PUBLIC DISCLOSURE

May 15, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Arkansas County Bank
RSSD #705444

220 West Cross Street
DeWitt, Arkansas 72042

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

NOTE: **This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of the institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

TABLE OF CONTENTS

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

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

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

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the Federal Financial Institutions Examination Council's (FFIEC) small bank procedures. The small bank procedures entail one performance test, the Lending Test, and bank performance under this test is rated at the institution level. The bank operates in two separate assessment areas; one in southwest Arkansas, the other in southeast Arkansas, with both being in nonmetropolitan statistical area (nonMSA) portions of the state. The bank's primary assessment area includes the entirety of Arkansas County and the southern portion of Prairie County in southeast Arkansas. The second assessment area is comprised of Sevier County in southwest Arkansas, in its entirety. Both assessment areas were analyzed using full-scope review procedures.

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, and deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report data as of June 30, 2016.

Assessment Areas	Offices		Deposits as of 6/30/16		Assessment Area Reviews		
	#	%	$ (000s)	%	Full Scope	Limited Scope	TOTAL
Arkansas County	2	66.7%	$110,055	86.9%	1	0	**1**
Sevier County	1	33.3%	$16,633	13.1%	1	0	**1**
OVERALL	**3**	**100%**	**$126,688**	**100%**	**2**	**0**	**2**

In light of the bank's branch structure and lending and deposit activity, the bank's overall CRA performance in the Arkansas County assessment area was given primary consideration.

Furthermore, residential real estate, small farm, and consumer motor vehicle 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 indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on home mortgage and farm lending, performance of these two loan categories carried the most significance toward the bank's overall performance conclusions. The following table details the performance criterion and the corresponding time periods used in each analysis:

Performance Criterion	Time Period
LTD Ratio	March 31, 2013 – March 31, 2017
Assessment Area Concentration	January 1, 2015 – December 31, 2015
Geographic Distribution of Loans	January 1, 2015 – December 31, 2015
Loan Distribution by Borrower's Profile	January 1, 2015 – December 31, 2015
Response to Written CRA Complaints	March 18, 2013 – May 14, 2017

Lending Test analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders, based on Home Mortgage Disclosure Act (HMDA) and CRA aggregate lending data. Unless otherwise noted, assessment area demographics are based on 2010 U.S. Census data; certain farm geodemographics are based on 2015 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 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. Three other banks were identified as similarly situated peers, with asset sizes ranging from $99.6 million to $253.9 million on March 31, 2017.

To augment this evaluation, four community contact interviews were conducted with members of the local communities to ascertain specific credit needs, opportunities, and local market conditions in the bank's assessment areas. 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

Arkansas County Bank is a full-service retail bank offering both consumer and commercial loan and deposit products. The bank is wholly owned by DeWitt First Bankshares Corporation, a one-bank holding company headquartered in DeWitt, Arkansas. The bank's network consists of a main office and two branches, all of which are full-service facilities that have cash dispensing-only automated teller machines on-site. The bank's branch in Sevier County continues to operate under its original name, Bank of Lockesburg. Arkansas County Bank did not open or close any branch offices or other facilities during the review period.

Based on this branch network and other service delivery systems, such as standard banking hours of operation and 24-hour online banking capabilities, the bank is well positioned to deliver financial services to its Arkansas County assessment area. Conversely, the bank faces a slight competitive disadvantage in its Sevier County assessment area. The branch is located east of the city of De Queen, Arkansas and southeast of the only moderate-income census tract that is located directly north of the city, whereas, several competing banks having a much stronger presence directly in the city of De Queen. Due to the bank's branch location and its limited presence in the area, the bank cannot reasonably be expected to deliver services to the entire nonMSA Sevier County assessment area.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credits 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. On March 31, 2017, the bank reported total assets of $163.6 million. On that same date, loans and leases outstanding were $89.7 million (54.8 percent of total assets), and deposits totaled $127.0 million.

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

Distribution of Total Loans on March 31, 2017		
Credit Category	**Amount ($000s)**	**Percentage of Total Loans**
Construction and Development	$1,224	1.4%
Commercial Real Estate	$10,295	11.5%
Multifamily Residential	$3,070	3.4%
1–4 Family Residential	$27,941	31.1%
Farmland	$10,473	11.7%
Farm Loans	$23,339	26.0%
Commercial and Industrial	$8,656	9.6%
Loans to Individuals	$4,477	5.0%
Other Loans	$236	0.3%
TOTAL	**$89,711**	**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 (31.1 percent) and loans secured by farmland or farm loans (37.7 percent). While not reflected in the previous table, it is also worth noting that by number of loans originated, loans to individuals (such as consumer motor vehicle loans) represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

The bank received a Satisfactory rating at its previous CRA evaluation conducted by this Reserve Bank on March 18, 2013.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

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

Loan-to-Deposit (LTD) Ratio

One indication of the bank's overall level of lending activity is its LTD ratio. The table below displays the bank's average LTD ratio compared to those of regional peers. The average LTD ratio represents a 17-quarter average, dating back to the bank's last CRA evaluation.

