

PUBLIC DISCLOSURE

July 19, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Western Bank
RSSD #34742**

**80 West Main Street
Booneville, Arkansas 72927**

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

First Western 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 substantial 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 of different revenue sizes.
- Geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- There were no CRA-related complaints filed against the bank since the previous CRA evaluation.
- 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. The bank maintains operations in three delineated assessment areas within Arkansas.

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

Assessment Area	Offices		Deposits as of June 30, 2020		Assessment Area Review
	#	%	\$ (000s)	%	
Fayetteville	5	50.0%	\$248,471	56.6%	Full-Scope
Western Arkansas	4	40.0%	\$144,316	32.8%	Full-Scope
Fort Smith	1	10.0%	\$46,545	10.6%	Limited-Scope
OVERALL	10	100%	\$439,332	100%	2 Full-Scope

In light of branch structure, deposit activity, and the bank’s CRA evaluation history, CRA performance in the Fayetteville assessment area was given primary consideration, as it contains the largest percentage of the bank’s branches and the majority of deposit activity.

Furthermore, residential real estate and small business loans were used to evaluate the bank’s lending performance, as these loan categories are considered the bank’s core business lines based on lending volume and the bank’s stated business strategy. Therefore, the loan activity represented by these credit products is deemed indicative of the bank’s overall lending performance. While residential real estate lending is an important loan product category for the institution, management’s business strategy entails channeling this business line activity through the bank’s wholly owned subsidiary, First Western Mortgage, which management elected to include in the scope of this evaluation.¹ Since the bank, through its First Western Mortgage subsidiary, has an emphasis on home mortgage lending and originates a high volume of HMDA-reportable loans within the assessment areas, performance based on the HMDA loan category carried the most significance toward the bank’s overall performance conclusions.

The following table details the performance criterion and the corresponding time periods used in each analysis.

¹ First Western Mortgage originates residential real estate loans that are included in the bank’s Home Mortgage Disclosure Act (HMDA) loan category for the loan distribution by borrower’s profile analysis and the geographic distribution of loans analysis discussed under the *Conclusions with Respect to Performance Criteria* section of this evaluation; however, such affiliate lending activity is excluded from the assessment area concentration analysis.

Performance Criterion	Time Period
LTD Ratio	March 31, 2018 – March 31, 2021
Assessment Area Concentration	January 1, 2019 – December 31, 2019
Loan Distribution by Borrower’s Profile	
Geographic Distribution of Loans	
Response to Written CRA Complaints	January 22, 2018 – July 18, 2021
Community Development Activities	

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2015 American Community Survey (ACS) data, and certain business demographics are based on 2019 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank’s lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$255.6 million to \$694.8 million, as of March 31, 2021.

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

DESCRIPTION OF INSTITUTION

First Western Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is a wholly-owned subsidiary of First Western Bancshares, Inc., a one-bank holding company. Both the bank and its holding company are headquartered in Booneville, Arkansas. The bank has one credit-granting subsidiary, First Western Mortgage, whose originated loans are sold into the secondary market. The bank's branch network consists of ten offices (including the main office), all of which have cash-dispensing automated teller machines (ATMs) on site, except for the main office. Similarly, all branches, except for the main office, have drive-up accessibility. In addition, the bank operates one stand-alone ATM. During the review period, the bank opened one branch in Springdale, Arkansas, and closed one branch in Rogers, Arkansas, both of which are located in the bank's Fayetteville assessment area. Based on this branch network and other service delivery systems, such as extended banking hours of operation and certain online banking capabilities, the bank is well positioned to deliver financial services to the entirety of its Fayetteville and Western Arkansas assessment areas. However, the limited branching structure in the Fort Smith assessment area hinders the bank's ability to deliver financial services to the eastern portions of the assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credit needs of its customers, and the bank appeared capable of meeting the credit needs of its assessment areas based on its available resources and financial products. As of March 31, 2021, the bank reported total assets of \$506.5 million. As of the same date, loans and leases outstanding were \$383.7 million (75.8 percent of total assets) and deposits totaled \$457.2 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of March 31, 2021		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$46,558	12.1%
Commercial Real Estate	\$77,882	20.3%
Multifamily Residential	\$11,157	2.9%
1-4 Family Residential	\$178,440	46.5%
Farmland	\$40,373	10.5%
Farm Loans	\$3,282	0.9%
Commercial and Industrial	\$21,915	5.7%
Loans to Individuals	\$4,058	1.1%
Total Other Loans	\$26	0%
TOTAL	\$383,691	100%

As indicated by the table above, a significant portion of the bank's lending resources is directed to loans secured by 1-4 family residential properties, commercial real estate, and construction and development loans. The bank also originates and subsequently sells a significant volume of loans

related to residential real estate. Since these loans are sold into the secondary market shortly after origination, this activity is not captured in the table.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on January 22, 2018.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

First Western 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 in comparison to those of regional peers. The average LTD ratio represents a 13-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	Headquarters	Asset Size (\$000s) as of March 31, 2021	Average LTD Ratio
First Western Bank	Booneville, Arkansas	\$506,513	93.4%
Regional Banks	Greenwood, Arkansas	\$255,592	68.8%
	Grove, Oklahoma	\$692,728	88.0%
	Springdale, Arkansas	\$694,752	93.8%

Based on data in the previous table, the bank's level of lending is above or in line with those of other banks operating in the region. During the review period, the bank's quarterly LTD ratio was relatively high and stable. However, during the last two quarters that were reviewed, the bank realized an increase in deposits, which caused the LTD ratio to decrease. The decrease in the LTD ratio was observed for all three peers selected for this analysis. Therefore, compared to data from regional banks, 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 evaluation², 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, 2019 through December 31, 2019						
Loan Type	Inside Assessment Areas		Outside Assessment Areas		TOTAL	
	HMDA	215	95.6%	10	4.4%	225
\$62,348		93.6%	\$4,242	6.4%	\$66,590	100%
Small Business	100	90.9%	10	9.1%	110	100%
	\$19,281	93.4%	\$1,355	6.6%	\$20,636	100%
TOTAL LOANS	315	94.0%	20	6.0%	335	100%
	\$81,629	93.6%	\$5,597	6.4%	\$87,226	100%

A substantial majority of loans and other lending-related activities were made in the bank’s assessment areas. As shown above, 94.0 percent of the total loans were made inside the assessment areas, accounting for 93.6 percent of the dollar volume of total loans.

Borrower and Geographic Distribution

Overall, performance by borrower’s income/revenue profile is reasonable, based on the analyses of lending in full-scope assessment areas, as displayed in the following tables.

Full-Scope Assessment Areas	Loan Distribution by Borrower’s Profile
Fayetteville	Reasonable
Western Arkansas	Poor
OVERALL	REASONABLE

Limited-Scope Assessment Area	Loan Distribution by Borrower’s Profile
Fort Smith	Below
OVERALL	Below

Greater weight was placed on lending in the Fayetteville assessment area because the bank has a more significant lending volume in this assessment area than in its other assessment areas. Performance in the Fort Smith assessment area, which was examined using limited-scope examination procedures, did not diminish performance in the bank’s full-scope assessment areas.

² As noted in the *Scope of Examination* section, affiliate lending data, such as First Western Mortgage HMDA lending activity, is not included in the assessment area concentration analysis.

