

PUBLIC DISCLOSURE

November 26, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southern Bancorp Bank
RSSD# 852544**

**601 Main Street
Arkadelphia, Arkansas 71923**

Federal Reserve Bank of St. Louis

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

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

TABLE OF CONTENTS

I.	Institution Rating	1
II.	Institution	
	a. Scope of Examination	2
	b. Description of Institution	5
	c. Conclusions with Respect to Performance Tests	6
III.	Arkansas	
	a. Summary	
	i. State Rating	11
	ii. Scope of Examination	11
	iii. Description of Institution’s Operations.....	12
	iv. Conclusions with Respect to Performance Tests	12
	b. Hot Springs, Arkansas Metropolitan Statistical Area (full-scope review)	
	i. Description of Institution’s Operations.....	15
	ii. Conclusions with Respect to Performance Tests	18
	c. Jonesboro, Arkansas Metropolitan Statistical Area (full-scope review)	
	i. Description of Institution’s Operations.....	25
	ii. Conclusions with Respect to Performance Tests	28
	d. Nonmetropolitan Arkansas Statewide Area (full-scope review)	
	i. Description of Institution’s Operations.....	35
	ii. Conclusions with Respect to Performance Tests	39
IV.	Mississippi	
	a. Summary	
	i. State Rating	47
	ii. Scope of Examination	47
	iii. Description of Institution’s Operations.....	48
	iv. Conclusions with Respect to Performance Tests	48
	b. Nonmetropolitan Mississippi Statewide Area (full-scope review)	
	i. Description of Institution’s Operations.....	51
	ii. Conclusions with Respect to Performance Tests	55
	c. Jackson, Mississippi Metropolitan Statistical Area (limited-scope review)	
	i. Description of Institution’s Operations.....	62
	ii. Conclusions with Respect to Performance Tests	63

- d. Memphis, Tennessee-Mississippi-Arkansas Multistate Metropolitan Statistical Area (limited-scope review)
 - i. Description of Institution’s Operations.....64
 - ii. Conclusions with Respect to Performance Tests65

- V. Appendices
 - a. Scope of Examination Tables66
 - b. Summary of State and Multistate Metropolitan Statistical Area Ratings ..68
 - c. Lending Performance Tables for Limited-Scope Review Areas69
 - d. Glossary73

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors supporting the institution's rating include the following.

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition and assessment areas' credit needs.
- A majority of the bank's loans and other lending-related activities are in the bank's assessment areas.
- The overall distribution of loans by borrower's income/revenue profile reflects reasonable penetration among individuals of different income levels and businesses/farms of different sizes.
- The overall geographic distribution of the loans reflects reasonable dispersion throughout the bank's assessment areas.
- The bank's overall community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, considering the bank's capacity and the need/availability of such opportunities for community development in the bank's assessment areas.

SCOPE OF EXAMINATION

The bank’s Community Reinvestment Act (CRA) performance was reviewed using the Federal Financial Institutions Examination Council’s (FFIEC) *Interagency CRA Procedures for Intermediate Small Institutions*. The intermediate small bank examination procedures entail two performance tests, the Lending Test and the Community Development Test. Bank performance under these tests is rated at the institution level and the state level. The bank has ten assessment areas covering portions of two states, Arkansas and Mississippi. In light of these characteristics, the bank received three sets of ratings: overall institution ratings; ratings for the state of Arkansas; and ratings for the state of Mississippi. The following table details branch and deposit dollars distribution at the state level and the scope of review procedures performed by assessment area. (Deposit information in the following table, as well as deposit information throughout this evaluation, is taken from the Federal Deposit Insurance Corporation (FDIC), Deposit Market Share Report data as of June 30, 2012. (See Appendix A for additional detail regarding the bank’s operations in the ten individual assessment areas).

State	Branches		Deposits		Assessment Area Reviews	
	#	%	\$000s	%	Full Scope	Limited Scope
Arkansas	23	59.0%	\$ 744,718	82.1%	6	0
Mississippi	16	41.0%	\$ 161,855	17.9%	2	2
TOTAL	39	100%	\$ 906,573	100%	8	2

The bank’s overall institution ratings are a blend of the state ratings, which are weighted when making overall rating decisions. In light of branch structure and loan/deposit activity, CRA performance in the state of Arkansas was given primary consideration.

In addition to the bank’s lending and community development activities, the community development activities from the bank’s non-profit affiliate Southern Bancorp Community Partners was also considered in this evaluation.

Lending Test

Under the Lending Test, the bank’s performance is evaluated under the following criteria, as applicable.

- The bank’s average LTD ratio
- The concentration of lending within assessment areas
- The geographic distribution of loans
- Loan distribution by borrower’s profile (business/farm revenue profile)
- A review of the bank’s response to written CRA complaints

Lending test performance was predominantly based on the bank's 2011 loan activity, including home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA), small business loans, small farm loans, and consumer motor vehicle loans. These loan categories reflect the bank's primary lines of business, based upon lending volume by number and dollar amounts and in light of the bank's stated business strategy. Therefore, loan activity represented by these credit products is deemed indicative of the bank's overall lending performance. However, as the bank has a particular emphasis on home mortgage and business lending, performance based on the HMDA and small business loan categories carried the most significance towards the bank's overall performance conclusions.

Under the Lending Test criteria noted above, analyses often entail comparisons of bank performance to assessment area demographics and the performance of other lenders (based upon HMDA and CRA aggregate lending data). Generally speaking, when analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is placed on the aggregate lending data because it is expected to describe many factors impacting lenders within an assessment area. Aggregate lending datasets are also updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank's lending levels were evaluated in relation to those of comparable financial institutions operating within the same general region. Four other banks were identified as similarly situated peers, with asset sizes ranging from \$715 million to \$1.2 billion.

Notwithstanding the aggregate data discussion above, it should be noted that CRA aggregate data (small business and small farm loan data) is oftentimes materially influenced by the extensive credit card activity of only a few lenders. These effects may significantly dilute CRA aggregate data, artificially lowering aggregate lending percentages to small businesses/farms. Consequently, these potential dilution effects are considered accordingly during the lending analysis, including the use of a "modified" CRA aggregate dataset,¹ where doing so provides the most relevant comparison data.

¹ The modified aggregate, market peer list excludes lenders meeting following criteria: (1) reported at least 25,000 loans in the applicable year, (2) 95.0 percent of reported loans were in amounts under \$100,000, and (3) of reported loans in amounts less than \$100,000, the average loan size was under \$15,000.

Community Development Test

Under the Community Development Test, the bank's performance was evaluated via responsiveness to the following community development needs, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas.

- The number and dollar amount of community development loans
- The number and dollar amount of qualified investments and grants
- The extent to which the bank provides community development services

The review of the bank's performance under the Community Development Test included community development activities initiated from the date of the bank's previous CRA evaluation to this review date. In addition, investments made prior to the date of the previous CRA evaluation, but those still outstanding as of this review date were also considered.

Other

The following details are generally applicable to information sources referenced throughout this evaluation, unless otherwise noted.

- Assessment area demographics are based upon 2000 U.S. Census Data (certain business and farm geodemographics are based upon 2010 Dun & Bradstreet Data).
- Median family incomes are based upon the U.S. Department of Housing and Urban Development (HUD) annual estimates.
- Deposit dollar statistics are taken from FDIC Deposit Market Share Report data as of June 30, 2012.
- Industry demographics are sourced from 2010 U.S. Census Bureau Business Patterns Data (according to the North American Industry Classification System).
- Unemployment data are sourced via the U.S. Department of Labor, Bureau of Labor Statistics (not seasonally adjusted).

To augment this evaluation, five interviews (community contacts) were conducted with knowledgeable individuals residing or conducting business within the bank's assessment areas subject to a full-scope review. In addition, 12 community contacts previously completed within the bank's assessment areas were also referenced. These community contacts were utilized in order to ascertain specific credit needs/opportunities and local market conditions within the bank's assessment areas. Information from these interviews also assisted in evaluating the bank's responsiveness to identified community credit needs and community development opportunities. Key details from these community contact interviews are included in the *Description of Institution's Operations* sections, as applicable to the assessment areas in which the community contacts were made.

DESCRIPTION OF INSTITUTION

Southern Bancorp Bank is a wholly owned subsidiary of Southern Bancorp, Inc., a single-bank holding company headquartered in Arkadelphia, Arkansas. Southern Bancorp, Inc. is a Community Development Financial Institution as designated by the United States Department of the Treasury. The bank's development mission is designed to create economic activity and improve the quality of life for the residents of the communities it serves. The bank currently operates 33 full service branches, six limited service branches and one loan production office (LPO) throughout the states of Arkansas and Mississippi. The main office is located in Arkadelphia, Arkansas with 22 branches also residing within the state. In addition, the bank operates 16 full service branches as well as one LPO within the state of Mississippi.

Southern Bancorp Bank has completed merger and acquisition activities since the previous examination, and as a result, the bank's asset base and geographic footprint grew significantly. Mergers and acquisitions since the previous examination expanded the bank's office presence from five offices to 40, including an LPO. During the review period, the bank acquired a total of three banks and merged them into its own charter. Additionally, the bank merged two smaller affiliate banks into its charter as well.

Since the previous CRA evaluation, the bank has closed one branch, relocated one branch, and converted one LPO to a branch. Furthermore, the bank closed one LPO and relocated its remaining LPO. At the bank's previous CRA evaluation, performance was reviewed in two assessment areas covering one state. In light of structure changes since the previous CRA evaluation, the number of assessment areas has increased to ten, covering two states (see Appendix A for a list of all of the bank's assessment areas including branch distribution details).

As previously mentioned, the community development activities from the bank's non-profit affiliate Southern Bancorp Community Partners was also considered in this evaluation. Specifically, the organization works to revitalize struggling rural areas by reducing poverty, decreasing unemployment, and increasing educational attainment.

For this review period, no legal impediments or financial constraints were identified that would have hindered the bank from serving the credits needs of its customers, and the bank appeared capable of meeting assessment area credit needs based on its available resources and financial products. As of September 30, 2012, the bank reported total assets of \$1.1 billion. As of the same date, loans and leases outstanding were \$672.3 million (61.7 percent of total assets) and deposits totaled \$909 million. The bank's loan portfolio composition by credit category is displayed in the following table.

Distribution of Total Loans as of September 30, 2012		
Credit Category	Amount (\$000s)	Percentage of Total Loans
Construction and Development	\$ 47,016	7.0%
Commercial Real Estate	\$ 202,034	30.1%
Multifamily Residential	\$ 22,211	3.3%
1-4 Family Residential	\$ 166,102	24.7%
Secure by First Liens	\$ 153,453	22.8%
Secured by Junior Liens	\$ 5,480	0.8%
Home Equity Loans	\$ 7,169	1.1%
Farmland	\$ 38,782	5.8%
Farm Loans	\$ 82,594	12.3%
Commercial and Industrial	\$ 67,895	10.1%
Loans to Individuals	\$ 40,451	6.0%
Revolving Credit Plans	\$ 794	0.1%
Automobiles	\$ 13,115	2.0%
Other Loans to Individuals	\$ 26,542	3.9%
Total Other Loans	\$ 5,202	0.8%
TOTAL LOANS	\$ 672,287	100%

As indicated by the table above, a significant portion of the bank’s lending resources is directed to loans secured by commercial real estate, 1-4 family residential properties, and farm loans. Together, these categories compile 67.1 percent of the bank’s lending portfolio.

