46.7%	3,040 24.9%	0 0.0%	**12,185** **100%**
Household Population	0 0.0%	4,748 27.6%	8,334 48.4%	4,120 24.0%	0 0.0%	**17,202** **100%**
Business Institutions	0 0.0%	546 39.9%	542 39.6%	282 20.6%	0 0.0%	**1,370** **100%**
Agricultural Institutions	0 0.0%	54 24.4%	111 50.2%	56 25.3%	0 0.0%	**221** **100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSISSIPPI COUNTY

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's Lending Test performance in the nonMSA assessment areas of the state of Arkansas that were reviewed using full-scope procedures, as detailed in the following table. For more information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix C*.

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

While the geographic distribution of loans revealed performance below that of the nonMSA portions of the state, greater consideration was given to the distribution of loans by borrower's profile, which was deemed consistent.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below performance in the assessment areas in the nonMSA portion of the state of Arkansas that were reviewed using full-scope procedures. The number and dollar amount of these activities are shown in the following table.

Community Development Activities Mississippi County NonMSA Assessment Area			
Community Development Component	**#**		**$**
Loans	0		$0
Investments, All Current	3		$950,000
Donations	13		$20,275
Services	4 Services	24 Hours	

While community development performance in this assessment area is below the excellent performance found in nonMSA Arkansas reviewed under full-scope procedures, it is still adequate, especially considering the bank operates only one branch in this assessment area. This level of performance does not diminish the overall Community Development Test rating for the state.

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 four branch offices in this assessment area, located as follows:

Number of Branch Locations by Census Tract Classification			
Low-Income	Moderate-Income	Middle-Income	Upper-Income
0	0	2	2

The bank did not operate in this assessment area at its previous examination but entered the assessment area as part of the First Federal Bank acquisition in February 2015. Through the acquisition, the bank acquired five offices and subsequently closed one branch during the review period. The bank also operates two stand-alone, deposit-taking ATMs. Based on the bank's branch structure and service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

Additionally, this was First Federal Bank's primary lending area during its last examination. While the current branch and deposit makeup for this assessment area is not as large as other assessment areas, the bank has 45.9 percent of its 2015 Arkansas HMDA lending in this assessment area. As a result, this assessment area was given equal weight to performance conclusions in the nonMSA assessment areas assessed using full-scope procedures.

General Demographics

The assessment area is comprised of Benton and Washington Counties in their entireties, two of the four counties that make up the Fayetteville-Springdale-Rogers, Arkansas-Missouri MSA (Fayetteville MSA). The assessment area is largely urban and is located in extreme northwestern Arkansas. The University of Arkansas, which has a 718-acre campus with a student enrollment of approximately 26,700 in 2015, is located in the MSA in the city of Fayetteville. Total population of this assessment area is 424,404.

This is a highly competitive banking market with 32 FDIC-insured depository institutions operating 188 branch offices in the assessment area. It is worth noting that one institution dominates this market with 47.5 percent of the deposit market share, while the institution that ranks second holds only 7.9 percent of the deposit market share. Of the FDIC-insured institutions with a branch presence in this assessment area, the bank ranked 18th in deposit market share, encompassing only 1.2 percent of total deposit dollars.

The population of this area is diverse, and credit needs in the area vary and include a mix of consumer and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include affordable housing, down payment assistance programs, and micro loans for small businesses. Furthermore, this assessment area is one with significant community development needs, many community development organizations, and a high level of community development opportunity.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	3	11	44	23	0	**81**
	3.7%	13.6%	54.3%	28.4%	0.0%	**100%**
Family Population	3,082	12,710	59,840	30,594	0	**106,226**
	2.9%	12.0%	56.3%	28.8%	0.0%	**100%**

As shown above, the majority of census tracts are middle-income. There are 3 low-income and 11 moderate-income census tracts that contain 14.9 percent of families.

According to 2010 U.S. Census data, the median family income for the assessment area was $55,241, which is well above the $48,491 median family income for the state of Arkansas. More recently, the FFIEC estimates the median family income for the Fayetteville MSA to be $58,700. The following table displays the distribution of assessment area families by income level compared to all Arkansas families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	20,777	19,113	21,786	44,550	**106,226**
	19.6%	18.0%	20.5%	41.9%	**100%**
Arkansas	162,389	137,133	153,290	309,951	**762,763**
	21.3%	18.0%	20.1%	40.6%	**100%**

While the table in the previous section shows that 14.9 percent of families reside in LMI census tracts, the table above shows that a significant percentage of families in the assessment area are LMI. The LMI family percentage of the assessment area (37.6 percent) is below the 39.3 percent of LMI families in Arkansas. Additionally, while not shown above, the percentage of families living below the poverty level in the assessment area, 10.3 percent, is well below the 13.5 percent found in Arkansas. This data points to an assessment area that is more affluent than the state of Arkansas.

Housing Demographics

The following table provides details of the housing demographics of the assessment area compared to the state of Arkansas as a whole.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Assessment Area	$154,932	29.9%	$685
Arkansas	$102,300	38.4%	$617

While income levels in the assessment area are above those of the state of Arkansas, housing in the assessment area is significantly less affordable than state comparisons. The housing demographics shown in the table above indicate that homeownership is a challenge for residents in the area.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. County business patterns indicate that there are 191,942 paid employees in the assessment area. By percentage of employees, the top three largest job categories in the assessment area are substantially similar. Retail trade leads with 12.9 percent of employees, followed closely by healthcare and social assistance (11.9 percent), and manufacturing (11.8 percent). This area is also home to three business entities that are dominating employers, including Wal-Mart, Tyson Foods, and J.B. Hunt. Many of the other business entities operating in the area provide adjunct supporting services to these businesses, such as the large number of area poultry farmers supplying chickens to Tyson Foods.

Unemployment Levels				
Dataset	**Time Period (Annual Average)**			
	2013	**2014**	**2015**	**2016**
Assessment Area	5.6%	4.6%	3.7%	2.8%
Arkansas	7.3%	6.1%	5.1%	4.0%

The table above details unemployment data for the assessment area and the state of Arkansas. As the table shows, unemployment levels have consistently declined and are much lower in the assessment area than in the state.

Community Contact Information

For this assessment area, two community contact interviews were conducted. One of the interviews was with an individual working in a housing development role, and the other was with an individual specializing in small business development.

Both contacts noted that the economy remains stable and is doing much better than the state as a whole. They also stated that the area continues to experience an influx of residents, and population is increasing. However, both contacts stated that while unemployment remains low, housing costs are high. The contacts further acknowledged that there is a plethora of opportunity in the area, and banks do a good job of meeting credit needs in the area.

The contact working in housing further stated that housing in the area is plentiful; however, with higher land prices, affordable housing projects are more costly than in other areas of the state. The contact explained that many low-income individuals are struggling, as minimum wage jobs make it difficult to maintain financially stable households. According to the contact, affordable housing, down payment assistance programs, and workforce development programs are needs for families in the area.

The individual specializing in small business development stated that the area is heavily dependent on its three main employers. The contact noted that banks do a good job meeting the needs of small businesses and that numerous sources of funding are available from the Small Business Administration (SBA) and the Economic Development Administration programs. Additional funding opportunities exist for small businesses in the area through various small business intermediaries. Training programs and micro loans were noted as needs for small business owners.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE FAYETTEVILLE ASSESSMENT AREA

LENDING TEST

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

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from the loan categories reviewed. While the bank's small business loan distribution by borrower's profile is poor, performance under the HMDA loan category is reasonable. Greater emphasis is placed on performance in the HMDA loan category given the bank's emphasis on HMDA lending.

The following table shows the distribution of HMDA reported loans by borrower income level in comparison to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	22	6.8%	62	19.1%	70	21.5%	153	47.1%	18	5.5%	**325**	**100%**
Refinance	0	0.0%	8	12.9%	12	19.4%	41	66.1%	1	1.6%	**62**	**100%**
Home Improvement	0	0.0%	1	10.0%	2	20.0%	7	70.0%	0	0.0%	**10**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2	100%	**2**	**100%**
TOTAL HMDA	**22**	**5.5%**	**71**	**17.8%**	**84**	**21.1%**	**201**	**50.4%**	**21**	**5.3%**	**399**	**100%**
Family Population	19.6%		18.0%		20.5%		41.9%		0.0%		**100%**	
2015 HMDA Aggregate	6.4%		12.8%		18.1%		43.5%		19.2%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (5.5 percent) is substantially below the low-income family population figure (19.6 percent), but similar to the 2015 aggregate lending level to low-income borrowers (6.4 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (17.8 percent) is in line with the moderate-income family population percentage (18.0 percent) and above aggregate lending levels of 12.8 percent, reflecting reasonable performance. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile is reasonable.

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 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	1	100%	**1**	**100%**
TOTAL	**0**	**0.0%**	**0**	**0.0%**	**1**	**100%**	**1**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**92.4%**	
Small Business Aggregate ≤ $1MM							**53.4%**	

The bank originated no small business loans to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 92.4 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small businesses is 53.4 percent. While this appears to reflect very poor performance, one community contact noted that numerous sources of funding are available from the SBA, the Economic Development Administration program, and various small business intermediaries to bridge any gaps in small business lending. Given this level of competition for small business loans, performance is poor.

Geographic Distribution of Loans

As noted previously, the assessment area includes 3 low-income and 11 moderate-income census tracts, representing 17.3 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.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	0.3%	20	6.2%	180	55.4%	124	38.2%	0	0.0%	**325**	**100%**
Refinance	3	4.8%	7	11.3%	31	50.0%	21	33.9%	0	0.0%	**62**	**100%**
Home Improvement	0	0.0%	0	0.0%	5	50.0%	5	50.0%	0	0.0%	**10**	**100%**
Multifamily	1	50.0%	1	50.0%	0	0.0%	0	0.0%	0	0.0%	**2**	**100%**
TOTAL HMDA	**5**	**1.3%**	**28**	**7.0%**	**216**	**54.1%**	**150**	**37.6%**	**0**	**0.0%**	**399**	**100%**
Owner-Occupied Housing	1.7%		8.7%		57.2%		32.4%		0.0%		**100%**	
2015 HMDA Aggregate	1.3%		7.1%		51.7%		39.9%		0.0%		**100%**	

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in low-income geographies. The bank's total penetration of low-income census tracts by number of loans (1.3 percent) is similar to the percentage of owner-occupied housing units in low-income census tracts (1.7 percent). The bank's performance in low-income census tracts also matches that of other lenders in the assessment area based on 2015 HMDA aggregate data. Similarly, bank performance in moderate-income census tracts was similar to the owner-occupied housing percentage (8.7 percent) and aggregate performance (7.1 percent). This reflects reasonable performance in moderate-income tracts. Combined, the bank's geographic distribution of HMDA loans in LMI geographies, 8.3 percent, is reasonable.

The bank's geographic distribution of small business loans was also reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	**1**	**100%**
Business Institutions	3.5%		17.9%		48.8%		29.7%		0.0%		**100%**	
2015 Small Business Aggregate	3.6%		15.1%		47.2%		32.7%		1.4%		**100%**	

The bank did not make any small business loans in low-income census tracts, which is below the estimated percentage of businesses operating inside these census tracts (3.5 percent) and 2015 aggregate lending levels in low-income census tracts (3.6 percent). However, the number of business institutions in the low-income census tracts is small, and with the aggregate performance exceeding demographic estimates, there are few, if any, opportunities remaining. Consequently, the bank's performance in low-income areas is reasonable.

However, the bank's lack of loans in moderate-income census tracts is significantly lower than the 2015 aggregate lending percentage in moderate-income census tracts (15.1 percent) and the percentage of small businesses in moderate-income census tracts (17.9 percent), representing very poor performance. Therefore, the bank's overall geographic distribution of small business loans is very poor.

Lastly, based on reviews from both loan categories, Bear State Bank had loan activity in 93.8 percent of all assessment area census tracts. While not all census tracts contain loans, the urban core of the Fayetteville MSA, where the majority of LMI census tracts are located, contain a variety of loans in all but one of the LMI census tracts. Therefore, no conspicuous lending gaps were noted in LMI areas.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs in this assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services.

As previously mentioned, this is a highly competitive banking market, and one financial institution dominates the area, with 47.5 percent of the deposit market share. Moreover, community contacts stated that banks are highly involved, and numerous organizations exist to aid in meeting the needs of the area. The bank's number and dollar amount of activities is similar to some peers and exceeds that of other peers. However, the qualitative impact of activities was assessed and carried more importance than the quantitative. The number and dollar of community development activities are shown in the following table, with noteworthy activities described below the table.

