



## PUBLIC DISCLOSURE

April 2, 2018

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fidelity National Bank  
Charter Number 15608

330 West Broadway  
West Memphis, AR 72301

Office of the Comptroller of the Currency

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: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

- The Bank's average quarterly loan-to-deposit (LTD) ratio is reasonable;
- A substantial majority of loan originations and purchases are inside the Bank's assessment area (AA);
- The distribution of loans among businesses of different sizes exhibits reasonable penetration; and
- The geographic distribution of loans within the AA exhibits reasonable dispersion throughout the AA.
- The Bank demonstrates excellent responsiveness to community development (CD) needs of the AA through CD lending, investments, and services.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, home equity 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 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), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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

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

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/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. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**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 (MSA):** 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.

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

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

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

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

## **Description of Institution**

Fidelity National Bank (Fidelity) is an intrastate community bank headquartered in West Memphis, Arkansas (AR). Carlson Bancshares, Inc. of West Memphis, AR owns 100 percent of Fidelity and had total assets of approximately \$45 million as of December 31, 2017.

As of December 31, 2017, Fidelity reported total assets of \$411 million and deposits of \$347 million. Gross loans totaled \$207 million or 50.59 percent of total assets. Tier one capital totaled \$44 million. The loan portfolio composition consisted of 49.18 percent commercial real estate loans, 7.20 percent commercial loans, 17.20 percent residential mortgage loans, 23.62 percent agricultural loans, 2.22 percent consumer loans, and 0.58 percent other loans.

For most of the evaluation period, the Bank operated five branches with two branches in the City of West Memphis, two branches in the City of Marion, and one branch in St. Francis County that closed in May 2017. The main office is in a low-income geography, two of the branches are in middle-income geographies that are adjacent to low- and moderate-income geographies, and one branch is in an upper-income geography adjacent to low- and moderate-income geographies. The branch in St. Francis County was located in a distressed middle-income geography.

Fidelity offers a full range of banking services as described in the CRA Public File, and all branches have automated teller machines (ATMs). The Bank's primary lending focus is business lending. The bank also originates home mortgage loans and consumer loans. Primary products of the bank for this evaluation period are business loans and home mortgage loans based on originations. Fidelity has numerous direct and indirect competitors in the Memphis, TN-MS-AR MSA # 32820. These include several large regional bank branches and community banks in Forrest City and Marion, AR. There are no financial impediments that would limit the Bank's ability to help meet the credit needs in its AA. In the prior CRA performance evaluation for Fidelity, dated March 17, 2014, the Bank received a rating of "Satisfactory."

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

Loan products used for this evaluation include home mortgage loans including home purchase, home improvement, and home refinance loans and business loans from January 1, 2016, through December 31, 2017. CD activities include loans, qualified investments and grants/donations, and services. The evaluation period for CD activities is March 17, 2014, through December 31, 2017. For the Lending Test, separate analyses were conducted for the years 2016 and 2017 due to the 2015 American Community Survey (ACS) US Census that applies to 2017. The 2010 US Census applies to 2016. Comparative data was different for each year due to the Census change and the income level of some census tracts (CTs) changing.

Fidelity has two AAs. Crittenden County, AR, which is part of the Memphis, TN-MS-AR MSA #32820 received a full-scope review. St. Francis County, AR, a non-MSA that consists of CT 9601.00 received a limited-scope review and is adjacent to Crittenden County. Loan originations

and purchases in the limited-scope AA were not evaluated given the loan volume was too low for a meaningful analysis.

## **Data Integrity**

A data integrity examination was conducted January 8, 2018, of the HMDA data for the years 2016 through 2017 to determine the reliability of the Bank's data. The bank had errors that rendered the data unreliable. The bank corrected the errors, and a follow-up examination was done March 7, 2018. The errors were corrected, and the data used in this evaluation is accurate for use in the analysis of performance. CD activities were reviewed during the CRA performance evaluation. Any activities that did not qualify were not included in analyses.

