

PUBLIC DISCLOSURE

September 11, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Partners Bank
Certificate Number: 15729

302 Cherry Street
Helena, Arkansas 72342

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

600 North Pearl Street, Suite 700
Dallas, Texas 75201

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 this 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 RATING.....	1
DESCRIPTION OF INSTITUTION.....	1
DESCRIPTION OF ASSESSMENT AREAS	2
SCOPE OF EVALUATION	3
CONCLUSIONS ON PERFORMANCE CRITERIA	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	7
ARKANSAS NON-MSA AA – Full-Scope Review	7
FAYETTEVILLE MSA AA– Full-Scope Review	13
MEMPHIS MSA AA– Limited-Scope Review	16
APPENDICES.....	20
SMALL BANK PERFORMANCE CRITERIA	20
GLOSSARY	21

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit ratio (LTD) is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable performance among individuals of different income levels, and businesses and farms of different sizes.
- The institution did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Partners Bank (PB) operates as a full-service community bank headquartered in Helena, Arkansas. Helena Bancshares, Inc., a one-bank holding company also located in Helena, wholly owns the bank. The bank received a "Satisfactory" rating based on Small Institution Examination Procedures at its previous FDIC evaluation dated July 20, 2020.

PB functions as a retail bank operating nine locations (includes main office and full-service branches) and seven ATMs located throughout its AAs in Eastern, Central, and Northwest Arkansas. The bank opened the Springdale branch on September 24, 2020; opened the Conway loan production office (LPO) in January 2021 that converted to a full-service branch on September 12, 2022; and opened the Little Rock LPO in October 2022 that converted to a full-service branch on August 14, 2023. The Springdale branch is located in a middle-income census tract in Washington County, the Conway branch is located in a moderate-income census tract in Faulkner County, and the Little Rock branch is located in a middle-income tract in Pulaski County. The bank has not closed any branches or participated in any merger or acquisition activity since the previous evaluation.

The bank offers various loan products including commercial, home mortgage, agricultural, and consumer loans, primarily focusing on commercial lending followed by home mortgage and agricultural lending.

PB also offers a variety of deposit services including demand deposit, savings, and certificates of deposit. Alternative delivery systems for provision of banking services include a transactional website for online banking services, a mobile banking application, and access to automated teller machines (ATMs).

As of June 30, 2023, the institution’s assets totaled approximately \$413.5 million, total loans equaled \$359.8 million, and total deposits equaled \$334.3 million. Since the prior evaluation, total assets increased 34.3 percent, total loans increased 71.8 percent, and total deposits increased 29.0 percent. This growth is primarily attributable to the addition of the branches in new markets throughout Arkansas.

The following table illustrates the outstanding loan portfolio as of June 30, 2023, reflecting a distribution supportive of the institution’s commercial, residential, and agricultural focus, with commercial loans (Secured by Nonfarm Nonresidential Properties and Commercial and Industrial Loans) at 44.9 percent, residential loans (Secured by 1-4 Family Residential Properties and Multifamily (5 or more) Residential Properties) at 24.9 percent, and agricultural loans (Secured by Farmland and Agricultural Production and Other Loans to Farmers) at 17.1 percent.

Loan Portfolio Distribution as of 06/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	44,970	12.5
Secured by Farmland	14,629	4.1
Secured by 1-4 Family Residential Properties	63,651	17.7
Secured by Multifamily (5 or more) Residential Properties	25,776	7.2
Secured by Nonfarm Nonresidential Properties	121,035	33.6
Total Real Estate Loans	270,061	75.1
Commercial and Industrial Loans	40,584	11.3
Agricultural Production and Other Loans to Farmers	46,916	13.0
Consumer Loans	2,083	0.6
Other Loans	113	0.0
Less: Unearned Income	0	0.0
Total Loans	359,757	100.0
<i>Source: Reports of Condition and Income.</i>		

Examiners did not identify any financial, legal, or other impediments that affected the institution’s ability to meet its AAs’ credit needs.