As displayed in the following table, the bank’s overall distribution of lending by income level of census tract reflects reasonable penetration throughout the bank’s two full-scope assessment areas.

Full-Scope Assessment Areas	Geographic Distribution of Loans
Fayetteville	Reasonable
Western Arkansas	Reasonable
OVERALL	REASONABLE

Limited-Scope Assessment Area	Geographic Distribution of Loans
Fort Smith	Meets
OVERALL	Meets

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (January 22, 2018 through July 18, 2021).

COMMUNITY DEVELOPMENT TEST

First Western Bank’s performance under the Community Development Test is rated outstanding. The bank demonstrates excellent responsiveness to the community development needs of the Arkansas assessment areas considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment areas.

Full-Scope Assessment Area	Community Development Test Performance Conclusions
Fayetteville	Excellent
Western Arkansas	Excellent

Limited-Scope Assessment Areas	Community Development Test Performance Conclusions
Fort Smith	Meets

The bank’s performance was consistently excellent within each of the three assessment areas. During the review period, the bank made 57 qualifying loans in its assessment areas totaling approximately \$51.3 million. Of those loans, most were to small farms in the area providing jobs for LMI individuals or revitalizing and stabilizing LMI geographies.

The bank also made community development investments and donations in its assessment areas totaling \$3.2 million. This amount included 10 new qualified investments totaling \$2.4 million, 27 continuing investments made in a prior review period totaling \$943,441, and 25 donations totaling \$87,850. All of the investments were municipal bonds issued by qualifying school districts for community services or mortgage-backed securities (MBS) targeting affordable housing for LMI

individuals. Furthermore, the 25 donations were to 9 separate organizations having a community development purpose.

During the review period, 14 separate bank employees used their financial expertise to provide community development services to 16 different organizations within the bank's assessment areas. These service activities accounted for nearly 2,700 hours across the review period and included delivering financial education in schools that primarily serve LMI families, providing financial expertise to community service organizations as board members, and presenting credit counseling for residents.

In addition to meeting the community development needs of its assessment areas, the bank made eight community development loans outside its assessment areas totaling \$5.3 million, as well as \$3.9 million in investments in both MBS and school bonds.

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.

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 five of its ten offices (50.0 percent) in this assessment area. Of the five offices, one is in a middle-income census tract, and the remaining four are in upper-income census tracts. Since the last examination, the bank has opened one branch in an upper-income census tract and closed one branch in a middle-income census tract (the bank continues to maintain a stand-alone ATM at this location). All branches have ATMs on site and offer drive-through services. 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 comprises Benton and Washington counties in their entireties. This assessment area is in northwestern Arkansas bordering Missouri and Oklahoma in the Fayetteville-Springdale-Rogers, Arkansas-Missouri metropolitan statistical area (MSA). The assessment area population is 454,630 and comprises 96.7 percent of the total MSA population. Of the 32 FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked 14th in deposit market share, encompassing 1.9 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 low-cost home-improvement loans as well as small dollar business loans. Additionally, though there are credit products available for LMI borrowers, one community contact stated that there was a need for greater outreach to ensure that individuals are aware of these programs.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	2	15	39	25	0	81
	2.5%	18.5%	48.1%	30.9%	0.0%	100%
Family Population	1,973	21,601	51,079	39,767	0	114,420
	1.7%	18.9%	44.6%	34.8%	0.0%	100%

As shown above, the assessment area consists of nearly half middle-income census tracts, with the other remaining census tracts in upper- (30.9 percent), moderate- (18.5 percent), and low-income tracts (2.5 percent). Of the total families in the assessment area, only 20.6 percent live in LMI census tracts. Additionally, one of the two low-income census tracts is in the city of Fayetteville, near the University of Arkansas, where the bank does not have any branches, and in which a significant number of rental properties are located. This presents the bank with limited opportunities for home mortgage lending in this area.

Based on 2015 ACS data, the median family income for the assessment area was \$61,497. At the same time, the state of Arkansas median family income was significantly below the assessment area, at \$51,782. More recently (2019), the FFIEC estimates the median family income in the assessment area to be \$66,400. The following table displays population percentages of assessment area families by income level compared to the state of Arkansas family population.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Fayetteville AA	22,813	21,158	23,272	47,177	114,420
	19.9%	18.5%	20.3%	41.2%	100%
Arkansas	164,346	134,818	149,580	311,180	759,924
	21.6%	17.7%	19.7%	41.0%	100%

While the table in the previous section showed that 20.6 percent of families in the assessment area live in LMI census tracts, the table above shows that 38.4 percent of families are classified as low- or moderate-income. This is slightly less than the state as a whole, which has 39.3 percent of families classified as low- or moderate-income. In addition, the assessment area has 10.9 percent of families living below the poverty line, compared to 14.3 percent of families in the state. This data suggests that the assessment area is slightly more affluent than the state.

Housing Demographics

The following table displays housing demographics information.

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

Median gross rents varied significantly by county in the assessment area from \$704 (Washington County) to \$796 (Benton County), both of which were considerably higher than the state of Arkansas. Affordability ratios in the assessment area also varied, ranging from 28.7 percent (Washington County) to 37.3 percent (Benton County). Notwithstanding Benton County having a comparable affordability ratio to the state of Arkansas, homeownership may still be out of reach of many LMI families in the assessment area. Community contacts stated that there is a deficit of affordable housing stock in Benton County. Therefore, even though housing is similarly affordable in Benton County (when compared to Arkansas), the housing stock is less available, making it harder for LMI families to find affordable housing. Given these considerations specific to Benton County and the low affordability ratio in Washington County, homeownership in the assessment area appears to be less affordable than in the state of Arkansas as a whole.

Industry and Employment Demographics

The assessment area supports a large and diverse business community, including a strong small business sector. According to 2019 Dun & Bradstreet data, 91.5 percent of total businesses in the assessment area have gross annual revenues of less than \$1 million. County business patterns indicate that there are 201,074 paid employees in the assessment area. By percentage of employees, the three largest job categories are manufacturing (13.0 percent), healthcare and social assistance (12.7 percent), and retail trade (12.2 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area compared to the state of Arkansas.

Unemployment Levels			
Dataset	Time Period (Annual Average)		
	2018	2019	2020
Fayetteville AA	2.8%	2.5%	4.5%
Arkansas	3.7%	3.5%	6.1%

As shown in the table above, unemployment levels in the assessment area have been consistently below those of the state of Arkansas. In both areas, the unemployment levels experienced a significant jump in 2020 due to the global pandemic. Though the unemployment numbers in the

bank's Fayetteville assessment area increased, they still were lower than the state as a whole, which was 1.6 percentage points higher.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these interviews, one was conducted with an individual specializing in affordable housing and the other was with an individual working in small business development. The community contacts characterized the assessment area economy as doing well, with one contact calling the area an "economic engine" of growth within the state. The reason for this growth is attributed to Walmart, Tyson Foods, J.B. Hunt, and the University of Arkansas all maintaining a strong presence in the area. These job opportunities have drawn new residents to the area.

According to one contact, along with the economic benefits of growth in the region, there are downsides as well. This contact specifically cited a lack of affordable housing in the area for LMI individuals. According to one contact, there is a lack of affordable homes for sale, and the limited supply of affordable housing that does make it to the market is often purchased by developers to turn into newer, more expensive housing, removing another avenue of homeownership for LMI individuals. However, not only is there a lack of affordable homes for purchase, but there are limited options available for LMI renters as well, with an emphasis in the recent past for new developments to target high-end accommodations.