Community Development Activities
Fayetteville Assessment Area

Community Development Component	**#**		**$**
Loans	4		$1.8 Million
Investments, All Current	13		$4.4 Million
Donations	25		$31,055
Services	29 Services	83 Hours	

Noteworthy activities include:

- All four of the bank's community development loans were for affordable housing, a need specifically stated by the community contact working in a housing role. Three of these loans benefited Washington County, and the fourth loan benefited Benton County.

- The bank made eight investments in school bonds totaling $2.7 million. The bonds were construction bonds for three school districts in the assessment area, each of which primarily serve students qualifying for free or reduced lunch.

- The bank made five investments in municipal bonds totaling $1.7 million. These bonds were issued for improvements to parks, streets, and fire stations in a moderate-income census tract and water plants and sewer systems in middle-income census tracts. The investments improved specific areas of cities that contain the key employers in those cities. The investments helped employers create and maintain job opportunities to primarily LMI employees.

- Donations benefited LMI children and youth throughout the entire assessment area. While individual donation amounts were not typically large, eight combined donations made directly to organizations acting as advocates for LMI children and youth totaled $18,550.

JONESBORO, ARKANSAS METROPOLITAN STASTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE JONESBORO ASSESSMENT AREA

Bank Structure

The bank operates four branch offices in this assessment area, located as follows:

Number of Branch Locations by Census Tract Classification			
Low-Income	**Moderate-Income**	**Middle-Income**	**Upper-Income**
0	1	1	2

The bank did not operate in this assessment area at its previous examination but entered the assessment area as part of the Heritage Bank National Association acquisition in February 2015. Through the acquisition, the bank acquired seven offices. The bank closed three branches in this assessment area during the review period. The bank also operates two stand-alone ATMs that are cash dispensing only and one stand-alone ITM. Based on the bank's branch structure and service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of the entirety of Craighead County. Craighead County is one of two counties that make up the Jonesboro, Arkansas MSA (Jonesboro MSA). The assessment area is largely rural, with the exception of central Craighead County, which contains the city of Jonesboro. Jonesboro is home to Arkansas State University, a roughly 1,400-acre university with approximately 14,000 students enrolled in 2015. The city of Jonesboro is the central point for most of the economic activity in the northeast region of the state. The assessment area is located in northeast Arkansas and had a population of 96,443.

This is a competitive banking market, with 16 FDIC-insured depository institutions operating 44 branch offices in the assessment area. Of the FDIC-insured institutions with a branch presence in this assessment area, the bank ranked fifth in deposit market share, encompassing 6.7 percent of total 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 community contacts, include start-up loans for small businesses and small dollar home improvement loans.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	1	4	7	5	0	**17**
	5.9%	23.5%	41.2%	29.4%	0.0%	**100%**
Family Population	909	5,032	10,593	8,037	0	**24,571**
	3.7%	20.5%	43.1%	32.7%	0.0%	**100%**

As shown above, the assessment area includes one low-income and four moderate-income census tracts that contain 24.2 percent of families. The one low-income census tract primarily contains Arkansas State University and its surrounding rental properties for students.

According to the 2010 U.S. Census, the median family income for the assessment area ($52,540) is well above the median family income for the state of Arkansas ($48,491). More recently, the FFIEC estimates the median family income for the Jonesboro MSA is $54,100. The following table displays the distribution of assessment area families by income level compared to all Arkansas families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	5,599	3,869	4,474	10,629	**24,571**
	22.8%	15.7%	18.2%	43.3%	**100%**
Arkansas	162,389	137,133	153,290	309,951	**762,763**
	21.3%	18.0%	20.1%	40.6%	**100%**

As the table in the previous section shows, a large percentage of families (24.2 percent) reside in LMI census tracts; however, the table above shows that a much larger percentage of families in the assessment area are considered LMI. Nevertheless, the LMI family percentage of the assessment area (38.5 percent) is in line with the 39.3 percent of LMI families in Arkansas. Conversely, while not shown above, the percentage of families living below the poverty level in the assessment area, 15.4 percent, is above the 13.5 percent found in Arkansas. This data points to an assessment area that is less affluent than the state of Arkansas.

Housing Demographics

Housing demographics for the assessment area and the state of Arkansas are shown in the following table.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Assessment Area	$107,300	36.6%	$600
Arkansas	$102,300	38.4%	$617

As the previous table shows, housing in Craighead County is less affordable than the state of Arkansas. This table, in conjunction with income levels previously discussed, shows that while families in Craighead County earn a larger income, housing is more expensive and less affordable. As a result, data shows that there are numerous rental options in the assessment area, with rental units encompassing 35.1 percent of all housing stock; this exceeds the 27.7 percent figure for the state of Arkansas. However, rental costs in the area are more burdensome compared to the state, when considering income levels of renters. In this assessment area, 44.9 percent of all renters have rental costs that exceed 30 percent of their income, compared to 42.5 percent in the state of Arkansas.

When considering housing options by geography, rental units make up 68.8 percent of all housing in the one low-income census tract; the inclusion of a university and multifamily housing supporting it are driving factors. Similarly, housing units in the four moderate-income census tracts are also primarily rental; 50.0 percent compared to 38.1 percent owner-occupied. These are stark differences from housing units in middle- and upper-income census tracts, where owner-occupied units make up 61.7 percent and 69.1 percent of all housing, respectively. This information indicates that fewer opportunities for homeownership exist in LMI census tracts and that middle- and upper-income geographies offer the greatest likelihood of homeownership.

<u>Industry and Employment Demographics</u>

The assessment area contains a variety of establishments; however, by number of employees, two industry types are dominating forces in the area. County business patterns indicate that there are 40,662 paid employees in the assessment area, with healthcare and social assistance (24.6 percent) and retail trade (17.0 percent) having lead roles.

The following table details unemployment data for the assessment area and the state of Arkansas.

Unemployment Levels				
Dataset	Time Period (Annual Average)			
	2013	2014	2015	2016
Assessment Area	6.6%	5.5%	4.4%	3.3%
Arkansas	7.3%	6.1%	5.1%	4.0%

As the table shows, unemployment rates for the assessment area and the state have consistently declined. Moreover, the assessment area's unemployment rate has regularly been lower than the state's unemployment rate.

<u>Community Contact Information</u>

For this assessment area, two community contact interviews were conducted. One of the interviews was with an individual working in a housing development role, and the other was with an individual specializing in economic development. Both contacts noted that the economy is improving, with an increasing population and a decreasing unemployment rate in recent years.

The contact working in housing development stated that there is a mixture of new and older homes in the area. However, the northern side of Jonesboro has the greatest concentration of older housing in the area, which is seeing an increased need of home repair. According to this contact, home repair and rehab is the greatest need regarding housing. Further, poor credit histories remain barriers for many individuals seeking home purchase loans, and therefore, the area could benefit from more credit counseling programs as a result. The contact noted a need for increased collaboration between banks and community groups/nonprofits in order to provide funding for housing targeted to LMI residents.

The contact specializing in economic development stated that banking competition is fierce in the area but that the rural northern portion of Craighead County remains underserved compared to the remaining portion of the MSA. This has led to an increased importance of small businesses and small farms. The contact explained the need for small dollar start-up loans to small businesses, acknowledging that intermediaries are available but are unable to keep up with the demand in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JONESBORO ASSESSMENT AREA

LENDING TEST

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

Moreover, while the bank's volume of sampled small farm loan originations is low (seven total), opportunities are plentiful outside the urban core of Jonesboro, where the LMI census tracts are located. Specifically, the middle- and upper-income census tracts house 344 of the 367 farms in the assessment area. As a result, small farm loans were included in the analysis for this assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from all three loan categories reviewed, with the greatest emphasis on HMDA loans. The following table shows the distribution of HMDA-reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	5	6.9%	17	23.6%	10	13.9%	31	43.1%	9	12.5%	**72**	**100%**
Refinance	1	2.9%	2	5.9%	6	17.6%	18	52.9%	7	20.6%	**34**	**100%**
Home Improvement	0	0.0%	1	9.1%	1	9.1%	6	54.5%	3	27.3%	**11**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	3	100.0%	**3**	**100%**
TOTAL HMDA	**6**	**5.0%**	**20**	**16.7%**	**17**	**14.2%**	**55**	**45.8%**	**22**	**18.3%**	**120**	**100%**
Family Population	22.8%		15.7%		18.2%		43.3%		0.0%		**100%**	
2015 HMDA Aggregate	5.1%		13.7%		17.8%		38.9%		24.5%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (5.0 percent) is substantially below the low-income family population figure (22.8 percent), but similar to the 2015 aggregate lending level to low-income borrowers (5.1 percent). Additionally, five of the six loans made to low-income borrowers were made in the home purchase category, which a community contact noted as an area where numerous barriers exist for these borrowers. As a result, performance to low-income borrowers is reasonable.

The bank's level of lending to moderate-income borrowers (16.7 percent) is above both the moderate-income family population percentage (15.7 percent) and aggregate lending levels of 13.7 percent. In addition, the bank provided the vast majority of HMDA lending in the home purchase category and extended one loan for home improvement purposes, both categories noted by community contacts as needs in the area. Therefore, HMDA lending to moderate-income borrowers reflects excellent performance. Considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile (21.7 percent) is reasonable.

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 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue
January 1, 2015 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	15	57.7%	2	7.7%	2	7.7%	**19**	**73.1%**
Greater than $1 Million/Unknown	6	23.1%	1	3.8%	0	0.0%	**7**	**26.9%**
TOTAL	**21**	**80.8%**	**3**	**11.5%**	**2**	**7.7%**	**26**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.9%**	
Small Business Aggregate ≤ $1MM							**36.6%**	

The bank originated the majority of its small business loans (73.1 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 90.9 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small businesses is 36.6 percent. In addition, 15 of the bank's 19 loans to small businesses (78.9 percent) were for an amount less than or equal to $100,000. This directly aligns with the greatest small business need noted by the community contact specializing in economic development. As a result, the bank's level of lending to small businesses is excellent.

Small farm loans were also reviewed to determine lending levels to farms of different sizes. The following table shows the distribution of 2015 small farms loans by loan amount and farm revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Farm Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$500**			
$1 Million or Less	4	57.1%	1	14.3%	0	0.0%	**5**	**71.4%**
Greater than $1 Million/Unknown	1	14.3%	0	0.0%	1	14.3%	**2**	**28.6%**
TOTAL	**5**	**71.4%**	**1**	**14.3%**	**1**	**14.3%**	**7**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**98.4%**	
Small Farm Aggregate ≤ $1MM							**33.6%**	

The bank originated the majority of its small farm loans (71.4 percent) to farms with revenues of $1 million or less. In comparison, assessment area demographics estimate that 98.4 percent of farms in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small farms is 33.6 percent. In addition, four of the bank's five loans to small farms (80.0 percent) were for an amount less than or equal to $100,000. This directly aligns with the greatest need noted by the community contact specializing in economic development. As a result, the bank's level of lending to small farms is excellent.

Geographic Distribution of Loans

As noted previously, the assessment area includes one low-income and four moderate-income census tracts, representing 29.4 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 loan categories reviewed.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	8	11.1%	23	31.9%	41	56.9%	0	0.0%	**72**	**100%**
Refinance	0	0.0%	4	11.8%	18	52.9%	12	35.3%	0	0.0%	**34**	**100%**
Home Improvement	0	0.0%	0	0.0%	5	45.5%	6	54.5%	0	0.0%	**11**	**100%**
Multifamily	1	33.3%	1	33.3%	1	33.3%	0	0.0%	0	0.0%	**3**	**100%**
TOTAL HMDA	**1**	**0.8%**	**13**	**10.8%**	**47**	**39.2%**	**59**	**49.2%**	**0**	**0.0%**	**120**	**100%**
Owner-Occupied Housing	1.0%		16.7%		45.3%		37.0%		0.0%		**100%**	
2015 HMDA Aggregate	0.6%		16.4%		35.3%		47.6%		0.0%		**100%**	

The bank's total penetration of the low-income census tract by number of loans (0.8 percent) aligns with the percentage of owner-occupied housing units in the low-income census tract (1.0 percent). The bank's performance is also in line with that of other lenders in the assessment area based on 2015 HMDA aggregate data, which indicate that 0.6 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in the low-income geography. Additionally, only 10.4 percent of housing in the low-income census tract is owner-occupied, with 68.9 percent being rental, which limits the available opportunities. The bank's loan in this tract was in the multifamily category, which is the most probable housing option for University of Arkansas students residing in this tract. As a result, HMDA loans revealed reasonable lending performance to borrowers residing in the low-income geography.