DESCRIPTION OF ASSESSMENT AREAS

PB defined four AAs, a portion of the Arkansas Non-Metropolitan Statistical Area (Arkansas Non-MSA), a portion of the Fayetteville-Springdale-Rogers, AR Metropolitan Statistical Area (Fayetteville MSA), a portion of the Memphis, TN-MS-AR Metropolitan Statistical Area (Memphis MSA), and a portion of the Little Rock-North Little Rock-Conway, AR Metropolitan Statistical Area (Little Rock MSA). Based on 2020 Census Data, the combined AAs contained 222 total

census tracts with the following income designations: 28 low-, 62 moderate-, 82 middle-, 47 upper-, and 3 tracts designated as data not available.

The bank’s AAs meet the technical requirements of the CRA. The following table provides additional details regarding each AA. Refer to the individual discussion of the AAs for more details.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Arkansas Non-MSA	Cross and Phillips	13	5
Fayetteville MSA	Washington	54	1
Memphis MSA	Crittenden, AR	20	1
Little Rock MSA	Faulkner and Pulaski	135	2
<i>Source: Bank Records.</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 20, 2020, to the current evaluation dated September 11, 2023. Examiners evaluated the bank’s performance following the Federal Financial Institutions Examination Council’s (FFIEC) Small Institution Examination Procedures. These procedures include the Lending Test. The appendix lists the test’s criteria.

As previously noted, the institution operates in four separate AAs. Based on the concentration of loans, deposits, and branches noted in the following table, examiners used full-scope procedures and weighed performance more heavily in the Arkansas Non-MSA AA when arriving at conclusions and the rating. Examiners also applied full-scope procedures to the Fayetteville MSA AA due to the addition of this AA since the prior evaluation. Examiners applied limited-scope procedures to the Memphis MSA AA since the AA received a full-scope review at the previous evaluation. This evaluation does not include a full review or any conclusions of the Little Rock MSA AA, since the branches have not been open for a full calendar year and a full year of loan data was not available for review.

The following table shows the breakdown of each AA.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Arkansas Non-MSA	32,402	50.3	312,551	85.3	5	55.6
Fayetteville MSA	4,508	7.0	1,141	0.3	1	11.1
Memphis MSA	7,025	10.9	52,632	14.4	1	11.1
Little Rock MSA*	20,542	31.8	0	0.0	2	22.2
Total	64,477	100.0	366,324	100.0	9	100.0
<i>Source: Bank Records for Loans as of 12/31/2022 and Branches as of 9/11/2023; FDIC Summary of Deposits (06/30/22). *Branch opened after Summary of Deposits data reported.</i>						

Activities Reviewed

Small Institution Examination Procedures require examiners to determine the bank's major product lines from which to review. Examiners may select from the same loan categories used for Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. The following table shows bank lending activity for 2022.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	24,124	11.1	106	17.0
Secured by Farmland	70,405	32.4	132	21.1
Secured by 1-4 Family Residential Properties	20,343	9.3	116	18.6
Multi-Family (5 or more) Residential Properties	42,739	19.6	35	5.6
Commercial Real Estate Loans	49,539	22.8	128	20.5
Commercial and Industrial Loans	720	0.3	85	13.6
Agricultural Loans	1,744	0.8	3	0.5
Consumer Loans	7,837	3.6	8	1.3
Other Loans	140	0.1	12	1.8
Total Loans	217,591	100.0	625	100.0
<i>Source: 2022 Bank Data.</i>				

Considering the dollar volume and number of loans originated, as well as management's stated business strategy, examiners determined that the bank's major product lines consist of commercial (small business), residential, and agricultural (small farm) lending. Since consumer loans do not represent a major product line and thus would not materially affect any conclusions or ratings, this evaluation does not include a review of them. Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period.

This evaluation includes a review of small business loans originated or purchased in 2022, which represents the most recent completed calendar year of available data. Of the 213 commercial loans totaling \$50.3 million noted in the preceding table, examiners identified 129 small business loans. For AA concentration, examiners reviewed the universe of 129 small business loans totaling \$17.0 million. For geographic distribution and borrower profile, examiners reviewed a subset of the universe of 96 small business loans totaling \$10.3 million originated in the AAs to review the Arkansas Non-MSA, Fayetteville MSA and the Memphis MSA AAs. D&B data for 2022 provided a standard comparison for small business loans.

This evaluation also includes a review of small farm loans originated or purchased in 2022, which represents the most recent completed calendar year of available data. Of the 135 agricultural and farmland loans totaling \$72.1 million noted in the preceding table, examiners identified 90 small farm loans. For AA concentration, examiners reviewed the universe of 90 small farm loans totaling \$14.6 million. For geographic distribution and borrower profile, examiners reviewed the universe of 58 small farms loans totaling \$9.4 million originated in the AAs. D&B data for 2022 provided a standard comparison for small farm loans.