Lastly, both community contacts stated that there are community development opportunities for financial institutions in the assessment area. One contact cited a need for credit counseling, and the other contact called for greater outreach to small businesses to ensure they are aware of the products and services offered by financial institutions in the area. Both contacts agreed that the number of financial institutions in the area was commensurate with the size of the area and that competition was growing along with the area population.

**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. Furthermore, the bank's overall geographic distribution of loans reflects reasonable penetration throughout the Fayetteville 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 loan categories reviewed.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$66,400 for the Fayetteville MSA as of 2019). The following table shows the distribution of HMDA loans by borrower income level compared to family population income demographics and 2019 aggregate performance for the assessment area.

Borrower Distribution of HMDA Loans Assessment Area: Fayetteville								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	21	8.3%	5.2%	2,380	4.5%	2.9%	19.9%
	Moderate	56	22.0%	17.0%	7,768	14.6%	12.2%	18.5%
	Middle	32	12.6%	19.1%	5,776	10.9%	16.4%	20.3%
	Upper	62	24.4%	43.2%	17,240	32.5%	53.7%	41.2%
	Unknown	83	32.7%	15.5%	19,903	37.5%	14.8%	0.0%
	TOTAL	254	100.0%	100.0%	53,067	100.0%	100.0%	100.0%
Refinance	Low	6	9.2%	6.8%	715	4.6%	3.3%	19.9%
	Moderate	7	10.8%	13.6%	816	5.3%	8.5%	18.5%
	Middle	9	13.8%	15.5%	1,985	12.9%	12.0%	20.3%
	Upper	28	43.1%	44.5%	8,482	55.1%	55.2%	41.2%
	Unknown	15	23.1%	19.6%	3,389	22.0%	21.0%	0.0%
	TOTAL	65	100.0%	100.0%	15,387	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	5.2%	0	0.0%	3.4%	19.9%
	Moderate	0	0.0%	13.4%	0	0.0%	9.8%	18.5%
	Middle	0	0.0%	18.0%	0	0.0%	14.4%	20.3%
	Upper	0	0.0%	52.8%	0	0.0%	56.5%	41.2%
	Unknown	1	100.0%	10.6%	125	100.0%	15.8%	0.0%
	TOTAL	1	100.0%	100.0%	125	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.7%	0	0.0%	0.0%	19.9%
	Moderate	0	0.0%	0.7%	0	0.0%	0.1%	18.5%
	Middle	1	8.3%	0.7%	475	2.7%	0.1%	20.3%
	Upper	1	8.3%	8.1%	361	2.0%	1.8%	41.2%
	Unknown	10	83.3%	89.9%	16,902	95.3%	97.9%	0.0%
	TOTAL	12	100.0%	100.0%	17,738	100.0%	100.0%	100.0%
Other Purpose Closed/Exempt	Low	1	25.0%	6.4%	24	25.3%	2.9%	19.9%
	Moderate	1	25.0%	17.2%	30	31.6%	10.4%	18.5%
	Middle	0	0.0%	19.6%	0	0.0%	16.1%	20.3%
	Upper	2	50.0%	47.5%	41	43.2%	58.1%	41.2%
	Unknown	0	0.0%	9.2%	0	0.0%	12.4%	0.0%
	TOTAL	4	100.0%	100.0%	95	100.0%	100.0%	100.0%

HMDA TOTALS	Low	28	8.3%	5.6%	3,119	3.6%	2.7%	19.9%
	Moderate	64	19.0%	15.5%	8,614	10.0%	9.8%	18.5%
	Middle	42	12.5%	17.7%	8,236	9.5%	13.4%	20.3%
	Upper	93	27.7%	43.6%	26,124	30.2%	48.6%	41.2%
	Unknown	109	32.4%	17.6%	40,319	46.7%	25.4%	0.0%
	TOTAL	336	100.0%	100.0%	86,412	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank’s percentage of lending to low-income borrowers (8.3 percent) is substantially below the low-income family population figure (19.9 percent) but above the aggregate lending level to low-income borrowers (5.6 percent), reflecting reasonable performance. The bank’s level of lending to moderate-income borrowers (19.0 percent) is slightly above the moderate-income family population figure (18.5 percent) as well as above the aggregate lending level (15.5 percent), reflecting excellent performance. Despite the overall level of lending to LMI borrowers by the bank being below the overall demographic levels of LMI individuals in the assessment area, when taking into account the affordability challenges in area housing cited by the community contacts, the overall performance in HMDA lending 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 small business loans by loan amount and business revenue size compared to Dun & Bradstreet and aggregate data.

Small Business Loans by Revenue and Loan Size								
Assessment Area: Fayetteville								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	34	54.0%	43.5%	6,185	36.0%	40.1%	91.5%
	Over \$1 Million/Unknown	29	46.0%	56.5%	10,977	64.0%	59.9%	8.5%
	TOTAL	63	100.0%	100.0%	17,162	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	37	58.7%	89.0%	1,217	7.1%	32.1%	
	\$100,001–\$250,000	9	14.3%	6.1%	1,487	8.7%	20.8%	
	\$250,001–\$1 Million	14	22.2%	4.9%	7,358	42.9%	47.1%	
	Over \$1 Million	3	4.8%	0.0%	7,100	41.4%	0.0%	
	TOTAL	63	100.0%	100.0%	17,162	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	22	64.7%		673	10.9%	
		\$100,001–\$250,000	4	11.8%		647	10.5%	
		\$250,001–\$1 Million	8	23.5%		4,865	78.7%	
		Over \$1 Million	0	0.0%		0	0.0%	
		TOTAL	34	100.0%		6,185	100.0%	

The bank’s level of lending to small businesses is reasonable. The bank originated 34 of its 63 small business loans (54.0 percent) to businesses with gross annual revenues of \$1 million or less. This is above the performance of aggregate lenders (43.5 percent) but well below the Dun & Bradstreet demographic estimate (91.5 percent). In addition, of the bank’s loans to businesses with revenues of \$1 million or below, 64.7 percent were in dollar amounts of \$100,000 or less, which was a stated need by community contacts.

Geographic Distribution of Loans

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

The following table displays the geographic distribution of the 2019 HMDA loans compared to owner-occupied housing demographics for the assessment area and 2019 aggregate data.