Bank performance in moderate-income census tracts was below comparison data but still deemed reasonable in light of performance context. The bank's total penetration of moderate-income census tracts by number of loans (10.8 percent) is below the percentage of owner-occupied housing units in moderate-income census tracts (16.7 percent). The bank's performance in moderate-income census tracts is also below that of other lenders based on aggregate lending data, which indicate that 16.4 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts. However, 50.0 percent of homes in moderate-income tracts are rental. Furthermore, the bank made 13 loans in these tracts despite aggregate performance meeting the demographic. This indicates that the needs of these tracts are being met through combined efforts of Bear State Bank and the aggregate. Combined, the bank's geographic distribution of HMDA loans in LMI geographies, 11.6 percent, is reasonable.

The bank's geographic distribution of small business loans was also reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography

January 1, 2015 through December 31, 2015

	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	1	3.8%	6	23.1%	11	42.3%	8	30.8%	0	0.0%	**26**	**100%**
Business Institutions	1.8%		32.7%		27.6%		37.9%		0.0%		**100%**	
2015 Small Business Aggregate	1.1%		26.6%		31.0%		39.2%		2.0%		**100%**	

The bank's level of lending in the low-income census tract (3.8 percent) is above the estimated percentage of businesses operating inside the census tract (1.8 percent) and 2015 aggregate lending levels (1.1 percent). Consequently, the bank's performance in low-income areas is excellent. The bank's percentage of loans in moderate-income census tracts (23.1 percent) is in line with the 2015 aggregate lending percentage in moderate-income census tracts (26.6 percent) and below the percentage of small businesses in moderate-income census tracts (32.7 percent), representing reasonable performance. Therefore, the bank's overall geographic distribution of small business loans is reasonable.

The bank's geographic distribution of small farm loans was also reviewed. The following table displays 2015 small farm loan activity by geography income level compared to the location of farms throughout this assessment area and 2015 small farm aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	0	0.0%	7	100.0%	0	0.0%	0	0.0%	**7**	**100%**
Agricultural Institutions	0.0%		6.3%		54.8%		39.0%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		2.0%		60.5%		35.2%		2.3%		**100%**	

While community contacts noted the importance of small farms in this area, the previous table shows that there is *de minimis* opportunity in LMI census tracts with no farms located in the low-income tract and only 23 farms located in moderate-income tracts. While bank performance is below comparison data in the moderate-income tracts, the absence of opportunities severely diminishes the likelihood of lending in these tracts. However, as shown above, the bank made all of its small farm loans to farms located in the middle-income census tracts, which is well above demographic and aggregate comparisons in those tracts. As a result, small farm lending for geographic distribution is deemed reasonable.

Lastly, based on reviews from the three loan categories, Bear State Bank had loan activity in all assessment area census tracts. This is indicative of no conspicuous lending gaps in the assessment area.

COMMUNITY DEVELOPMENT TEST

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

Community Development Activities Jonesboro Assessment Area			
Community Development Component	**#**		**$**
Loans	5		$5.8 Million
Investments, All Current	6		$1.6 Million
Donations	42		$44,095
Services	33 Services	206 Hours	

Noteworthy activities include:

- The bank originated four multifamily loans qualifying under affordable housing, totaling $5.7 million. Each of these apartment complexes primarily house LMI individuals, and, as a result, LMI individuals directly benefit. Community contacts noted that banks are somewhat conservative about lending to projects directly benefitting LMI individuals in the area; these loans have qualitative impact on addressing that need.

- The bank originated a loan totaling $100,000 for the purchase and rehabilitation of a daycare facility. The daycare facility primarily cares for children from LMI families and is located in the northeastern portion of the county, which one community contact stated is underserved.

- All six of the investments were in bonds used for constructing, equipping, and/or renovating three different school districts and the local university serving primarily LMI students.

- The bank made five donations totaling $17,125 for economic development of businesses in downtown Jonesboro and the small farms on the outskirts of the county. These donations have qualitative impact in addressing the need for cooperation between small businesses and farms in the area, as noted by a community contact.

- The bank made two donations totaling $4,000 to a local housing authority. Both of these donations were part of a partnership grant through Bear State Bank that provides first-time homebuyers and low-income families with homeownership and credit counseling, needs noted by a community contact.

HOT SPRINGS, ARKANSAS METROPOLITAN STASTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE HOT SPRINGS MSA

This assessment area includes the entirety of Garland County. The bank operates three offices in this assessment area and a stand-alone ITM. During the review period, the bank moved its existing headquarters from this assessment area and closed one branch office. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	**Population Income Level**				**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	
Family Population	5,342 20.8%	4,439 17.3%	5,434 21.1%	10,516 40.9%	**25,731** **100%**
Household Population	9,285 23.1%	6,642 16.5%	7,425 18.5%	16,794 41.8%	**40,146** **100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	
Census Tracts	1 5.0%	4 20.0%	10 50.0%	5 25.0%	0 0.0%	**20** **100%**
Family Population	407 1.6%	3,687 14.3%	13,880 53.9%	7,757 30.1%	0 0.0%	**25,731** **100%**
Household Population	794 2.0%	6,361 15.8%	21,199 52.8%	11,792 29.4%	0 0.0%	**40,146** **100%**
Business Institutions	91 1.8%	905 18.2%	2,420 48.8%	1,547 31.2%	0 0.0%	**4,963** **100%**
Agricultural Institutions	2 2.9%	6 8.6%	37 52.9%	25 35.7%	0 0.0%	**70** **100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE HOT SPRINGS MSA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's Lending Test performance in the assessment areas in the MSA portions of the state of Arkansas that were reviewed using full-scope procedures, as detailed in the following table. For more detailed information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix C*.

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

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is consistent with the bank's Community Development Test performance in the assessment areas in the MSA portions of the state of Arkansas that were reviewed using full-scope procedures. The number and dollar amount of these activities are shown in the following table.

Community Development Activities Hot Springs MSA			
Community Development Component	**#**		**$**
Loans	0		$0
Investments, All Current	2		$510,000
Donations	31		$21,975
Services	37 Services	304 Hours	

Both investments were to revitalize and stabilize water treatment plants in the county, which help retain individuals and businesses in the area. One water treatment plant serves a largely rural portion of the county that contains LMI geographies, and the second treatment plant serves the key businesses vital to the city's tourism industry. Further, the bank's level of donations and services exceed that of peer banks and involve a variety of different community development organizations throughout the entire assessment area. As a result, the community development activities in this assessment area are consistent with bank performance in the MSA Arkansas areas reviewed under full-scope procedures.

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

(Limited-Scope Review)

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

This assessment area includes the entireties of Pulaski and Faulkner Counties, two of the six counties that make up the Little Rock-North Little Rock-Conway, Arkansas MSA. The bank operates two offices in this assessment area, including its main office. While the bank is headquartered in this assessment area, deposit and lending data are minimal. During the review period, the bank moved its headquarters to this assessment area, acquired one branch, opened one branch, and closed three branch offices. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	**Population Income Level**				**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	
Family Population	28,305	22,284	24,154	50,448	**125,191**
	22.6%	17.8%	19.3%	40.3%	**100%**
Household Population	49,435	32,584	34,513	79,556	**196,088**
	25.2%	16.6%	17.6%	40.6%	**100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	**Geography Income Level**					**TOTAL**
	Low-	**Moderate-**	**Middle-**	**Upper-**	**Unknown-**	
Census Tracts	11	33	46	29	1	**120**
	9.2%	27.5%	38.3%	24.2%	0.8%	**100%**
Family Population	7,454	30,112	47,263	40,362	0	**125,191**
	6.0%	24.1%	37.8%	32.2%	0.0%	**100%**
Household Population	13,753	48,054	73,262	61,019	0	**196,088**
	7.0%	24.5%	37.4%	31.1%	0.0%	**100%**
Business Institutions	1,463	7,625	9,404	9,268	3	**27,763**
	5.3%	27.5%	33.9%	33.4%	0.0%	**100%**
Agricultural Institutions	10	50	182	160	0	**402**
	2.5%	12.4%	45.3%	39.8%	0.0%	**100%**

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

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's Lending Test performance in the assessment areas in the MSA portions of the state of Arkansas that were reviewed using full-scope procedures, as detailed in the following table. For more detailed information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix C*.

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

While the geographic distribution of loans revealed performance below that of the MSA portions of the state, greater consideration was given to the distribution of loans by borrower's profile, which was deemed consistent.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below the bank's Community Development Test performance in the assessment areas in the MSA portions of the state of Arkansas that were reviewed using full-scope procedures. The number and dollar amount of these activities are shown in the following table.

Community Development Activities Little Rock Assessment Area			
Community Development Component	**#**		**$**
Loans	1		$1.1 Million
Investments, Current and Prior	11		$3.9 Million
Current Period	8		$3.5 Million
Prior Period, Still Outstanding	3		$448,229
Donations	16		$64,299
Services	13 Services	204 Hours	

While community development performance in this assessment area is below the excellent performance found in MSA Arkansas areas reviewed under full-scope procedures, it is still adequate. Performance in this assessment area does not diminish the overall Community Development Test rating for the state.

TEXARKANA, TEXAS-ARKANSAS METROPOLITAN STASTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE TEXARKANA ASSESSMENT AREA

This assessment area includes the entirety of Little River and Miller Counties, the two counties that make up the Arkansas portion of the Texarkana, Texas-Arkansas MSA. The bank operates one office in this assessment area, and, during the review period, the bank did not open any branches but closed one branch office. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	3,885 25.4%	2,668 17.5%	3,250 21.3%	5,478 35.8%	**15,281** **100%**
Household Population	6,110 27.8%	3,443 15.7%	3,977 18.1%	8,452 38.4%	**21,982** **100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	3 18.8%	1 6.3%	9 56.3%	2 12.5%	1 6.3%	**16** **100%**
Family Population	1,704 11.2%	960 6.3%	9,556 62.5%	3,042 19.9%	19 0.1%	**15,281** **100%**
Household Population	2,425 11.0%	1,616 7.4%	13,814 62.8%	4,108 18.7%	19 0.1%	**21,982** **100%**
Business Institutions	326 14.9%	196 9.0%	1,236 56.5%	423 19.3%	8 0.4%	**2,189** **100%**
Agricultural Institutions	4 3.0%	1 0.8%	99 74.4%	29 21.8%	0 0.0%	**133** **100%**

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE TEXARKANA ASSESSMENT AREA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's Lending Test performance in the assessment areas in the MSA portions of the state of Arkansas that were reviewed using full-scope procedures, as detailed in the following table. For more information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix C*.

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

While the geographic distribution of loans revealed performance below that of the MSA portions of the state, greater consideration was given to the distribution of loans by borrower's profile, which was deemed consistent.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below the bank's Community Development Test performance in the assessment areas in the MSA portions of the state of Arkansas that were reviewed using full-scope procedures. The number and dollar amount of these activities are shown in the following table.

Community Development Activities Texarkana Assessment Area			
Community Development Component	**#**		**$**
Loans	0		$0
Investments, All Current	1		$510,000
Donations	17		$13,500
Services	9 Services	140 Hours	

While community development performance in this assessment area is below performance found in MSA Arkansas areas reviewed under full-scope procedures, it does not diminish the overall Community Development Test rating for the state.

CRA RATING FOR MISSOURI: Satisfactory
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Satisfactory

Major factors supporting the institution's Missouri rating include the following.

- The borrower's distribution of loans in Missouri reflects reasonable penetration among individuals of different income levels, including LMI levels, and businesses and farms of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout Missouri.
- The bank's community development performance demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need for and availability of such opportunities for community development in Missouri.

SCOPE OF EXAMINATION

Scoping considerations applicable to the review of Missouri assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. However, as the bank's small farm loan activity and opportunity is *de minimis* in the assessment area reviewed under full-scope procedures, the small farm lending category did not play a material role in the evaluation of lending performance in the Springfield assessment area.

The bank's ratings in the state of Missouri reflect a composite of the bank's performance in both of its assessment areas throughout the state. As detailed in the next section, the bank's CRA performance in its Springfield assessment area was evaluated using full-scope review procedures. This assessment area contains 80.0 percent of the bank's Missouri offices, 89.0 percent of the bank's Missouri deposits, and 93.2 percent of the 2015 HMDA loans in Missouri; consequently, performance in this assessment area primarily shaped the bank's state rating.

To augment the evaluation of the full-scope review assessment area in Missouri, three community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local economic conditions. Two of the interviews were with representatives specializing in economic development, and the remaining interview was with a representative from a local housing authority. Details from these interviews are included in the *Description of Institution's Operations* section for the Springfield assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MISSOURI

Bear State Bank operates ten offices (23.8 percent of total branches) throughout the two assessment areas in the state of Missouri.