LTD Ratio Analysis			
Name	**Headquarters**	**Asset Size ($000s) on March 31, 2017**	**Average LTD Ratio**
Arkansas County Bank	DeWitt, Arkansas	$163,608	75.7%
Regional Banks	DeWitt, Arkansas	$99,599	37.5%
	De Queen, Arkansas	$226,225	82.3%
	Newport, Arkansas	$253,921	64.4%

Based on data from the previous table, the bank's level of lending is consistent with those of other banks in the region. During the review period, the bank's quarterly LTD ratio experienced a generally increasing trend with a 17-quarter average of 75.7 percent. In comparison, the average LTD ratios for the regional peers ranged from a low of 37.5 percent to a high of 82.3 percent. Therefore, compared to data from these regional banks, the bank's average LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment areas.

Assessment Area Concentration

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

Lending Inside and Outside of Assessment Areas January 1, 2015 through December 31, 2015						
Loan Type	**Inside Assessment Areas**		**Outside Assessment Areas**		**TOTAL**	
1–4 Family Residential Real Estate	73	88.0%	10	12.0%	83	**100%**
	4,756	91.8%	424	8.2%	$5,180	**100%**
Small Farm	51	87.9%	7	12.1%	58	**100%**
	5,719	88.4%	751	11.6%	$6,470	**100%**
Consumer Motor Vehicle	102	84.3%	19	15.7%	121	**100%**
	704	82.8%	147	17.3%	$851	**100%**
TOTAL LOANS	**226**	**86.3%**	**36**	**13.7%**	**262**	**100%**
	11,179	**89.4%**	**1,322**	**10.6%**	**$12,501**	**100%**

A majority of loans and other lending-related activities were made in the bank's assessment areas. As shown above, 86.3 percent of the total loans were made inside the assessment areas, accounting for 89.4 percent of the dollar volume of total loans.

Loan Distribution by Borrower's Profile

This performance criterion focuses on the bank's lending penetration among borrowers of different income levels, with specific emphasis on lending to LMI borrowers. As displayed in the following table, the bank's overall loan distribution by borrower's profile reflects excellent performance throughout the bank's assessment areas.

Assessment Area	Loan Distribution by Borrower's Profile
Arkansas County	Excellent
Sevier County	Excellent
OVERALL	**EXCELLENT**

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

Geographic Distribution of Loans

As displayed in the following table, the bank's overall distribution of lending by income level of census tracts reflects reasonable penetration throughout the bank's assessment areas.

Assessment Area	Geographic Distribution of Loans
Arkansas County	Reasonable
Sevier County	Poor
OVERALL	**REASONABLE**

This performance criterion focuses on the bank's lending penetration among geographies of different income levels, with specific emphasis placed on lending in LMI geographies. As noted earlier, the bank's performance in Arkansas County was given greater consideration; therefore, it drives the overall performance conclusion.

Additional details regarding the loan distribution by geography are included later in this evaluation under the sections applicable to individual assessment area analysis.

Responses to Complaints

No CRA-related complaints were filed against the bank during this review period (March 18, 2013 through May 14, 2017).

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

ARKANSAS COUNTY, ARKANSAS NONMETROPOLITAN STATISTICAL AREA

(Full-Scope Review)

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

Bank Structure

The bank operates two of its three offices in this assessment area. Both offices are located in middle-income census tracts. Since the last examination, the bank did not open 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 Arkansas County assessment area comprises the entirety of Arkansas County and two of the three census tracts of Prairie County. As of the 2010 U.S. Census, the assessment area population was 23,971. As previously mentioned, the assessment area is located in southeast Arkansas, east of Pine Bluff and southeast of Little Rock. This assessment area and surrounding areas are predominantly rural in nature, with the exception of the two cities previously mentioned. The assessment area is bordered to the south and west by the Arkansas River and to the east by the White River. Of the four FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked second in deposit market share, encompassing 20.5 percent of total deposit dollars.

Credit needs in the assessment area include a mix of agricultural, consumer, and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include financial literacy initiatives, an increased amount of affordable housing, and development of senior assistant housing.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0 0.0%	1 10.0%	4 40.0%	5 50.0%	0 0.0%	**10** **100%**
Family Population	0 0.0%	772 11.8%	3,039 46.6%	2,710 41.6%	0 0.0%	**6,521** **100%**

As shown in the preceding table, only 10.0 percent of the census tracts in the assessment area are LMI geographies, and only 11.8 percent of the family population resides in the tract. This assessment area did not contain any LMI geographies at the previous evaluation. Two of the four middle-income census tracts are located in Prairie County and are considered underserved. The largest portion of this assessment area's family population (46.6 percent) resides in middle-income census tracts.