While not reflected in the table above, it is worth noting that by number of loans originated, “loans to individuals” (such as loans secured by motor vehicles) also represents a significant credit category for the bank.²

The bank received a satisfactory rating at the previous CRA evaluation conducted on December 1, 2008 by this Reserve Bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The bank’s performance under the Lending Test is rated satisfactory. The bank’s LTD ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. Secondly, a majority of the bank’s loans and other lending-relating activities are in the bank’s assessment areas. The geographic distribution of loans analysis reflects reasonable dispersion throughout the bank’s assessment areas. The borrower’s profile analysis reveals reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI) levels and businesses/farms of different sizes. Lastly, no CRA-related complaints were filed against the bank for this review period. As displayed in the following table, the bank received satisfactory Lending Test ratings in both states in which it operates.

² As consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products, consumer loans may often times represent a significant product line by number of loans made, even if not reflected as such by dollar amount outstanding.

State	Lending Test Rating
Arkansas	Satisfactory
Mississippi	Satisfactory
OVERALL	Satisfactory

Loan-to-Deposit (LTD) Ratio

One indication of the bank’s overall level of lending activity is its LTD ratio. The table below displays the bank’s average LTD ratio³ in comparison to those of regional peers.

Loan-to-Deposit Ratio Analysis			
Name	Asset Size ⁴	Headquarters	Average LTD Ratio
Southern Bancorp	\$ 1,088,776	Arkadelphia, Arkansas	71.6%
Regional Banks	\$ 1,170,298	Arkadelphia, Arkansas	82.5%
	\$ 714,993	Hot Springs, Arkansas	77.5%
	\$ 811,955	El Dorado, Arkansas	112.5%
	\$ 757,561	Magnolia, Arkansas	87.8%

Based on data from the previous table, the bank’s level of lending is lower than that of other banks in the region. During the review period, the bank’s LTD ratio ranged from a low of 62.3 percent on March 31, 2012, to a high of 79.9 percent on June 30, 2009. In comparison, the quarterly LTD ratios for the regional peers ranged from 71.0 to 114.6 percent over the same time period. Although generally lower than its peers, the bank’s LTD ratio appears to be reasonable given the bank’s size, financial condition, and assessment area credit needs.

³ The average LTD ratio represents a 16-quarter average, dating back to December 31, 2008.

⁴ Asset size figures in this table represent total assets as of September 30, 2012 (in \$000s).

Assessment Areas Concentration

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

Lending Inside and Outside of Assessment Area			
Loan Type	Inside	Outside	TOTAL
HMDA	699	85	784
	89.2%	10.8%	100%
	\$ 44,980	\$ 9,091	\$ 54,071
Small Business	83.2%	16.8%	100%
	629	101	730
	86.2%	13.8%	100%
Small Farm	\$ 60,006	\$ 11,287	\$ 71,293
	84.2%	15.8%	100%
	362	42	404
Consumer	89.6%	10.4%	100%
	\$ 42,225	\$ 2,773	\$ 44,998
	93.8%	6.2%	100%
TOTAL	677	73	750
	90.3%	9.7%	100%
	\$ 7,235	\$ 858	\$ 8,093
TOTAL	89.4%	10.6%	100%
	2,367	301	2,668
	88.7%	11.3%	100%
TOTAL	\$ 154,446	\$ 24,009	\$ 178,455
	86.5%	13.5%	100%

The analysis revealed that the bank originated a majority of its loans within its designated assessment areas.

Geographic and Borrower Distribution

As is displayed in the following table, the bank’s overall geographic distribution of loans reflects reasonable penetration throughout Arkansas and excellent penetration throughout Mississippi.

State	Geographic Distribution of Loans
Arkansas	Reasonable
Mississippi	Excellent
OVERALL	Reasonable

In light of the bank’s branch structure, loan/deposit activity, and performance context, more weight was given to the state of Arkansas; therefore, the overall geographic distribution is considered reasonable.

Overall, performance by borrower’s income/revenue profile is considered reasonable in both Arkansas and Mississippi.

State	Loan Distribution by Borrower’s Profile
Arkansas	Reasonable
Mississippi	Reasonable
OVERALL	Reasonable

Review of Complaints

No CRA-related complaints were filed against the bank during this review period.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated outstanding. The bank demonstrates adequate responsiveness to the community development needs of its assessment areas, considering the bank’s capacity and the need/availability of such opportunities for community development in the assessment areas.

State	Community Development Test Rating
Arkansas	Outstanding
Mississippi	Satisfactory
OVERALL	Outstanding

The bank's community development performance was adequate within its assessment areas for both Arkansas and Mississippi. Overall the bank made 28 community development loans within its assessment area during the review period, totaling \$7.8 million.

Secondly, the bank made qualified investments totaling \$3.4 million, with the majority being school bonds. Furthermore, the bank made \$1.0 million in qualified donations during the review period.

During the review period, bank personnel logged 61 service activities totaling 8,093 hours to the benefit of 17 community development organizations operating within seven of the bank's ten assessment areas. The bank's branch structure favors services to low-income, moderate-income, and distressed areas with 29 of the bank's 39 branches being in these types of locations. Two branches are inside low-income census tracts, 14 branches are in a moderate-income census tract, and 13 branches are in middle-income census tracts designated as distressed areas. The presence of these bank branches helps revitalize and stabilize disadvantaged areas by maintaining vital access to financial services.

In addition to activities leading to the performance conclusions discussed above, the bank also participates in several community development activities benefiting Arkansas and Mississippi communities outside of the bank's assessment areas. The bank invests in numerous school bond initiatives throughout rural areas in Arkansas and Mississippi. These school districts serve a majority of LMI families, LMI geographies, distressed/underserved geographies, or a combination of these. During the review period, these investments totaled \$53.7 million. In addition, the bank made ten community development loans to provide affordable housing, totaling \$7.2 million. A significant number of these activities were within the state of Arkansas and are at a level that warrants an adjustment to the state of Arkansas' Community Development Test rating to outstanding. The level of these activities benefiting the state of Mississippi, while significant, did not warrant an adjustment to the state of Mississippi's Community Development Test rating. As noted in the *Scope of Examination* section, Arkansas receives primary consideration; therefore, the institution's Community Development Test rating was adjusted to outstanding.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

ARKANSAS

CRA RATING FOR ARKANSAS : **SATISFACTORY**

The Lending Test is rated: **Satisfactory**

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

Major factors supporting the institution's Arkansas rating include the following.

- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the Arkansas assessment areas.
- The distribution of loans in the Arkansas assessment areas reflects reasonable penetration among customers of different income levels and businesses of different sizes.
- The bank's community development performance demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the need and availability of such opportunities for community development in the bank's Arkansas assessment areas.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of Arkansas assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. The bank operates in six Arkansas assessment areas, two of which are within an metropolitan statistical area (MSA). As a result of continued restructuring and expansion during this review period, the bank now operates a total of 17 full service facilities and six limited service facilities throughout the state, which has caused an increase in the number of assessment areas within the state from two to six. The bank's state ratings reflect a composite of performance in each of the Arkansas assessment areas, which were reviewed using full-scope procedures. Furthermore, most of the demographics and performance data are combined as presented in the *Conclusions With Respect To Performance Tests* in the Arkansas nonmetropolitan statewide area section even though the analyses for these assessment areas were completed individually (performance divergences between the four nonMSA assessment areas are noted as applicable). In cases where performance conclusions differed between the full-scope reviews of the four nonMSA assessment areas, performance in the Northeast Arkansas, Eastern Arkansas, and Central Arkansas assessment areas received more consideration than the Southern Arkansas assessment area when making nonMSA Arkansas performance conclusions, in light of branch structure and loan/deposit activity.

In order to help shape the performance context in which to evaluate bank performance within the Arkansas full-scope review assessment areas, four community contact interviews were completed as a part of this evaluation. In addition, nine community contacts previously completed within the Arkansas assessment areas were also referenced. Information from all of these community contacts was utilized to ascertain specific credit needs and local market conditions within the bank's assessment areas. In addition, this information aided in evaluating

the bank’s responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution’s Operations* sections, as applicable to the assessment areas in which the community contacts were made.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ARKANSAS

The bank operates 23 branches throughout the six CRA assessment areas in the state of Arkansas. The following table gives additional detail regarding the bank’s Arkansas operations.

Assessment Area	Branches #	Branches %	Deposits \$000s	Deposits %	CRA Review Procedures
Hot Springs MSA	2	8.7%	\$ 39,863	5.4%	Full Scope
Jonesboro MSA	1	4.3%	\$ 88,585	11.9%	Full Scope
Central Arkansas (nonMSA)	4	17.4%	\$ 176,036	23.6%	Full Scope
Eastern Arkansas (nonMSA)	6	26.1%	\$ 162,164	21.8%	Full Scope
Northeast Arkansas (nonMSA)	8	34.8%	\$ 194,483	26.1%	Full Scope
Southern Arkansas (nonMSA)	2	8.7%	\$ 83,587	11.2%	Full Scope
OVERALL	23	100%	\$ 744,718	100%	6 Full Scope

During this review period, the bank closed one branch located in the Southern Arkansas assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARKANSAS

LENDING TEST

The bank’s Lending Test rating for the state of Arkansas is satisfactory. The bank’s overall geographic distribution of loans reflects reasonable penetration throughout the Arkansas assessment areas. Further, the overall distribution of loans by borrower’s income/revenue profile reflects reasonable penetration among individuals of different income levels and businesses/farms of different sizes.

Geographic and Borrower Distribution

As displayed in the following tables, the bank’s overall geographic distribution of loans reflects reasonable penetration throughout the bank’s Arkansas assessment areas.

Full-Scope Review Areas	Geographic Distribution of Loans
Hot Springs MSA	Poor
Jonesboro MSA	Excellent
Arkansas nonMSA	Reasonable
OVERALL	Reasonable

While the bank’s performance under this Lending Test varies between the assessment areas, primary consideration is given to the Arkansas nonMSA assessment area due to loan volume and branch structure.

Overall, the bank’s performance by borrower’s income/revenue profile is reasonable based upon lending activity in Arkansas assessment areas.

Full-Scope Review Areas	Loan Distribution by Borrower’s Profile
Hot Springs MSA	Reasonable
Jonesboro MSA	Reasonable
Arkansas nonMSA	Reasonable
OVERALL	Reasonable

COMMUNITY DEVELOPMENT TEST

The bank’s Community Development Test rating in the state of Arkansas is outstanding. The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of the Arkansas assessment areas, considering the bank’s capacity and the need/availability of such opportunities for community development in the Arkansas assessment areas.

Full-Scope Review Areas	Community Development Performance
Hot Springs MSA	Adequate
Jonesboro MSA	Adequate
Arkansas nonMSA	Excellent
OVERALL	Outstanding

Community development loans in the Arkansas assessment areas totaled 17 at \$7 million. The bank also had several community development investments totaling \$3.4 million while also making significant cash donations totaling \$976,066. Furthermore, bank personnel dedicated 6,368 hours to community development services within this assessment area.