Geographic Distribution of Residential Real Estate Loans								
Assessment Area: Fayetteville								
Product Type	Tract Income Levels	2019						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Home Purchase	Low	2	0.8%	0.7%	266	0.5%	0.5%	0.7%
	Moderate	37	14.6%	10.6%	6,433	12.1%	8.5%	15.4%
	Middle	128	50.4%	42.4%	25,750	48.5%	39.0%	46.2%
	Upper	87	34.3%	46.3%	20,618	38.9%	52.0%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	254	100.0%	100.0%	53,067	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	0.6%	0	0.0%	0.3%	0.7%
	Moderate	12	18.5%	11.3%	2,038	13.2%	8.3%	15.4%
	Middle	21	32.3%	41.6%	3,402	22.1%	38.1%	46.2%
	Upper	32	49.2%	46.5%	9,947	64.6%	53.2%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	65	100.0%	100.0%	15,387	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	0.9%	0	0.0%	1.4%	0.7%
	Moderate	1	100.0%	12.2%	125	100.0%	10.3%	15.4%
	Middle	0	0.0%	41.0%	0	0.0%	34.9%	46.2%
	Upper	0	0.0%	45.9%	0	0.0%	53.4%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	1	100.0%	100.0%	125	100.0%	100.0%	100.0%
Multifamily	Low	1	8.3%	7.4%	475	2.7%	7.5%	0.7%
	Moderate	3	25.0%	34.2%	5,278	29.8%	25.5%	15.4%
	Middle	3	25.0%	35.6%	7,748	43.7%	48.8%	46.2%
	Upper	5	41.7%	22.8%	4,237	23.9%	18.2%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	12	100.0%	100.0%	17,738	100.0%	100.0%	100.0%
Other Purpose Closed/Exempt	Low	0	0.0%	0.3%	0	0.0%	0.4%	0.7%
	Moderate	1	25.0%	13.2%	24	25.3%	10.1%	15.4%
	Middle	2	50.0%	41.1%	55	57.9%	37.6%	46.2%
	Upper	1	25.0%	45.4%	16	16.8%	51.9%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	4	100.0%	100.0%	95	100.0%	100.0%	100.0%

HMDA TOTALS	Low	3	0.9%	0.7%	741	0.9%	1.2%	0.7%
	Moderate	54	16.1%	11.2%	13,898	16.1%	10.3%	15.4%
	Middle	154	45.8%	42.1%	36,955	42.8%	39.7%	46.2%
	Upper	125	37.2%	46.1%	34,818	40.3%	48.8%	37.7%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	336	100.0%	100.0%	86,412	100.0%	100.0%	100.0%

The analysis of HMDA lending revealed reasonable lending performance to borrowers residing in low-income census tracts. The bank originated three loans (0.9 percent) within these tracts, which is in line with the percentage of owner-occupied housing units in low-income census tracts (0.7 percent) and the aggregate performance (0.7 percent). The bank’s performance in moderate-income census tracts was above comparison data and is considered excellent. The bank originated 54 total HMDA loans (16.1 percent) in moderate-income census tracts, exceeding the demographics in the assessment area (15.4 percent) and well above aggregate performance (11.2 percent). This is especially notable considering the lack of affordable housing in the assessment area cited in community contact interviews. Therefore, the bank’s overall performance across both income categories is excellent.

Next, the bank’s geographic distribution of small business loans was reviewed. The following table displays 2019 small business lending activity by geography income level compared to the demographic data throughout the bank’s assessment area.

Geographic Distribution of Small Business Loans							
Assessment Area: Fayetteville							
Tract Income Levels	2019						
	Count			Dollar			Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	\$ 000s	\$ %	\$ %	%
Low	0	0.0%	1.5%	0	0.0%	2.8%	1.9%
Moderate	1	1.6%	15.0%	13	0.1%	16.4%	17.0%
Middle	25	39.7%	44.4%	6,459	37.6%	45.8%	46.1%
Upper	37	58.7%	37.4%	10,690	62.3%	34.4%	34.9%
Unknown	0	0.0%	1.7%	0	0.0%	0.6%	0.0%
TOTAL	63	100.0%	100.0%	17,162	100.0%	100.0%	100.0%

The analysis of small business loans made in low-income census tracts shows the bank originating zero loans, which is below both aggregate (1.5 percent) and demographic (1.9 percent) performance. Taking into consideration the limited opportunities for small business lending displayed by the low levels of aggregate and demographic data, as well as significant competition in the area, this represents reasonable performance. Conversely, the bank's lending performance in moderate-income census tracts (1.6 percent), when compared against the aggregate lending (15.0 percent) and demographic data (17.0 percent), reflects very poor performance. Overall, when taking into consideration both income categories, the bank's small business lending in LMI census tracts within the assessment area is very poor.

Lastly, based on the HMDA loan category, First Western Bank had loan activity in 95.1 percent of all assessment area census tracts. While not all census tracts had lending activity, the bank originated loans in all 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 within the Fayetteville 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.

During the review period, the bank extended 30 community development loans totaling \$24.7 million in this assessment area. The seven largest of these loans were originated to small farms ranging in amounts from \$1.2 million to \$1.8 million. The loans helped to revitalize and stabilize LMI geographies or to provide economic development through financing small farms and creating or retaining jobs for LMI individuals. The next largest loan was made for the purchase of a multi-unit apartment complex in a moderate-income census tract that provided affordable housing, a noted need in the area for LMI residents. The bank also originated one community development loan to an organization specializing in providing community services to LMI residents.

The bank made eight new investments totaling \$1.6 million, two of which were to local schools with a majority of students receiving free or reduced lunches, and the remaining six were in the form of MBS targeting affordable housing for LMI residents. In addition, the bank had 15 investments outstanding from prior review periods totaling \$578,877 that were all MBS. In addition to the bank's investments were 15 separate donations totaling \$49,800. The largest of these donations, for nearly \$11,000, was made to a local organization that provides community services targeting LMI residents. Other significant donations were made to organizations promoting economic development within the assessment area's LMI geographies and community service organizations providing for LMI children. Lastly, four bank employees provided their financial expertise services to four organizations for 397 hours throughout the review period. One of these activities was targeted toward providing credit counseling services to LMI individuals, a need cited by community contacts.

NONMETROPOLITAN ARKANSAS STATEWIDE AREA *(Full-Scope Review)*

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

Bank Structure

The bank operates four of its ten offices (40.0 percent), including its main office, in this assessment area. All four offices are in distressed middle-income census tracts.

The bank operates four ATMs in the assessment area, three at bank branches and one stand-alone ATM. Drive-through services are also available at three of the locations. Since the last examination, the bank did not open, acquire, or close any branches in this assessment area. 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 consists of five of the six census tracts that make up Logan County, which is in a nonMSA portion of western Arkansas. The five census tracts that the bank includes in its assessment area are in the western portion of Logan County, where the bank's five branches are located. The census tract that is not included in the assessment area makes up the eastern portion of the assessment area and, similar to the five census tracts that are included in the assessment area, is a distressed middle-income geography. The total population of the assessment area is 17,767 and is rural in nature, especially outside of the population center of Booneville, where the main office is located.

Of the five FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked first in deposit market share, encompassing 39.6 percent of total deposit dollars, as well as having 36.4 percent of total branches.

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 small dollar business loans and operational lines of credit, as well as small dollar home improvement loans.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0	0	5	0	0	5
	0.0%	0.0%	100%	0.0%	0.0%	100%
Family Population	0	0	4,792	0	0	4,792
	0.0%	0.0%	100%	0.0%	0.0%	100%

As shown above, there are no low- or moderate-income census tracts. All census tracts are designated as middle-income and distressed due to poverty.