Based on 2010 U.S. Census data, the median family income for the assessment area was $46,448. At the same time, the nonMSA Arkansas median family income was $42,175. More recently, the FFIEC estimates the 2015 median family income for nonMSA Arkansas to be $46,300. The following table displays population percentages 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	1,168 17.9%	1,215 18.6%	1,215 18.6%	2,923 44.8%	**6,521** **100%**
NonMSA Arkansas	65,135 20.8%	57,160 18.3%	62,634 20.0%	128,266 41.0%	**313,195** **100%**

The table above shows that 36.5 percent of families in the assessment area were considered LMI, which is slightly lower than the LMI family percentage of 39.1 percent in nonMSA Arkansas. Furthermore, the percentage of families living below the poverty level in the assessment area (12.7 percent) is less than the 15.1 percent for nonMSA Arkansas. Considering these factors, the assessment area appears slightly more affluent than nonMSA Arkansas as a whole.

Housing Demographics

Based upon housing values, affordability ratios, and rental costs, housing in the assessment area appears similarly affordable compared to nonMSA Arkansas. The median housing value for the assessment area was $77,831, which is slightly below the figure for nonMSA Arkansas of $78,904. In addition, the assessment area housing affordable ratio of 46.4 percent is slightly above the nonMSA figure of 42.0 percent. Lastly, although the median gross rent for the assessment area of $562 per month is slightly above the $535 per month for nonMSA Arkansas, housing in the Arkansas County assessment area appears to be attainable for the LMI population.

Industry and Employment Demographics

The assessment area economy is diverse and supported by a mixture of manufacturing and service-oriented sectors. The U.S. Census Bureau 2015 County Business Patterns indicate there are 9,225 paid employees in the counties of Arkansas and Prairie. By percentage of employees, the three largest job categories in the counties are manufacturing (38.0 percent), followed by retail trade (14.9 percent), and health care and social assistance (12.8 percent). The following table details unemployment data from the U.S. Department of Labor, Bureau of Statistics (not seasonally adjusted) for the assessment area, individual counties, and the state of Arkansas:

Unemployment Levels for the Assessment Area			
Dataset	**Time Period (Annual Average)**		
	2014	**2015**	**2016**
Arkansas County	5.4%	4.4%	3.4%
Prairie County	5.9%	4.8%	3.9%
State of Arkansas	6.1%	5.2%	4.0%

The table above shows that both counties in the bank's assessment area have similar unemployment rates (with Arkansas County being slightly better) and have both experienced declining trends over the last three years. In addition, the assessment area has consistently had a lower unemployment rate during the three-year period, as compared to the state of Arkansas.

Community Contact Information

For the Arkansas County assessment area, three community contacts interviews were completed as part of this evaluation. One interview was conducted with a member of the local government organization, one interview was conducted with an economic development coordinator, and another interview was conducted with a real estate agent who provides services to the southern portion of the state of Arkansas.

All three contacts believed that the local economy was performing much better than both the greater statewide region and the nation as a whole. One contact stated that Arkansas County has one of the lowest unemployment rates in the state. All three contacts stated Arkansas County has jobs to offer but does not have enough qualified employees living in the community. The contacts stated that the majority of the workforce commutes from surrounding counties. In addition, the contacts listed affordable housing and senior housing as credit needs for the community. When asked about financial competition, the contacts stated competition is high among the few banks and farms credit services that operate in the area. One contact also stated that farm lending is handled primarily by the local farm service agency and banks have a difficult time competing for loans due to extremely low rates and specialized product offerings from the farm agency.

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

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from all three loan categories reviewed. While the bank's 1–4 family residential real estate loan distribution by borrower's profile is reasonable, the bank's performance under the small farm and consumer motor vehicle loan categories is excellent.

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 ($46,300 for nonMSA Arkansas in 2015). The following table shows the distribution of 1–4 family residential real estate 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**			
1–4 Family Residential Loans	4	6.3%	9	14.1%	22	34.4%	29	45.3%	0	0.0%	**64**	**100%**
Family Population	17.9%		18.6%		18.6%		44.8%		0.0%		**100%**	
2015 HMDA Aggregate	3.4%		17.3%		15.8%		44.0%		19.5%		**100%**	

As shown in the preceding table, the bank's percentage of lending to low-income borrowers (6.3 percent) is below the low-income family population figure (17.9 percent), but almost double the 2015 aggregate lending level to low-income borrowers (3.4 percent), reflecting reasonable performance. The bank's level of lending to moderate-income borrowers (14.1 percent) is below the moderate-income family population percentage (18.6 percent) and the aggregate lending levels of 17.3 percent, reflecting poor performance. Although performance to moderate-income borrowers is below aggregate lenders, when factoring in the lack of affordable housing in the area (as noted by community contacts), performance to both income categories (20.4 percent) is comparable to aggregate lender performance (20.7 percent). Therefore, the bank's overall 1–4 family residential real estate lending performance is reasonable.

