



PUBLIC DISCLOSURE

September 6, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Lawrence County at Walnut Ridge

Charter Number: 11312

202 West Main Street
Walnut Ridge, AR 72476

Office of the Comptroller of the Currency

Little Rock Office
1401 West Capitol Avenue, Suite 350
Little Rock, AR 72201

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, and should not 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.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated Satisfactory.

The lending test is rated: Satisfactory.

The major factors that support this rating include:

- The Lending Test rating is based on the bank's satisfactory lending performance within the state of Arkansas.
- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of the bank's loans are located inside its assessment areas (AAs).
- The geographic distribution of loans across geographies of different income levels is reasonable.
- The borrower distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.

Loan-to-Deposit Ratio

Considering the bank's size and financial condition and the credit needs of the AAs, the bank's LTD ratio is reasonable. The LTD ratio is calculated on a bank-wide basis. Over the 17 quarters since the last CRA examination in 2018, the quarterly LTD ratio averaged 59.5 percent. The bank's LTD ratio ranged from a low of 47.5 percent in June 2022 to a high of 72.8 percent in September 2018. We compared the bank's LTD ratio to that of three similarly situated institutions operating in the same area. The average LTD ratio for the peer banks was similar at 64.9 percent. During the same time period, the peer banks' average low LTD ratio was 51.1 percent, and the average high ratio was 77.1 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA.

The bank originated 94.5 percent of its total loans, by number, inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. The Lending Test includes a review of the bank's small loans to businesses and farms and home mortgage loans; therefore, other loan categories are not included in the table on the next page. The findings from this analysis factored into the overall analysis of the geographic distribution of lending by income level of the geography.

In 2020 and 2021, the bank participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The nationwide program was designed to provide financial relief for businesses experiencing economic strain due to conditions associated with the COVID-19 pandemic. Participation in this program aligns with the spirit of the CRA. A substantial majority of the bank's PPP loan originations were made within the bank's AAs. As such, the bank's PPP business loan originations did not negatively impact the bank's inside/outside ratio. Per bank records, 96.4 percent of PPP loans were made within the bank's identified AAs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	94	95.9	4	4.1	98	7,795	92.0	676	8.0	8,470
2020	69	95.8	3	4.2	72	4,835	95.8	214	4.2	5,048
2021	73	93.6	5	6.4	78	6,690	89.8	758	10.2	7,447
Subtotal	236	95.2	12	4.8	248	19,319	92.2	1,647	7.9	20,966
Small Business & Small Farm										
2019 - 2021	55	91.7	5	8.3	60	4,370	96.5	157	3.5	4,527
Subtotal	55	91.7	5	8.3	60	4,370	96.5	157	3.5	4,527
Total	291	94.5	17	5.5	308	23,689	92.9	1,804	7.1	25,493

Source: Bank Data. Due to rounding, totals may not equal 100.0%

Description of Institution

The First National Bank of Lawrence County at Walnut Ridge (FNBLC, or bank) is an independent, single-state bank that opened for business in March 1919. FNBLC is 100 percent owned by First National Capital Corporation (FNCC), a one-bank holding company. Both entities are headquartered in Walnut Ridge, Lawrence County, Arkansas (Ark). The holding company also owns Service Abstract and Title Incorporated, a wholly owned subsidiary, that provides professional real estate and other loan closing services related to title services and title insurance. The affiliate has no lending products for consideration in this performance evaluation (PE).

The main FNBLC office is located at 206 West Main Street, Walnut Ridge, Ark. Branches are generally located in areas that make them accessible to the bank's customers. Since the last PE, FNBLC opened a new branch in Pocahontas, Ark., referred to as the "Thomasville Branch". The Thomasville branch opened in August 2018. FNBLC branches now consist of six full-service branch locations in the surrounding Arkansas cities of Walnut Ridge, Hoxie, Pocahontas, Bono and Imboden. Lobby and drive-up hours are set to meet customer needs. Automated teller machines (ATMs) that disburse cash and take deposits are located at all branch offices. FNBLC offers one stand-alone ATM location in College City, Ark., that also disburses cash and takes deposits. Customers may access their accounts through telephone banking, internet banking at <http://www.firstteller.com>, or mobile banking via a mobile phone application. Telephone banking is limited to including transfers between bank accounts and transaction history. Internet and mobile banking include transfers between FNBLC accounts, review of bank balances and transactions, access to loan account information, and bill paying capability for the internet banking product.