Based on 2015 ACS data, the median family income for the assessment area was \$42,394. At the same time, the state of Arkansas median family income was slightly above the assessment area at \$45,047. More recently, the FFIEC estimated the 2019 median family income for nonMSA Arkansas to be \$49,100. The following table displays population percentages of assessment area families by income level compared to all of nonMSA Arkansas families.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Assessment Area	920	975	1,014	1,883	4,792
	19.2%	20.3%	21.2%	39.3%	100%
NonMSA Arkansas	63,831	53,700	58,267	123,066	298,864
	21.4%	18.0%	19.5%	41.2%	100%

Despite a lack of LMI census tracts in the assessment area, the table above shows that 39.5 percent of families in the assessment area are LMI. This LMI percentage is in line with the 39.4 percent of LMI families in nonMSA Arkansas. Although not displayed in the table above, the percentage of families living below the poverty line in the assessment area (15.3 percent) is slightly less than the percentage of nonMSA Arkansas families (16.6 percent). Contrarily, the percentage of nonMSA Arkansas families designated as upper-income (41.2 percent) is slightly higher than the families in the assessment area (39.3 percent). All factors considered, the assessment area is similarly affluent to nonMSA Arkansas as a whole.

Housing Demographics

As displayed in the following table, homeownership in the assessment area appears to be slightly more affordable compared to nonMSA Arkansas as a whole.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (Monthly)
Assessment Area	\$83,511	42.3%	\$545
NonMSA Arkansas	\$85,869	41.0%	\$588

The median housing value in the assessment area is slightly lower than the nonMSA portions of Arkansas, which works in tandem with the area having a slightly higher affordability ratio. Similarly, the median gross rent in the assessment area is less than nonMSA Arkansas. However, community contacts indicated that housing stock is generally older, with the median age of housing stock in the assessment area of 45 years compared to 37 years in nonMSA Arkansas. The older housing stock has led to a need for home improvement loans in the area. These additional home improvement costs for aging homes may decrease the appeal of home purchases by LMI residents in the area.

Industry and Employment Demographics

The assessment area supports a diverse business community, including a significant proportion of small businesses. County business patterns indicate that there are 3,782 paid employees in the assessment area. By percentage of employees, the three largest industries are manufacturing (30.4 percent), followed by retail trade (21.0 percent) and healthcare and social assistance (17.6 percent). As noted by community contacts, major employers in the assessment area include poultry farmers and local hospitals, and a significant portion of the population relies on poultry farming, either through owning a poultry farm or working on the operations.

The table below details unemployment data from the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted) for the assessment area and nonMSA Arkansas as a whole.

Unemployment Levels			
Dataset	Time Period (Annual Average)		
	2018	2019	2020
Assessment Area	4.0%	4.3%	6.6%
NonMSA Arkansas	4.3%	4.3%	6.4%

As shown in the previous table, the assessment area has generally been in line with the overall nonMSA portion of Arkansas, with both areas experiencing increasing unemployment in 2020 due to the global pandemic.

Community Contact Information

Information from two community contact interviews was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. Of these interviews, one was conducted with an individual specializing in affordable housing and the other was with an individual working to promote community development and enhance economic sustainability in the area. The community contacts saw the local economy as either stable or improving with modest growth, especially compared to surrounding areas. Agriculture was described as the backbone of the local economy. Beyond agriculture, local manufacturing was cited by both contacts as being a major industry in the area. Due to an overrepresentation in the agriculture and manufacturing space, the area did not experience as significant of an economic downturn during the pandemic. These sectors were classified as essential and remained operational, although with social distancing measures accounting for some staff reductions. More recently, the greatest barrier to economic growth cited by both community contacts has been a need for new employees in the region.

Loan demand across both mortgage and consumer products was cited as being low in the area. Contacts said that it was common for area agriculture workers to rent, and those who did own their farm often included their home in their farm loans. For those looking to purchase homes in the area, several barriers are present. There has been very little new construction in the area over the past few years, and the housing stock in the county is generally older, as referenced above. With the limited supply of affordable housing for LMI residents for purchase, most LMI individuals in the area rent. For those who are already homeowners, there is a need cited by community contacts for small dollar home improvement loans to improve old furnaces and utilities or repair roofs.

Regarding small business lending in the community, demand recently has been soft in the assessment area. Competition from online companies, coupled with a lack of available workforce, was cited by community contacts as limiting the growth of the local small business sector. For the small businesses that are operating in the area, small dollar commercial loans and operational lines of credit are needed, according to one community contact. There are barriers for these companies to receive these loans, though, with the contact indicating that many small businesses have a lack of credit history or a lack of collateral for loans, along with a need for greater education among small business owners relating to the documentation requirements for commercial lending.

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

LENDING TEST

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

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is poor, based on performance from both loan categories reviewed, with a greater weight placed on HMDA lending.

Borrowers are classified into low-, moderate-, middle-, and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by the FFIEC (\$49,100 for nonMSA Arkansas as of 2019). The following table shows the distribution of HMDA loans by borrower income level compared to family population income demographics and 2019 aggregate performance for the assessment area.

Borrower Distribution of HMDA Loans								
Assessment Area: Western Arkansas								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0%	4.0%	0	0.0%	2.6%	19.2%
	Moderate	0	0.0%	21.4%	0	0.0%	17.6%	20.3%
	Middle	2	12.5%	15.9%	385	19.0%	15.1%	21.2%
	Upper	11	68.8%	40.8%	1,362	67.4%	46.9%	39.3%
	Unknown	3	18.8%	17.9%	274	13.6%	17.9%	0.0%
	TOTAL	16	100.0%	100.0%	2,021	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	6.3%	0	0.0%	2.2%	19.2%
	Moderate	1	7.1%	8.9%	89	5.6%	5.1%	20.3%
	Middle	5	35.7%	22.8%	505	32.0%	18.5%	21.2%
	Upper	8	57.1%	40.5%	986	62.4%	44.6%	39.3%
	Unknown	0	0.0%	21.5%	0	0.0%	29.7%	0.0%
	TOTAL	14	100.0%	100.0%	1,580	100.0%	100.0%	100.0%

Home Improvement	Low	0	0.0%	25.0%	0	0.0%	18.5%	19.2%
	Moderate	0	0.0%	12.5%	0	0.0%	4.7%	20.3%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Upper	1	100.0%	50.0%	35	100.0%	62.1%	39.3%
	Unknown	0	0.0%	12.5%	0	0.0%	14.7%	0.0%
	TOTAL	1	100.0%	100.0%	35	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	19.2%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	20.3%
	Middle	0	0.0%	0.0%	0	0.0%	0.0%	21.2%
	Upper	1	50.0%	25.0%	356	18.7%	13.6%	39.3%
	Unknown	1	50.0%	75.0%	1,550	81.3%	86.4%	0.0%
	TOTAL	2	100.0%	100.0%	1,906	100.0%	100.0%	100.0%
Other Purpose Closed/Exempt	Low	1	50.0%	20.0%	23	39.0%	14.6%	19.2%
	Moderate	0	0.0%	20.0%	0	0.0%	12.7%	20.3%
	Middle	1	50.0%	40.0%	36	61.0%	38.6%	21.2%
	Upper	0	0.0%	20.0%	0	0.0%	34.2%	39.3%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	2	100.0%	100.0%	59	100.0%	100.0%	100.0%
HMDA TOTALS	Low	1	2.9%	5.3%	23	0.4%	2.4%	19.2%
	Moderate	1	2.9%	17.4%	89	1.6%	12.5%	20.3%
	Middle	8	22.9%	17.4%	926	16.5%	14.8%	21.2%
	Upper	21	60.0%	40.1%	2,739	48.9%	44.3%	39.3%
	Unknown	4	11.4%	19.7%	1,824	32.6%	25.9%	0.0%
	TOTAL	35	100.0%	100.0%	5,601	100.0%	100.0%	100.0%

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (2.9 percent) is substantially below the low-income family population figure (19.2 percent) as well as being below the 2019 aggregate lending level to low-income borrowers (5.3 percent). This reflects poor performance. Similarly, the bank's level of lending to moderate-income borrowers (2.9 percent) is below the moderate-income family population figure (20.3 percent) as well as the aggregate lending level (17.4 percent), reflecting poor performance as well. Therefore, the overall HMDA lending performance to LMI borrowers is poor.