Next, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2015 small farm loans by loan amount and farms 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 ≤$1,000			
$1 Million or Less	19	47.5%	13	32.5%	2	5.0%	**34**	**85.0%**
Greater Than $1 Million/Unknown	3	7.5%	2	5.0%	1	2.5%	**6**	**15.0%**
TOTAL	**22**	**55.0%**	**15**	**37.5%**	**3**	**7.5%**	**40**	**100%**
Dun & Bradstreet Farm ≤ $1MM							**98.3%**	
2015 Small Farm Aggregate Data							**26.8%**	

The bank's level of lending to small farms is excellent. The bank originated the majority of its small farms loans (85.0 percent) to farms with revenues of $1 million or less. In comparison, 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 26.8 percent. In addition, the fact that 55.9 percent of loans to small farms were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small farms.

Similar to the borrower's profile analysis conducted for the two previous loan categories, the bank's distribution of consumer motor vehicle loans by borrower's income profile was reviewed. The following table reflects the bank's distribution of consumer motor vehicle loans by income level of the borrower compared to household population income characteristics:

Distribution of Loans Inside Assessment Area by Income of Borrower January 1, 2015 through December 31, 2015												
	Borrower Income Level										TOTAL	
	Low-		Moderate-		Middle-		Upper-		Unknown			
Consumer Motor Vehicle Loans	25	28.7%	31	35.6%	17	19.5%	14	16.1%	0	0.0%	**87**	**100%**
Household Population	22.0%		15.6%		17.8%		44.6%		0.0%		**100%**	

The analysis revealed excellent lending performance to LMI borrowers. By number of consumer motor vehicle loans made, 64.3 percent were to LMI borrowers, which significantly exceeds the LMI household population of 37.6 percent. The bank's performance to low-income borrowers (28.7 percent) was above the household population of 22.0 percent. Similarly, the bank's performance to moderate-income borrowers (35.6 percent) significantly exceeded the household population of 15.6 percent.

Geographic Distribution of Loans

As noted previously, the Arkansas County assessment area includes one moderate-income, four middle-income, and five upper-income census tracts. There are no low-income census tracts. Overall, the bank's geographic distribution of loans in this assessment area reflects reasonable penetration throughout the moderate-income census tract, based on a review of 1–4 family residential real estate, small farm, and consumer motor vehicle loan categories. The following table displays the geographic distribution of 2015 1–4 family residential lending compared to owner-occupied housing demographics for the assessment area and aggregate lending 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			
1–4 Family Residential Loans	0	0.0%	6	9.4%	21	32.8%	37	57.8%	0	0.0%	**64**	**100%**
Owner-Occupied Housing	0.0%		7.7%		46.5%		45.7%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		6.8%		44.3%		48.9%		0.0%		**100%**	

The analysis of 1–4 family residential real estate lending revealed excellent performance to borrowers residing in moderate-income geographies. The bank's total penetration of the moderate-income census tract by number of loans (9.4 percent) is above the percentage of owner-occupied housing units in the moderate-income census tract (7.7 percent) and is also better than other lenders performance in the assessment area (6.8 percent).

Second, the bank's geographic distribution of small farm loans was 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 farms 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%	12	29.3%	29	70.7%	0	0.0%	**41**	**100%**
Agricultural Institutions	0.0%		4.3%		37.7%		58.1%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		4.2%		43.2%		49.5%		3.2%		**100%**	

The analysis of small farm lending revealed poor performance to borrowers residing in moderate-income geographies. The bank's total penetration of the moderate-income census tract by number of loans (0.0 percent) is below the percentage of owner-occupied housing units (4.3 percent) and 2015 small farm aggregate data (4.2 percent). As referenced by a community contact, banks in the assessment area deal with heavy competition from farm credit services that can offer lower, more competitive rates. The competition makes it difficult for banks to attract farmers for these types of loans.

Similar to the bank's geographic distribution analysis conducted for the two previous loan categories, the bank's geographic distribution of consumer motor vehicle loans by income level of geographies was reviewed. The following table shows the distribution of consumer motor vehicle loans by income level of geographies compared to household population income characteristics:

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**			
Consumer Motor Vehicle Loans	0	0.0%	12	13.8%	32	36.8%	43	49.4%	0	0.0%	**87**	**100%**
Household Population	0.0%		10.3%		46.7%		43.0%		0.0%		**100%**	

The analysis of consumer lending revealed excellent performance to borrowers residing in moderate-income geographies. The bank originated 12 of 87 consumer motor vehicle loans in the moderate-income census tract. The bank's total penetration of the moderate-income census tract by percentage of loans (13.8 percent) is above the percentage of household population in the moderate-income census tract (10.3 percent).