FNBLC offers a full range of loan and deposit services. FNBLC's primary business focus is commercial lending as well as agricultural and commercial real estate lending. As of December 31, 2021, FNBLC had total assets and loans of approximately \$271.6 million and \$129.4 million, respectively. Gross loans comprised 47.6 percent of total assets. Tier one capital was approximately \$27.2 million. FNBLC's loan portfolio consists of 43.4 percent agricultural and farmland loans, 27.7 percent commercial and

commercial real estate loans, 24.6 percent residential mortgage loans, and 3.9 percent consumer loans. Agricultural loan balances are cyclical and peak during the third quarter and pay down significantly during the fourth and first quarter annually. As part of the SBA PPP, FNBLC extended 445 small business loans, totaling \$13.3 million throughout the evaluation period.

FNBLC's business strategy includes the continued marketing of commercial credit to small businesses and individuals through its products, staff, and locations. The bank originates agricultural, commercial, home mortgage, and consumer loans to customers located primarily in Pocahontas, Walnut Ridge, Hoxie, and Imboden. Agricultural loan activity includes all types of row crop and poultry and cattle lending.

FNBLC has two AAs in Arkansas, and both AAs were assessed under this evaluation. The non-Metropolitan Statistical Area (MSA) AA consists of Lawrence and Randolph counties. Combined, the two counties have 10 census tracts (CTs). Of the 10 CTs, there are no low-income CTs, two moderate-income CTs, eight middle-income CTs, and no upper-income CTs. The bank's second AA is the Jonesboro MSA AA. The Jonesboro MSA AA consists of 17 CTs. The 17 CTs include two low-income, two moderate-income, 10 middle-income, and three upper-income CTs. The bank has greater lending activity in the non-MSA AA than the Jonesboro MSA AA, and both AAs include the full counties. The bank's AAs meet the requirements of the CRA regulation and do not arbitrarily exclude any low-or moderate-income geographies. Jonesboro MSA AA has 17 CTs, of which two are low-income; two are moderate-income; 10 are middle-income; and three are upper-income.

There have been no major changes in the bank's corporate structure, including merger or acquisition activities, since the last CRA examination. The previous CRA evaluation, dated April 2, 2018, assigned a "Satisfactory" rating to the bank. There are no financial conditions, legal constraints, or other factors hindering the bank's ability to meet the credit needs of its AAs. We did not consider the activities of affiliates in this evaluation.

Scope of the Evaluation

Evaluation Period/Products Evaluated

This PE assesses the bank's performance under the Lending Test. Analysis of lending performance inside the AAs may consider all loan types. This ratio is calculated on a bank-wide basis. The evaluation period for the Lending Test is from January 1, 2019, through December 31, 2021.

FNBLC's primary lending products are residential mortgage, small business, and small farm loans. As such, we reviewed performance within these three products. For the geographic and borrower distribution of loans under the Lending Test, consideration was given to the number of loans and dollar volume of loans originated in each category. We weighted small business and small farm lending performance more due to a larger dollar amount and number of originations occurring during the evaluation period. Refer to the "Scope" section under the State Rating for details.

For geographic and borrower distribution analyses, loans originated in 2019 through 2021 are compared to the 2015 American Community Survey (ACS) Census data for consumer loans and the 2020 Dun & Bradstreet (D&B) Data for loans to small businesses.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of the AAs within that state was selected for a

full-scope review. For the purposes of this evaluation, bank delineated AAs located within the same MSA, multi-state MSA, or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under the State Rating for details regarding the selection of full-scope AAs. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is based on the performance in the state of Arkansas.