## **Selection of Areas for Full-Scope Review**

Memphis, TN-MS-AR MSA #32820 -Crittenden County received a full-scope review. There are 20 total CTs in the AA. St. Francis County, the non-MSA, received a limited scope review given it consists of one CT with a low volume of lending activity that does not yield a meaningful analysis. Furthermore, the Bank closed the St. Francis County branch in May 2017. Please refer to the table in Appendix A for more information.

## **Ratings**

The Bank's overall rating is based primarily on those areas that received full-scope reviews. Business lending received the most weight considering the Bank's strategic focus. The lending test received the most weight when arriving at an overall rating.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §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 assessment area 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 Consumer Financial Protection Bureau, 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.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The Bank's performance under the Lending Test is rated **Satisfactory**. The LTD ratio is reasonable; a substantial majority of loans are in its AA; and the geographic and borrower loan distribution are reasonable.

#### Loan-to-Deposit Ratio

- Fidelity's LTD ratio is reasonable and meets the standard for satisfactory performance.

The Bank's quarterly average LTD ratio since the last CRA performance evaluation is 48.91 percent. Two similarly situated community banks had a quarterly average LTD ratio of 78.31 percent during the same period and have main offices and branches in the AA. The banks' quarterly average ratios ranged from 41.92 percent to 114.71 percent. Fidelity's LTD is within the range. The two banks were First National Bank of Eastern Arkansas and Evolve Bank and Trust.

#### Lending in Assessment Area

- A substantial majority of the Bank's lending activity is located inside its AA and exceeds the standard for satisfactory performance.

Fidelity originated or purchased a substantial majority of loans in the AA. As illustrated in Table 1, Fidelity originated or purchased 85.42 percent of the Bank's loans by number and 78.04 percent by dollar during the evaluation period in the AA. The number of loans originated or purchased received the most weight in arriving at a conclusion for lending in the AA. This analysis is completed at the bank level rather than by the AA level.

<b>Table 1 - Lending in TN-MS-AR MSA#32820 (Crittenden County) and St. Francis County CT 9601.00</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	130	87.25	19	12.75	149	\$7,954	77.65	\$2,290	22.35	\$10,244
Business	40	80.00	10	20.00	50	\$12,253	78.29	\$3,396	21.71	\$15,649
<b>Totals</b>	<b>170</b>	<b>85.42</b>	<b>29</b>	<b>14.58</b>	<b>199</b>	<b>\$20,207</b>	<b>78.04</b>	<b>\$5,686</b>	<b>21.96</b>	<b>\$25,893</b>

Source: Data reported under HMDA; Business Loan Samples 2016-2017.

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

- The distribution of loans to borrowers of different income levels and businesses of different sizes exhibits reasonable penetration.

### Home Mortgage Loans

For 2016, the Bank's home mortgage lending to low-income borrowers was lower than the percentage of families in the AA and would normally be considered poor. However, when considering the Bank's limited product offerings (5 year balloon mortgages) and the difficulty low-income borrowers have obtaining and maintaining a home without the help of a subsidized loan, the performance is reasonable. Furthermore, the AA had high poverty levels of 24.14 percent in 2016. The median family income for 2016 was \$59,100. Low-income is defined as less than 50 percent of the median family income, which computes to less than \$29,500 annually. The Bank's lending to moderate-income borrowers exceeded the percentage of families in the AA and is excellent.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Mortgage Loans	35.29	11.39	17.48	20.25	17.81	16.46	29.42	35.44

Source: Data reported under HMDA; 2010 U.S. Census data. 16.46 percent of the loans did not report income.

For 2017, the Bank's home mortgage lending to low-income borrowers, as illustrated in Table 2, was somewhat lower than the percentage of families in the AA and reasonable. The Bank's lending to moderate-income borrowers was near the percentage of families in the AA and reasonable.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Mortgage Loans	33.10	19.15	17.14	12.77	18.02	27.66	31.73	25.33

Source: Data reported under HMDA; 2015 ACS US Census data. 14.89 percent of the loans did not report income.