PB reports home mortgage loans pursuant to the Home Mortgage Disclosure Act (HMDA). The bank began reporting HMDA data in 2022 and did not collect previous years' data; therefore, only 2022 HMDA data is presented. This evaluation includes a review of the 94 home mortgage loans totaling \$25.4 million reported on the bank's 2022 HMDA Loan Application Register (LAR).

Aggregate data served as the primary standard of comparison for home mortgage loans. As previously noted, the bank did not report or collect HMDA data prior to 2022. Therefore, the AA concentration, geographic distribution and borrower profile analyses present home mortgage loan data for 2022, the most recent year for which aggregate data exists.

Examiners considered the universe of small business, small farm, and home mortgage loans when determining product weighting. The following table shows that home mortgage loans represent a majority of the bank's loan categories by dollar; however, small business loan represent a majority by number. Upon further review when considering the distribution of loans in each AA, small farm loans received more weight in the Arkansas Non-MSA AA, while small business loans received all the weight in the Fayetteville MSA AA. No home mortgage or small farms loans were originated in the Fayetteville MSA AA; therefore, examiners did not review these products in the AA. For the limited-scope review of the Memphis MSA AA, small business loans received more weight. No small farms loans were originated in the Memphis MSA AA; therefore, examiners did not review that product in the AA. Therefore, due to the Arkansas Non-MSA AA receiving more weight overall, small farm loans received the most weight when arriving at overall conclusions.

Loan Products Reviewed				
Loan Category	Universe			
	#	%	\$(000s)	%
Home Mortgage	94	30.0	25,434	44.6
Small Business	129	41.2	17,006	29.8
Small Farm	90	28.8	14,648	25.6
Total Loans	313	100.0	57,088	100.0
<i>Source: 2022 HMDA and 2022 Bank Data.</i>				

While the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans when arriving at conclusion for the performance factors because the number of loans better indicates the number of businesses and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

PB demonstrated satisfactory performance regarding the Lending Test. A more than reasonable LTD ratio, a majority of loans originated inside the AAs, and reasonable records regarding the geographic distribution and borrower profile support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and AAs credit needs. For the 12 quarters since the previous evaluation, the bank recorded a 90.8 percent average, net LTD ratio, higher than the 50.5 percent ratio reported at the previous evaluation. The quarterly, net LTD ratio ranged from a high of 106.1 percent on June 30, 2023, to a low of 76.9 percent on December 31, 2020. Although the ratio fluctuated, it reflects a generally stable trend over the evaluation period.

Examiners identified and listed in the following table comparable institutions operating in similar areas, with comparable asset sizes and lending emphases. As illustrated, PB’s average net LTD ratio is higher than one comparable institution and remains within a reasonable range of the other two comparable institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 06/30/2023 (\$000s)	Average Net LTD Ratio (%)
Partners Bank	413,470	90.8
Cross Bank, Wynne, Arkansas	406,659	92.8
First Service Bank, Greenbrier, Arkansas	595,311	90.9
Central Bank, Little Rock, Arkansas	474,513	83.9

Source: Reports of Condition and Income 09/30/2020 –06/30/2023.

Assessment Area Concentration

The bank originated a majority of its loans inside the institution’s AAs. As seen in the following table, the bank originated a majority of small business, small farm, and home mortgage loans, by number and dollar volume, within the AAs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	96*	74.4	33	25.6	129	10,333	60.8	6,673	39.2	17,006
Small Farm	58	64.4	32	35.6	90	9,407	64.2	5,241	35.8	14,648
Home Mortgage	55*	58.5	39	41.5	94	13,538	53.2	11,896	46.8	25,434

*Source: 2022 Bank Data and 2022 HMDA Reported Data. *Includes 17 small business loans and 19 home mortgage loans originated within the Little Rock MSA AA.*