The state rating is based on performance in all bank AAs. Refer to the “Scope” section under the State Rating for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Arkansas

CRA rating for the State of Arkansas: Satisfactory

The Lending Test is rated: Satisfactory

The major factors that support this rating include:

- The geographic distribution of loans across geographies of different income levels is reasonable.
- The borrower distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.

Description of Institution's Operations in Arkansas

FNBLC operates in two AAs in the State of Arkansas as described in the "Description of the Institution" and the "Scope of Evaluation" sections of this PE. The two AAs are the non-MSA AA and the Jonesboro MSA AA. The majority of the bank's deposits are located within these two AAs. Based on reported balances as of December 31, 2021, the bank's primary lending focus is originating agricultural/farm loans, business loans, and residential mortgage loans. The bank does not purchase a significant amount of loans originated by others. The bank's competitors include other local community banks and some of the United States' largest, nationwide commercial banks with branches in the geographies. Credit unions and non-bank lenders also compete for residential, small business, and consumer loans. To determine the credit needs of the communities, we reviewed recent housing and demographic information. We also reviewed current community contacts with service organizations in the AAs.

Non-MSA AA

The Arkansas non-MSA AA comprises the entirety of Lawrence and Randolph Counties and does not arbitrarily exclude any low- or moderate-income CTs. The non-MSA AA has 10 CTs with no low- or upper-income CTs, two moderate-income CTs, and eight middle-income CTs. There are no CTs designated underserved or distressed in this AA. Housing, commercial, and farming activity are concentrated in the eight middle-income CTs. The majority, 81.3 percent, of the population lives in the middle-income CTs, and only 18.7 percent of the population lives in the moderate-income CTs. 82.6 percent of businesses are in the middle-income CTs compared to 17.4 percent of businesses located in the moderate-income CTs. In addition, 90.7 percent of farms are in the two moderate-income CTs, and 0.3 percent of farms are in the middle-income CTs. The non-MSA AA's median family income is \$45,047, and the median housing value is \$69,759. The poverty level is high with 16.9 percent of families with annual income levels below the poverty threshold.

FNBLC's main office is in the city of Walnut Ridge, Ark., within the non-MSA AA. Five of the bank's six branches are located within this AA. The bank has 33.4 percent of the total market deposits, with average deposits of \$233.6 million. The total number of bank branches in this AA is 16 from eight different lenders. Per the FDIC's deposit market share report as of June 30, 2021, the AA deposit leaders are FNBLC, First Horizon, Riverbank, and Farmers & Merchants Bank, among others.

The county seats and largest cities within Lawrence and Randolph county are Walnut Ridge and

Pocahontas, respectively. FNBLC has branches in both cities. The non-MSA AA has a population of 34,724 and includes the towns of Walnut Ridge, Pocahontas, Black Rock, Hoxie, Imboden, Reyno, and Sedgwick. Agricultural lending within these areas represents a substantial portion of economic activity. The eastern half of the non-MSA market is the Mississippi River Delta area. Rice and soybeans are the primary agricultural products in the eastern half of the region, and cattle and poultry are the primary agricultural products in the western half. Pocahontas's largest employers are Peco Foods, Pocahontas School District, Walmart Stores, Inc., and Black River Technical College. Walnut Ridge is the home of Williams Baptist College. The Lawrence Memorial Hospital and Williams Baptist College are the largest employers in the Walnut Ridge area. Walnut Ridge is also home to several manufacturers, including S-B Power Tool and Douglas Quikcut, among others. They are located in the Walnut Ridge Industrial Park, which covers over 2,200 acres.

During the evaluation period, area unemployment levels performed similar to state and national levels. Unemployment rates peaked at the beginning of the COVID-19 pandemic, primarily due to the economic shutdowns that occurred. In April 2020, unemployment was 8.6 and 8.8 percent for Lawrence and Randolph county, respectively. As of December 2021, the unemployment rates in Lawrence and Randolph county are 2.8 and 2.5 percent, respectively, and lower than the state and national average unemployment rates of 3.3 and 3.9 percent.