In addition to activities leading to the performance conclusions discussed above, the bank also participates in several community development activities benefiting Arkansas communities outside of the bank's assessment areas. The bank invests in numerous school bond initiatives throughout rural areas in Arkansas. These school districts serve a majority of LMI families, LMI geographies, distressed/underserved geographies, or a combination of these. During the review period, these school bond investments totaled \$52.5 million. In addition, the bank made nine community development loans totaling \$6.7 million to aid in affordable housing projects. This significant amount of activities outside of the bank's assessment area within the state of Arkansas warrant an adjustment to the bank's Community Development Test rating in Arkansas to outstanding.

HOT SPRINGS, ARKANSAS METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE HOT SPRINGS MSA ASSESSMENT AREA

Bank Structure

The bank operates two branches within the Hot Springs MSA assessment area, which consists solely of Garland County.

Since the previous CRA examination dated December 1, 2008, the bank opened one additional branch and kept its existing branch open, doubling its branch presence in the MSA. Each branch is placed appropriately throughout the assessment area and contains a non-deposit taking ATM onsite. Based on the placement of branches, the bank is adequately positioned to deliver financial services to substantially all of the Hot Springs MSA assessment area.

General Demographics

The bank's assessment area is comprised of the entirety of all 19 census tracts in Garland County, which is located in the west central part of the state. As of the 2000 census, the Hot Springs MSA assessment area population was 88,068. As of June 30, 2012, of the 14 FDIC insured depository institutions with a branch presence in Garland County, the bank ranked 13th in terms of deposit market share, encompassing 2.3 percent of total deposit dollars.

Credit needs in the assessment area primarily include consumer loan products. Specific credit needs (as noted from community contacts) include financial education and training for individuals in the assessment area. Secondly, it was mentioned that the revitalization of old housing stock and outreach to low-income borrowers were needs within the community. Many businesses in the MSA are in existence because of the high levels of tourism in the city of Hot Springs. Tourism brings many new ventures to the area and provides financial support for numerous types of businesses. In addition, these factors help job creation and growth to remain stable for the MSA as a whole.

Income and Wealth Demographics

As stated previously, the MSA consists of 19 census tracts. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0 0.0%	6 31.6%	11 57.9%	2 10.5%	0 0.0%	19 100%
Families	0 0.0%	4,475 17.6%	17,456 68.7%	3,465 13.6%	0 0.0%	25,396 100%

This table reveals that no low-income census tracts are present in the MSA, and the majority of families live in middle-income census tracts.

As of the 2000 census, the median family income for the MSA was \$38,001, which was below the state of Arkansas figure of \$38,663. More recently, HUD estimates the 2011 median family income for Hot Springs MSA to be \$48,800. The following table displays the distribution of families by income level for the MSA, as compared to the state of Arkansas.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Hot Springs MSA	4,830 19.0%	4,587 18.1%	5,857 23.1%	10,122 39.9%	25,396 100%
Arkansas	148,233 20.1%	131,570 17.9%	163,567 22.2%	292,693 39.8%	736,063 100%

Based on the data in the preceding table, family population income levels in the assessment area are substantially similar to the state of Arkansas overall (the MSA is only slightly more affluent than the state of Arkansas). In both the MSA and the state of Arkansas, the largest category of families falls into the upper-income category.

Housing Demographics

Housing in the state of Arkansas appears to be more affordable than in the MSA. As indicated by median housing values, housing costs are less in the state of Arkansas when compared to the Hot Springs MSA. The increased affordability in the state is a result of a much lower median housing value combined with a slightly higher median family income when compared to the MSA.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Hot Springs MSA	\$ 77,223	40.9%	\$ 478
Arkansas	\$ 67,400	47.8%	\$ 453

Industry and Employment Demographics

As displayed in the following table, the Hot Springs MSA economy is led by health care and social assistance, followed by retail trade and accommodation and food service. All other industries include a broad mix supporting a diverse economy.

Business Patterns			
Industry	Paid Employees	% of Paid Employees	Establishments
Health Care and Social Assistance	7,076	23.2%	310
Retail Trade	5,807	19.0%	495
Accommodation and Food Service	4,904	16.0%	249
All Other Industries	12,770	41.8%	1,648
TOTAL	30,557	100%	2,702

Furthermore, business demographic estimates indicate 91.2 percent of businesses and 98.4 percent of farms in the Hot Springs MSA have gross annual revenues of \$1 million or less.

The following table displays unemployment rate information for the Hot Springs MSA along with state data. Based on this data, unemployment in the Hot Springs MSA has been similar to that of the state levels.

Unemployment Data			
Dataset	2010 Annual Average	2011 Annual Average	September 2012
Hot Springs MSA	8.1%	8.3%	6.8%
Arkansas	7.9%	8.0%	7.1%

While the Hot Springs MSA reports slightly higher annual percentages on the average when compared to the state, it should be noted that the MSA has consistently shown its highest unemployment rate percentages in December, January, and February of each year. This seasonality of unemployment rate percentages most likely contributes to the lower percentage shown for September 2012 in the table above.

Community Contact Information

In order to obtain additional performance context information about the Hot Springs MSA, five community contacts were utilized during this evaluation. One of the interviews was conducted during the examination, while four were conducted prior to this examination.

Contacts described the Hot Springs MSA economy as stable. The area experienced housing and financial hard times during the recession, but has begun to stabilize. Hospitals, schools, and banks play key roles in these areas. Furthermore, contacts described the area as a tourist location and explained that numerous retail establishments play a major role in seasonal business.

Credit needs in the Hot Springs MSA primarily include consumer loan products. According to contacts, financial education for individuals in the community is a need. It was also mentioned that banks have tightened their lending standards, making it harder for lower-income individuals to acquire the right home in the area even though many bargains exist for the savvy homebuyer. Revitalization is also a need, but contacts stated that home improvement loans are hard to get from banks in the area due to the decline of home values from the recession.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE HOT SPRINGS MSA ASSESSMENT AREA

LENDING TEST

The bank’s overall geographic distribution of loans reflects poor penetration throughout the Hot Springs MSA assessment area. However, the overall distribution of loans by borrower’s income/revenue profile reflects reasonable penetration among customers of different income levels and businesses/farms of different sizes. In this assessment area, consumer motor vehicle loans made up 39.4 percent of the institution’s lending by number for the evaluation. Therefore, a more significant weight is placed on this lending category specific to the Hot Springs assessment area.

Geographic Distribution of Loans

As noted in the *Description of Institution’s Operations in Hot Springs MSA Assessment Area* section, this assessment area includes six moderate-income census tracts, representing 31.6 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects poor penetration throughout these LMI census tracts, which stems from poor geographic distribution of the small business loans, as well as very poor geographic distribution of consumer loans. In contrast, lending activity in the HMDA loan category is excellent. The following table displays the geographic distribution of bank’s 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	0 0.0%	2 16.7%	9 75.0%	1 8.3%	0 0.0%	12 100%
Refinance	0 0.0%	5 20.0%	17 68.0%	3 12.0%	0 0.0%	25 100%
Home Improvement	0 0.0%	2 40.0%	2 40.0%	1 20.0%	0 0.0%	5 100%
Multi-Family	0 0.0%	2 100.0%	0 0.0%	0 0.0%	0 0.0%	2 100%
HMDA TOTAL	0 0.0%	11 25.0%	28 63.6%	5 11.4%	0 0.0%	44 100%
Owner Occupied Housing	0.0%	15.1%	71.4%	13.5%	0.0%	100%

The bank’s lending levels of HMDA loans reflect significant penetration throughout the moderate-income census tracts within the assessment area. The loan activity for HMDA loans in the moderate-income census tracts is significantly above both the percentage of owner-occupied housing units, as well as the aggregate lending percentage (6.8 percent) within the moderate-income census tracts. Therefore, the bank’s geographic distribution of HMDA loans is excellent.

As with the HMDA loan category, the bank’s geographic distribution of small business loans was also reviewed. The following table displays the results of this review, along with the estimated percentages of businesses located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	0 0.0%	9 18.4%	36 73.5%	4 8.2%	0 0.0%	49 100%
Business Institutions	0.0%	27.2%	60.0%	12.8%	0.0%	100%

The bank’s loan penetration within the moderate-income census tracts is below both the geodemographic estimate, as well as that of other lenders. As illustrated in the previous table, the bank’s level of lending in the moderate-income census tract is below the estimated percentage of businesses located in this geography. In addition, the bank is also below the 25.3 percent of aggregate business loans made in the moderate income- tracts within the assessment area. Based on these lower comparison percentages, the bank’s geographic distribution of small business loans reflects poor dispersion throughout the assessment area.

Furthermore, under the geographic distribution analysis in the Hot Springs MSA assessment area, the bank’s distribution of small farm loans is displayed in the following table, in comparison to the distribution of assessment area agricultural institutions by geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Farm Loans	0 0.0%	0 0.0%	1 100.0%	0 0.0%	0 0.0%	1 100%
Agricultural Institutions	0.0%	8.2%	85.2%	6.6%	0.0%	100%

Due to the low lending activity of the bank to small farms within the bank’s assessment area, a meaningful analysis could not be conducted for this product. However, the bank’s single loan made to a small farm within the Hot Springs MSA assessment area fell within a middle-income census tract, which is reasonable given the vast majority of agricultural institutions are located in middle income census tracts.

Lastly under the geographic distribution analysis in the Hot Springs MSA assessment area, the bank’s distribution of consumer motor vehicle loans is displayed in the following table, in comparison to the distribution of assessment area households by geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	0 0.0%	2 3.3%	49 80.3%	10 16.4%	0 0.0%	61 100.0%
Households	0.0%	22.3%	65.0%	12.7%	0.0%	100%

As displayed in the preceding table, the bank’s penetration of the moderate-income census tracts is significantly below the percentage of households living within these census tracts; therefore, the geographic distribution of consumer motor vehicle loans reflects very poor performance.

Loan Distribution by Borrower’s Profile

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by HUD (\$48,800 for the Hot Springs MSA as of 2011). The following table shows the distribution of HMDA loans by borrower income level, compared to family population income characteristics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	2 16.7%	1 8.3%	1 8.3%	5 41.7%	3 25.0%	12 100%
Refinance	0 0.0%	0 0.0%	2 8.0%	14 56.0%	9 36.0%	25 100%
Home Improvement	0 0.0%	1 20.0%	0 0.0%	4 80.0%	0 0.0%	5 100%
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	2 100.0%	2 100%
HMDA TOTAL	2 4.5%	2 4.5%	3 6.8%	23 52.3%	14 31.8%	44 100%
Families	19.0%	18.1%	23.1%	39.9%	-	100%

The bank’s level of lending to LMI borrowers is significantly below that of the population percentage of LMI families in the assessment area as well as the aggregate lending level to LMI borrowers (5.7 percent and 15.7 percent, respectively). Therefore, the bank’s lending to LMI borrowers is determined to be very poor.