## Business Loans

For 2016, the percentage of loans by numbers to small businesses, as illustrated in Table 2A, is near to the percentage of small businesses in the AA and is reasonable. A small business is defined as a business with revenues of \$1 million or less. The percentage by dollar is somewhat lower than the demographic and performance is reasonable. Most weight was placed on the number of loans rather than the dollar volume.

<b>Table 2A - Borrower Distribution of Loans to Businesses in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.95	5.54	18.51	100.00
% of Bank Loans in AA by #	75.00	25.00	0.00	100.00
% of Bank Loans in AA by \$	55.69	44.31	0.00	100.00

*Source: 2016 Loan sample; Dun and Bradstreet data.*

For 2017, the percentage of loans by number and dollar volume to small businesses exceeds the percentage of small businesses in the AA, and performance is excellent.

<b>Table 2A Borrower Distribution of Loans to Businesses in Crittenden County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.71	5.68	18.61	100.00
% of Bank Loans in AA by #	100.00	00.0	0.00	100.00
% of Bank Loans in AA by \$	100.00	0.00	0.00	100.00

*Source: 2017 Loan sample; Dun and Bradstreet data.*

## **Geographic Distribution of Loans**

- The geographic distribution of loans within the AA exhibits reasonable dispersion and meets the standard for satisfactory performance.

## Home Mortgage Loans

For 2016, the percentage of home purchase loans made in low-income geographies, as illustrated in Table 3, exceeds the percentage of owner occupied housing units in low-income CTs and is near the percentage of owner occupied housing units in the moderate-income geographies.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Mortgage Loans	21.88	29.11	32.33	31.65	21.10	17.72	24.70	21.52

Source: Data reported under HMDA; 2010 U.S. Census data.

For 2017, the percentage of home mortgage loans made in low-income geographies is somewhat lower than the percentage of owner occupied housing units in low-income geographies and is reasonable. The percentage of home mortgage loans made in moderate-income geographies exceeds the percentage of owner occupied housing units and is excellent.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Mortgage Loans	19.14	10.64	15.95	21.28	38.67	51.06	24.49	17.02

Source: Data reported under HMDA; 2015 ACS US Census data.

### Business Loans

For 2016 and as illustrated in Table 3A, the bank had no business loans in the sample that were in low-income geographies. This performance is very poor; however, the bank has business loans in or on the cusp of low-income geographies (i.e. one side of the street that delineates part of a geography is low-income and just across the street is middle- or upper-income). The percentage of small business loans made in moderate-income geographies exceeds the percentage of businesses in the moderate-income geographies and is excellent.

<b>Table 3A - Geographic Distribution of Loans to Businesses in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Loans to Businesses in Crittenden County	30.26	0.00	38.34	55.00	15.06	35.00	16.33	10.00

Source: 2016 Loan sample; Dun and Bradstreet data.

For 2017, the percentage of business loans made in low-income tracts is lower than the percentage of businesses in low-income geographies and considered poor. As mentioned earlier there are other loans in low-income geographies that were not in the sample or on the cusp of a low-income geography because a street is a boundary line separating census tracts. The percentage of business loans in moderate-income geographies exceeds the percentage of businesses in moderate-income geographies and is excellent.

<b>Table 3A –Geographic Distribution of Loans to Businesses in Memphis, TN-MS-AR MSA #32820 (Crittenden County)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Loans to Businesses in Crittenden County	25.16%	10.00%	13.37%	15.00%	43.60%	25.00%	17.11%	50.00%

Source: 2017 Loan sample; Dun and Bradstreet data.

There are no unexplained conspicuous gaps in the Bank’s lending patterns. Geographies in the AA without loan penetration are due to the Bank’s limited number of offices serving a large AA. This limitation prevents the Bank from penetrating all areas in the AA.

### **Conclusion for limited-scope AA(s)**

An analysis of lending activity for the one geography, a distressed middle-income geography due to the poverty level, in St. Francis County would not be meaningful given the low volume of residential and business loans in the geography during the evaluation period. Fidelity closed the only branch in the geography in May 2017. Performance is considered weaker than the overall Satisfactory performance but mitigated and explainable given the Bank’s small deposit market

share of 5.98 percent and rank of fifth out of five banks with 13 offices in the County. The impact on the overall rating is neutral.