The two moderate-income CTs in the non-MSA AA are 9603.01 and 4705.01. The Hoxie branch is located in CT 4705.01. This CT has a population of 2,598 individuals, and there are only 245 owner-occupied housing units. The median family income is low at \$31,743. While there is some industry in this CT, it is limited. The primary occupations for those living in Hoxie, Ark relate to the educational or medical systems. This area is mostly rural, and individuals commute to Walnut Ridge for shopping needs. FNBLC has the only bank branch in Hoxie, Ark. The other moderate-income CT, 9603.01, is located northwest of Pocahontas in Randolph County, Ark. This CT has a population of 4,316 individuals, with 19.7 percent living below poverty level. The median household income is \$47,328.

To help identify the financial needs in the bank's non-MSA AA, we conducted community contacts with non-profit organizations that assist with housing, medical, and food needs of the community. The contact stated the economic conditions for the community show signs of improvement; however, the workforce is somewhat limited, despite demands for businesses in the area. The contact also stated that there is a shortage of goods, that in combination with the low workforce volumes caused some shrinkage in the local businesses. Major industries include healthcare, education, retail/hospitality, and manufacturing. In addition, the contact stated that there are approximately 20 poultry farms and manufacturing facilities in Lawrence County. According to the contact, these are low paying jobs. The low wages cause most households to spend more on housing expenses and live paycheck to paycheck. There are two higher education systems in the area, Williams Baptist University in Lawrence County and Black River Technical College in Randolph County. Student growth appears to be increasing at both facilities. However, a large number of students leave the area for job opportunities after obtaining their degrees.

There is a shortage of available quality housing in the non-MSA AA. Per the contact, many properties are dilapidated, and suitable housing is not available. The contact indicated that there has not been any substantive multi-family or affordable 1-4 family housing developments typical of more urban areas with growing populations. The contact stated there is an ongoing need for newer affordable housing as well as small business financing. In addition, the community needs help to support local entities offering financial literacy courses for low-and-moderate income individuals and banking products to help teach and facilitate savings behaviors for low- and moderate-income individuals.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Non- MSA AA including Lawrence and Randolph Counties						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	20.0	80.0	0.0	0.0
Population by Geography	34,724	0.0	18.7	81.3	0.0	0.0
Housing Units by Geography	16,502	0.0	17.2	82.8	0.0	0.0
Owner-Occupied Units by Geography	10,075	0.0	17.6	82.4	0.0	0.0
Occupied Rental Units by Geography	3,956	0.0	23.2	76.8	0.0	0.0
Vacant Units by Geography	2,471	0.0	5.8	94.2	0.0	0.0
Businesses by Geography	1,427	0.0	17.4	82.6	0.0	0.0
Farms by Geography	268	0.0	9.3	90.7	0.0	0.0
Family Distribution by Income Level	9,373	23.1	18.7	19.4	38.8	0.0
Household Distribution by Income Level	14,031	27.2	15.8	17.7	39.3	0.0
Median Family Income Non-MSA AA		\$45,047	Median Housing Value			\$69,759
			Median Gross Rent			\$522
			Families Below Poverty Level			16.9%
<i>Source: 2015 ACS and 2020 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Jonesboro MSA AA

The MSA AA consists of the Jonesboro, Ark. MSA. The MSA AA has 17 census tracts, two low- income CTs, two moderate-income CTs, 10 middle-income CTs, and three upper- income CTs. There are no CTs designated underserved or distressed in this AA. Approximately 23.2 percent of the AA’s population lives in the four low- and moderate-income CTs compared to 76.8 percent of the population who lives in the middle-income and upper-income CTs. In addition, only 11.3 percent of businesses are located in the two moderate-income CTs compared to 82.6 percent of businesses operating in middle-income CTs. In addition, 10.2 percent of farms are located in the low- and moderate-income CTs compared to 89.8 percent located in the middle- and upper-income CTs. The AA’s median family income is \$49,928, and the median housing value is \$121,112. Families with income below the poverty level are high at 14.6 percent.