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

Small Business Loans by Revenue and Loan Size								
Assessment Area: Western Arkansas								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	10	83.3%	36.2%	\$467	79.7%	28.8%	88.2%
	Over \$1 Million/Unknown	2	16.7%	63.8%	\$119	20.3%	71.2%	11.8%
	TOTAL	12	100.0%	100.0%	\$586	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	9	75.0%	94.5%	\$184	31.4%	42.2%	
	\$100,001–\$250,000	3	25.0%	3.1%	\$402	68.6%	16.8%	
	\$250,001–\$1 Million	0	0.0%	2.4%	\$0	0.0%	41.0%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	12	100.0%	100.0%	\$586	100.0%	100.0%	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	8	80.0%		\$174	37.3%		
	\$100,001–\$250,000	2	20.0%		\$293	62.7%		
	\$250,001–\$1 Million	0	0.0%		\$0	0.0%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	TOTAL	10	100.0%		\$467	100.0%		

The bank’s level of lending to small businesses is excellent. The bank originated 10 of its 12 small business loans (83.3 percent) to businesses with gross annual revenues of \$1 million or less. This is well over twice the performance of aggregate lenders (36.2 percent) and near the demographic data (88.2 percent). Additionally, the bank originated nine of its loans in amounts of \$100,000 or less, with community contacts citing small dollar loans as a need in the area.

Geographic Distribution of Loans

Under the geographic distribution of loans analysis, emphasis is normally placed on the bank’s performance in LMI geographies. However, the bank’s assessment area does not contain any LMI census tracts. As previously stated, this assessment area consists of five middle-income census tracts. Therefore, a detailed geographic distribution of loans analysis would not prove meaningful and was not performed as part of this evaluation. Nevertheless, the loan dispersion within the assessment area census tracts was reviewed, the results of which indicated that loan activity was adequately dispersed throughout the assessment area, consistent with demographics and bank structure. Therefore, the bank’s geographic distribution of loans is reasonable.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates excellent responsiveness to community development needs within the Western Arkansas 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.

During the review period, the bank originated 16 community development loans totaling \$15.4 million in this assessment area. Of these loans, all but one was to finance small farms, which helped to revitalize and stabilize distressed or underserved areas and provide jobs for LMI employees. The bank also made one new investment in the area totaling \$215,000 and retained three investments from prior periods totaling \$104,165. The new investment was made in a school bond for a district in which a majority of students are eligible for free or reduced lunches. The three existing investments were made in MBS targeting affordable housing. The bank also made eight donations totaling \$36,225. The largest of these donations, \$12,000, was made to an organization providing community services to LMI children in the area. Lastly, 8 separate employees provided their financial expertise in the form of community development services to 11 different organizations. Over the review period, these services amounted to 2,221 hours. These services included providing financial education to LMI individuals in the area, working to revitalize/stabilize middle-income distressed census tracts, and serving as board members for various organizations providing community development services targeting LMI individuals.

FORT SMITH, ARKANSAS-OKLAHOMA METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE FORT SMITH ASSESSMENT AREA

This assessment area includes the entirety of Sebastian, Crawford, and Franklin counties, three of the five counties that make up the Fort Smith, Arkansas-Oklahoma MSA. The bank operates one office in this assessment area, and no branch closures or openings occurred during the review period. 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	11,746	9,729	10,480	23,003	54,958
	21.4%	17.7%	19.1%	41.9%	100%
Household Population	19,349	12,304	13,818	34,541	80,012
	24.2%	15.4%	17.3%	43.2%	100%

Assessment Area Demographics by Geography Income Level						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown-	
Census Tracts	0	11	19	10	0	40
	0.0%	27.5%	47.5%	25.0%	0.0%	100%
Family Population	0	11,045	29,731	14,182	0	54,958
	0.0%	20.1%	54.1%	25.8%	0.0%	100%
Household Population	0	18,347	41,258	20,407	0	80,012
	0.0%	22.9%	51.6%	25.5%	0.0%	100%
Business Institutions	0	1,993	3,160	1,983	0	7,136
	0.0%	27.9%	44.3%	27.8%	0.0%	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE FORT SMITH ASSESSMENT AREA

LENDING TEST

The bank’s Lending Test performance in this assessment area is below the bank’s Lending Test performance in the Fayetteville assessment area, as reflected 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 B*.

Lending Test Criteria	Performance
Distribution of Loans by Borrower’s Profile	Below
Geographic Distribution of Loans	Meets
OVERALL	Below

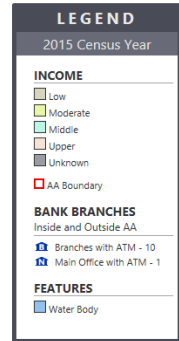
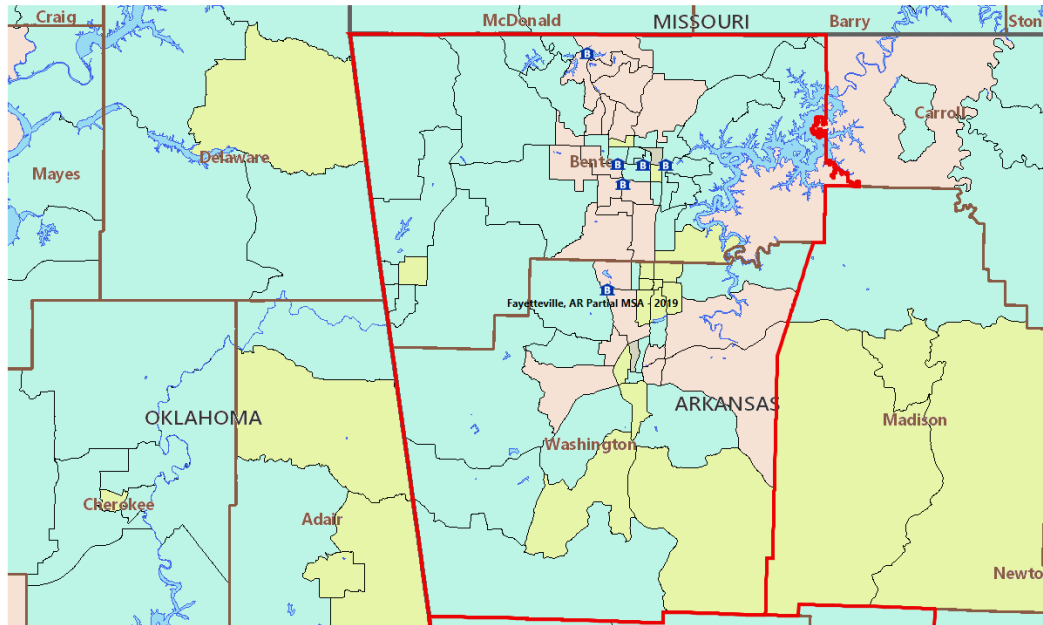
COMMUNITY DEVELOPMENT TEST

The bank’s Community Development Test performance in this assessment area is consistent with the bank’s Community Development Test performance in the Fayetteville assessment area.