Geographic Distribution

The geographic distribution of loans reflects reasonable penetration throughout the AAs. Reasonable performance in the Arkansas Non-MSA AA and the Fayetteville MSA AA support this conclusion. Performance in the Memphis MSA AA proved inconsistent; however, it did not affect

the overall conclusion. Examiners considered the loan product types reviewed relative to the available comparative data and any performance context issues when arriving at this conclusion. They focused on the percentages by the number of loans in low- and moderate-income (LMI) geographies, if possible, when arriving at conclusions. This factor only considered loans originated inside the bank's AAs.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including LMI), and businesses and farms of different sizes throughout the AAs. Reasonable performance in the Arkansas Non-MSA AA and Fayetteville MSA AA support this conclusion. Performance in the Memphis MSA AA proved consistent with the overall conclusion. This factor only considered loans originated inside the bank's AAs.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

ARKANSAS NON-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ARKANSAS NON-MSA AA

The Arkansas Non-MSA AA includes all of Phillips and Cross Counties. The AA includes one additional census tract since the prior evaluation due to changes resulting from the 2020 U.S. Census Data. The changes include a decrease of one low-income census tract.

The bank operates five full-service branches with ATMs in the AA. Two branches and ATMs are located in moderate-income census tracts and three branches and ATMs are located in upper-income census tracts. The branches maintain hours consistent with the area and the industry. The delivery systems and range of products remain consistent with those reflected in the overall Description of Institution section of this performance evaluation.

Economic and Demographic Data

Based on 2020 Census Data, the AA's 13 census tracts consist of 6 moderate-, 3 middle-, and 4 upper-income tracts. This AA contains no low-income geographies. The following table provides select demographic characteristics for the AA.

Demographic Information of the Assessment Area Arkansas-Non MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	13	0.0	46.2	23.1	30.8	0.0
Population by Geography	33,401	0.0	45.3	19.7	35.0	0.0
Housing Units by Geography	18,228	0.0	46.7	20.1	33.2	0.0
Owner-Occupied Units by Geography	7,847	0.0	34.7	24.8	40.5	0.0
Occupied Rental Units by Geography	6,282	0.0	57.4	13.9	28.7	0.0
Vacant Units by Geography	4,099	0.0	53.4	20.6	26.0	0.0
Businesses by Geography	1,942	0.0	50.7	15.5	33.8	0.0
Farms by Geography	349	0.0	27.8	38.7	33.5	0.0
Family Distribution by Income Level	9,284	27.8	14.0	17.6	40.6	0.0
Household Distribution by Income Level	14,129	30.0	16.0	14.3	39.7	0.0
Median Family Income Non-MSAs - AR		\$53,702	Median Housing Value Median Gross Rent Families Below Poverty Level			\$85,611 \$636 20.0%

*Source: 2020 U.S. Census and 2022 D&B Data.
Due to rounding, totals may not equal 100.0%.
(*) The NA category consists of geographies that have not been assigned an income classification.*

On April 3, 2020, FEMA made a disaster declaration affecting all counties in Arkansas due to the COVID-19 pandemic. On April 2, 2023, FEMA made a disaster declaration affecting Cross County due to severe storms and tornadoes.

The assessment area includes census tracts that were designated distressed and/or underserved during the evaluation period:

- **Cross County:** 9502.00, 9503.00
- **Phillips County:** 4802.02

According to the Arkansas Economic Development Commission, the major employers in the Arkansas Non-MSA AA include: Phillips Community College, Wynn School District, Arkansas State Highway Department, Walmart Stores, Inc., and Kipp Delta Public Schools.

D&B Business Demographic Data shows that the service industry represents the largest portion of businesses at 36.1 percent, followed by agriculture, forestry and fishing at 15.2 percent, retail trade at 13.4 percent, and transportation and communication at 7.6 percent. In addition, 67.6 percent of area businesses have four or fewer employees and 84.2 percent operate from a single location.

The U.S. Bureau of Labor Statistics shows that Phillips County maintained unemployment rates higher when compared to the State of Arkansas and the national averages throughout the evaluation period, while Cross County maintained unemployment rates lower when compared to the State of Arkansas and the national averages. The following table shows the annual unemployment rates

over the evaluation period for each county in the AA, the state, and nationwide. The unemployment rates show a notable decrease since the onset of the COVID-19 pandemic in 2020.

Unemployment Rates				
Area	2020	2021	2022	July 2023
	%	%	%	%
Cross County, AR	5.0	3.2	3.3	3.3
Phillips County, AR	8.2	5.6	6.6	6.4
State of Arkansas	4.8	2.8	2.9	3.2
National Average	6.7	3.9	3.5	3.5
<i>Source: Bureau of Labor Statistics.</i>				

Examiners use the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2022 FFIEC-updated median family income of \$60,200 for the Arkansas Non-MSA AA.