FNBLC operates in a very competitive market against various national and regional banks. FNBLC has only one branch located in the Jonesboro MSA AA. This branch is in Bono, Ark, which is in the most northwestern part of the AA. Total FNBLC deposits in the Jonesboro MSA AA represent 0.32 percent of the total market, or a total of \$11.8 million. The total number of bank branches in this AA is 47 branches from 21 different lenders. Per the market share report, major deposit leaders in the Jonesboro MSA AA are Centennial Bank, Simmons Bank, First Horizon Bank, and First Community Bank, among others. The Jonesboro MSA AA does not generate a significant portion of deposits or lending activity for FNBLC.

Unemployment in the Jonesboro MSA AA is lower than state and nationwide levels. As of December 2021, the unemployment rate in the Jonesboro MSA is 2.1 percent compared to the state average of 3.3

percent and national average of 3.9 percent. During the evaluation period, unemployment trends within the geography performed similar to national levels. In January 2019, Jonesboro MSA unemployment was 3.6 percent, and this increased as high as 8.6 percent in April 2020 due to financial shutdowns at the start of the COVID-19 pandemic. Major employers in the area include Arkansas State University, St. Bernard Health Care System, Northeast Baptist Memorial Hospital, Hytrol, Frito Lay, and Post Foods, among others.

To help identify the financial needs of the Jonesboro MSA AA, we conducted community contacts to understand lending opportunities in the AA. We contacted a non-profit organization that helps facilitate economic development within Craighead County, Ark., which makes up a large portion of the Jonesboro MSA AA. The contact stated that given the strong competition within the market, the businesses and consumer customers are well served. The primary credit needs continue to include small business, agricultural, and home mortgage lending. Refer to the next page for the table containing the demographic characteristics of this AA.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Jonesboro MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	11.8	11.8	58.8	17.6	0.0
Population by Geography	101,409	10.4	12.8	55.7	21.1	0.0
Housing Units by Geography	42,600	10.1	15.1	55.1	19.8	0.0
Owner-Occupied Units by Geography	22,887	3.0	9.9	58.5	28.6	0.0
Occupied Rental Units by Geography	15,837	17.9	22.2	50.6	9.4	0.0
Vacant Units by Geography	3,876	19.8	16.6	53.2	10.4	0.0
Businesses by Geography	5,862	11.3	17.7	50.9	20.1	0.0
Farms by Geography	472	1.5	8.7	60.8	29.0	0.0
Family Distribution by Income Level	25,802	19.9	16.8	19.4	43.9	0.0
Household Distribution by Income Level	38,724	23.4	15.7	17.0	44.0	0.0
Median Family Income MSA - 27860 Jonesboro, AR MSA		\$49,928	Median Housing Value			\$121,112
			Median Gross Rent			\$687
			Families Below Poverty Level			14.6%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in Arkansas

As discussed earlier, the institution has two AAs in the state of Arkansas. The non-MSA AA received a full-scope review as more than 99 percent of the institution’s deposits are in this AA. Refer to the table in appendix A for a list of all AAs under review. Consistent with the institution’s primary lending focus, commercial, agricultural, and home mortgage loans were analyzed.

LENDING TEST

The bank’s performance under the Lending Test in Arkansas is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank’s performance in the non-MSA AA is good.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in Arkansas.

Home Mortgage Loans

Refer to table O in the state of Arkansas section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's home mortgage loan originations.

Non-MSA AA

The bank's geographic distribution of home mortgage loans among geographies of different income levels in the non-MSA AA is excellent. From 2019 to 2021, the bank's percentage of home mortgage loans among geographies of moderate-income CTs in the AA was 21.1 percent. This is above the 17.6 percent of the AA owner-occupied housing units in moderate-income CTs geographies but below the 24.1 percent aggregate. There are no low-income CTs in the AA.

Small Loans to Business

Refer to table Q in the state of Arkansas section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to businesses.

Non-MSA AA

The bank's geographic distribution of loans to small businesses is adequate considering performance context. The bank's volume of loans to small businesses in moderate-income geographies was somewhat lower than the percentage of businesses located in moderate-income geographies and the percentage of the aggregate lending. Between 2019 to 2021, the bank's percentage of loans to small businesses in moderate-income within the AA was 10.0 percent. This is below the 17.4 percent of the AA businesses located in moderate-income CTs and below the 19.5 percent aggregate. There are no low-income CTs in the non-MSA AA.