The following table gives additional detail regarding the bank's operations in Missouri.

Assessment Area	Offices		Deposits As of June 30, 2016		2015 HMDA Loans		Review Procedures
	#	%	$ (000s)	%	#	%	
Springfield	8	80.0%	$319,440	89.0%	315	93.2%	Full Scope
Barton County	2	20.0%	$39,342	11.0%	23	6.8%	Limited Scope
TOTAL	**10**	**100%**	**$358,782**	**100%**	**338**	**100%**	**1 Full Scope**

During the review period, the bank entered the state of Missouri through the acquisition of 12 branches of Metropolitan National Bank and closed two branches in the state.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSOURI

LENDING TEST

Bear State Bank's Lending Test rating for the state of Missouri is Satisfactory. The bank's overall distribution of loans by borrower's income and revenue profile reflects reasonable penetration among borrowers of different income levels and businesses and farms of different sizes. Furthermore, the bank's overall geographic distribution of loans reflects excellent penetration throughout the state of Missouri.

Borrower and Geographic Distribution

Overall, the bank's performance by borrower's income and revenue profile is reasonable in Missouri.

Full-Scope Review Area	Loan Distribution by Borrower's Profile
Springfield-Branson Combined Statistical Area (CSA)	Reasonable
OVERALL	**Reasonable**

Limited-Scope Review Area	Loan Distribution by Borrower's Profile
NonMSA Missouri Statewide Area	Consistent

The bank's overall geographic distribution of loans reflects excellent penetration throughout Missouri.

Full-Scope Review Area	Geographic Distribution of Loans
Springfield-Branson CSA	Excellent
OVERALL	**Excellent**

Limited-Scope Review Area	Geographic Distribution of Loans
NonMSA Missouri Statewide Area	Below

While geographic distribution performance in nonMSA Missouri is below that of the state, it is still deemed adequate and does not diminish the overall rating of the state of Missouri.

COMMUNITY DEVELOPMENT TEST

Bear State Bank's Community Development Test rating in the state of Missouri is Satisfactory. The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of Missouri assessment areas, considering the bank's capacity and the need/availability of such opportunities for community development. The bank has addressed the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

Full-Scope Review Area	Community Development Performance
Springfield-Branson CSA	Adequate
OVERALL	**Satisfactory**

Limited-Scope Review Area	Community Development Performance
NonMSA Missouri Statewide Area	Consistent

The following table shows the number and dollar of community development activities made in Missouri assessment areas.

Community Development Activities Inside Missouri Assessment Areas			
Community Development Component	**#**		**$**
Loans	6		$9.4 Million
Investments, All Current	8		$1.4 Million
Donations	89		$68,870
Services	125 Services	1,282 Hours	

In addition to the loans cited above, the bank also originated one community development loan for $2.0 million to an organization serving a greater regional area that includes the bank's Springfield assessment area. This loan was a revolving line of credit and part of the Low Income Housing Tax Credit program designed to create market incentives for the acquisition and development of affordable housing. The line of credit served three MSAs in the state of Missouri: Springfield, Joplin, and Kansas City.

In addition to serving the needs of its Missouri assessment areas, the bank participated in several community development activities benefitting Missouri communities outside its assessment areas. The following table shows the number and dollar amount of these activities, with descriptions of the most qualitative activities described below the table.

Community Development Activities Outside Assessment Areas in Missouri June 3, 2013 – June 11, 2017		
Community Development Component	**#**	**$**
Loans	2	$11.2 Million
Total Investments, all Current	6	$1.5 Million
Donations	3	$5,500

- The bank originated a loan totaling $6.2 million for the construction of a shopping center in a moderate-income census tract in Kansas City, Missouri. The loan was made through a citywide revitalization effort to address vacant areas of Kansas City.

- The bank originated a loan totaling $4.9 million for the construction of a nursing home facility in St. Genevieve, where the majority of the occupants receive Medicaid.

SPRINGFIELD-BRANSON, MISSOURI COMBINED STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SPRINGFIELD ASSESSMENT AREA

Bank Structure

The bank operates eight branch offices in this assessment area, located as follows:

Number of Branch Locations by Census Tract Classification				
Low-Income	**Moderate-Income**	**Middle-Income**	**Middle-Income and Distressed (Unemployment)**	**Upper-Income**
0	2	3	3	0

The bank did not operate in this assessment area at its previous examination but entered the assessment area as part of the Metropolitan National Bank acquisition in February 2016. Through the acquisition, the bank acquired ten offices in this assessment area. The bank closed two offices in this assessment area during the review period. Based on the bank's branch structure and service delivery systems, the bank is well positioned to deliver financial services to substantially all of the assessment area.

General Demographics

The assessment area is comprised of three counties of the Springfield, Missouri MSA (Christian, Greene, and Webster Counties) and the entirety of the Branson, Missouri micropolitan statistical area (Stone and Taney Counties), which is part of nonMSA Missouri. Together, these two areas make up the Springfield-Branson, Missouri Combined Statistical Area (Springfield CSA).

The assessment area had a population of 472,675 and has large pockets of rural areas that surround the more populated cities of Springfield and Branson. Springfield is located in Greene County in the northern portion of the assessment area and is home to several colleges, including the county's largest, considering enrollment in 2015: Missouri State University-Springfield (22,273) and Ozarks Technical Community College (13,614). Branson, located in Taney County in the southern portion of this assessment area, is nestled in an area of numerous lakes, Mark Twain National Forest, and a 100-acre theme park. As a result, the southern area is popular for tourists and individuals looking to retire. The assessment area is located in southern Missouri, bordering the Arkansas state line and extends approximately 60 miles north into the state of Missouri.

This is a highly competitive banking market, with 41 FDIC-insured depository institutions operating 221 branch offices in the assessment area. Of the FDIC-insured institutions with a branch presence in this assessment area, the bank ranked tenth in deposit market share, encompassing only 3.3 percent of total deposit dollars.

Credit needs in the assessment area vary and include a mix of consumer and business loan products. Affordable housing, small business lending through intermediaries, workforce development, credit counseling services, and homeownership counseling programs were noted by community contacts as specific needs in the area.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	3	21	59	17	0	**100**
	3.0%	21.0%	59.0%	17.0%	0.0%	**100%**
Family Population	1,015	16,964	81,491	24,459	0	**123,929**
	0.8%	13.7%	65.8%	19.7%	0.0%	**100%**

As shown above, the majority of census tracts are middle-income; these census tracts also contain the majority of the family population. However, the combined 24.0 percent of LMI census tracts contain only 14.5 percent of families. Furthermore, 15 of the nonMSA middle-income census tracts are distressed due to unemployment. The vast majority of the LMI tracts are located in Greene County, centralized in and around the city of Springfield.

Median family income, according to 2010 U.S. Census data, is $51,952 for the assessment area compared to $57,661 for the state of Missouri. While the median family income for the assessment area is lower than state figures, it is noted that Webster County has the lowest median family income of the entire Springfield CSA.

More recently, the FFIEC estimates the median family income for the Springfield MSA is $55,900 and for nonMSA Missouri is $49,700. The following table displays the distribution of assessment area families by income level compared to all Missouri.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	22,815 18.4%	22,697 18.3%	27,725 22.4%	50,692 40.9%	**123,929** **100%**
Missouri	318,048 20.6%	279,308 18.1%	335,189 21.7%	613,964 39.7%	**1,546,509** **100%**

As the first table in this section shows, only 14.5 percent of families reside in LMI census tracts; however, the table above shows that a much larger percentage of families in the assessment area are considered LMI. Nevertheless, the LMI family percentage of the assessment area (36.7 percent) is below the 38.7 percent of LMI families in Missouri. Similar to median family income levels previously discussed, Webster County has a higher LMI population, 44.1 percent. Poverty levels in the assessment area, 10.5 percent, are also similar to the state of Missouri figure of 10.0 percent.

Housing Demographics

The following table displays assessment area housing demographics compared to the state of Missouri as a whole.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Assessment Area	$130,812	32.3%	$640
Missouri	$137,700	33.6%	$667

The table shows that the median housing value and monthly gross rent are lower in the assessment area but less affordable than in the state of Missouri. However, housing and rental properties are likely out of reach of much of the LMI population in Stone and Taney Counties due to higher housing costs and monthly rent costs. Moreover, rentals appear to be more burdensome in Greene and Taney Counties, which contain the largest cities in the assessment area. In Greene County, 47.1 percent of renters have rental costs that exceed 30 percent of their income compared to 43.2 percent for the state of Missouri. Similarly, in Taney County, 39.2 percent of renters have rental costs that exceed 30 percent of their income. This table, in conjunction with income levels previously discussed, show that while families in most assessment area counties earn a larger income, housing is more expensive and less affordable.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. County business patterns indicate that there are 197,276 paid employees in the assessment area. By percentage of employees, the three largest job categories in the assessment area are healthcare and social assistance (16.7 percent), followed by retail trade (14.9 percent) and accommodation and food services (12.8 percent).

The table below details unemployment data for each county of the assessment area, the assessment area as a whole, and the state of Missouri.

Unemployment Levels				
Dataset	**Time Period (Annual Average)**			
	2013	**2014**	**2015**	**2016**
Christian County	5.5%	4.9%	4.2%	3.9%
Greene County	5.5%	4.9%	4.1%	3.8%
Stone County	10.5%	9.7%	7.9%	7.0%
Taney County	10.6%	9.8%	8.1%	7.4%
Webster County	6.8%	6.1%	5.1%	4.9%
Total Assessment Area	**6.4%**	**5.7%**	**4.8%**	**4.4%**
Missouri	6.7%	6.2%	5.0%	4.5%

The table shows that each county of the assessment area as well as the state of Missouri has experienced a decreasing trend in unemployment since 2013. However, unemployment levels remain substantially higher in Stone and Taney Counties.

Community Contact Information

Three community contact interviews were conducted in this assessment area: two serving the Springfield MSA and one serving Taney County. Interviews were with individuals working in small business development, affordable housing, and economic development roles.

The contacts serving the Springfield MSA categorized the economy as experiencing growth and low unemployment. The contact specializing in small business development indicated that recent expansion has primarily been in small restaurants, microbreweries, and recreational facilities. Despite the growing economy, the contact noted that workforce development programs are needed to help LMI individuals obtain the skills needed to advance to higher paying jobs. In addition, the contact noted a need for small business counseling services and small business lending intermediaries for entrepreneurs who may not qualify for traditional financing.

The contact working in housing described some differences in housing throughout the Springfield MSA. Specifically, the housing stock northwest of Springfield is older, tends to be occupied by LMI individuals, and includes very little new construction. However, the housing market southeast of Springfield is primarily comprised of more expensive homes and a lot of new construction. The contact noted that, in addition to the occupancy differences in homeownership, barriers exist in qualifying LMI individuals for rental units due to poor credit

history. As a result, the contact noted a need for credit and homeownership counseling programs and more affordable rental housing.
The contact serving Taney County indicated that, while the local economy has improved since the recession, Taney County is more economically distressed than the nearby Springfield MSA. This contact noted that Taney County, specifically the city of Branson, has an economy that centers around tourism. Accordingly, this brings unique challenges, including seasonal unemployment trends, the need for additional housing during peak tourism months, and the need for affordable housing for individuals permanently residing in the county. The contact added that affordable housing is a need in Taney County, specifically an increase in the housing stock for LMI individuals and families, noting that there is a complete absence of available inventory for homes under $150,000. The contact further explained that high property values and the added expense of building in rocky terrain make affordable housing developments difficult to finance in Taney County. The contact also stated that the biggest need for businesses is for capital projects greater than $10 million, and that the area has numerous SBA lenders and service providers that adequately serve the small business sector.

All three contacts agreed that the banking environment is competitive and that banks are generally active in meeting the credit needs of the community and participating in community development efforts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SPRINGFIELD ASSESSMENT AREA

LENDING TEST

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

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from both categories reviewed. The following table shows the distribution of HMDA-reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	16	8.0%	47	23.4%	48	23.9%	76	37.8%	14	7.0%	**201**	**100%**
Refinance	6	6.4%	11	11.7%	30	31.9%	30	31.9%	17	18.1%	**94**	**100%**
Home Improvement	0	0.0%	5	27.8%	5	27.8%	6	33.3%	2	11.1%	**18**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	**2**	**100%**
TOTAL HMDA	**22**	**7.0%**	**63**	**20.0%**	**83**	**26.3%**	**112**	**35.6%**	**35**	**11.1%**	**315**	**100%**
Family Population	18.4%		18.3%		22.4%		40.9%		0.0%		**100%**	
2015 HMDA Aggregate	5.9%		16.0%		18.3%		31.2%		28.7%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (7.0 percent) is substantially below the low-income family population figure (18.4 percent), but above the 2015 aggregate lending level to low-income borrowers (5.9 percent), reflecting reasonable performance. However, the bank's level of lending to moderate-income borrowers (20.0 percent) is above the moderate-income family population percentage (18.3 percent) and aggregate lending levels of 16.0 percent, reflecting excellent performance. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile (27.0 percent) is reasonable.