Median Family Income Ranges – Arkansas Non MSA AA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$60,200)	<\$30,100	\$30,100 to <\$48,160	\$48,160 to <\$72,240	≥\$72,240
<i>Source: FFIEC</i>				

Competition

The AA reflects a good level of competition for financial services from other chartered banks based on the population. According to the FDIC Deposit Market Share report as of June 30, 2022, there were six institutions operating 21 offices within the bank’s AA serving about 1,590 people, on average. Of these institutions, PB ranked first with 32.0 percent of the deposit market share. Overall, the competition level still allows for lending opportunities.

Community Contact

As part of the evaluation process examiners obtain information from third parties knowledgeable of the AA to assist in identifying needs of the area. This information helps determine financial institutions’ responsiveness to these needs and shows available credit opportunities.

Examiners utilized an economic development community contact knowledgeable of the area’s business environment to help assess the area’s current economic conditions, community credit needs, and potential opportunities for bank involvement. The contact stated loans for housing and small businesses remain the main credit needs in the area. The contact indicated financial institutions are actively involved with small businesses and other borrowers throughout the area. Finally, the contact noted that local institutions are willing to work with borrowers in the area.

Credit Needs

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the Arkansas Non-MSA AA are small farm, small business, and home mortgage loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ARKANSAS NON-MSA AA

LENDING TEST

The bank demonstrated a satisfactory record regarding the Lending Test in the Arkansas Non-MSA AA. A reasonable geographic distribution and borrower profile supports this conclusion. The appendices lists the Lending Test's criteria.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Arkansas Non-MSA AA. Reasonable performance regarding small farm and home mortgage lending outweighs very poor performance regarding small business lending to support this conclusion. As previously noted, small farm lending received more weight when arriving at overall conclusions within the Arkansas Non-MSA AA. This factor only considers loans originated inside the bank's AA.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the AA. The following table shows that the bank's level of lending in moderate-income census tracts falls below demographics by 7.1 percentage points, reflecting reasonable performance.

Geographic Distribution of Small Farm Loans Arkansas Non-MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	27.8	12	20.7	1,535	16.3
Middle	38.7	29	50.0	5,337	56.7
Upper	33.5	17	29.3	2,535	27.0
Not Available	0.0	0	0.0	0	0.0
Total	100.0	58	100.0	9,407	100.0

Source: 2022 D&B Data; Bank Data.

Small Business Loans

The geographic distribution of small business loans reflects very poor dispersion throughout the AA. The following table shows that the bank's level of lending in moderate-income census tracts falls below demographics by 14.3 percentage points, reflecting very poor performance.

Geographic Distribution of Small Business Loans Arkansas Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	50.7	20	36.4	984	38.3
Middle	15.5	5	9.1	103	4.0
Upper	33.8	30	54.5	1,484	57.7
Not Available	0.0	0	0.0	0	0.0
Total	100.0	55	100.0	2,571	100.0

Source: 2022 D&B Data; Bank Data.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The following table shows that the bank’s level of lending in moderate-income census tracts rises above aggregate data by 6.7 percentage points, reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans Arkansas Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	34.7	26.6	9	33.3	611	23.9
Middle	24.8	18.2	7	26.0	1,141	44.7
Upper	40.5	55.2	11	40.7	803	31.4
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	27	100.0	2,555	100.0

Source: 2020 U.S. Census; 2022 HMDA Aggregate Data; 2022 HMDA Reported Data.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among borrowers of different income levels, and businesses and farms of different sizes in the AA. Reasonable performance regarding small farm, small business, and home mortgage lending supports this conclusion. For small farm and small business lending, examiners focused on the bank’s level of businesses and farms with gross annual revenues (GARs) of \$1 million or less when making conclusions. The companies GARs define the borrowers’ profile for this analysis. This factor only considers loans originated inside the bank’s AA.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. The following table shows the bank granted more than eight out of every ten loans, or 82.6 percent of its small loans, to farms with GARs of \$1 million or less, reflecting reasonable performance.