The following table reflects the distribution of small business loans by the borrower’s gross annual revenue size and loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	18 36.7%	6 12.2%	7 14.3%	31 63.3%
Greater Than \$1 Million/Unknown	10 20.4%	2 4.1%	6 12.2%	18 36.7%
TOTAL	28 57.1%	8 16.3%	13 26.5%	49 100%

As displayed in the preceding table, the majority of the bank’s small business loans were made to businesses with gross annual revenues of \$1 million or less. When compared to business geodemographic estimates, this is below the percent of businesses in the assessment area that have gross annual revenues of \$1 million or less (91.2 percent). However, the bank’s performance is also significantly above that of other lenders (51.8 percent), based upon CRA aggregate data. In addition, the fact that 36.7 percent of loans to small businesses reviewed were in amounts of \$100,000 or less further indicates the bank’s willingness to meet the credit needs of small businesses. Therefore, the bank’s distribution of small business loans by borrower’s profile is reasonable.

The following table reflects the distribution of small farm loans by the borrower’s gross annual revenue size and loan amount.

Lending Distribution by Farm Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	0 0.0%	1 100.0%	0 0.0%	1 100.0%
Greater Than \$1 Million/Unknown	0 0.0%	0 0.0%	0 0.0%	0 0.0%
TOTAL	0 0.0%	1 100.0%	0 0.0%	1 100%

The bank has not generated enough lending activity to small farms within the Hot Springs MSA assessment area to provide sufficient data for a more robust analysis. The sole loan the bank has made to a small farm in this assessment area was to an agricultural institution with revenues of \$1 million or less, which is determined to be reasonable.

Lastly under the borrower’s profile analysis in the Hot Springs MSA assessment area, the bank’s distribution of consumer motor vehicle loans is displayed in the following table, in comparison to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	10 16.4%	12 19.7%	14 23.0%	25 41.0%	0 0.0%	61 100.0%
Households	22.3%	17.3%	19.5%	40.8%	-	100%

The bank’s distribution of consumer motor vehicle loans compares well to assessment area household demographics. Although the bank’s level of lending to borrowers in the low-income lending category is below the low-income household demographic figures, the level of lending to borrowers in the moderate-income category is above the demographic. Therefore, the bank’s distribution of consumer motor vehicle loans to LMI borrowers is reasonable.

COMMUNITY DEVELOPMENT TEST

The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of the Hot Springs MSA assessment area, considering the bank’s capacity and the need/availability of such opportunities for community development in the assessment area. The bank has addressed the community development needs of this assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank made one community development loan for \$1.2 million in this assessment area. This loan was to build an apartment complex that provides affordable housing to rural residents with low- to moderate- incomes in Garland County.

The bank has investments totaling \$792,743 in the assessment area. These investments are primarily in bonds issued by school districts that primarily serve low- and moderate- income families.

During the review period, the bank participated in a tax assistance program targeted to LMI individuals, providing 89 hours of community development services to the assessment area.

JONESBORO, ARKANSAS METROPOLITAN STATISTICAL AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE JONESBORO MSA ASSESSMENT AREA

Bank Structure

The bank operates one branch within the Jonesboro MSA assessment area, located in Poinsett County.

This branch is a result of the merger and acquisition activity that has occurred since the previous CRA examination dated December 1, 2008. The branch created the bank's initial presence in the Jonesboro MSA. The branch is in Trumann, Arkansas which is located in Poinsett County, and the branch contains a non-deposit accepting ATM onsite. Based on the placement of the branch, the bank is adequately positioned to deliver financial services to its defined assessment area within the Jonesboro MSA.

General Demographics

The bank's assessment area is comprised of the entirety of all seven census tracts in Poinsett County and all 13 census tracts of Craighead County. Both contiguous counties are located in the northeastern part of the state. As of the 2000 census, the Jonesboro MSA assessment area population was 107,762. As of June 30, 2012, of the 19 FDIC insured depository institutions with a branch presence in Poinsett and/or Craighead County, the bank ranked 11th in terms of deposit market share, encompassing 3.2 percent of total deposit dollars.

According to community contacts, housing availability and job opportunities for low-income families are a concern in Craighead County. In contrast, Poinsett County has experienced growth in manufacturing and health care jobs. Overall, credit needs in the assessment area are being met. In the opinion of the contacts, the banks in the area are eager to lend but have a hard time finding qualified applicants.

Income and Wealth Demographics

As stated previously, the Jonesboro MSA consists of 20 census tracts. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	1 5.0%	2 10.0%	15 75.0%	2 10.0%	0 0.0%	20 100%
Families	876 3.0%	1,641 5.6%	22,004 74.7%	4,955 16.8%	0 0.0%	29,476 100%

This table reveals that one low-income census tract is present in the Jonesboro MSA, and the majority of families in the Jonesboro MSA (74.7 percent) live in middle-income census tracts.

As of the 2000 census, the median family income for the Jonesboro MSA was \$38,695, which slightly higher than the state of Arkansas figure of \$38,663. More recently, HUD estimates the 2011 median family income for Jonesboro MSA to be \$51,300. The following table displays the distribution of families by income level for the Jonesboro MSA, as compared to the state of Arkansas.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Jonesboro MSA	6,292 21.4%	5,137 17.4%	6,408 21.7%	11,639 39.5%	29,476 100%
Arkansas	148,233 20.1%	131,570 17.9%	163,567 22.2%	292,693 39.8%	736,063 100%

Based on the data in the preceding table, family population income levels in the assessment area are substantially similar to the state of Arkansas overall (the MSA is only slightly less affluent than the state of Arkansas). In both the MSA and the state of Arkansas, the largest category of families falls into the upper-income category.

Housing Demographics

Housing in the state of Arkansas appears to be slightly more affordable than in the Jonesboro MSA. As indicated by median housing values, housing costs are less in the Jonesboro MSA when compared to the state of Arkansas, though overall affordability slightly favors the state of Arkansas.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Jonesboro MSA	\$ 67,333	46.2%	\$ 435
Arkansas	\$ 67,400	47.7%	\$ 453

Industry and Employment Demographics

As displayed in the following table, the Jonesboro MSA economy is led by health care and social assistance, followed by retail trade, manufacturing and accommodation, and food service. All other industries include a broad mix supporting a diverse economy.

Business Patterns			
Industry	Paid Employees	% of Paid Employees	Establishments
Health Care and Social Assistance	8,744	22.1%	382
Retail Trade	6,941	17.5%	526
Manufacturing	6,220	15.7%	129
Accommodation and Food Service	4,437	11.2%	236
All Other Industries	13,213	33.4%	1,493
TOTAL	39,555	100%	2,766

Furthermore, business demographic estimates indicate that 89.0 percent of businesses and 97.2 percent of farms in the Jonesboro MSA have gross annual revenues of \$1 million or less.

The following table displays unemployment rate information for the Jonesboro MSA along with state data. Based on this data, unemployment in the Jonesboro MSA has been lower than that of the state levels.

Unemployment Data			
Dataset	2010 Annual Average	2011 Annual Average	September 2012
Jonesboro MSA	7.6%	7.6%	6.4%
Arkansas	7.9%	8.0%	7.1%

While the Jonesboro MSA reports slightly lower annual percentages on the average when compared to the state, it should be noted that Poinsett County had an unemployment rate greater than nine percent for 2010 and 2011 annual average while Craighead County had a rate of 7.3 percent during the same years. The unemployment rate for both counties in the Jonesboro MSA has been on a decline from July 2012 through September 2012.

Community Contact Information

In order to better understand the banking environment within the full-scope review assessment area, two community contacts previously completed within the Jonesboro MSA were utilized to ascertain specific credit needs and local market conditions.

Contacts described the Jonesboro MSA economy as stable; however, parts of Craighead County were described as economically poorer than the state of Arkansas. The area has experienced stagnant housing values and a weakened housing market. Hospitals, schools, local retail, and banks are key employers in these areas. Job opportunities for low-income individuals were described as a concern for Craighead County.

As described by the contacts, credit needs in the Jonesboro MSA are being met. Nevertheless, one contact stated that banks in the area are ready to lend, but they are having a difficult time finding qualified applicants.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE JONESBORO MSA ASSESSMENT AREA

LENDING TEST

The bank’s overall geographic distribution of loans reflects excellent penetration throughout this assessment area. Furthermore, the overall distribution of loans by borrower’s income/revenue profile reflects reasonable penetration among customers of different income levels and businesses of different sizes.

Geographic Distribution of Loans

As noted in the *Description of Institution’s Operations in Jonesboro MSA Assessment Area* section, this assessment area includes one low-income and two moderate-income census tracts, representing a combined 15 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in this assessment area reflects excellent penetration throughout these LMI census tracts, led by excellent performance in the HMDA loan, small business loan and consumer loan categories. Geographic distribution performance in the small farm loan category is reasonable. The following table displays the geographic distribution of the bank’s 2011 HMDA lending activity in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	0 0.0%	7 21.2%	25 75.8%	1 3.0%	0 0.0%	33 100%
Refinance	0 0.0%	14 18.2%	60 77.9%	3 3.9%	0 0.0%	77 100%
Home Improvement	0 0.0%	3 25.0%	9 75.0%	0 0.0%	0 0.0%	12 100%
Multi-Family	0 0.0%	0 0.0%	2 100.0%	0 0.0%	0 0.0%	2 100%
HMDA TOTAL	0 0.0%	24 19.4%	96 77.4%	4 3.2%	0 0.0%	124 100%
Owner Occupied Housing	0.8%	4.9%	76.6%	17.7%	0.0%	100%

The bank’s lending activity for HMDA loans throughout the Jonesboro MSA assessment area reveals excellent penetration of the moderate-income census tracts. The percentage of the bank’s HMDA loans that were originated within a moderate-income census tract is significantly above both the percentage of owner-occupied housing units and aggregate lending percentage (2.4 percent) within the moderate-income census tracts. Although the bank has not made any HDMA loans within the low-income census tract, the number of owner-occupied housing units as well as the aggregate lending percentage (0.6 percent) within the low-income census tract is very low.

As with the HMDA loan category, the bank’s geographic distribution of small business loans was also reviewed. The following table displays the results of this review, along with the estimated percentages of businesses located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	0 0.0%	13 22.0%	41 69.5%	5 8.5%	0 0.0%	59 100%
Business Institutions	2.4%	4.7%	72.5%	20.4%	0.0%	100%

The analysis of small business loans within the Jonesboro MSA assessment area reveals excellent penetration of the moderate-income census tracts. The bank’s total penetration in the moderate-income census tracts is significantly higher than the business geodemographic estimates of small businesses within moderate-income census tract, as well as the aggregate percentage (1.3 percent) of small business loans made within the tracts. The bank’s penetration of the low-income census tract within the assessment area is below both the business geodemographic estimates of small businesses and aggregate percentage (1.6 percent) of small business loans made within the tract. However, the moderate income category was weighted more heavily as it contains a larger number of business institutions leading to overall excellent geographic distribution for this product type.

Furthermore, under the geographic distribution analysis of the Jonesboro MSA assessment area, the bank’s distribution of small farm loans was reviewed and is displayed in the following table. The table displays the results of this review, along with the estimated percentages of agricultural institutions located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Farm Loans	0 0.0%	3 4.6%	58 89.2%	4 6.2%	0 0.0%	65 100%
Agricultural Institutions	0.4%	4.5%	79.5%	15.6%	0.0%	100%

The analysis of the bank’s small farm loans within the Jonesboro MSA assessment area revealed reasonable penetration of the moderate-income census tracts within the assessment area. The bank’s lending activity within the moderate-income category is slightly above the geodemographic estimate of agricultural institutions within the two tracts. In contrast, the bank’s level of lending is slightly below that of the percentage of aggregate small farm loans (5.2 percent). Although the bank did not extend any loans within the low-income tract, this is also determined to be reasonable given the very low number of agricultural institutions that are within the low-income census tract.