## **Responses to Complaints**

The Bank received no CRA performance related complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

Fidelity demonstrates excellent responsiveness to CD needs of the AA through its level of CD loans, qualified investments, and CD services.

### **Number and Amount of Community Development Loans**

Fidelity demonstrated excellent responsiveness to CD needs of the AA through lending activities within the AAs during the evaluation period. Fidelity originated 32 loans totaling \$8.08 million that qualify as CD loans between January 1, 2014, and December 31, 2017. The majority of the loans were to finance activities that revitalize or stabilize low- and moderate-income geographies. Six of the CD loans were in low-income geographies to businesses that employ residents of the area. Three of the CD loans were to finance local government activities that support low- and moderate-income people and geographies. Twenty-three of the CD loans were to promote economic development by financing businesses or farms that meet size eligibility standards for Small Business Administration (SBA) participation or have annual gross revenues of \$1 million or less.

For the limited scope AA of St. Francis County, the analysis was not meaningful given only one geography and the closure of the one banking office in 2017. The impact on the performance rating is neutral.

### **Number and Amount of Qualified Investments**

Fidelity demonstrated excellent responsiveness to CD needs of the AA through qualified investment and donation activities. During the evaluation period, Fidelity purchased 144 qualifying municipal bonds totaling approximately \$40 million from school districts where over 50 percent of the students receive free or reduced lunch and local qualifying revenue bonds located within its AA. The number of issuances within the Bank's AAs is limited, and the Bank purchased a portion of most all issuances from the AAs during the evaluation period. The Bank also purchased municipal bonds totaling approximately \$36 million from Arkansas school districts located in distressed counties outside the AAs or broader statewide. In addition, the Bank purchased approximately \$1 million in four municipal bonds for a community college's small business program and a utilities revenue bond.

Fidelity donated funds to organizations that provide services to low- and moderate-income individuals as well as perform activities to revitalize and stabilize low- and moderate-income

geographies. During the evaluation period, donations totaling \$293 thousand were made to 18 qualifying organizations throughout the AAs. Donations included numerous school supply drives targeted to benefit low- and moderate-income children in the AAs. Bank management donated \$20 thousand annually to the local DeltaArts, which is an after school program targeting low- and moderate income students in the AA.

For the limited scope AA of St. Francis County, the analysis was not meaningful given only one geography and the closure of the one banking office in 2017. The impact on the performance rating is neutral.

### **Extent to Which the Bank Provides Community Development Services**

Fidelity demonstrated excellent responsiveness to CD needs of the AA by offering qualifying services to low- and moderate-income individuals within the AAs. Bank officers and employees are actively involved in more than 18 CD service activities. Bank employees used their banking experience and expertise to assist these organizations through board membership, youth financial literacy programs, and homebuyer and small business education conferences. These organizations provide basic living needs, educational opportunities, and youth mentoring opportunities to low- and moderate-income individuals and families.

The distribution of Fidelity's branches throughout the AAs is reasonable. Fidelity branch distribution shows the main branch in a low-income geography, two branches in middle-income geographies that are adjacent to low- and moderate-income geographies, and one branch in an upper-income geography that is adjacent to low- and moderate-income geographies.

For the limited scope AA of St. Frances County, the analysis was not meaningful given only one geography and the closure of the one banking office in 2017. The impact on the performance rating is neutral.

### **Responsiveness to Community Development Needs**

The volume of and the responsiveness of Fidelity to the CD needs of the AA is excellent. The Bank has extended loans, financial support, and expertise commensurate with its capacity.

## Appendix A: Scope of Examination

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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 metropolitan and nonmetropolitan areas 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/2016 to 12/31/2017) Investment and Service Tests and CD Loans: (03/17/2014-12/31/2017)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Fidelity West Memphis, AR	Residential Mortgage Loans Small Loans to Businesses Community Development Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Memphis, TN-AR-MS MSA- Crittenden County	Full Scope	
St. Francis County	Limited Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Memphis, TN-AR-MS MSA-Crittenden County

The Bank includes all geographies of Crittenden County. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies. The following table provides detailed demographic information about the AA.