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 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	9	40.9%	2	9.1%	4	18.2%	**15**	**68.2%**
Greater than $1 Million/Unknown	4	18.2%	2	9.1%	1	4.5%	**7**	**31.8%**
TOTAL	**13**	**59.1%**	**4**	**18.2%**	**5**	**22.7%**	**22**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**92.0%**	
Small Business Aggregate ≤ $1MM							**46.4%**	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (68.2 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 92.0 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small businesses is 46.4 percent.

Geographic Distribution of Loans

As noted previously, the assessment area includes 3 low-income and 21 moderate-income census tracts, representing 24.0 percent of all assessment area census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects excellent penetration throughout these LMI census tracts, based on the loan categories reviewed, with primary emphasis on the bank's HMDA lending.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	0.5%	26	12.9%	131	65.2%	43	21.4%	0	0.0%	**201**	**100%**
Refinance	0	0.0%	20	21.3%	54	57.4%	20	21.3%	0	0.0%	**94**	**100%**
Home Improvement	0	0.0%	3	16.7%	13	72.2%	2	11.1%	0	0.0%	**18**	**100%**
Multifamily	0	0.0%	1	50.0%	1	50.0%	0	0.0%	0	0.0%	**2**	**100%**
TOTAL HMDA	**1**	**0.3%**	**50**	**15.9%**	**199**	**63.2%**	**65**	**20.6%**	**0**	**0.0%**	**315**	**100%**
Owner-Occupied Housing	0.4%		13.2%		65.0%		21.4%		0.0%		**100%**	
2015 HMDA Aggregate	0.6%		10.2%		64.1%		25.1%		0.0%		**100%**	

The analysis of HMDA loans revealed reasonable lending performance to borrowers residing in low-income geographies, especially in light of limited housing stock in the low-income census tracts. The bank's total penetration of low-income census tracts by number of loans (0.3 percent) is similar to the percentage of owner-occupied housing units in low-income census tracts (0.4 percent) and performance of other lenders in the assessment area (0.6 percent).

Bank performance in moderate-income census tracts was higher than comparison data and deemed excellent. The bank's total penetration of moderate-income census tracts by number of loans (15.9 percent) is above the percentage of owner-occupied housing units in moderate-income census tracts (13.2 percent). The bank's performance in moderate-income census tracts is also well above that of other lenders based on aggregate lending data, which indicate that 10.2 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in moderate-income census tracts.

Combined, the bank's geographic distribution of HMDA loans in LMI geographies, 16.2 percent, is excellent when compared to the demographic of 13.6 percent and the aggregate performance of 10.8 percent.

Second, the bank's geographic distribution of small business loans was reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	7	31.8%	10	45.5%	5	22.7%	0	0.0%	**22**	**100%**
Business Institutions	0.6%		19.9%		61.1%		18.4%		0.0%		**100%**	
2015 Small Business Aggregate	0.3%		18.9%		57.5%		21.7%		1.6%		**100%**	

Similar to the HMDA lending category, the bank's level of lending in low-income census tracts (0.0 percent) is in line with the estimated percentage of businesses operating inside these census tracts (0.6 percent) and 2015 aggregate lending levels in low-income census tracts (0.3 percent). Given the *de minimis* opportunity in these tracts, the bank's performance in low-income areas is reasonable. The bank's percentage of loans in moderate-income census tracts (31.8 percent) is significantly higher than the 2015 aggregate lending percentage in moderate-income census tracts (18.9 percent) and the percentage of small businesses in moderate-income census tracts (19.9 percent), representing excellent performance. Therefore, the bank's overall geographic distribution of small business loans (31.8 percent) is excellent when compared to the demographic of 20.5 percent and aggregate performance of 19.2 percent.

Lastly, based on reviews from the three loan categories, Bear State Bank had loan activity in 83.0 percent of all assessment area census tracts. While not all census tracts contain HMDA, small business, and/or small farm loans, the urban core of the Springfield MSA, where the majority of LMI census tracts are located, contain a variety of loans in the majority of those LMI census tracts. Therefore, no conspicuous lending gaps were noted in LMI areas.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to community development needs in the assessment area, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services. The number of community development activities are noted in the following table, with noteworthy activities detailed below the table.

Community Development Activities Springfield Assessment Area			
Community Development Component	**#**		**$**
Loans	6		$9.4 Million
Investments, All Current	5		$890,000
Donations	77		$60,577
Services	120 Services	1,217 Hours	

Noteworthy activities include:

- The bank extended five loans totaling $7.9 million for the purchase, refinance, and/or improvement of apartment complexes throughout the assessment area. The complexes serve primarily LMI residents in Taney County (city of Branson), Christian County (city of Nixa), and Greene County (cities of Springfield and Ozark). These loans provide affordable rental housing in the assessment area, a need noted by community contacts.

- The bank extended a loan totaling $1.5 million for the refinance of a development center's primary facility. The refinancing allowed the center to continue operations uninterrupted The center serves primarily children from LMI families in the city of Springfield.

- The bank made six donations totaling $12,385 to an economic development organization in the city of Springfield. The organization works to assist existing businesses, attract new businesses, grow the workforce, and support entrepreneurship in the city. This was noted by one community contact as a direct need of the area.

- The bank made eight donations totaling $15,150 for revitalization/stabilization efforts throughout the assessment area. One donation totaled $5,000 and benefited the city of Marshfield in Webster County. The donation was part of the Growth for the Rural Ozarks grant andpart of a formal business development plan for the area. Six donations totaled $9,650 and were part of formal revitalization plans for the city of Springfield. The remaining donation was to a local nonprofit in Taney County for the retention of businesses in the distressed county. Each of these donations helps grow and retain small businesses in the area, a need noted by one community contact.

- Services in the area were diverse and were provided to a variety of community development organizations throughout all five counties of the assessment area. Highlighted services by employees include fundraising and serving as board members for a Boys and Girls Club, a local housing agency, and a nonprofit working to alleviate poverty. Each of these organizations primarily serves LMI individuals and families.

NONMETROPOLITAN MISSOURI STATEWIDE AREA

(Limited-Scope Review)

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

This assessment area includes the entirety of Barton County and census tract 4802.00 of Dade County, all in in nonMSA Missouri. The bank did not operate in this assessment area at its previous examination but entered it with two offices as part of the Metropolitan National Bank acquisition in February 2016. During the review period, the bank did not close any branches. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Population Income Level					
Demographic Type	Population Income Level				TOTAL
	Low-	Moderate-	Middle-	Upper-	
Family Population	907	898	1,079	1,679	**4,563**
	19.9%	19.7%	23.6%	36.8%	**100%**
Household Population	1,441	896	1,390	2,631	**6,358**
	22.7%	14.1%	21.9%	41.4%	**100%**

	Assessment Area Demographics by Geography Income Level					
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	0	1	3	0	0	**4**
	0.0%	25.0%	75.0%	0.0%	0.0%	**100%**
Family Population	0	956	3,607	0	0	**4,563**
	0.0%	21.0%	79.0%	0.0%	0.0%	**100%**
Household Population	0	1,374	4,984	0	0	**6,358**
	0.0%	21.6%	78.4%	0.0%	0.0%	**100%**
Business Institutions	0	90	547	0	0	**637**
	0.0%	14.1%	85.9%	0.0%	0.0%	**100%**
Agricultural Institutions	0	31	163	0	0	**194**
	0.0%	16.0%	84.0%	0.0%	0.0%	**100%**

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

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's Lending Test performance in the state of Missouri, as detailed in the following table. For more information relating to the bank's Lending Test performance in this assessment area, see the tables in *Appendix C*.

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

While the geographic distribution of loans revealed performance below the excellent level of the state, performance was still adequate. Furthermore, greater consideration was given to the distribution of loans by borrower's profile, which was deemed consistent.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is consistent with the bank's Community Development Test performance in the state of Missouri. The following table gives the number of community development activities in this assessment area.

Community Development Activities Barton County Assessment Area			
Community Development Component	**#**		**$**
Loans	0		$0
Investments, All Current	3		$500,000
Donations	12		$8,293
Services	5 Services	65 Hours	

CRA RATING FOR OKLAHOMA: Satisfactory
The Lending Test is rated: Satisfactory
The Community Development Test is rated: Outstanding

Major factors supporting the institution's Oklahoma rating include the following:

- The borrower's distribution of loans reflects reasonable penetration among individuals of different income levels, including LMI levels and businesses of different sizes.

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

- The bank's community development performance demonstrates excellent responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need and availability for such opportunities for community development in the state of Oklahoma.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of the Oklahoma assessment area are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. However, as the bank's small farm loan activity is *de minimis* in Oklahoma, the small farm lending category did not play a material role in the evaluation of lending performance in the state. Furthermore, demographic information indicates a low level of opportunity available. Consequently, small farm lending activity is not addressed in the evaluation of the Lending Test for the state of Oklahoma. There is only one assessment area in Oklahoma; therefore, it was reviewed using full-scope examination procedures, and performance in this assessment area is the entire basis for the state rating. In light of the bank's limited presence in the Oklahoma assessment area, the state of Oklahoma carried little weight in the overall rating of the bank.

To augment the evaluation of the Oklahoma assessment area, two community contact interviews were conducted to ascertain specific community credit needs, community development opportunities, and local market conditions.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN OKLAHOMA

The bank's deposits in Oklahoma total $56.6 million, which equates to 3.4 percent of total bank deposits. The majority of these deposits (54.0 percent) are attributable to the bank's branch in Idabel, Oklahoma.

Bank Structure

The bank operates two branches in Oklahoma, located as follows.

Number of Branch Locations by Census Tract Classification			
Low-Income	Moderate-Income	Middle-Income, Distressed and Underserved (Poverty and Remote Rural)	Upper-Income
0	1	1	0

The bank operated two branches in this assessment area at its previous examination and did not open or close any branches during the review period. Overall lending volume in Oklahoma was extremely low during the review period. Based on the bank's branch presence and limited highway options in the assessment area, the bank is positioned to serve only the areas along U.S. Highway 70 and nearest to the branch locations.

General Demographics

The assessment area is comprised of the entirety of McCurtain County and is located in the extreme southeast corner of Oklahoma. This assessment area is rural and contains part of the Ouachita National Forest, two state parks, and numerous lakes and rivers that span from the northern part of the county to the national forest in the southernmost part of the county.

This assessment area contains a significant American Indian population. Of the total population of 33,151, the American Indian population of 6,297 is the leading minority population by far in this area, accounting for 19.0 percent of the total assessment area population. The assessment area is also part of the Choctaw Nation, which provides housing, banking, education, and many other services to much of the American Indian population. Because the Choctaw Nation provides numerous homebuyer programs and financing opportunities through in-house financing, banks serving this area face significant barriers in serving the American Indian population.

The largest cities in the assessment area, Idabel and Broken Bow, serve as central hubs for all roads in the area, Idabel for the southern portions and Broken Bow for the central and northern portions of the county. Because the area is sparsely populated with only a few highway options, banks have limited options for brick and mortar offices. There are 5 FDIC-insured depository institutions operating 12 offices in this assessment area. Of these 12 offices, 9 are located along U.S. Highway 70 in the cities of Broken Bow and Idabel and are in close proximity to one another; two offices are along the same highway in the westernmost portion of the county; and one is approximately seven miles north of the highway, also in the westernmost portion of the county. The bank ranked fourth in deposit market share, encompassing 10.9 percent of total deposit dollars.

As noted from community contacts, credit needs include affordable housing for residents and funding for small businesses. As described under "Community Contact Information" later in this section, banks have worked with other organizations in an effort to provide services to individuals, businesses, and farms outside of those areas they could reasonably be expected to serve on their own.

Income and Wealth Demographics

The following table reflects the number of census tracts by geography income level and the family population of those census tracts in the assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	1 12.5%	1 12.5%	6 75.0%	0 0.0%	0 0.0%	**8** **100%**
Family Population	998 11.1%	1,430 15.9%	6,547 73.0%	0 0.0%	0 0.0%	**8,975** **100%**

As shown above, there is one low-income and one moderate-income census tract in the assessment area. However, the majority of census tracts are middle-income, which are all distressed and underserved due to poverty and remote rural location. Of the total families in the assessment area, 27.0 percent reside in LMI tracts.