Lastly under the geographic distribution analysis in the Jonesboro MSA assessment area, the bank’s distribution of consumer motor vehicle loans is displayed in the following table, in comparison to the distribution of assessment area households by geography income level.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	0 0.0%	25 19.7%	96 75.6%	6 4.7%	0 0.0%	127 100%
Households	4.4%	6.1%	74.4%	15.1%	0.0%	100%

As displayed in the preceding table, the bank’s penetration of the moderate-income census tracts is significantly above the percentage of households living within these census tracts; however, the bank originated no motor vehicle loans in the low-income census tract. Overall, the bank’s penetration of consumer loans within LMI census tracts in the assessment area is excellent.

Loan Distribution by Borrower’s Profile

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the applicable median family income figure as estimated by HUD (\$51,300 for the Jonesboro MSA as of 2011). The following table shows the distribution of HMDA loans by borrower income level, compared to family population income characteristics for the assessment area.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	2 6.1%	5 15.2%	8 24.2%	17 51.5%	1 3.0%	33 100%
Refinance	11 14.3%	15 19.5%	11 14.3%	33 42.9%	7 9.1%	77 100%
Home Improvement	1 8.3%	0 0.0%	5 41.7%	5 41.7%	1 8.3%	12 100%
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	2 100.0%	2 100%
HMDA TOTAL	14 11.3%	20 16.1%	24 19.4%	55 44.4%	11 8.9%	124 100%
Family Population	21.3%	17.4%	21.7%	39.5%	-	100%

The analysis of the bank’s HMDA loans within the Jonesboro MSA assessment area reveals excellent lending levels to LMI borrowers. While the percentage of these loans is well below that of the percentage of low-income families in the assessment area, the level of lending to moderate-income borrowers is similar to the number of moderate-income families that reside within the assessment area. In addition, the bank’s percentage of loans to low-income borrowers is significantly higher than the aggregate lending to low-income borrowers (6.3 percent) in the assessment area and slightly higher than aggregate lending to moderate-income borrowers (14.8 percent).

The following table reflects the distribution of small business loans by the borrower’s gross annual revenue size and loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	47	2	1	50
	79.7%	3.4%	1.7%	84.7%
Greater Than \$1 Million/Unknown	7	1	1	9
	11.9%	1.7%	1.7%	15.3%
TOTAL	54	3	2	59
	91.5%	5.1%	3.4%	100%

As displayed in the preceding table, the vast majority of the bank’s small business loans were made to businesses with gross annual revenues of \$1 million or less. In comparison, 2010 business geodemographics indicate that 89.0 percent of assessment area businesses have gross annual revenues of \$1 million or less. Furthermore, the bank’s performance is also significantly above that of other lenders (44.8 percent), based upon CRA aggregate data. In addition, the fact that 79.7 percent of loans to small businesses reviewed were in amounts of \$100,000 or less further indicates the bank’s willingness to meet the credit needs of small businesses. Therefore, the bank’s distribution of small business loans by borrower’s profile is excellent.

The following table reflects the distribution of small farm loans by the borrower’s gross annual revenue size and loan amount.

Lending Distribution by Farm Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	33	15	9	57
	50.8%	23.1%	13.8%	87.7%
Greater Than \$1 Million/Unknown	3	3	2	8
	4.6%	4.6%	3.1%	12.3%
TOTAL	36	18	11	65
	55.4%	27.7%	16.9%	100%

The bank’s level of lending to small farms is reasonable. As displayed in the preceding table, the majority of the bank’s small farms loans were made to businesses with gross annual revenues of \$1 million or less. This percentage is slightly below business geodemographics, which indicate that 97.2 percent of assessment area agricultural institutions have gross annual revenues of \$1

million or less. Furthermore, the bank’s performance is also slightly above that of other lenders (71.0 percent), based upon aggregate data.

Lastly under the borrower’s profile analysis in the Jonesboro MSA assessment area, the bank’s distribution of consumer motor vehicle loans is displayed in the following table, in comparison to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	17	30	39	38	3	127
	13.4%	23.6%	30.7%	29.9%	2.4%	100%
Households	24.6%	15.9%	17.6%	42.0%	-	100%

As indicated in the preceding table, the bank’s distribution of consumer motor vehicle loans varied by individual LMI category. The bank’s level of lending to low-income borrowers is lower than the demographic figure for low-income households; however, the bank’s level of lending to moderate-income borrowers is higher than the percentage of moderate-income households in the assessment area. Therefore, the bank’s distribution of consumer motor vehicle loans by borrower’s profile is reasonable.

COMMUNITY DEVELOPMENT TEST

The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of the Jonesboro MSA assessment area, considering the bank’s capacity and the need/availability of such opportunities for community development in the assessment area. The bank has addressed the community development needs of this assessment area through qualified investments and community development services.

During the review period, the bank did not make any community development loans within the assessment area.

The bank has investments totaling \$416,956, primarily in bonds issued by school districts providing educational services primarily to low- and moderate-income families.

During the review period, bank personnel provided 80 hours of service that benefited the community. Three employees sit on the board of directors for the Chamber of Commerce and one employee sits on the board of directors for the East Poinsett County School District, which primarily serves low- and moderate-income students.

ARKANSAS NONMETROPOLITAN STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE ARKANSAS NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

Bank Structure

As displayed in the table below, the bank operates 20 branches within the combined Arkansas nonMSA assessment area.

Assessment Area	Branches #	Branches %	Deposits \$000s	Deposits %	CRA Review Procedures
Central Arkansas (nonMSA)	4	20.0%	\$ 176,036	28.6%	Full Scope
Eastern Arkansas (nonMSA)	6	30.0%	\$ 162,164	26.3%	Full Scope
Northeast Arkansas (nonMSA)	8	40.0%	\$ 194,483	31.6%	Full Scope
Southern Arkansas (nonMSA)	2	10.0%	\$ 83,587	13.6%	Full Scope
COMBINED ASSESSMENT AREA	20	100%	\$ 616,270	100%	NA

Three nonMSA Arkansas assessment areas were introduced during this review period as a result of merger and acquisition activities since the last evaluation. Through this, the bank acquired 16 branches within the nonMSA Arkansas assessment areas. Also during that time, the bank acquired and closed one branch in the Southern Arkansas Assessment Area. Based on the network of branches and other service delivery systems including six additional stand-alone ATMs in rural areas, the bank is adequately positioned to deliver financial services to substantially all of the combined nonMSA Arkansas Assessment Area.

General Demographics

The bank’s combined assessment area is comprised of five counties in their entirety. The Central Arkansas assessment area, located in the southern central area of the state, is comprised of Hot Spring and Clark Counties. The Eastern Arkansas Assessment Area, located in the Southeast portion of the state, borders the state of Mississippi and is comprised of Phillips County. The Northeast Arkansas Assessment Area, located just northeast of the Jonesboro MSA, borders both Missouri and Tennessee and is comprised of Mississippi County. The Southern Arkansas assessment area, located on the south central border of Louisiana, is comprised of Union County. As of the 2000 census, the combined assessment area population was 177,952. Of the 19 FDIC insured depository institutions with a branch presence in these counties, the bank ranked first in terms of deposit market share, encompassing 21.1 percent of total deposit dollars.

Credit needs in the combined assessment area include a mix of consumer and business loan products. Other particular credit needs (as noted primarily from community contacts) include financial education and training for residents. Specifically, it was mentioned that banks should develop programs for first-time homebuyers in order to educate them on picking the best loan for their particular needs. Lastly, the nonMSA assessment areas in Arkansas have only a few training programs for unskilled workers and the illiterate. Consequently, there is a relatively low level of opportunity for many individuals, such as factory workers and log truck drivers, to develop themselves further than their current level. Throughout the combined nonMSA Assessment Area, job creation and growth has been stagnant or declining.

Income and Wealth Demographics

The combined assessment area consists of 40 census tracts. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0 0.0%	9 22.5%	24 60.0%	7 17.5%	0 0.0%	40 100%
Families	0 0.0%	8,883 18.4%	29,414 60.8%	10,057 20.8%	0 0.0%	48,354 100%

This table reveals that no low-income census tracts are present in the combined assessment area, and the majority of families in the combined assessment area (60.8 percent) live in middle-income census tracts. Furthermore, 17 of the 24 middle-income census tracts in the combined assessment area are categorized as “distressed”—three in Clark County (due to poverty), six in Mississippi County (due to poverty and population loss), two in Phillips County (due to poverty and population loss), and six in Union County (due to poverty).

As of the 2000 census, the median family income for combined assessment area was \$34,450, which was just above the nonMSA Arkansas figure of \$34,263. More recently, HUD estimates the 2011 median family income for nonMSA Arkansas to be \$43,300. The following table displays the distribution of families by income level for the combined assessment area, as compared to nonMSA Arkansas.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Combined Assessment Area	10,889 22.5%	7,811 16.2%	10,011 20.7%	19,643 40.6%	48,354 100%
NonMSA Arkansas	66,236 20.4%	58,047 17.9%	70,642 21.8%	129,307 39.9%	324,232 100%

Both datasets have the highest percentage of families in the upper-income category and are substantially similar in terms of affluence. The second largest percentage for the combined assessment area is the low-income category; however, the second largest percentage for nonMSA Arkansas is the middle-income category. The combined assessment area has high percentages of low- and upper-income families and lower percentages of moderate and middle-income families compared to the high percentages of middle- and upper-income families found in nonMSA Arkansas.

Housing Demographics

Housing in the assessment area appears to be more affordable than in nonMSA Arkansas. As indicated by median housing values, housing costs are less in the combined assessment area compared to nonMSA Arkansas. The affordability is a result of nearly identical median family income levels for both the assessment area and nonMSA Arkansas compared to a higher median housing cost in nonMSA Arkansas.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Combined Assessment Area	\$ 52,182	54.2%	\$ 401
NonMSA Arkansas	\$ 55,810	50.0%	\$ 389

Industry and Employment Demographics

As displayed in the following table, the combined assessment area economy is led by manufacturing, followed by retail trade and health care and social assistance. All other industries include a broad mix supporting a diverse economy.

Business Patterns			
Industry	Paid Employees	% of Paid Employees	Establishments
Manufacturing	11,079	22.5%	163
Retail Trade	7,490	15.2%	673
Health Care and Social Assistance	7,224	14.7%	423
All Other Industries	23,409	47.6%	2,256
TOTAL	49,202	100%	3,515

Furthermore, business demographic estimates indicate that 89.7 percent of businesses and 95.3 percent of farms in the combined assessment area have gross annual revenues of \$1 million or less.

The following table displays unemployment rate information for the combined assessment area as an average of the five counties, along with state data. Based on this data, unemployment in the combined assessment area has been significantly higher than state levels, although the gap between the two has narrowed each year, on average.

Unemployment Data			
Dataset	2010 Annual Average	2011 Annual Average	September 2012
Combined Assessment Area	9.9%	9.8%	7.9%
Arkansas	7.9%	8.0%	7.1%

Unemployment in Hot Spring County has been the lowest of the combined assessment area counties, averaging 7.8 percent in 2010 and 7.6 percent in 2011. Meanwhile, Mississippi County experienced the highest unemployment, averaging 11.8 percent in 2010 and 11.1 percent in 2011.