Lastly, based on reviews from all three loan categories, the bank had loan activity in all assessment area census tracts. Additionally, there were no conspicuous lending gaps noted in moderate-income areas. This information supports the conclusion that the bank's overall geographic distribution of loans in the Arkansas County assessment area is reasonable.

SEVIER COUNTY, ARKANSAS NONMETROPOLITAN STATISTICAL AREA

(Full-Scope Review)

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

Bank Structure

The bank operates one of its three offices in the Sevier County assessment area. The branch is located in a distressed (due to poverty) middle-income census tract. Since the last examination, the bank did not open or close any branches in this assessment area. Based on the bank's limited branch presence, its lack of service delivery options, and significant competition (as noted by community contacts), the bank is not well positioned to deliver financial services to all of the assessment area.

General Demographics

The Sevier County assessment area, which has a population of 17,058, is comprised of the entirety of Sevier County. As previously mentioned, the assessment area is located in southeast Arkansas, north of the Texarkana, AR–Texarkana, TX MSA. This assessment area is primarily rural and bordered to the west by the state of Oklahoma. Of the six FDIC-insured depository institutions with a branch presence in this assessment area, the bank ranked fourth in deposit market share, encompassing 4.9 percent of total deposit dollars.

The credit needs in the assessment area include a mix of agricultural, consumer, and business loan products. Other particular credit needs in the assessment area, as noted primarily from community contacts, include financial literacy initiatives, affordable housing, and development of senior assistant housing.

Income and Wealth Demographics

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

Assessment Area Demographics by Geography Income Level						
Dataset	**Low-**	**Moderate-**	**Middle-**	**Upper-**	**Unknown**	**TOTAL**
Census Tracts	0	1	3	0	0	**4**
	0.0%	25.0%	75.0%	0.0%	0.0%	**100%**
Family Population	0	1,438	2,898	0	0	**4,336**
	0.0%	33.2%	66.8%	0.0%	0.0%	**100%**

As shown in the preceding table, 25.0 percent of the census tracts in the assessment area are LMI geographies, and 33.2 percent of the family population resides in the tract. This assessment area did not contain any LMI geographies at the previous evaluation. All three middle-income census tracts are considered distressed due to poverty and contain the largest portion (66.8 percent) of this assessment area family population.

Based on 2010 U.S. Census data, the median family income for the assessment area was $39,177. At the same time, the nonMSA Arkansas median family income was $42,175. More recently, the FFIEC estimates the 2015 median family income for nonMSA Arkansas to be $46,300. The following table displays population percentages 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	974 22.5%	878 20.2%	995 22.9%	1,489 34.3%	**4,336** **100%**
nonMSA Arkansas	65,135 20.8%	57,160 18.3%	62,634 20.0%	128,266 41.0%	**313,195** **100%**

As shown in the table above, 42.7 percent of families in the assessment area were considered LMI, which is higher than the LMI family percentage of 39.1 percent in nonMSA Arkansas. The percentage of families living below the poverty level in the assessment area, 16.4 percent, is above the 15.1 percent for nonMSA Arkansas. Considering these factors, the assessment area appears less affluent than nonMSA Arkansas as a whole.

Housing Demographics

Based upon housing values, affordability ratios, and rental costs, housing in the assessment area appears slightly more affordable than in nonMSA Arkansas. The median housing value for the assessment area was $73,058, which is below the figure for the nonMSA Arkansas of $78,904. In addition, the assessment area housing affordable ratio of 46.8 percent is above the nonMSA figure of 42.0 percent. Lastly, the median gross rent for the assessment area of $503 per month is slightly below the $535 per month for nonMSA Arkansas. Overall, housing in the Sevier County assessment area appears to be attainable for the LMI population.

Industry and Employment Demographics

The assessment area economy is diverse and supported by a mixture of manufacturing and service-oriented sectors. The U.S. Census Bureau 2015 County Business Patterns indicate that there are 3,960 paid employees in Sevier County. By percentage of employees, the three largest job categories in the assessment area are manufacturing (44.2 percent), followed by retail trade (18.4 percent), and health care and social assistance (13.7 percent). The table below details unemployment data from the U.S. Department of Labor, Bureau of Statistics (not seasonally adjusted) for the assessment area and the state of Arkansas.

Unemployment Data		
Time Period (Annual Average)	**Arkansas**	**Sevier County, Arkansas**
2014	6.1%	7.1%
2015	5.2%	6.4%
2016	4.0%	5.0%

The Sevier County assessment area has experienced an improving unemployment level over the previous three years. Nevertheless, the assessment area's unemployment rate has been consistently higher than the state of Arkansas. According to a community contact, Sevier County has inexperienced workers who do not meet minimum job requirements and/or jobs not meeting salary requirements.