According to 2010 U.S. Census data, the median family income for the assessment area was $42,404, which is well below the $47,864 median family income for nonMSA Oklahoma as a whole. More recently, the FFIEC estimates the median family income for nonMSA Oklahoma to be $52,700. The following table displays the distribution of assessment area families by income level compared to all nonMSA Oklahoma families.

Family Population by Income Level					
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**TOTAL**
Assessment Area	2,888 32.2%	1,223 13.6%	1,852 20.6%	3,012 33.6%	**8,975** **100%**
NonMSA Oklahoma	73,396 21.4%	60,817 17.7%	70,849 20.6%	138,535 40.3%	**343,597** **100%**

While the table in the previous section shows that 27.0 percent of families reside in LMI census tracts, the table above shows that a much larger percentage of families in the assessment area are LMI. The LMI family percentage of the assessment area (45.8 percent) is well above the 39.1 percent of LMI families in nonMSA Oklahoma. Additionally, while not shown above, the percentage of families living below the poverty level in the assessment area, 22.5 percent, is nearly double the 13.5 percent found in nonMSA Oklahoma. This data points to an assessment area that is much less affluent than nonMSA Oklahoma.

Housing Demographics

While the assessment area is less affluent than nonMSA Oklahoma, housing in the assessment area is less affordable than nonMSA comparisons. Housing demographics are shown in the following table.

Housing Demographics			
Dataset	**Median Housing Value**	**Affordability Ratio**	**Median Gross Rent (monthly)**
Assessment Area	$71,500	43.5%	$511
NonMSA Oklahoma	$81,758	46.0%	$555

While housing values in the assessment area are lower than nonMSA Oklahoma, the affordability ratio is lower, indicating less affordability. Furthermore, while median gross rents in the assessment area appear to be more affordable compared to nonMSA Oklahoma, rentals appear to be more burdensome in the assessment area; 39.4 percent of renters have rental costs that exceed 30 percent of their income compared to 36.2 percent in nonMSA Oklahoma.

Industry and Employment Demographics

The assessment area contains a variety of establishments; however, by number of employees, one industry plays a dominant role in the area. County business patterns indicate that of the 8,699 paid employees in the assessment area, manufacturing leads with 28.2 percent. Nevertheless, there are only a small number of manufacturing establishments in this area, indicating that the area is heavily dependent on the stability of those few manufacturing establishments.

Unemployment Levels				
Dataset	**Time Period (Annual Average)**			
	2013	**2014**	**2015**	**2016**
Assessment Area	9.5%	8.1%	7.9%	7.2%
Oklahoma	5.3%	4.5%	4.4%	4.9%

The table above details unemployment data in the assessment area and the state of Oklahoma. As the table shows, unemployment in the assessment area is declining but remains much higher than state figures.

Community Contact Information

For this assessment area, two community contact interviews were conducted. One of the interviews was with a local housing authority and the other with an economic development office.

The community contact interviewees noted that while the economy is improving, real estate is aging and many of the homes need renovations. However, due to increased building and upkeep costs, the area struggles to obtain contractors to do the needed renovations. Both contacts noted that poverty is a hurdle for the area but that various programs are available to bridge the gap for individuals and families.

Furthermore, both contacts noted a limited number of highway options in the assessment area and described the impact of the Choctaw Nation in providing basic needs, including financial and housing needs, for the American Indian population throughout the assessment area. The contacts described how the Choctaw Nation’s primary objective centers around the American Indian communities, and that while it offers some barriers for local banks, it also provides financial services to people and areas that banks cannot reasonably be expected to serve. The contact specializing in economic development further stated that limited highway options restrict the availability of office space for new businesses, making it difficult to fulfill the business growth needs defined by the cities of Broken Bow and Idabel.

The interviewees stated that most of the opportunities available to banks are limited to local chamber of commerce programs, tourism activities, and schools. One contact further explained that while affordable housing is a need, banks face challenges that limit them from fulfilling this need outside the cities of Broken Bow and Idabel. However, in coordinating efforts with outside agencies, banks, including Bear State Bank, have been successful in addressing the needs of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN OKLAHOMA

LENDING TEST

As previously noted, the bank has low lending levels in the state of Oklahoma. The overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Similarly, the bank's overall geographic distribution of loans reflects reasonable penetration throughout the assessment area.

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is reasonable, based on performance from the loan categories reviewed. The following table shows the distribution of HMDA reported loans by borrower income level compared to family population income demographics for the assessment area. Additionally, 2015 aggregate data for the assessment area is displayed.

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	1	25.0%	0	0.0%	1	25.0%	2	50.0%	0	0.0%	**4**	**100%**
Refinance	0	0.0%	0	0.0%	0	0.0%	2	100.0%	0	0.0%	**2**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**1**	**16.7%**	**0**	**0.0%**	**1**	**16.7%**	**4**	**66.7%**	**0**	**0.0%**	**6**	**100%**
Family Population	32.2%		13.6%		20.6%		33.6%		0.0%		**100%**	
2015 HMDA Aggregate	5.4%		12.5%		17.0%		45.5%		19.6%		**100%**	

The bank's percentage of lending to low-income borrowers (16.7 percent) is well below the low-income family population figure (32.2 percent), but above the 2015 aggregate lending level to low-income borrowers (5.4 percent), reflecting reasonable performance. In contrast, the bank originated no loans to moderate-income borrowers, which is below both the moderate-income family population percentage (13.6 percent) and the aggregate lending levels of 12.5 percent, reflecting poor performance. Community contacts noted that poverty is a hurdle in the area but that various programs have been established to bridge the gap for individuals and families throughout the area. Furthermore, 17.2 percent of LMI households are Native American, which community contacts noted are primarily served by the Choctaw Nation. Therefore, considering performance to both income categories, the bank's overall distribution of HMDA loans by borrower's profile (16.7 percent) is reasonable.

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 2015 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	<u><</u>$100		**>$100 and <u><</u>$250**		**>$250 and <u><</u>$1,000**			
$1 Million or Less	2	28.6%	1	14.3%	2	28.6%	**5**	**71.4%**
Greater than $1 Million/Unknown	2	28.6%	0	0.0%	0	0.0%	**2**	**28.6%**
TOTAL	**4**	**57.1%**	**1**	**14.3%**	**2**	**28.6%**	**7**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.7%**	
Small Business Aggregate ≤ $1MM							**40.1%**	

The bank's level of lending to small businesses is reasonable. The bank originated the majority of its small business loans (71.4 percent) to businesses with revenues of $1 million or less. In comparison, assessment area demographics estimate that 90.7 percent of businesses in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small businesses is 40.1 percent.

<u>Geographic Distribution of Loans</u>

As noted previously, the assessment area includes one low-income and one moderate-income census tract, representing 25.0 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.

The following table displays the geographic distribution of 2015 HMDA loans compared to owner-occupied housing demographics for the assessment area and aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	1	25.0%	3	75.0%	0	0.0%	0	0.0%	**4**	**100%**
Refinance	0	0.0%	0	0.0%	2	100.0%	0	0.0%	0	0.0%	**2**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**1**	**16.7%**	**5**	**83.3%**	**0**	**0.0%**	**0**	**0.0%**	**6**	**100%**
Owner-Occupied Housing	9.9%		11.9%		78.2%		0.0%		0.0%		**100%**	
2015 HMDA Aggregate	5.8%		21.4%		72.8%		0.0%		0.0%		**100%**	

The analysis of HMDA loans revealed poor lending performance to borrowers residing in low-income geographies. The bank originated no loans in the low-income census tract, well below the percentage of owner-occupied housing units in the low-income census tract (9.9 percent). The bank's performance in the low-income census tract is also below that of other lenders in the assessment area based on 2015 HMDA aggregate data, which indicate that 5.8 percent of aggregate HMDA loans inside this assessment area were made to borrowers residing in low-income geographies. Meanwhile, the bank's total penetration of moderate-income census tracts by number of loans (16.7 percent) is well above the percentage of owner-occupied housing units in moderate-income census tracts (11.9 percent) and slightly below performance by aggregate lenders (21.4 percent). This represents reasonable performance.

However, it is worth noting that 82 institutions make up the aggregate, and 81 of those have no branch presence in the area. The vast majority of these institutions are mortgage companies, online mortgage lenders, or extremely large institutions with a nationwide lending footprint that purchased loans in the secondary market capacity. Of the five FDIC-insured institutions in this area, only Bear State Bank reports HMDA data; this means that the remaining four FDIC-insured institutions' performance is not captured in the data above unless funded through a secondary market investor. Moreover, as the leading aggregate institutions deal exclusively online and in a secondary market capacity, the true performance of other local institutions is unknown. Furthermore, bank performance in the distressed and underserved census tracts outperforms both demographic and aggregate comparisons. Therefore, the bank's overall geographic distribution of HMDA loans is reasonable.

The bank's geographic distribution of small business loans was also reviewed. The following table displays 2015 small business loan activity by geography income level compared to the location of businesses throughout this assessment area and 2015 small business aggregate data.

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	7	100.0%	0	0.0%	0	0.0%	**7**	**100%**
Business Institutions	8.3%		33.3%		58.4%		0.0%		0.0%		**100%**	
2015 Small Business Aggregate	9.7%		26.8%		57.6%		0.0%		5.8%		**100%**	

The bank did not make any small business loans in the low-income census tract. Consequently, the bank's performance in the low-income tract is poor. Similarly, the bank did not make any small business loans in the moderate-income census tract, which is also poor. While an absence of lending could be indicative of very poor performance, the bank's overall geographic distribution of small business loans is merely poor when considering performance context. Specifically, one community contact noted that the limited highway options have restricted the cities located in the two LMI tracts from fulfilling business growth initiatives, indicating that business opportunities remain stagnant. Additionally, none of the lenders making up aggregate performance are located in the assessment area, and these lenders are focused on online lending, which skews true performance of local lenders with a branch presence.

Lastly, based on reviews from both loan categories, Bear State Bank had loan activity in half of all assessment area census tracts. Additionally, there was low loan volume in this area; however, the loans were originated along the only thoroughfare throughout the county. While not all census tracts contain HMDA and/or small business loans, the majority of census tracts without loans were middle-income. Therefore, no conspicuous lending gaps were noted in LMI areas.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs in Oklahoma, considering the bank's capacity and the need and availability of such opportunities for community development. The bank addressed these needs through community development loans, qualified investments, and community development services. Activities are shown in the following table, with noteworthy activities described after the table.

Community Development Activities Oklahoma Assessment Area			
Community Development Component	**#**		**$**
Loans	4		$9.4 Million
Investments, All Current	3		$180,000
Donations	64		$20,987
Services	85 Services	1,044 Hours	

Noteworthy activities include:

- The bank extended a line of credit for $3.7 million and subsequently renewed the line of credit for the same amount. The line of credit and subsequent renewal were to an organization that provides essential farming needs for the underserved portions of the area and serves to retain businesses and residents throughout the low-income and distressed portions of the area.

- The bank extended a loan totaling $1.0 million for the improvement of rental units earmarked for low-income residents of McCurtain County. This provides improvements to low-income residents seeking affordable housing, which was noted as the greatest need in the area by both community contacts.

- The bank originated a loan totaling $1.1 million for economic development purposes. The loan was extended to a small business that provides permanent jobs to LMI individuals. As both community contacts named poverty as a large hurdle in this area, these jobs are vital to retain and improve conditions for LMI residents.

- The bank made five donations totaling $6,850 to promote agriculture and farming activities in the area. Each of these donations helped revitalize and stabilize the distressed and underserved portions of the county by retaining farming businesses in a primary rural area.

- The bank donated $2,800 to a local hospital. The two donations serve to revitalize and stabilize the area, and the hospital provides essential health and medical needs to the underserved communities in the county.

- As part of a scholarship program, the bank made seven donations of $250 (totaling $1,750) to a local college in the county. The donations paid a portion of tuition for four LMI students in the county. The scholarship program helps meet essential education needs of the underserved communities in the county.

In addition to meeting the community development needs of its Oklahoma assessment area, the bank also made one community development loan totaling $1.2 million. The loan was for the construction of a store and helped to revitalize and stabilize a moderate-income census tract in McIntosh County, Oklahoma.