Community Contact Information

In order to obtain additional performance context information about the combined assessment area, six community contacts were utilized during this evaluation. Three of the interviews were conducted during this examination and three prior contacts were used to help ascertain further performance context.

The overall consensus was that nonMSA Arkansas economies were still struggling to recover from the financial crisis. As confirmed by FFIEC data, several contacts highlighted continued population losses, stating that residents move where job opportunities are most available. Hospitals, schools, and banks play a major role in these areas. Most communities have few, if any, major employers. Most contacts stated that major employers have moved facilities to larger areas and have left many people unemployed. The need to attract industry to these areas was noted as a significant community development need.

Most of the contacts indicated that the credit needs of communities in the combined assessment area were being met overall; however, nearly every contact mentioned financial education and literacy as the top credit need for nonMSA Arkansas, followed by small business financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ARKANSAS NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

LENDING TEST

Based upon overall performance, as concluded from the individual analyses of four loan categories, the bank’s geographic distribution of loans reflects reasonable penetration throughout the nonMSA Arkansas assessment areas. Furthermore, the overall distribution of loans by borrower’s income/revenue profile reflects reasonable penetration among borrowers of different income levels and businesses/farms of different revenue sizes.

Geographic Distribution of Loans

As noted in the *Description of Institution’s Operations in the Arkansas Nonmetropolitan Statewide Assessment Area* section, the combined nonMSA Assessment Area includes nine moderate-income census tracts, representing 22.5 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in the combined assessment area reflects reasonable penetration throughout these LMI census tracts. The following table displays the geographic distribution of bank’s 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	0 0.0%	7 6.9%	65 64.4%	29 28.7%	0 0.0%	101 100%
Refinance	0 0.0%	17 9.9%	112 65.5%	42 24.6%	0 0.0%	171 100%
Home Improvement	0 0.0%	8 11.4%	46 65.7%	16 22.9%	0 0.0%	70 100%
Multi-Family	0 0.0%	1 25.0%	1 25.0%	2 50.0%	0 0.0%	4 100%
HMDA TOTAL	0 0.0%	33 9.5%	224 64.7%	89 25.7%	0 0.0%	346 100%
Owner Occupied Housing	0.0%	14.0%	64.4%	21.6%	0.0%	100%

Although the assessment area does not contain any low-income census tracts, the analysis of the bank’s HMDA loans reveals reasonable penetration of moderate-income census tracts. While the bank’s level of lending is below the percentage of owner occupied housing within moderate-income tracts, its performance is above the aggregate lending levels within moderate-income tracts (8.0 percent).

As with the HMDA loan category, the bank’s geographic distribution of small business loans was also reviewed. The following table displays the results of this review along with the estimated percentages of businesses located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	0	67	250	72	0	389
	0.0%	17.2%	64.3%	18.5%	0.0%	100%
Business Institutions	0.0%	16.7%	57.0%	26.2%	0.0%	100%

The bank’s geographic distribution of small business loans is slightly above both the geodemographic estimate of business institutions located in a moderate-income census tract as well as the aggregate lending percentage to small businesses within a moderate-income census tract (12.1 percent). This reflects reasonable geographic distribution of small business loans.

Next, the bank’s geographic distribution of small farm loans was reviewed. The following table displays the results of this review, compared to the estimated percentages of agricultural institutions located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Farm Loans	0	49	108	52	0	209
	0.0%	23.4%	51.7%	24.9%	0.0%	100%
Agricultural Institutions	0.0%	19.9%	59.5%	20.7%	0.0%	100%

The bank’s geographic distribution of small farm loans is slightly above both the geodemographic estimate of agricultural institutions located in a moderate-income census tract and the aggregate lending percentage to small businesses within a moderate-income census tract (18.2 percent). This reflects reasonable geographic distribution of small farm loans.

However, it should be noted that the bank’s level of lending to small farms within a moderate-income tract in the Northeast Arkansas assessment is very poor. The percent of the bank’s loans made to small farms within a moderate-income census tract (4.2 percent) is significantly below both the geodemographic estimate of small farms within a moderate-income census tract (20.3 percent) as well as the aggregate lending to small farms in a moderate-income census tract (24.4 percent). Nevertheless, due to stronger lending performance in other geographies, the combined assessment area reflects reasonable geographic distribution of small farm loans.

Next, under the geographic distribution analysis in the nonMSA Arkansas Assessment Area, the bank’s distribution of consumer motor vehicle loans is displayed in the following table, in comparison to the distribution of assessment area households by geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	0 0.0%	42 13.5%	210 67.7%	58 18.7%	0 0.0%	310 100%
Households	0.0%	18.6%	59.9%	21.6%	0.0%	100%

As displayed in the preceding table, the bank’s performance in moderate-income geographies is lower than the demographic comparator (18.6 percent). This level of lending in the bank’s geographic distribution of consumer motor vehicle loans reflects poor dispersion throughout the assessment area.

While the discussion above supports an overall reasonable performance conclusion for the combined assessment area, the geographic distribution of consumer motor vehicle loans specific to the Northeast Arkansas Assessment Area is very poor. The bank made 9.3 percent of its consumer motor vehicle loans in this assessment area to borrowers in a moderate-income census tract. When compared to the demographics of the Northwest Arkansas Assessment Area, this is significantly below the percent of households that reside within a moderate-income census tract (30.6 percent). Nevertheless, due to stronger performance in other geographies, the bank’s overall geographic distribution of consumer motor vehicle loans based upon the combined assessment area conclusions is still reasonable.

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is reasonable, based on performance from all four loan categories reviewed. The following table shows the bank’s distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	5 5.0%	11 10.9%	13 12.9%	61 60.4%	11 10.9%	101 100%
Refinance	7 4.1%	27 15.8%	29 17.0%	85 49.7%	23 13.5%	171 100%
Home Improvement	5 7.1%	15 21.4%	6 8.6%	29 41.4%	15 21.4%	70 100%
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	4 100.0%	4 100%
HMDA TOTAL	17 4.9%	53 15.3%	48 13.9%	175 50.6%	53 15.3%	346 100%
Family Population	22.5%	16.2%	20.7%	40.6%	-	100%

As displayed in the previous table, the percentage of total loans made to low-income borrowers is well below the percentage of low-income families within the assessment area. In contrast, the bank’s lending level to low-income borrowers is above the aggregate lending level to low-income borrowers in the assessment area (4.0 percent). While the bank’s lending level to moderate-income borrowers is similar to the moderate-income family population within the assessment area, the percentage of the bank’s total HMDA loans made to moderate-income borrowers is well above the percentage of aggregate loans made to moderate-income borrowers (12.8 percent). Therefore, the bank’s HMDA lending performance by borrower’s profile is reasonable.

The following table reflects the distribution of small business loans by the borrower’s gross annual revenue size and loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	214	19	17	250
	55.0%	4.9%	4.4%	64.3%
Greater Than \$1 Million/Unknown	86	38	15	139
	22.1%	9.8%	3.9%	35.7%
TOTAL	300	57	32	389
	77.1%	14.7%	8.2%	100%

The bank’s level of lending to small businesses is within an acceptable range of performance comparators. As displayed in the preceding table, the majority of the bank’s small business loans were made to businesses with gross annual revenues of \$1 million or less. This percentage is below 2010 business geodemographic estimates, which indicate that 89.7 percent of assessment area businesses have gross annual revenues of \$1 million or less. However, the bank’s performance is above the small business lending level of other lenders (40.2 percent), based upon aggregate data. In addition, the fact that 55.0 percent of loans to small businesses reviewed were in amounts of \$100,000 or less further indicates the bank’s willingness to meet the credit needs of small businesses. Therefore, the bank’s distribution of small business loans by borrower’s profile is reasonable.

While the discussion above supports an overall reasonable performance conclusion for the combined assessment area, the borrower distribution of small business loans in the Southern Arkansas Assessment Area is excellent. Of the 87 small business loans attributable to this assessment area, 75.9 percent were to businesses with gross annual revenues of \$1 million or less. As noted previously, however, the Southern Arkansas Assessment Area is given less consideration than the other components that make up the combined assessment area. Therefore, the bank’s distribution of small business loans by borrower’s profile is reasonable, as supported by the combined assessment area lending statistics.

The following table reflects the distribution of small farm loans by the borrower's gross annual revenue size and loan amount.

Lending Distribution by Farm Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	<\$100	>\$100≤\$250	>\$250≤\$500	
\$1 Million or Less	109	27	24	160
	52.2%	12.9%	11.5%	76.6%
Greater Than \$1 Million/Unknown	22	18	9	49
	10.5%	8.6%	4.3%	23.4%
TOTAL	131	45	33	209
	62.7%	21.5%	15.8%	100%

The bank's level of lending to small farms is reasonable based on performance comparators. As displayed in the preceding table, the majority of the bank's small farms loans were made to agribusinesses with gross annual revenues of \$1 million or less. The percent of the bank's loans to small farms is below business geodemographics, which indicate that 95.3 percent of farming operations in the assessment area have gross annual revenues of \$1 million or less. Conversely, the bank's performance is above that of other lenders (68.2 percent), based upon aggregate data. In addition, the fact that 52.2 percent of loans to small farms reviewed were in amounts of \$100,000 or less further indicates the bank's willingness to meet the credit needs of small farms. Therefore, the bank's distribution of small farms loans by borrower's profile is reasonable.

While the discussion above supports an overall reasonable performance conclusion for the combined assessment area, the borrower distribution of small farm loans in the Central Arkansas nonMSA Assessment Area is excellent. Of the 29 small farm loans attributable to this assessment area, 93.1 percent were to agricultural institutions with gross annual revenues of \$1 million or less. This nearly reaches the 2010 geodemographic estimate that 98.0 percent of small farms within the assessment area generate gross annual revenues of \$1 million or less and is well above the aggregate lending to small farms in the assessment area (81.5 percent). However, given the combined weight of the other areas and components of the combined assessment area, the overall rating for the combined assessment area remains reasonable.

Lastly under the borrower's profile analysis in the nonMSA Arkansas Assessment Area, the bank's distribution of consumer motor vehicle loans is displayed in the following table, in comparison to the distribution of assessment area households by income level.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	36 11.6%	58 18.7%	70 22.6%	135 43.5%	11 3.5%	310 100%
Households	26.0%	14.8%	17.2%	42.0%	-	100%

The bank’s distribution of consumer motor vehicle loans varies considerably between the low- and moderate-income categories. As displayed in the previous table, the level of consumer motor vehicle loans made to low-income borrowers is significantly below the percentage of low-income households in the assessment area. Alternatively, the bank’s level of consumer motor vehicle loans made to moderate-income borrowers is significantly above the percentage of moderate-income households in the assessment area. Therefore, the bank’s overall distribution of consumer motor vehicle loans by borrower’s profile is reasonable, considering the bank’s performance under both borrower income categories.