Distribution of Small Farm Loans by Gross Annual Revenue Category Arkansas Non-MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
< \$100,000	39.0	26	44.8	4,512	48.0
\$100,000 - \$249,999	31.8	6	10.3	793	8.4
\$250,000 - \$499,999	18.1	6	10.3	1,495	15.9
\$500,000 - \$1,000,000	6.0	10	17.2	1,116	11.9
Subtotal ≤ \$1,000,000	94.9	48	82.6	7,916	84.2
> \$1,000,000	4.0	5	8.7	1,291	13.7
Revenue Not Available	1.1	5	8.7	200	2.1
Total	100.0	58	100.0	9,407	100.0

Source: 2022 D&B Data; Bank Data.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The following table shows the bank granted more than seven out of every ten loans, or 76.4 percent of its small loans, to businesses with GARs of \$1 million or less, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Arkansas Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	42.2	20	36.4	546	21.2
\$100,000 - \$249,999	23.0	14	25.5	643	25.0
\$250,000 - \$499,999	8.3	7	12.7	234	9.1
\$500,000 - \$1,000,000	4.8	1	1.8	93	3.6
Subtotal ≤ \$1,000,000	78.3	42	76.4	1,516	58.9
> \$1,000,000	4.4	4	7.2	585	22.8
Revenue Not Available	17.3	9	16.4	470	18.3
Total	100.0	55	100.0	2,571	100.0

Source: 2022 D&B Data; Bank Data.

Home Mortgage Loans

The distribution of home mortgage loans based on the borrower profile reflects reasonable performance among individuals of different income levels. Reasonable performance to low- and moderate-income borrowers supports this conclusion. As shown in the following table, the bank's level of lending to low-income borrowers falls below aggregate data by 2.0 percentage points, reflecting reasonable performance. The table further shows that the bank's level of lending to moderate-income borrowers rises above aggregate data by 1.8 percentage points, also reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level Arkansas Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	27.8	5.7	1	3.7	41	1.6
Moderate	14.0	16.7	5	18.5	185	7.2
Middle	17.6	20.5	4	14.8	226	8.8
Upper	40.6	31.1	10	37.1	1,537	60.2
Not Available	0.0	26.0	7	25.9	566	22.2
Totals	100.0	100.0	27	100.0	2,555	100.0

Source: 2020 U.S. Census; 2022 HMDA Aggregate Data; 2022 HMDA Reported Data.

FAYETTEVILLE MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN FAYETTEVILLE MSA AA

The Fayetteville MSA AA includes all of Washington County, which represents one of the three counties that comprise the Fayetteville MSA. This AA is new since the prior evaluation due to the addition of the Springdale branch in September 2020. The bank operates this full-service location in Springdale, located in a middle-income census tract. The branch maintains hours consistent with the area and the industry. The delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution section of this performance evaluation.

Economic and Demographic Data

Based on 2020 Census Data, the AA’s 54 census tracts consist of 7 low-, 15 moderate-, 24 middle-, 7 upper-income tracts, and 1 tract designated as income not available. The following table provides select demographic characteristics for the AA.

Demographic Information of the Assessment Area Fayetteville MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	54	13.0	27.8	44.4	13.0	1.9
Population by Geography	245,871	12.3	25.7	46.5	14.2	1.3
Housing Units by Geography	95,238	11.6	25.7	46.3	14.7	1.7
Owner-Occupied Units by Geography	47,656	3.1	20.6	54.9	20.9	0.5
Occupied Rental Units by Geography	41,438	21.9	31.1	35.9	8.1	3.0
Vacant Units by Geography	6,144	8.4	28.4	49.8	11.2	2.1
Businesses by Geography	14,643	8.0	27.3	40.1	18.3	6.3
Farms by Geography	540	3.5	23.7	51.7	20.2	0.9
Family Distribution by Income Level	55,809	24.6	20.7	18.2	36.4	0.0
Household Distribution by Income Level	89,094	27.8	18.9	18.8	34.5	0.0
Median Family Income MSA – 22220 Fayetteville-Springdale-Rogers, AR MSA		\$75,899	Median Housing Value Median Gross Rent Families Below Poverty Level			\$182,567 \$829 10.7%

Source: 2020 U.S. Census and 2022 D&B Data.
Due to rounding, totals may not equal 100.0%.
(*) The NA category consists of geographies that have not been assigned an income classification.