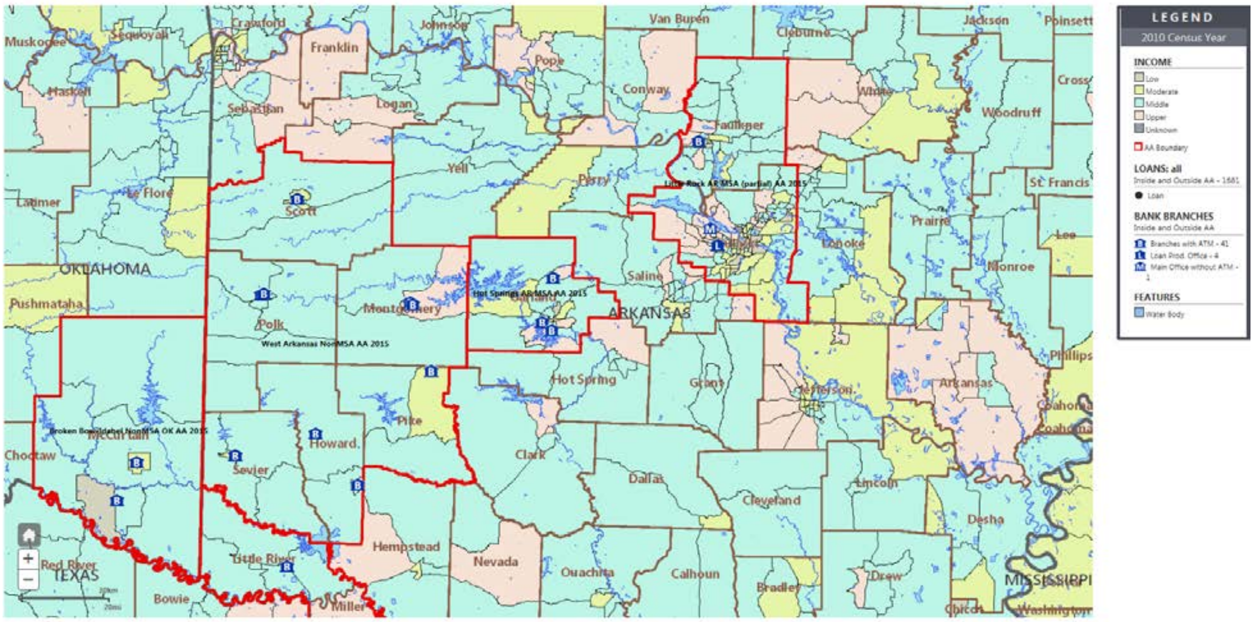
SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	January 1, 2015 – December 31, 2015 for HMDA, small business, and small farm lending. June 3, 2013 – June 11, 2017 for community development loan, investment, and service activities		
FINANCIAL INSTITUTION Bear State Bank Little Rock, Arkansas			**PRODUCTS REVIEWED** HMDA Small Business Small Farm
AFFILLIATE(S) N/A	**AFFILIATE RELATIONSHIP** N/A		**PRODUCTS REVIEWED** N/A

ASSESSMENT AREA – EXAMINATION SCOPE DETAILS					
Assessment Area	**Rated Area**	**# of Offices**	**Deposits ($000s) (as of 6/30/2016)**	**Branches Visited**	**CRA Review Procedures**
Southwest NonMSA	Arkansas	9	$318,253	0	Full-Scope
North Central NonMSA	Arkansas	6	$410,681	0	Full-Scope
Mississippi County NonMSA	Arkansas	1	$23,327	0	Limited-Scope
Fayetteville	Arkansas	4	$106,298	0	Full-Scope
Jonesboro	Arkansas	4	$155,914	0	Full-Scope
Hot Springs	Arkansas	3	$131,152	0	Limited-Scope
Little Rock	Arkansas	2	$42,563	1	Limited-Scope
Texarkana	Arkansas	1	$38,700	0	Limited-Scope
Springfield	Missouri	8	$319,440	0	Full-Scope
Barton County	Missouri	2	$39,342	0	Limited-Scope
NonMSA Oklahoma	Oklahoma	2	$56,578	0	Full-Scope
OVERALL		**42**	**$1,642,248**	**1**	**6 Full-Scope**

Southwest nonMSA, Hot Springs, and Little Rock Assessment Areas

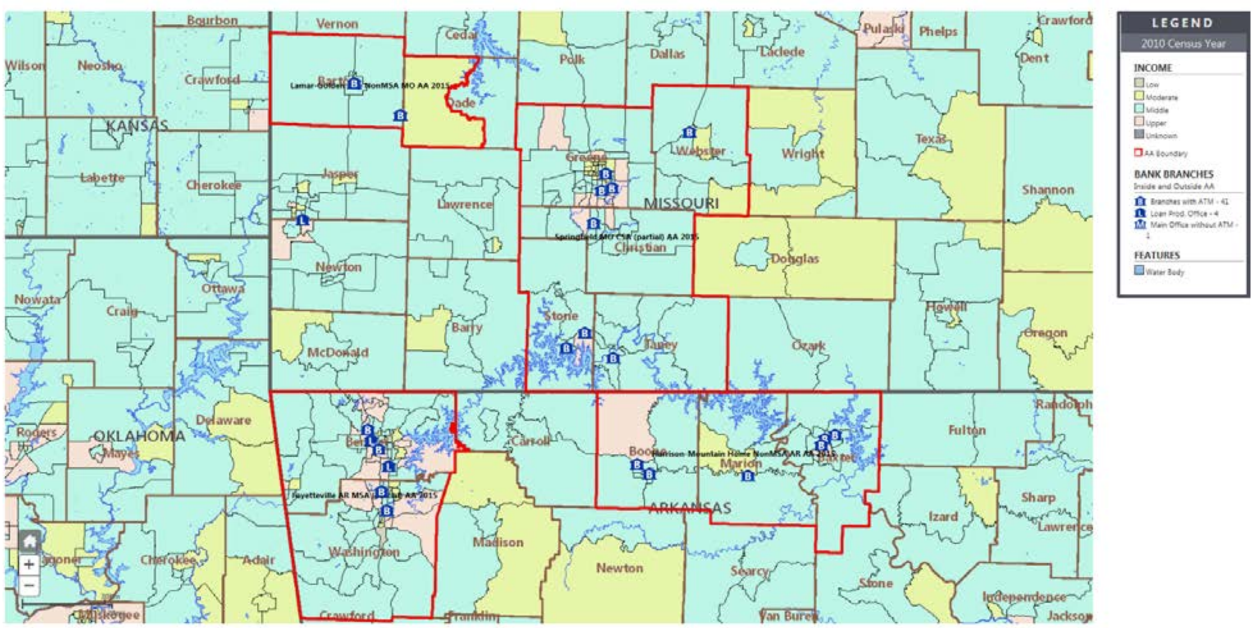
Bear State Bank - Little Rock, Arkansas
Assessment Areas - Central and Southwestern Arkansas



Tract Income

North Central nonMSA, Fayetteville, Springfield, and Barton County Assessment Areas

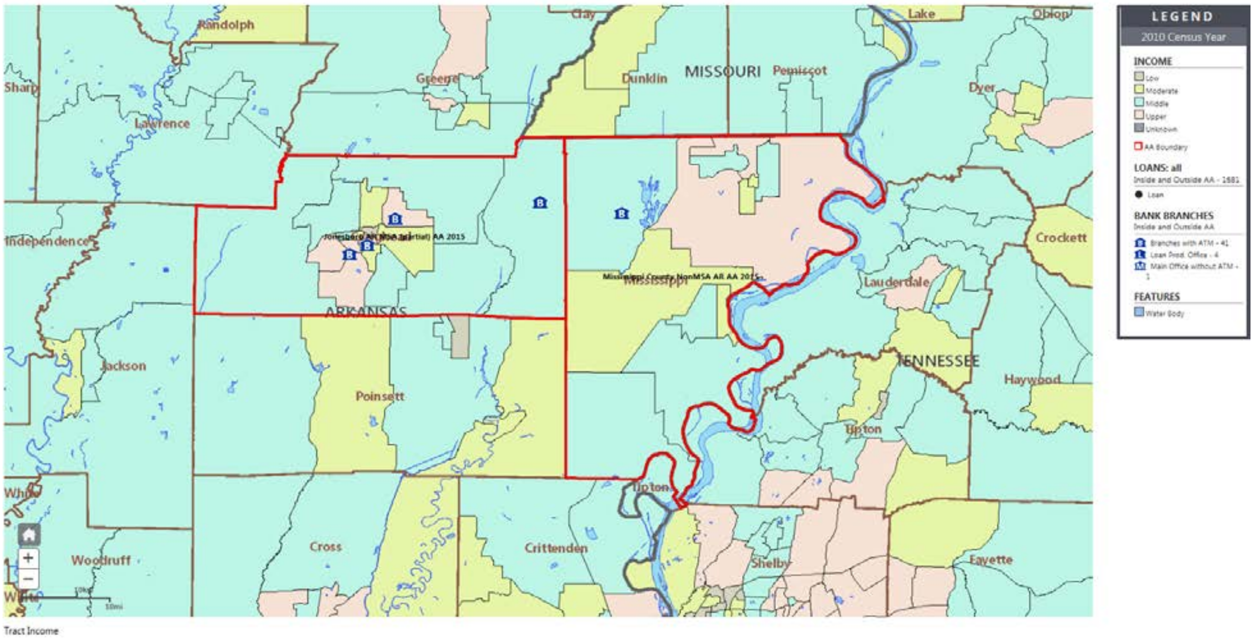
Bear State Bank - Little Rock, Arkansas
Assessment Areas - Southwestern Missouri and Northwestern Arkansas



Tract Income

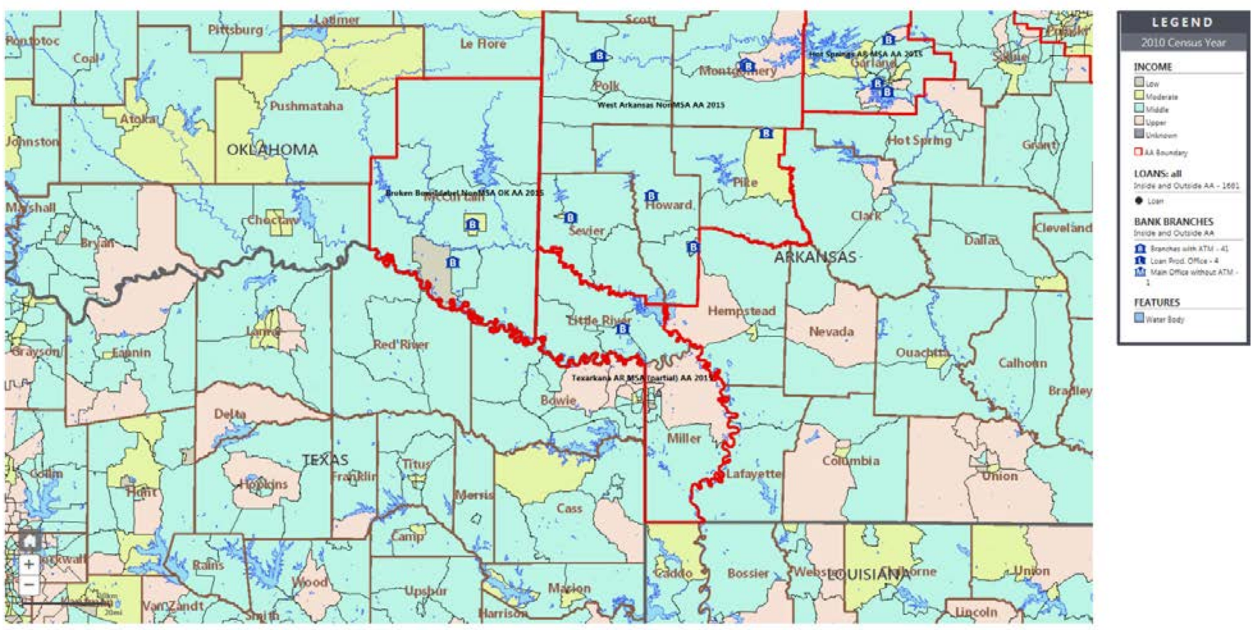
Jonesboro and Mississippi County Assessment Areas

Bear State Bank - Little Rock, Arkansas
Assessment Areas - Northeastern Arkansas



Texarkana and Oklahoma Assessment Areas

Bear State Bank - Little Rock, Arkansas
Assessment Areas - Texarkana, AR and Southeastern Oklahoma



SUMMARY OF STATE RATINGS

State	Lending Test Rating	Community Development Test Rating	Overall Rating
State of Arkansas	Satisfactory	Outstanding	**Satisfactory**
State of Missouri	Satisfactory	Satisfactory	**Satisfactory**
State of Oklahoma	Satisfactory	Outstanding	**Satisfactory**

LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW ASSESSMENT AREAS

Arkansas

Mississippi County Assessment Area

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	1	20.0%	0	0.0%	3	60.0%	1	20.0%	**5**	**100%**
Refinance	1	33.3%	0	0.0%	1	33.3%	1	33.3%	0	0.0%	**3**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	1	100.0%	0	0.0%	**1**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**1**	**11.1%**	**1**	**11.1%**	**1**	**11.1%**	**5**	**55.6%**	**1**	**11.1%**	**9**	**100%**
Family Population	26.2%		17.3%		15.5%		41.0%		0.0%		**100%**	
2015 HMDA Aggregate	2.9%		12.7%		14.5%		44.9%		24.9%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography
January 1, 2015 through December 31, 2015

	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	5	100.0%	0	0.0%	0	0.0%	**5**	**100%**
Refinance	0	0.0%	0	0.0%	3	100.0%	0	0.0%	0	0.0%	**3**	**100%**
Home Improvement	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**0**	**0.0%**	**9**	**100.0%**	**0**	**0.0%**	**0**	**0.0%**	**9**	**100%**
Owner-Occupied Housing	0.0%		22.2%		48.9%		28.9%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		10.8%		54.5%		34.7%		0.0%		**100%**	

The bank made no small business or small farm loans in this assessment area during the review period.