COMMUNITY DEVELOPMENT TEST

The bank’s overall community development performance demonstrates excellent responsiveness to the community development needs of the combined assessment area, considering the bank’s capacity and the need/availability of such opportunities for community development in the assessment area. The bank has addressed the community development needs of this assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank made 16 community development loans totaling \$5.8 million in the combined assessment area. The makeup of these loans consisted of permanent financing to schools, churches, and other nonprofits within the bank’s combined nonMSA Arkansas Assessment Area. The loans help create and retain employment opportunities in the moderate-income or distressed areas within Clark, Hot Spring, Mississippi, and Phillips Counties.

The bank has invested \$2.2 million in school bond initiatives. These schools serve a majority of LMI families, LMI geographies, distressed/underserved geographies, or a combination of these. In addition, the bank donated a total of \$976,066 to various organizations having a community development purpose. Most notably, the bank made donations to help revitalize/stabilize the city of Arkadelphia through a program that provides scholarship money to graduates from the Arkadelphia School District (Clark County) who have attended school in the district for numerous years.

During the review period, bank personnel performed 6,199 hours of community development services, providing 16 different organizations with various financial services or expertise within the assessment area. Most notably was participation in a program which assists low- to

moderate-income borrowers with the preparation of tax returns. Additionally, 11 of the 20 branches within this assessment area are located within distressed census tract. These locations help revitalize and stabilize the distressed areas by maintaining vital access to financial services.

MISSISSIPPI

CRA RATING FOR MISSISSIPPI: **SATISFACTORY**
The Lending Test is rated: **Satisfactory**
The Community Development Test is rated: **Satisfactory**

Major factors supporting the institution's Mississippi rating include the following.

- The geographic distribution of loans reflects excellent dispersion throughout the full-scope review area in Mississippi.
- The distribution of loans in the full-scope review area reflects reasonable penetration among customers of different income levels and businesses/farms of different sizes.
- Overall, the bank demonstrates adequate responsiveness to community development needs within the state of Mississippi through community development loans, qualified investments and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's full-scope review area.

SCOPE OF EXAMINATION

Examination scope considerations applicable to the review of Mississippi assessment areas are consistent with the overall CRA examination scope as presented in the *Institution, Scope of Examination* section. Prior to this review period, the bank did not maintain operations in Mississippi. As part of organizational restructuring under the bank holding company, two affiliate banks operating in Mississippi were merged into Southern Bancorp Bank. In light of this restructuring, the bank now operates 16 branches and one LPO spread among four Mississippi assessment areas; two assessment areas are in nonMSA Mississippi, one is in the Jackson MSA, and one is in the Memphis Tennessee-Mississippi-Arkansas multistate MSA. The bank's ratings in the state of Mississippi reflect a composite of performance within these assessment areas. However, as detailed in the next section, two of these assessment areas were evaluated using full-scope review procedures, both of which are located within nonMSA Mississippi. Consequently, performance in the Mississippi nonMSA assessment areas primarily shaped the bank's state ratings. Furthermore, most of the data for these full-scope review assessment areas are combined, as presented in the *Conclusions With Respect To Performance Tests in the Mississippi Nonmetropolitan Statewide Assessment Area* section, even though the analyses for these assessment areas were completed individually (significant performance divergences between the two full-scope assessment areas are noted as applicable). In cases where performance conclusions differed between the two full-scope review assessment areas, performance in the Northwest Mississippi Assessment Area was the primary driver behind statewide performance conclusions, in light of branch structure, loan/deposit activity, and other performance context factors.

In order to help shape the performance context in which to evaluate bank performance within the Mississippi full-scope review assessment areas, one community contact interview was completed as a part of this evaluation. In addition, three community contacts previously completed within the Mississippi assessment areas were also referenced. Information from all of these community contacts was utilized to ascertain specific credit needs and local market conditions within the bank’s assessment areas. In addition, this information aided in evaluating the bank’s responsiveness to identified community credit needs and community development opportunities. Key details from these community contacts are included in the *Description of Institution’s Operations in the Mississippi Nonmetropolitan Statewide Assessment Area* section.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MISSISSIPPI

The bank operates 16 branches throughout the four CRA assessment areas in the state of Mississippi. The following table gives additional detail regarding the bank’s Mississippi operations.

Assessment Area	Branches #	Branches %	Deposits \$000s	Deposits %	CRA Review Procedures
Northwest Mississippi (nonMSA)	13	81.3%	\$ 133,140	82.3%	Full Scope
Southern Mississippi (nonMSA)	1	6.3%	\$ 17,590	10.9%	Full Scope
Jackson	1	6.3%	\$ 1,417	0.9%	Limited Scope
Hernando	1	6.3%	\$ 9,708	6.0%	Limited Scope
OVERALL	16	100%	\$ 161,855	100%	2 Full Scope

In addition to the 16 branches detailed in the table above, the bank operates one LPO in the Hernando Assessment Area. As noted previously, the bank introduced operations in Mississippi through mergers with two affiliated banks. Also during this review period, the bank relocated one branch and one LPO, converted an LPO to a full-service branch, and closed one LPO.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSISSIPPI

LENDING TEST

The bank’s Lending Test rating for the state of Mississippi is satisfactory. The bank’s overall geographic distribution of loans reflects excellent penetration throughout the Mississippi full-scope review area. Furthermore, the overall distribution of loans by borrower’s income/revenue profile reflects reasonable penetration among individuals of different income levels and businesses/farms of different sizes.

Geographic and Borrower Distribution

As displayed in the following table, the bank’s overall geographic distribution of loans reflects excellent penetration, based primarily upon performance in the bank’s full-scope review area.

Full-Scope Review Areas	Geographic Distribution of Loans
Mississippi nonMSA	Excellent

Limited-Scope Review Areas	Geographic Distribution of Loans
Jackson	Below
Hernando	Below

The bank’s low level of loan activity within the limited-scope review areas did not support robust analyses; however, based on the limited data available, the bank’s performance in these areas is below that of the full-scope review area. Despite this fact, findings from the limited-scope review areas are not significant enough to bring down the overall state performance.

Overall, the bank’s performance by borrower’s income/revenue profile is reasonable based upon lending activity in the Mississippi assessment areas.

Full-Scope Review Areas	Loan Distribution by Borrower’s Profile
Mississippi nonMSA	Reasonable

Limited-Scope Review Areas	Loan Distribution by Borrower’s Profile
Jackson	Exceeds
Hernando	Consistent

COMMUNITY DEVELOPMENT TEST

The bank’s Community Development Test rating in the state of Mississippi is satisfactory. The bank’s overall community development performance demonstrates adequate responsiveness to the community development needs of the full-scope review area in Mississippi, considering the bank’s capacity and the need/availability of such opportunities for community development.

Full-Scope Review Areas	Community Development Performance
Mississippi nonMSA	Adequate

Limited-Scope Review Areas	Community Development Performance
Jackson	Below
Hernando	Below

The bank’s community development performance in the full-scope review area is adequate, based upon an adequate level of community development activities within its primary Mississippi assessment area (Northwest Mississippi Assessment Area); however, the bank had no community development activities attributable to the other three assessment areas. Despite poor community development performance in three assessment areas, these findings are not significant enough to bring down the overall state performance, largely due to the bank’s very limited presence within these assessment areas.

Community development loans in the Northwest Mississippi Assessment Area totaled 11 at \$801,523. While the bank did not have any qualified community development investments, the bank did make a significant cash donation, \$49,673, to a community development organization serving the Northwest Mississippi Assessment Area, and bank personnel dedicated 1,725 hours to community development services within this assessment area.

In addition to activities leading to the performance conclusions discussed above, the bank also participates in several community development activities benefiting Mississippi communities outside of the bank’s assessment areas. The bank invests in numerous school bond initiatives throughout rural areas in Mississippi. These school districts serve a majority of LMI families, LMI geographies, distressed/underserved geographies, or a combination of these. During the review period, these school bond investments totaled \$1.2 million. In addition, the bank refinanced one loan for \$486,546 to a developer providing affordable housing for LMI tenants. While these activities are significant, they do not rise to a level warranting an adjustment to the bank’s Community Development Test rating in Mississippi.

MISSISSIPPI NONMETROPOLITAN STATEWIDE AREA

(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MISSISSIPPI NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

Bank Structure

As displayed in the table below, the bank operates 14 branches within the two Mississippi nonMSA assessment areas.

Assessment Area	Branches #	Branches %	Deposits \$000s	Deposits %	CRA Review Procedures
Northwest Mississippi (nonMSA)	13	92.9%	\$ 133,140	88.3%	Full Scope
Southern Mississippi (nonMSA)	1	7.1%	\$ 17,590	11.7%	Full Scope
COMBINED ASSESSMENT AREA	14	100%	\$ 150,730	100%	NA

As previously mentioned, both of the bank's nonMSA Mississippi assessment areas were introduced during this review period. The bank has not opened any additional offices or closed any existing offices in these assessment areas since that introduction. Furthermore, based on this branch network and other service delivery systems, the bank is adequately positioned to deliver financial services to substantially all of the combined nonMSA Mississippi Assessment Area.

General Demographics

The bank's combined assessment area is comprised of seven counties in their entirety. The Northwest Mississippi Assessment Area (which is just south of the Memphis MSA) is comprised of Bolivar, Coahoma, Quitman, Sunflower, Tallahatchie, and Washington Counties. The Southern Mississippi Assessment Area (which is in the Southwest corner of the state, bordering Louisiana) is comprised of Pearl River County. As of the 2000 census, the combined assessment area population was 242,242. Of the 24 FDIC insured depository institutions with a branch presence in the combined assessment area, the bank ranked eighth in terms of deposit market share, encompassing 4.9 percent of total deposit dollars.

Credit needs in the combined assessment area include a traditional mix of consumer, business and farm loan products. Other particular credit needs (as noted primarily from community contacts) include a financial initiative to attract large-scale employers to these rural areas. Secondly, it was underscored that banks should find flexible financing options for potential homebuyers that are generally creditworthy, except for minor credit issues. Lastly, community contacts stated that the nonMSA assessment areas in Mississippi have few, if any, community

development organizations, presenting limited partnering opportunities for banks. Consequently, there is a relatively low level of opportunity for community development involvement throughout the nonMSA Mississippi assessment areas.

Income and Wealth Demographics

The combined assessment area consists of 54 census tracts. The following table reflects the number and family population of these census tracts by geography income level.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	2 3.7%	25 46.3%	19 35.2%	8 14.8%	0 0.0%	54 100%
Family Population	1,350 2.2%	26,745 44.1%	20,297 33.4%	12,307 20.3%	0 0.0%	60,699 100%

This table reveals that most families in the combined assessment area live in moderate-income census tracts. Furthermore, 13 of the 19 middle-income census tracts in the combined assessment area are categorized as “distressed”—one in Bolivar County (due to poverty and population loss), two in Coahoma County (due to poverty and population loss), one in Quitman County (due to poverty), one in Sunflower County (due to poverty and unemployment), one in Tallahatchie County (due to poverty), and seven in Washington County (due to poverty, unemployment, and population loss). Additionally, Tallahatchie County is also categorized as “underserved”.

As of the 2000 census, the median family income for combined assessment area was \$30,079, which was below the nonMSA Mississippi figure, \$33,550. More recently, HUD estimates the 2011 median family income for nonMSA Mississippi to be \$41,600. The following table displays the distribution of families by income level for the combined assessment area, as compared to nonMSA Mississippi.