Demographic Information for Full-Scope Area: Memphis, TN-AR-MS MSA #32820-Crittenden County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	30.00	20.00	30.00	15.00	5.00
Population by Geography	49,765	25.74	16.52	38.56	17.46	1.72
Owner-Occupied Housing by Geography	21,568	19.14	15.95	38.67	25.49	0.75
Businesses by Geography	2,273	25.16	13.37	43.60	17.11	0.75
Farms by Geography	171	8.19	20.47	54.39	16.96	0.00
Family Distribution by Income Level	12,564	24.67	15.54	39.06	19.26	1.47
Distribution of Low- and Moderate-Income Families throughout AA Geographies	18,348	25.49	15.28	40.62	16.65	1.96
Median Family Income	=\$49,781	Median Housing Value				= \$102M
FFIEC Updated Median Family Income for 2017	=\$60,000	Unemployment Rate				= 4.70%
Households Below the Poverty Level	= 20.90%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2015 ACS U.S. Census.

There are 20 CTs located in Crittenden County. West Memphis is located directly across the Mississippi River and to the west of Memphis, Shelby County, Tennessee. For 2017, Crittenden County's population was 49,765 people and represents a 2.23 percent decrease from 50,902 people in 2016. The 2017 Federal Financial Institutions Examination Council (FFIEC) Median Family Income (MFI) for Crittenden County was \$60,000 for 2017 and \$59,100 for 2016. For the 2015 census change that became effective in 2017, the income level of the 20 CTs located in Crittenden County resulted in six CTs (30.00 percent) as low-income; four CTs (20.00 percent) as moderate-income; six CTs (30.00 percent) as middle-income; three CTs (15.00 percent) as upper-income; and one CT (5.00 percent) with no income designation. Changes in geographies from 2016 included a decrease of three moderate-income tracts, two CTs moved to middle-income tracts, and one moved to a no income designated CT.

The income level of families located in Crittenden County was 33.10 percent low-income; 17.14 percent moderate-income; 18.03 percent middle-income; and 31.73 percent upper-income. The poverty level is high at 20.90 percent in 2017 and 24.14 percent in 2016. The unemployment

rate has decreased during the evaluation period and for Crittenden County was 4.10 percent in December 2017 compared to 4.70 percent in December 2016. Crittenden County's unemployment rate was higher than the State of Arkansas' unemployment rate and the same as the United States unemployment rate. The State of Arkansas was 3.70 percent for both December 2016 and 2017. The United States unemployment rate was 4.10 percent as of December 2017 and 4.70 percent for December 2016.

A community contact was conducted with the City of West Memphis Community Development Division. The contact stated that the city has a lot of poverty in many areas of the community to overcome. The contact mentioned that employment has picked up and businesses are responding to the better economic conditions. The contact identified immediate credit needs as affordable housing and financial literacy for the local communities. The contact's perception was that the local banks do an outstanding job of helping to meet the needs of the community as much as possible.

According to the Arkansas Economic Development Commission, some of the largest employers in the AA during the evaluation period were the West Memphis School District, Crittenden County Hospital, Southland Park Gaming and Racing, Walmart Stores, Family Dollar Stores, Hino Motors Manufacturing, Marion School District, Arkansas State University Mid-South, and Support Solutions of Arkansas. According to Dunn and Bradstreet, there were 2,273 businesses in Crittenden County for 2017 and 91.69 percent were categorized as small businesses. For 2016, there were 2,204 businesses and 91.23 percent were categorized as small businesses.

Based on the Federal Deposit Insurance Corporation (FDIC) data as of June 30, 2017, there were five financial institutions operating 15 banking offices in Crittenden County. Fidelity has a market share of 47.84 percent and is ranked one out of the seven banks based on deposit market share.