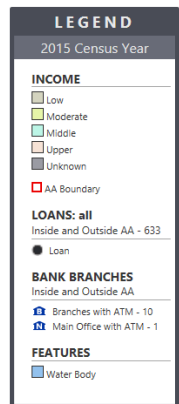
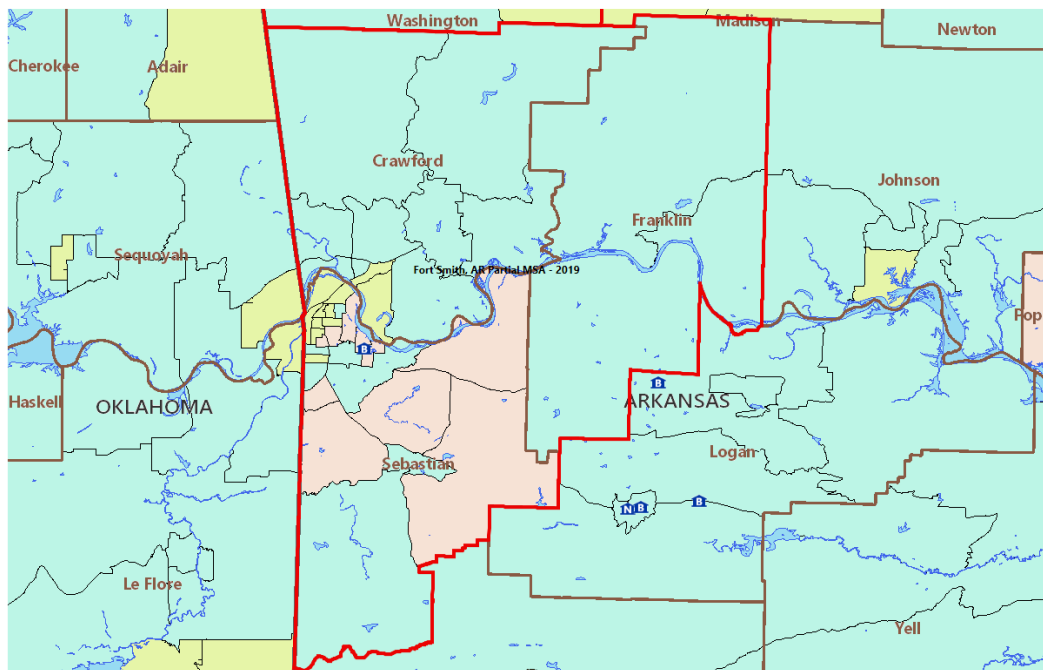
During the review period, the bank made 12 community development loans totaling \$11.2 million to provide financing to small farms in the area to revitalize and stabilize LMI geographies by retaining jobs for LMI individuals and to provide financing for affordable housing projects in moderate- and middle-income census tracts. Additionally, the bank had ten investments totaling \$760,398, primarily in MBS that finance affordable housing. The bank also made two donations totaling \$1,825 and provided 48 hours of community development services to one community development organization in this assessment area.

Assessment Areas Detail

First Western Bank - Booneville, AR 2021
 Fayetteville, AR Partial MSA - 2019



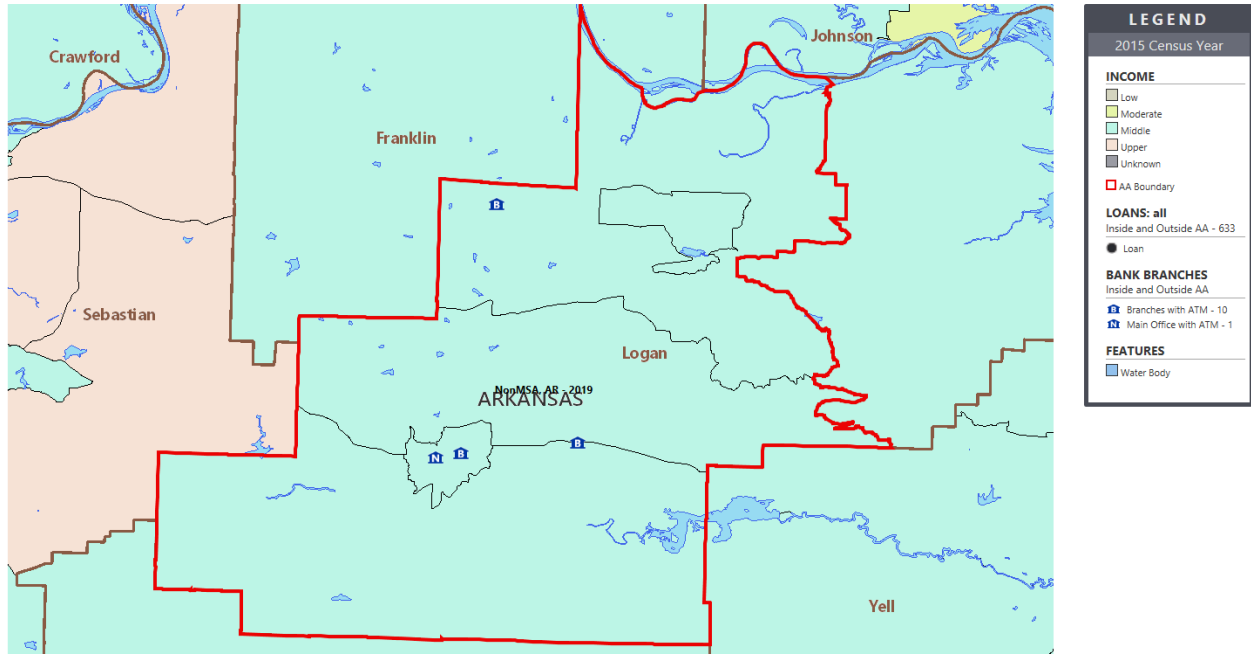
First Western Bank - Booneville, AR 2021
 Fort Smith, AR Partial MSA - 2019



Appendix A (continued)

First Western Bank - Booneville, AR 2021

NonMSA, AR - 2019



**LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW
ASSESSMENT AREAS**

Arkansas

Fort Smith Assessment Area

Geographic Distribution of HMDA Loans Assessment Area: Fort Smith								
Product Type	Tract Income Levels	2019						
		Count			Dollar			Owner-Occupied Units
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Home Purchase	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	8	9.2%	13.7%	763	6.2%	8.4%	15.4%
	Middle	49	56.3%	54.2%	6,864	55.4%	53.9%	57.1%
	Upper	30	34.5%	32.0%	4,757	38.4%	37.6%	27.5%
	Unknown	0	0.0%	0.1%	0	0.0%	0.2%	0.0%
	TOTAL	87	100.0%	100.0%	12,384	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	5	18.5%	11.9%	242	5.7%	7.4%	15.4%
	Middle	13	48.1%	54.6%	2,078	48.8%	54.0%	57.1%
	Upper	9	33.3%	33.3%	1,940	45.5%	38.5%	27.5%
	Unknown	0	0.0%	0.1%	0	0.0%	0.1%	0.0%
	TOTAL	27	100.0%	100.0%	4,260	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	0	0.0%	11.0%	0	0.0%	9.8%	15.4%
	Middle	1	100.0%	50.6%	178	100.0%	45.3%	57.1%
	Upper	0	0.0%	38.4%	0	0.0%	44.9%	27.5%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	1	100.0%	100.0%	178	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	2	25.0%	45.9%	656	13.0%	32.2%	37.6%
	Middle	4	50.0%	41.9%	3,389	67.1%	47.9%	32.5%
	Upper	2	25.0%	12.2%	1,008	19.9%	19.9%	29.9%
	Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	TOTAL	8	100.0%	100.0%	5,053	100.0%	100.0%	100.0%