Even though lending to small businesses in the moderate-income CTs of the AA, for the entire evaluation period, is lower than the percentage of businesses located in those geographies and the aggregate lending, we determined that the geographic distribution of loans to small businesses was adequate. The non-MSA AA is mostly rural and does not have any low-income CTs. Additionally, in the non-MSA AA, the two moderate-income CTs represent a small portion of the AA. Only 18.7 percent of the AA's population and 17.4 percent of the AA's businesses are in the two moderate-income CTs.

Small Loans to Farms

Refer to table S in the state of Arkansas section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to farms.

Non-MSA AA

The geographic distribution of small loans to farms in the non-MSA AA is excellent. Between 2019 to 2021, the bank's percentage of loans to farms among geographies of moderate-income CTs in the non-MSA AA was 13.3 percent. This is above the 9.3 percent of the AA farms in moderate-income CT geographies and above the 8.2 percent aggregate. There are no low-income CTs in the non-MSA AA.

Lending Gap Analysis

We evaluated the lending distribution in the bank's AAs to determine if any unexplained conspicuous gaps existed. There were no unexplained conspicuous gaps identified after reviewing performance context.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses and farms of different sizes, given the product lines offered by the bank.

Home Mortgage Loans

Refer to table P in the state of Arkansas section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's home mortgage loan originations.

Non-MSA AA

Home loan originations to low- and moderate-income borrowers are adequate. Within the non-MSA AA, 41.8 percent of families reported low- or moderate-income levels; however, only 26.5 percent of the bank's home mortgage loans were made to low- or moderate-income borrowers. The volume of home mortgage loan originations to low- to moderate-income borrowers is less than the percentage of those families within the AA. The bank's origination volume of 26.5 percent compares favorably to aggregate lending of 22.8 percent by all lenders to borrowers with low- or moderate-income levels. High poverty levels and low levels of owner-occupied units limit homeownership affordability and availability, especially for low- or moderate-income borrowers. According to the 2015 ACS census data, 16.9 percent of families in the AA live below the poverty rate.

Small Loans to Businesses

Refer to table R in the state of Arkansas section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to businesses.

Non-MSA AA

The income distribution of loans to small businesses is excellent. The bank's volume of loans to small businesses with revenues less than \$1 million was near to or equal to the percentage of businesses with revenues less than \$1 million and exceeded the percentage of the aggregate lending in the AA. Within the non-MSA AA, 74.4 percent of businesses reported revenues less than \$1 million, and 71.7 percent of the sampled loans were made to businesses reporting revenues less than \$1 million. The 71.7 percent lending is significantly better compared to aggregate lending of 34.6 percent by all lenders to businesses with revenues less than \$1 million.

Small Loans to Farms

Refer to table T in the state of Arkansas section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to farms.

Non-MSA AA

The income distribution of small loans to farms is good. The bank's loans to farms with gross annual revenues less than \$1 million was near to the percentage of farms with revenues less than \$1 million and exceeded the percentage of the aggregate lending. Within the non-MSA AA, 98.1 percent of farms reported revenues less than \$1 million, and 83.3 percent of the sampled loans were made to farms reporting revenues less than \$1 million located in the non-MSA AA. The 83.3 percent lending performance is significantly better than the aggregate lending of 51.0 percent by all lenders to businesses with revenues less than \$1 million.

Responses to Complaints

There were no complaints related to the institution's CRA performance within the state of Arkansas during the evaluation period.