Community Contact Information

Information from one community contact was used to help shape the performance context in which the bank's activities in this assessment area were evaluated. The community contact was an individual dedicated to community and economic development in Sevier County. The interviewee categorized the economy as relatively stable over the past five years. Furthermore, the contact stated the county has jobs to offer, however there is a shortage of residents with the necessary skills to fulfill job requirements. In terms of banking competition, the contact stated that farmers are receiving better rates from the local farm credit service agency making, it very difficult for smaller community banks to compete for agricultural business. The contact also stated the housing supply in the area is not adequate. It was said that affordable housing for low-to-middle income working individuals who earn approximately $30,000 per year is a credit need for the community. Lastly, the contact mentioned the need for financial literacy regarding building credit and saving.

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

Loan Distribution by Borrower's Profile

Overall, the bank's loan distribution by borrower's profile is excellent, based on performance from all three loan categories reviewed. The bank's 1–4 family residential real estate and small farm loan distribution by borrower's profiles are both excellent. Furthermore, the bank's performance under the consumer motor vehicle loan category is reasonable.

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 ($46,300 for nonMSA Arkansas in 2015). The following table shows the distribution of 1–4 family residential real estate 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 shown.

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			
1–4 Family Residential Loans	2	22.2%	1	11.1%	2	22.2%	4	44.4%	0	0.0%	**9**	**100%**
Family Population	22.5%		20.2%		22.9%		34.3%		0.0%		**100%**	
2015 HMDA Aggregate	5.5%		11.4%		22.4%		45.2%		15.5%		**100%**	

As displayed in the preceding table, the bank's percentage of lending to low-income borrowers (22.2 percent) is in line with the low-income family population figure (22.5 percent), but exceeds the 2015 aggregate lending level to low-income borrowers (5.5 percent), reflecting excellent performance. The bank's level of lending to moderate-income borrowers (11.1 percent) is below the moderate-income family population percentage (20.2 percent) and slightly below the aggregate lending levels of 11.4 percent, reflecting reasonable performance. Notwithstanding the performance to moderate-income borrowers being below aggregate lenders, when both income categories are considered (33.3 percent), the bank's performance compared to aggregate lending performance (16.9 percent) is significantly better. Therefore, the bank's overall 1–4 family residential real estate lending performance is excellent.

Next, small farm loans were reviewed to determine the bank's lending levels to farms of different sizes. The following table shows the distribution of 2015 small farm 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 ≤$1,000**			
$1 Million or Less	9	90.0%	1	10.0%	0	0.0%	**10**	**100.0%**
Greater Than $1 Million/Unknown	0	0.0%	0	0.0%	0	0.0%	**0**	**0.0%**
TOTAL	**9**	**90.0%**	**1**	**10.0%**	**0**	**0.0%**	**10**	**100.0%**
Dun & Bradstreet Farms ≤ $1MM							**98.6%**	
2015 Small Farm Aggregate Data							**87.0%**	

The bank's level of lending to small farms is excellent. The bank originated all of its farms loans to farms with revenues of $1 million or less. In comparison, assessment area demographics estimate that 98.6 percent of farms in the assessment area had annual revenues of $1 million or less, and the 2015 aggregate lending level to small farms was 87.0 percent. In addition, the fact that 90.0 percent of loans to small farms were in amounts of $100,000 or less further indicates the bank's willingness to meet the credit needs of small farms.

Similar to the borrower's profile analysis conducted for the two previous loan categories, the bank's distribution of consumer motor vehicle loans by borrower's income profile was reviewed. The following table reflects the bank's distribution of consumer motor vehicle loans by income level of the borrower compared to household population income characteristics:

Distribution of Loans Inside Assessment Area by Income of Borrower January 1, 2015 through December 31, 2015												
	Borrower Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle Loans	5	33.3%	1	6.7%	3	20.0%	6	40.0%	0	0.0%	**15**	**100%**
Household Population	18.9%		20.9%		18.1%		42.0%		0.0%		**100%**	

The analysis revealed reasonable lending performance to LMI borrowers. By number of consumer motor vehicle loans originated, 40.0 percent were to LMI borrowers, which is slightly more than the LMI household population of 39.8 percent. The bank's performance by number of consumer motor vehicle loans made to low-income borrowers (33.3 percent) was above the household population of 18.9 percent, representing excellent performance. Conversely, the bank's performance to moderate-income borrowers (6.7 percent) was well below the household population of 20.9 percent, representing poor performance.