Appendix B (continued)

Other Purpose Closed/Exempt	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	0	0.0%	20.1%	0	0.0%	12.6%	15.4%
	Middle	1	100.0%	51.1%	102	100.0%	58.1%	57.1%
	Upper	0	0.0%	28.1%	0	0.0%	29.3%	27.5%
	Unknown	0	0.0%	0.7%	0	0.0%	0.0%	0.0%
	TOTAL	1	100.0%	100.0%	102	100.0%	100.0%	100.0%
HMDA TOTALS	Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
	Moderate	15	12.1%	13.8%	1,661	7.6%	10.1%	15.4%
	Middle	68	54.8%	54.0%	12,611	57.4%	53.4%	57.1%
	Upper	41	33.1%	32.0%	7,705	35.1%	36.4%	27.5%
	Unknown	0	0.0%	0.1%	0	0.0%	0.1%	0.0%
	TOTAL	124	100.0%	100.0%	21,977	100.0%	100.0%	100.0%

Geographic Distribution of Small Business Loans							
Assessment Area: Fort Smith							
Tract Income Levels	2019						
	Count			Dollar			Businesses
	Bank		Aggregate	Bank		Aggregate	
	#	%	%	\$ 000s	\$ %	\$ %	%
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	4	16.0%	25.3%	\$336	21.9%	27.1%	27.9%
Middle	13	52.0%	45.7%	\$691	45.1%	48.6%	44.3%
Upper	8	32.0%	26.7%	\$506	33.0%	23.6%	27.8%
Unknown	0	0.0%	2.3%	\$0	0.0%	0.7%	0.0%
TOTAL	25	100.0%	100.0%	\$1,533	100.0%	100.0%	100.0%

Appendix B (continued)

Borrower Distribution of HMDA Loans								
Assessment Area: Fort Smith								
Product Type	Borrower Income Levels	2019						
		Count			Dollar			Families
		Bank		HMDA Aggregate	Bank		HMDA Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	3	3.4%	5.0%	311	2.5%	2.5%	21.4%
	Moderate	16	18.4%	16.1%	1,546	12.5%	10.8%	17.7%
	Middle	20	23.0%	22.4%	2,203	17.8%	19.2%	19.1%
	Upper	34	39.1%	40.0%	6,286	50.8%	51.1%	41.9%
	Unknown	14	16.1%	16.5%	2,038	16.5%	16.5%	0.0%
	TOTAL	87	100.0%	100.0%	12,384	100.0%	100.0%	100.0%
Refinance	Low	0	0.0%	4.7%	0	0.0%	2.0%	21.4%
	Moderate	2	7.4%	11.0%	183	4.3%	6.5%	17.7%
	Middle	3	11.1%	19.2%	483	11.3%	14.8%	19.1%
	Upper	13	48.1%	43.9%	2,800	65.7%	53.1%	41.9%
	Unknown	9	33.3%	21.2%	794	18.6%	23.7%	0.0%
	TOTAL	27	100.0%	100.0%	4,260	100.0%	100.0%	100.0%
Home Improvement	Low	0	0.0%	4.6%	0	0.0%	2.4%	21.4%
	Moderate	0	0.0%	11.4%	0	0.0%	8.4%	17.7%
	Middle	0	0.0%	19.8%	0	0.0%	17.6%	19.1%
	Upper	1	100.0%	55.7%	178	100.0%	61.9%	41.9%
	Unknown	0	0.0%	8.4%	0	0.0%	9.7%	0.0%
	TOTAL	1	100.0%	100.0%	178	100.0%	100.0%	100.0%
Multifamily	Low	0	0.0%	0.0%	0	0.0%	0.0%	21.4%
	Moderate	0	0.0%	0.0%	0	0.0%	0.0%	17.7%
	Middle	0	0.0%	2.7%	0	0.0%	0.5%	19.1%
	Upper	0	0.0%	5.4%	0	0.0%	2.2%	41.9%
	Unknown	8	100.0%	91.9%	5,053	100.0%	97.4%	0.0%
	TOTAL	8	100.0%	100.0%	5,053	100.0%	100.0%	100.0%
Other Purpose Closed/ Exempt	Low	0	0.0%	7.9%	0	0.0%	3.4%	21.4%
	Moderate	1	100.0%	19.4%	102	100.0%	17.4%	17.7%
	Middle	0	0.0%	22.3%	0	0.0%	22.5%	19.1%
	Upper	0	0.0%	48.9%	0	0.0%	54.2%	41.9%
	Unknown	0	0.0%	1.4%	0	0.0%	2.5%	0.0%
	TOTAL	1	100.0%	100.0%	102	100.0%	100.0%	100.0%

Appendix B (continued)

HMDA TOTALS	Low	3	2.4%	4.7%	311	1.4%	2.1%	21.4%
	Moderate	19	15.3%	13.7%	1,831	8.3%	8.5%	17.7%
	Middle	23	18.5%	20.1%	2,686	12.2%	16.0%	19.1%
	Upper	48	38.7%	40.3%	9,264	42.2%	46.8%	41.9%
	Unknown	31	25.0%	21.3%	7,885	35.9%	26.6%	0.0%
	TOTAL	124	100.0%	100.0%	21,977	100.0%	100.0%	100.0%

Small Business Loans by Revenue and Loan Size								
Assessment Area: Fort Smith								
Business Revenue and Loan Size		2019						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	20	80.0%	39.5%	\$1,280	83.5%	34.3%	88.2%
	Over \$1 Million/ Unknown	5	20.0%	60.5%	\$253	16.5%	65.7%	11.8%
	TOTAL	25	100.0%	100.0%	\$1,533	100.0%	100.0%	100.0%
Loan Size	\$100,000 or Less	21	84.0%	89.7%	\$723	47.2%	33.0%	
	\$100,001–\$250,000	4	16.0%	5.6%	\$810	52.8%	19.3%	
	\$250,001–\$1 Million	0	0.0%	4.7%	\$0	0.0%	47.7%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	TOTAL	25	100.0%	100.0%	\$1,533	100.0%	100.0%	
Loan Size	Revenue \$1 Million or Less	\$100,000 or Less	16	80.0%		\$470	36.7%	
		\$100,001–\$250,000	4	20.0%		\$810	63.3%	
		\$250,001–\$1 Million	0	0.0%		\$0	0.0%	
		Over \$1 Million	0	0.0%		\$0	0.0%	
		TOTAL	20	100.0%		\$1,280	100.0%	

GLOSSARY

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

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

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

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

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

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

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

Appendix C (continued)

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

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

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

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

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

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

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

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

Appendix C (continued)

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.

Appendix C (continued)

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.

Appendix C (continued)

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.