On April 3, 2020, FEMA made a disaster declaration affecting all counties in Arkansas due to the COVID-19 pandemic.

According to Moody’s Analytics, the major employers in the Fayetteville MSA AA include: Walmart, Inc., University of Arkansas, Tyson Foods, J.B. Hunt, and George’s Inc.

D&B Business Demographic Data shows that the service industry represents the largest portion of businesses at 40.4 percent, followed by retail trade at 14.5 percent, non-classifiable establishments at 12.2 percent, and finance, insurance and real estate at 10.3 percent. In addition, 65.1 percent of area businesses have four or fewer employees and 86.5 percent operate from a single location.

The following table shows annual unemployment rates according to the U.S. Bureau of Labor Statistics over the evaluation period for each county within the AA, the state, and nationwide. The unemployment rates show a notable decrease since the onset of the COVID-19 pandemic in 2020.

Unemployment Rates				
Area	2020	2021	2022	July 2023
	%	%	%	%
Washington County, AR	3.6	2.0	1.9	2.2
State of Arkansas	4.8	2.8	2.9	3.2
National Average	6.7	3.9	3.5	3.5

Source: Bureau of Labor Statistics.

Competition

The AA is a moderately competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2022, there were 29 institutions operating 92 offices within the bank's AA serving about 2,673 people, on average. Of these institutions, PB ranked 28th with 0.01 percent of the deposit market share. Credit unions, mortgage companies, and finance companies also compete for loans in the area, thus heightening the competition level. Overall, the competition level allows for lending opportunities.

Credit Needs

Considering the information obtained from bank management, as well as demographic and economic data, examiners determined that small business and affordable housing loans represent the primary credit needs of the AA, particularly because of new businesses and residents moving to the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FAYETTEVILLE MSA AA

LENDING TEST

The bank demonstrated a satisfactory record regarding the Lending Test in the Fayetteville MSA AA. A reasonable geographic distribution and borrower profile supports this conclusion. The appendices lists the Lending Test's criteria.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Fayetteville MSA AA. Reasonable performance regarding small business loans supports this conclusion. This factor only considers loans originated inside the bank's AA.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The reasonable performance in moderate-income census tracts outweighs poor performance in low-income census tracts to support this conclusion. The following table shows that the bank's level of lending in low-income census tracts falls below demographics by 8.0 percentage points, reflecting poor performance. The table further shows that the bank's level of lending in moderate-income census tracts falls below demographics by 7.3 percent, reflecting reasonable performance. Given the larger loan demand and opportunities to businesses in moderate-income tracts as represented by the demographic data, the analysis placed more weight on lending to businesses in moderate-income tracts when arriving at an overall conclusion.

Geographic Distribution of Small Business Loans Fayetteville MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	8.0	0	0.0	0	0.0
Moderate	27.3	1	20.0	14	0.8
Middle	40.1	1	20.0	50	2.8
Upper	18.3	2	40.0	1,020	57.2
Not Available	6.3	1	20.0	700	39.2
Total	100.0	5	100.0	1,784	100.0

Source: 2022 D&B Data; Bank Data.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among business of different sizes in the AA. Reasonable performance regarding small business loans supports this conclusion. For small business lending, examiners focused on the bank's level of businesses with GARs of \$1 million or less when making conclusions. This factor only considers loans originated inside the bank's AA.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The following table shows the bank granted eight out of every ten loans, or 80.0 percent of its small loans, to businesses with GARs of \$1 million or less, reflecting reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Fayetteville MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	49.5	2	40.0	34	1.9
\$100,000 - \$249,999	22.1	1	20.0	1,000	56.1
\$250,000 - \$499,999	6.9	1	20.0	700	39.2
\$500,000 - \$1,000,000	3.6	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	82.1	4	80.0	1,734	97.2
> \$1,000,000	4.8	1	20.0	50	2.8
Revenue Not Available	13.1	0	0.0	0	0.0
Total	100.0	5	100.0	1,784	100.0

Source: 2022 D&B Data; Bank Data.

MEMPHIS MSA AA – Limited-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MEMPHIS MSA AA

The Memphis MSA AA includes all of Crittenden County, Arkansas, which represents one of eight counties that comprise the Memphis MSA AA. This AA includes one additional census tract since the prior evaluation due to the changes resulting from the 2020 U.S. Census Data. These changes

include a decrease of one low-income census tract and an increase of four moderate-income census tracts.