Geographic Distribution of Loans

As noted previously, the Sevier County assessment area includes one moderate- and three middle-income census tracts. There are no low-income census tracts in the assessment area. Overall, the bank's geographic distribution of loans in this assessment area reflects poor penetration throughout the moderate-income census tract, based on a review of 1–4 family residential real estate, small farm, and consumer motor vehicle loan categories. The following table displays the geographic distribution of 2015 1–4 family residential lending 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			
1–4 Family Residential Loans	0	0.0%	0	0.0%	9	100.0%	0	0.0%	0	0.0%	**9**	**100%**
Owner-Occupied Housing	0.0%		24.3%		75.7%		0.0%		0.0%		**100%**	
2015 HMDA Aggregate	0.0%		37.0%		62.1%		0.0%		0.9%		**100%**	

The analysis of 1–4 family residential real estate lending revealed very poor performance to borrowers residing in moderate-income geographies. The bank did not originate any loans in the moderate-income census tract. The bank's performance in the moderate-income census tract is well below that of other lenders in the assessment area based on 2015 aggregate data, which indicate that 37.0 percent of aggregate lenders' HMDA loans were made to borrowers residing in moderate-income geographies. However, as stated early, the bank is not well positioned to reach the entire assessment area. One community contact identified First State Bank of De Queen, Bear State Bank, and Horatio Bank as the key financial institutions in the county. All three institutions collectively make up 87.6 percent of deposit market share in Sevier County.

Second, the bank's geographic distribution of small farm loans was 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 farms 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 Farms Loans	0	0.0%	0	0.0%	10	100.0%	0	0.0%	0	0.0%	**10**	**100%**
Agricultural Institutions	0.0%		6.8%		93.2%		0.0%		0.0%		**100%**	
2015 Small Farm Aggregate	0.0%		0.0%		100.0%		0.0%		0.0%		**100%**	

The analysis of small farm lending revealed reasonable performance to farms residing in moderate-income geographies. The bank's total penetration of the moderate-income census tract by number of loans (0.0 percent) is below the percentage of small farms (6.8 percent); however, the bank's performance is identical to 2015 small farm aggregate data, representing 0.0 percent. According to Dunn & Bradstreet data for 2015, only five farms fall within the moderate-income census tract. In addition, as referenced by a community contact, banks in the assessment area deal with heavy competition from farm credit services that can offer lower, more competitive rates. The limited number of farms and high level of competition makes it difficult for banks to attract farmers for these types of loans.

Similar to the bank's geographic distribution analysis conducted for the two previous loan categories, the bank's geographic distribution of consumer motor vehicle loans by income level of geographies was reviewed. The following table shows the distribution of consumer motor vehicle loans by income level of geographies compared to household population income characteristics:

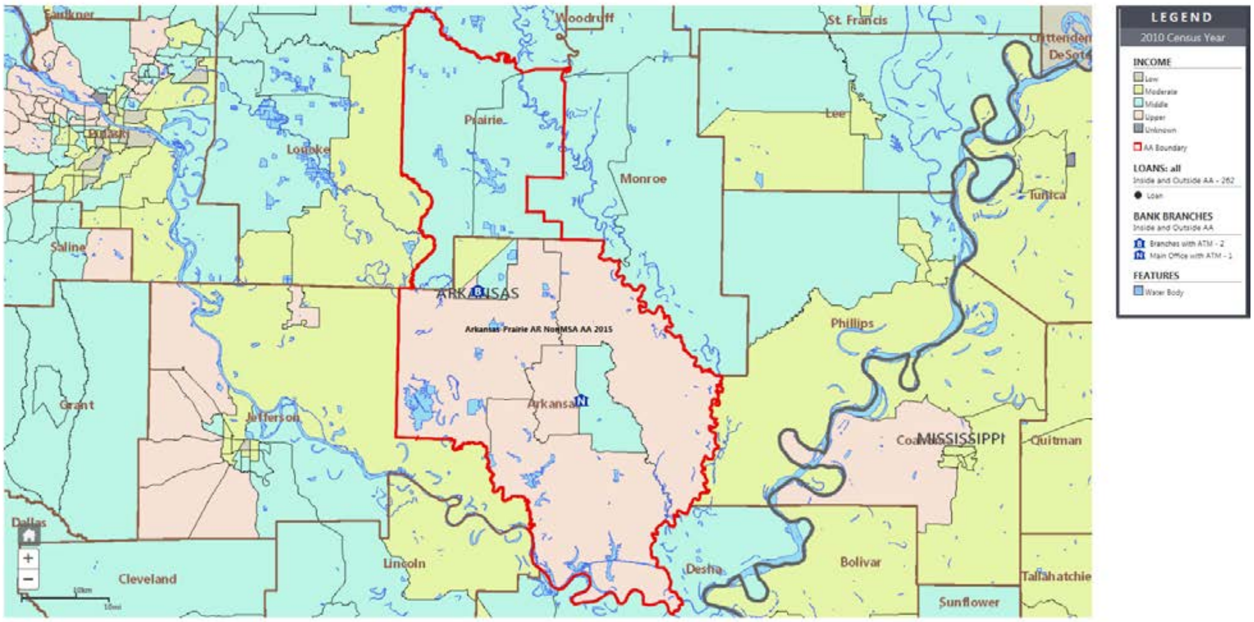
Distribution of Loans Inside Assessment Area by Income Level of Geography January 1, 2015 through December 31, 2015												
	Geography Income Level										**TOTAL**	
	Low-		**Moderate-**		**Middle-**		**Upper-**		**Unknown**			
Consumer Motor Vehicle Loans	0	0.0%	1	6.7%	14	93.3%	0	0.0%	0	0.0%	**15**	**100%**
Household Population	0.0%		33.0%		67.0%		0.0%		0.0%		**100%**	