Conclusions for Area Receiving a Limited Scope Review

Based on a limited-scope review, the bank's performance under the Lending Test in the Jonesboro MSA AA is consistent with the bank's overall performance under the Lending Test in the full scope area.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2019, to December 31, 2021	
Bank Products Reviewed:	Home Mortgage Loans Small Business Loans Small Farm Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Not Applicable	Not Applicable	Not Applicable
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Arkansas		
Non-MSA AA	Full Scope	<i>Entirety of Lawrence and Randolph Counties</i>
Jonesboro MSA AA	Limited Scope	<i>Partial Jonesboro, AR MSA 27860. AA composed of Craighead County</i>

Appendix B: Summary of State Ratings

RATINGS: The First National Bank of Lawrence County at Walnut Ridge	
Overall Bank:	Lending Test Rating
The First National Bank of Lawrence County at Walnut Ridge	Satisfactory
State:	
Arkansas	Satisfactory

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle- income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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, other secured consumer loans, and other unsecured consumer loans.

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, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

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

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 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.

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.

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

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

Small Loan(s) to Farm(s): 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 or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area.

Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies.

The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue

- Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2019-21**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Non-MSA AA	227	17,416	96.2	1,002	0.0	0.0	0.0	17.6	21.1	24.1	82.4	78.9	75.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MSA AA	9	1,903	5.4	5,873	3.0	0.0	3.2	9.9	0.0	6.9	58.5	66.7	52.2	28.6	33.3	37.7	0.0	0.0	0.0	
Total	236	19,319	100.0	6,875	2.1	0.0	2.8	12.2	20.3	9.4	65.8	78.4	55.7	19.9	1.3	32.2	0.0	0.0	0.0	

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower **2019-21**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Non-MSA AA	227	17,416	96.2	1,002	23.1	9.3	4.3	18.7	17.2	18.5	19.4	16.3	19.1	38.8	48.5	38.0	0.0	8.8	20.2
MSA AA	9	1,903	5.5	5,873	19.9	--	3.7	16.8	--	13.1	19.4	11.1	16.6	43.9	66.7	40.6	0.0	22.2	25.9
Total	236	19,319	100.0	6,875	20.8	8.9	3.8	17.3	16.5	13.9	19.4	16.1	17.0	42.5	49.2	40.3	0.0	9.3	25.1

*Source: 2015 ACS; 01/01/2019 - 12/31/2021 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2019-21	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Non-MSA AA	60	2,960	73.2	456	0.0	0.0	0.0	17.4	10.0	19.5	82.6	90.0	80.5	0.0	0.0	0.0	0.0	0.0	0.0	
MSA AA	22	1,562	26.8	3,737	11.3	0.0	8.8	17.7	4.5	13.7	50.9	95.5	54.1	20.1	0.0	23.4	0.0	0.0	0.0	
Total	82	4,522	100.0	4,193	9.1	0.0	7.9	17.6	8.5	14.3	57.1	91.5	57.0	16.2	0.0	20.8	0.0	0.0	0.0	

Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2019-21	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Non-MSA AA	60	2,800	73.2	456	74.4	71.7	34.6	4.9	13.3	20.7	15.0		
MSA AA	22	954	26.8	3,737	79.3	68.2	43.3	6.6	22.7	14.1	9.1		
Total	82	3,754	100.0	4,193	78.4	70.7	42.3	6.3	15.9	15.4	13.4		

Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography 2019-21

Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
Non-MSA AA	60	2,458	100.0	194	0.0	0.0	0.0	9.3	13.3	8.2	90.7	86.7	91.8	0.0	0.0	0.0	0.0	0.0	0.0
MSA AA*	--	--	--	423	1.5	--	1.2	8.7	--	1.2	60.8	--	61.7	29.0	--	35.9	0.0	--	0.0
Total	60	2,458	100.0	617	0.9	0.0	0.8	8.9	13.3	3.4	71.6	86.7	71.2	18.5	0.0	24.6	0.0	0.0	0.0

Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

*Given the low volumes of loans made to small farms within the MSA AA, it was not sampled.

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues 2019-21

Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
Non-MSA AA	60	5,584	100.0	194	98.1	83.3	51.0	0.4	6.7	1.5	10.0
MSA AA*	--	--	--	423	96.0	--	51.8	2.5	--	1.5	--
Total	60	5,584	100.0	617	96.8	83.3	51.5	1.8	6.7	1.5	10.0

Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0%

*Given the low volumes of loans made to small farms within the MSA AA, it was not sampled.