The bank operates one branch and ATM in this AA, located in a middle-income census tract. The branch maintain hours consistent with the area and the industry. The delivery systems and range of products and services remain consistent with those reflected in the overall Description of Institution section of this performance evaluation.

Economic and Demographic Data

Based on 2020 Census Data, the AA’s 20 census tracts consist of 5 low-, 8 moderate-, 4 middle-, and 3 upper-income tracts. The following table provides select demographic characteristics for the AA.

Demographic Information of the Assessment Area Memphis MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	20	25.0	40.0	20.0	15.0	0.0
Population by Geography	48,163	20.5	37.2	22.5	19.9	0.0
Housing Units by Geography	21,790	22.3	40.3	21.6	15.8	0.0
Owner-Occupied Units by Geography	10,806	14.9	36.5	20.6	28.0	0.0
Occupied Rental Units by Geography	8,215	32.2	42.6	21.8	3.4	0.0
Vacant Units by Geography	2,769	22.1	48.5	24.7	4.7	0.0
Businesses by Geography	2,762	21.3	42.4	18.2	18.1	0.0
Farms by Geography	171	5.3	57.9	17.5	19.3	0.0
Family Distribution by Income Level	11,955	32.0	17.9	16.6	33.5	0.0
Household Distribution by Income Level	19,021	33.0	16.9	15.8	34.3	0.0
Median Family Income MSA – 32820 Memphis, TN-MS-AR MSA		\$68,008	Median Housing Value Median Gross Rent Families Below Poverty Level			\$104,719 \$726 17.0%

*Source: 2020 U.S. Census and 2022 D&B Data.
Due to rounding, totals may not equal 100.0%.
(*) The NA category consists of geographies that have not been assigned an income classification.*

Examiners used the applicable FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income ranges based on the 2022 FFIEC-updated median family income of \$76,200 for the Memphis MSA AA.

Median Family Income Ranges – Memphis MSA AA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$76,200)	<\$38,100	\$38,100 to <\$60,960	\$60,960 to <\$91,440	≥\$91,440

Source: FFIEC.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MEMPHIS MSA AA

LENDING TEST

The institution's lending performance in the Memphis MSA AA is below the institution's lending performance overall; however, it does not change the institution's rating.

Geographic Distribution

Small Business Loans

Geographic Distribution of Small Business Loans Memphis MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	21.3	0	0.0	0	0.0
Moderate	42.4	6	31.6	288	19.7
Middle	18.2	10	52.6	896	61.2
Upper	18.1	3	15.8	280	19.1
Not Available	0.0	0	0.0	0	0.0
Total	100.0	19	100.0	1,464	100.0

Source: 2022 D&B Data; Bank Data.

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans Memphis MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	14.9	6.9	4	44.4	238	16.5
Moderate	36.5	29.5	1	11.1	43	3.0
Middle	20.6	26.6	1	11.1	68	4.6
Upper	28.0	37.0	3	33.4	1,099	75.9
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	9	100.0	1,448	100.0

Source: 2020 U.S. Census; 2022 HMDA Aggregate Data; 2022 HMDA Reported Data.

Borrower Profile

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Memphis MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
< \$100,000	46.2	3	15.8	99	6.8
\$100,000 - \$249,999	22.2	10	52.6	896	61.2
\$250,000 - \$499,999	7.1	2	10.5	82	5.6
\$500,000 - \$1,000,000	3.7	0	0.0	0	0.0
Subtotal ≤ \$1,000,000	79.2	15	78.9	1,077	73.6
> \$1,000,000	4.3	1	5.3	200	13.7
Revenue Not Available	16.5	3	15.8	187	12.7
Total	100.0	19	100.0	1,464	100.0

Source: 2022 D&B Data; Bank Data.

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level Memphis MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	32.0	9.4	0	0.0	0	0.0
Moderate	17.9	19.1	3	33.3	190	13.1
Middle	16.6	19.4	2	22.2	285	19.7
Upper	33.5	24.3	1	11.1	120	8.3
Not Available	0.0	27.8	3	33.4	853	58.9
Totals	100.0	100.0	9	100.0	1,448	100.0

Source: 2020 U.S. Census; 2022 HMDA Aggregate Data; 2022 HMDA Reported Data.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 that 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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 Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

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

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.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.