The analysis of consumer motor vehicle lending revealed poor performance to borrowers residing in moderate-income geographies. The bank originated 1 of 15 consumer loans in the moderate-income census tract. The bank's total penetration of the moderate-income census tract by percentage of loans (6.7 percent) is below the percentage of household population in the moderate-income census tract (33.0 percent). As previously mentioned, the bank is not well positioned to reach the entire assessment area. In addition, the bank made 14 loans in the 3 distressed middle-income census tracts, which shows the bank willingness to serve the assessment area.

Lastly, based on reviews from all three loan categories, the bank had loan activity in all assessment area census tracts. Therefore, there were no conspicuous lending gaps noted in the assessment area.

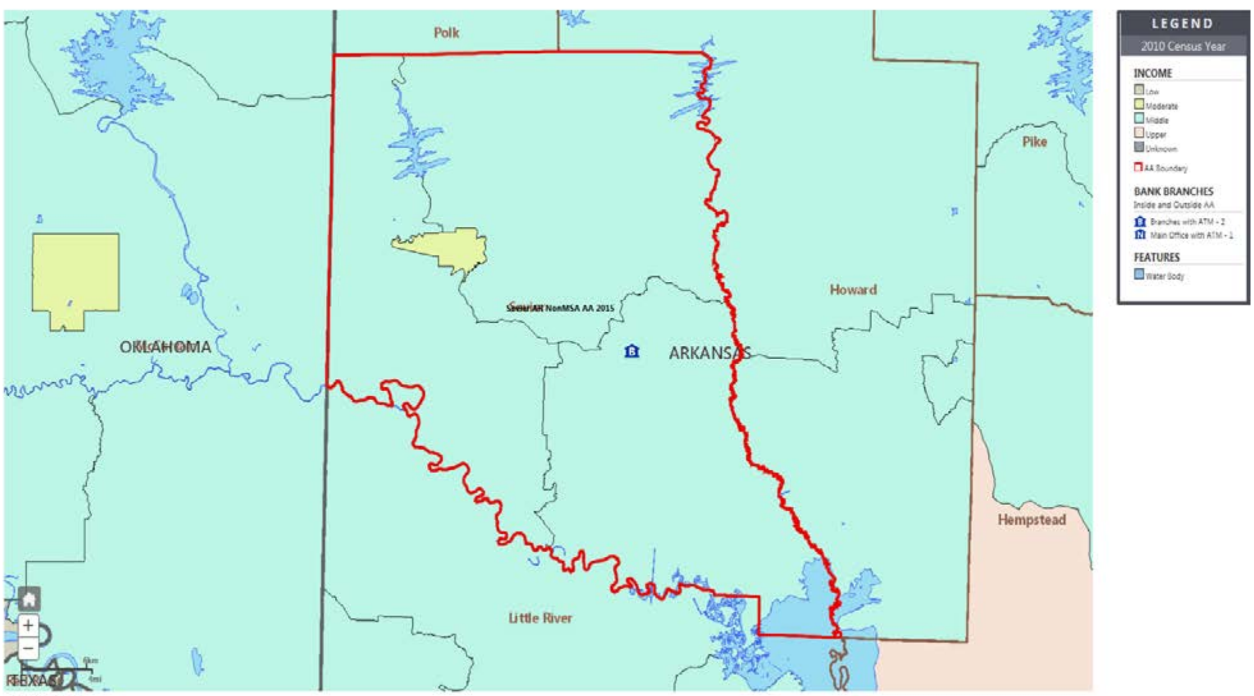
ASSESSMENT AREA MAPS

Arkansas County Bank - De Witt, Arkansas
Arkansas-Prairie AR NonMSA Assessment Area



Tract Income Map

Arkansas County Bank - De Witt, Arkansas
Sevier AR NonMSA Assessment Area



Tract Income Map

GLOSSARY

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

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

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

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

Community development: An activity associated with one of the following five descriptions: (1) <u>affordable housing</u> (including multifamily rental housing) for low- and moderate-income individuals (LMI); (2) <u>community services</u> targeted to low- or moderate-income individuals; (3) activities that promote <u>economic development</u> by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; (4) activities that <u>revitalize or stabilize</u> LMI geographies, designated disaster areas, or distressed or underserved 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 (example.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (example.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 (example.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.