Hot Springs Assessment Area

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	6.7%	3	20.0%	0	0.0%	8	53.3%	3	20.0%	**15**	**100%**
Refinance	1	7.7%	0	0.0%	4	30.8%	7	53.8%	1	7.7%	**13**	**100%**
Home Improvement	0	0.0%	2	40.0%	1	20.0%	2	40.0%	0	0.0%	**5**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**2**	**6.1%**	**5**	**15.2%**	**5**	**15.2%**	**17**	**51.5%**	**4**	**12.1%**	**33**	**100%**
Family Population	20.8%		17.3%		21.1%		40.9%		0.0%		**100%**	
2015 HMDA Aggregate	5.6%		14.6%		16.2%		42.2%		21.4%		**100%**	

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$1,000			
$1 Million or Less	4	44.4%	1	11.1%	0	0.0%	**5**	**55.6%**
Greater than $1 Million/Unknown	2	22.2%	1	11.1%	1	11.1%	**4**	**44.4%**
TOTAL	**6**	**66.7%**	**2**	**22.2%**	**1**	**11.1%**	**9**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**93.4%**	
Small Business Aggregate ≤ $1MM							**48.9%**	

Distribution of Loans Inside Assessment Area by Farm Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$500			
$1 Million or Less	1	100.0%	0	0.0%	0	0.0%	**1**	**100.0%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**1**	**100.0%**	**0**	**0.0%**	**0**	**0.0%**	**1**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**98.6%**	
Small Farm Aggregate ≤ $1MM							**46.2%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	2	13.3%	9	60.0%	4	26.7%	0	0.0%	**15**	**100%**
Refinance	0	0.0%	1	7.7%	7	53.8%	5	38.5%	0	0.0%	**13**	**100%**
Home Improvement	0	0.0%	2	40.0%	3	60.0%	0	0.0%	0	0.0%	**5**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**5**	**15.2%**	**19**	**57.6%**	**9**	**27.3%**	**0**	**0.0%**	**33**	**100%**
Owner-Occupied Housing	1.2%		11.6%		55.4%		31.7%		0.0%		**100%**	
2015 HMDA Aggregate	0.7%		7.9%		49.9%		41.4%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	1	11.1%	7	77.8%	1	11.1%	0	0.0%	**9**	**100%**
Business Institutions	1.8%		18.2%		48.8%		31.2%		0.0%		**100%**	
2015 Small Business Aggregate	1.2%		18.5%		47.6%		31.2%		1.5%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
Agricultural Institutions	2.9%		8.6%		52.9%		35.7%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		7.7%		42.3%		50.0%		0.0%		**100%**	

Little Rock Assessment Area

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2015 through December 31, 2015												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	2	8.7%	3	13.0%	5	21.7%	9	39.1%	4	17.4%	**23**	**100%**
Refinance	1	7.7%	4	30.8%	2	15.4%	6	46.2%	0	0.0%	**13**	**100%**
Home Improvement	0	0.0%	0	0.0%	1	50.0%	1	50.0%	0	0.0%	**2**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2	100.0%	**2**	**100%**
TOTAL HMDA	**3**	**7.5%**	**7**	**17.5%**	**8**	**20.0%**	**16**	**40.0%**	**6**	**15.0%**	**40**	**100%**
Family Population	22.6%		17.8%		19.3%		40.3%		0.0%		**100%**	
2015 HMDA Aggregate	5.9%		16.4%		18.6%		34.5%		24.6%		**100%**	

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	**Loan Amounts in $000s**						**TOTAL**	
	≤$100		**>$100 and ≤$250**		**>$250 and ≤$1,000**			
$1 Million or Less	0	0.0%	0	0.0%	1	11.1%	**1**	**11.1%**
Greater than $1 Million/Unknown	5	55.6%	2	22.2%	1	11.1%	**8**	**88.9%**
TOTAL	**5**	**55.6%**	**2**	**22.2%**	**2**	**22.2%**	**9**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**90.8%**	
Small Business Aggregate ≤ $1MM							**47.9%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	0	0.0%	12	52.2%	11	47.8%	0	0.0%	**23**	**100%**
Refinance	1	7.7%	0	0.0%	4	30.8%	8	61.5%	0	0.0%	**13**	**100%**
Home Improvement	0	0.0%	0	0.0%	1	50.0%	1	50.0%	0	0.0%	**2**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	2	100.0%	0	0.0%	**2**	**100%**
TOTAL HMDA	**1**	**2.5%**	**0**	**0.0%**	**17**	**42.5%**	**22**	**55.0%**	**0**	**0.0%**	**40**	**100%**
Owner-Occupied Housing	4.0%		21.4%		39.7%		34.9%		0.0%		**100%**	
2015 HMDA Aggregate	2.0%		12.8%		40.8%		44.5%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	2	22.2%	3	33.3%	4	44.4%	0	0.0%	**9**	**100%**
Business Institutions	5.3%		27.5%		33.9%		33.4%		0.0%		**100%**	
2015 Small Business Aggregate	5.1%		23.6%		33.1%		36.6%		1.5%		**100%**	

The bank made no small farm loans in this assessment area during the review period.

Texarkana Assessment Area

Distribution of Loans Inside Assessment Area by Borrower Income January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	2	40.0%	0	0.0%	3	60.0%	0	0.0%	**5**	**100%**
Refinance	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**2**	**33.3%**	**1**	**16.7%**	**3**	**50.0%**	**0**	**0.0%**	**6**	**100%**
Family Population	25.4%		17.5%		21.3%		35.8%		0.0%		**100%**	
2015 HMDA Aggregate	6.4%		15.0%		23.4%		40.2%		15.0%		**100%**	

Distribution of Loans Inside Assessment Area by Business Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	<u><</u>$100		>$100 and <u><</u>$250		>$250 and <u><</u>$1,000			
$1 Million or Less	1	50.0%	0	0.0%	1	50.0%	**2**	**100.0%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**1**	**50.0%**	**0**	**0.0%**	**1**	**50.0%**	**2**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**92.6%**	
Small Business Aggregate ≤ $1MM							**48.6%**	

Distribution of Loans Inside Assessment Area by Farm Revenue January 1, 2015 through December 31, 2015								
Gross Revenue	Loan Amounts in $000s						TOTAL	
	≤$100		>$100 and ≤$250		>$250 and ≤$500			
$1 Million or Less	1	25.0%	1	25.0%	0	0.0%	**2**	**50.0%**
Greater than $1 Million/Unknown	2	50.0%	0	0.0%	0	0.0%	**2**	**50.0%**
TOTAL	**3**	**75.0%**	**1**	**25.0%**	**0**	**0.0%**	**4**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**97.7%**	
Small Farm Aggregate ≤ $1MM							**83.3%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Home Purchase	0	0.0%	0	0.0%	5	100.0%	0	0.0%	0	0.0%	**5**	**100%**
Refinance	0	0.0%	0	0.0%	1	100.0%	0	0.0%	0	0.0%	**1**	**100%**
Home Improvement	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**0**	**0.0%**	**6**	**100.0%**	**0**	**0.0%**	**0**	**0.0%**	**6**	**100%**
Owner-Occupied Housing	7.7%		5.6%		65.0%		21.6%		0.1%		**100%**	
2015 HMDA Aggregate	4.4%		7.6%		58.0%		29.8%		0.2%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Business Loans	0	0.0%	0	0.0%	2	100.0%	0	0.0%	0	0.0%	**2**	**100%**
Business Institutions	14.9%		9.0%		56.5%		19.3%		0.4%		**100%**	
2015 Small Business Aggregate	12.3%		6.7%		57.1%		22.2%		1.8%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Small Farm Loans	0	0.0%	0	0.0%	2	50.0%	2	50.0%	0	0.0%	**4**	**100%**
Agricultural Institutions	3.0%		0.8%		74.4%		21.8%		0.0%		**100%**	
2015 Small Farm Aggregate	2.1%		0.0%		77.1%		18.8%		2.1%		**100%**	

Missouri

Barton County Assessment Area

Distribution of Loans Inside Assessment Area by Borrower Income
January 1, 2015 through December 31, 2015

	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	1	20.0%	2	40.0%	1	20.0%	1	20.0%	0	0.0%	**5**	**100%**
Refinance	1	7.7%	1	7.7%	3	23.1%	6	46.2%	2	15.4%	**13**	**100%**
Home Improvement	0	0.0%	3	60.0%	2	40.0%	0	0.0%	0	0.0%	**5**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**2**	**8.7%**	**6**	**26.1%**	**6**	**26.1%**	**7**	**30.4%**	**2**	**8.7%**	**23**	**100%**
Family Population	19.9%		19.7%		23.6%		36.8%		0.0%		**100%**	
2015 HMDA Aggregate	5.9%		21.0%		16.2%		36.4%		20.6%		**100%**	

Distribution of Loans Inside Assessment Area by Business Revenue
January 1, 2015 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	<u><</u>$100		>$100 and <u><</u>$250		>$250 and <u><</u>$1,000			
$1 Million or Less	2	40.0%	0	0.0%	0	0.0%	**2**	**40.0%**
Greater than $1 Million/Unknown	2	40.0%	1	20.0%	0	0.0%	**3**	**60.0%**
TOTAL	**4**	**80.0%**	**1**	**20.0%**	**0**	**0.0%**	**5**	**100%**
Dun & Bradstreet Businesses ≤ $1MM							**91.2%**	
Small Business Aggregate ≤ $1MM							**38.7%**	

Distribution of Loans Inside Assessment Area by Farm Revenue
January 1, 2015 through December 31, 2015

Gross Revenue	Loan Amounts in $000s						TOTAL	
	<u><</u>$100		>$100 and <u><</u>$250		>$250 and <u><</u>$500			
$1 Million or Less	19	67.9%	5	17.9%	2	7.1%	**26**	**92.9%**
Greater than $1 Million/Unknown	0	0.0%	0	0.0%	2	7.1%	**2**	**7.1%**
TOTAL	**19**	**67.9%**	**5**	**17.9%**	**4**	**14.3%**	**28**	**100%**
Dun & Bradstreet Farms ≤ $1MM							**100.0%**	
Small Farm Aggregate ≤ $1MM							**48.9%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Home Purchase	0	0.0%	0	0.0%	5	100.0%	0	0.0%	0	0.0%	**5**	**100%**
Refinance	0	0.0%	4	30.8%	9	69.2%	0	0.0%	0	0.0%	**13**	**100%**
Home Improvement	0	0.0%	2	40.0%	3	60.0%	0	0.0%	0	0.0%	**5**	**100%**
Multifamily	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**	**100%**
TOTAL HMDA	**0**	**0.0%**	**6**	**26.1%**	**17**	**73.9%**	**0**	**0.0%**	**0**	**0.0%**	**23**	**100%**
Owner-Occupied Housing	0.0%		20.5%		79.5%		0.0%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		22.1%		77.9%		0.0%		0.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Business Loans	0	0.0%	0	0.0%	5	100.0%	0	0.0%	0	0.0%	**5**	**100%**
Business Institutions	0.0%		14.1%		85.9%		0.0%		0.0%		**100%**	
2015 Small Business Aggregate	0.0%		22.1%		75.9%		0.0%		2.0%		**100%**	

Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Small Farm Loans	0	0.0%	7	25.0%	21	75.0%	0	0.0%	0	0.0%	**28**	**100%**
Agricultural Institutions	0.0%		16.0%		84.0%		0.0%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		60.6%		39.4%		0.0%		0.0%		**100%**	

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are secured 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.