Family Population by Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Combined Assessment Area	17,088 28.2%	10,314 17.0%	10,560 17.4%	22,737 37.5%	60,699 100%
NonMSA Mississippi	103,223 23.6%	70,831 16.2%	83,277 19.0%	180,480 41.2%	437,811 100%

Both datasets are similar, in that they have the largest categories of families at the extremes of the income spectrum, though the combined assessment area still appears to be relatively less affluent. Both datasets have the highest percentage of families in the upper-income category,

while the second largest percentage is the low-income category. Furthermore, the combined assessment area has higher percentages of LMI families and lower percentages of middle- and upper-income families, as compared to nonMSA Mississippi overall.

Housing Demographics

As displayed in the following table, home ownership in the combined assessment area appears to be similarly affordable as compared to nonMSA Mississippi overall. While housing costs are somewhat lower in the combined assessment area, as indicated by median housing values, these lower costs appear to be offset by lower income levels in the combined assessment area.

Housing Demographics			
Dataset	Median Housing Value	Affordability Ratio	Median Gross Rent (monthly)
Combined Assessment Area	\$ 52,969	48.3%	\$ 388
NonMSA Mississippi	\$ 55,603	49.0%	\$ 382

Industry and Employment Demographics

As displayed in the following table, the combined assessment area economy is led by healthcare and social assistance, followed by retail trade and accommodation and food services. All other industries include a broad mix, which is supportive of a diverse economy.

Business Patterns			
Industry	Paid Employees	% of Paid Employees	Establishments
Healthcare and Social Assistance	9,927	21.8%	520
Retail Trade	8,715	19.1%	894
Accommodation and Food Services	6,010	13.2%	300
All Other Industries	20,944	45.9%	2,390
TOTAL	45,596	100%	4,104

Furthermore, business demographic estimates indicate that 90.9 percent of businesses and 91.9 percent of farms in the combined assessment area have gross annual revenues of \$1 million or less.

The following table displays unemployment rate information for the combined assessment area (as an average of the seven counties), along with state data. Based on this data, unemployment in the combined assessment area has been significantly higher than state levels.

Unemployment Data			
Dataset	2010 Annual Average	2011 Annual Average	September 2012
Combined Assessment Area Average	13.0%	13.6%	11.5%
Mississippi	10.5%	10.7%	9.1%

Unemployment in Pearl River County has been the lowest of the combined assessment area counties, averaging 10.5 percent in 2010 and 11.0 percent in 2011. Sunflower County had the highest unemployment rates, averaging 15.5 percent in 2010 and 16.3 percent in 2011. Similarly, as of September 2012 Pearl River County had the lowest unemployment rate, 9.5 percent, and Sunflower County had the highest rate at 14.4 percent.

Community Contact Information

As previously noted, in order to better understand the banking environment within the full-scope review assessment area, one community contact was conducted and three community contacts previously completed within the combined assessment area were utilized to ascertain specific credit needs and local market conditions. The consensus indicated that rural Mississippi economies were still struggling behind the weak national recovery. Several contacts highlighted continued population losses, as residents have migrated in search of better job opportunities. Small manufacturers and farms still play a major role in these areas, and one contact noted slight improvement in the economic outlook for the manufacturing industry. However, most communities have few, if any, major employers, and the need to attract large employers to these areas was noted as a significant community development need.

One contact also commented on the more restrictive credit underwriting standards enacted post-recession. He was aware of several personal accounts, which he described as generally creditworthy applicants, turned down for home loans due to minor credit issues. Based on these circumstances, he would like to see banks do a better job of working with applicants possessing stable jobs, in an effort to overcome minor credit history issues (including a lack of credit history).

Most contacts indicated that the nonMSA assessment areas in Mississippi have few, if any, community development organizations, presenting limited partnering opportunities for banks.

However, overall sentiment was that area banks were adequately meeting credit needs and assisting in their communities as opportunities are presented.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE MISSISSIPPI NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

LENDING TEST

Based upon overall performance, as concluded from the individual analyses of four loan categories, the bank’s geographic distribution of loans reflects excellent penetration throughout the combined nonMSA assessment area. Furthermore, the overall distribution of loans by borrower’s income/revenue profile reflects reasonable penetration among borrowers of different income levels and businesses/farms of different sizes.

Geographic Distribution of Loans

As noted in the *Description of Institution’s Operations in the Mississippi Nonmetropolitan Statewide Assessment Area* section, the combined assessment area includes two low-income and 25 moderate-income census tracts, representing a combined 50.0 percent of all assessment area census tracts. Overall, the bank’s geographic distribution of loans in the combined assessment area reflects excellent penetration throughout these LMI census tracts. The following table displays the geographic distribution of the bank’s 2011 HMDA lending activity, in comparison to owner-occupied housing demographics.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	0	13	11	11	0	35
	0.0%	37.1%	31.4%	31.4%	0.0%	100%
Refinance	2	49	26	27	0	104
	1.9%	47.1%	25.0%	26.0%	0.0%	100%
Home Improvement	1	14	8	8	0	31
	3.2%	45.2%	25.8%	25.8%	0.0%	100%
Multi-Family	0	1	0	1	0	2
	0.0%	50.0%	0.0%	50.0%	0.0%	100%
HMDA TOTAL	3	77	45	47	0	172
	1.7%	44.8%	26.2%	27.3%	0.0%	100%
Owner Occupied Housing	1.7%	39.8%	36.2%	22.4%	0.0%	100%

The analysis of HMDA loans reveals lending performance (as primarily driven by loan activity in the Northwest Mississippi Assessment Area) significantly above comparison data. The bank’s percentage of HMDA loans made in low-income geographies is on par with the percentage of owner-occupied housing in low-income areas. Furthermore, the bank’s lending level is well above the percentage of aggregate HMDA loans made in low-income geographies (0.6 percent), reflecting excellent penetration in low-income geographies. Moreover, the bank’s level of lending in moderate-income areas is above both the percentage of owner-occupied housing units in these areas and the aggregate lending level in the moderate-income census tracts (21.9 percent), reflecting excellent bank performance. Therefore, the bank’s overall geographic distribution of HMDA loans is excellent.

As with the HMDA loan category, the bank’s geographic distribution of small business loans was also reviewed. The following table displays the results of this review, along with the estimated percentages of businesses located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	0 0.0%	40 39.2%	31 30.4%	31 30.4%	0 0.0%	102 100%
Business Institutions	4.5%	37.4%	34.5%	23.6%	0.0%	100%

Bank performance varied by geography income category, but the overall geographic distribution of small business loans within the combined assessment area is reasonable. Business demographics estimate that 4.5 percent of the combined assessment area businesses are in low-income census tracts, and the aggregate level of small business loans made in low-income census tracts was 3.3 percent. However, the bank did not make any small business loans in low-income geographies, reflecting poor performance. Conversely, the bank’s level of small business loan activity in moderate-income census tracts is above both the demographic estimate of businesses in moderate-income geographies and the aggregate small business lending level in these areas (32.3 percent). Consequently, the bank’s penetration of moderate-income geographies is reasonable and the bank’s overall performance in LMI geographies is considered reasonable.

Next, the bank’s geographic distribution of small farm loans was reviewed. The following table displays the results of this review, compared to the estimated percentages of agricultural institutions located in each geography income category.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Farm Loans	0 0.0%	50 60.2%	28 33.7%	5 6.0%	0 0.0%	83 100%
Agricultural Institutions	0.5%	40.9%	41.8%	16.7%	0.0%	100%

While the bank did not make any small farm loans in low-income geographies, agricultural lending opportunities in these areas appear to be de minimis, based upon the very small percentage of farms operating in low-income geographies. Conversely, the bank made a high level of small farm loans in moderate-income census tracts, which is significantly above both the estimated percentage of farms operating in these areas and the aggregate level of small farm loans made in the moderate-income geographies (52.5 percent). Therefore, the bank’s geographic distribution of small farm loans within the combined assessment area is excellent.

The last loan category included in this geographic distribution analysis is the consumer motor vehicle loan category, which is displayed below in comparison to the distribution of combined assessment area households.

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	1 0.6%	101 58.4%	38 22.0%	33 19.1%	0 0.0%	173 100%
Household Population	2.6%	44.4%	32.7%	20.3%	0.0%	100%

Bank performance varied by geography income category, but the overall geographic distribution of consumer motor vehicle loans within the combined assessment area is reasonable. While 2.6 percent of combined assessment area households are within low-income census tracts, the bank only made one consumer motor vehicle loan to a borrower from a low-income area, which reflects a poor level of lending in low-income geographies. Conversely, the bank’s level of consumer motor vehicle loans made in moderate-income census tracts is significantly above the percentage of households within moderate-income geographies, reflecting excellent performance.

Loan Distribution by Borrower’s Profile

Overall, the bank’s loan distribution by borrower’s profile is reasonable, based on performance from all four loan categories reviewed in the combined assessment area. The following table shows the bank’s distribution of 2011 HMDA loans by borrower income level, in comparison to family population demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	1 2.9%	6 17.1%	8 22.9%	16 45.7%	4 11.4%	35 100%
Refinance	6 5.8%	15 14.4%	26 25.0%	54 51.9%	3 2.9%	104 100%
Home Improvement	1 3.2%	5 16.1%	5 16.1%	14 45.2%	6 19.4%	31 100%
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	2 100.0%	2 100%
HMDA TOTAL	8 4.7%	26 15.1%	39 22.7%	84 48.8%	15 8.7%	172 100%
Family Population	28.2%	17.0%	17.4%	37.5%	0.0%	100%

The analysis of HMDA loans reveals lending performance (as primarily driven by the Northwest Mississippi Assessment Area) in line with comparison data. The percentage of HMDA loans made to low-income borrowers is significantly below the percentage of low-income families within the combined assessment area; however, the bank’s performance is still considered reasonable, as it is on par with the aggregate lending level to low-income borrowers (4.7 percent). In addition, the bank’s level of lending to moderate-income borrowers is only slightly lower than the moderate-income family population percentage, and compared to other mortgage lenders, the bank does an excellent job of lending to moderate-income borrowers based upon the aggregate lending level to moderate-income borrowers (10.6 percent).

While the discussion above supports an overall reasonable performance conclusion for the combined assessment area, the borrower distribution of HMDA loans specific to the Southern Mississippi Assessment Area is poor. There were only ten HMDA loans attributable to this assessment area, which does not support a strong analysis. Nevertheless, seven of these loans were made to upper-income borrowers and no loans were made to LMI borrowers (36.8 percent of the Southern Mississippi Assessment Area family population is LMI). Due to stronger performance in other geographies and the small sample size of the Southern Mississippi

Assessment Area, the bank’s overall borrower distribution of loans is still reasonable based upon combined assessment area conclusions.

The following table reflects the distribution of small business loans by the borrower’s gross annual revenue size and loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	63 61.8%	11 10.8%	3 2.9%	77 75.5%
Greater Than \$1 Million/Unknown	17 16.7%	3 2.9%	5 4.9%	25 24.5%
TOTAL	80 78.4%	14 13.7%	8 7.8%	102 100%

Based upon activity from the combined assessment area, the bank’s level of lending to small businesses is within acceptable performance parameters. As displayed in the preceding table, the majority of small business loans were made to businesses with gross annual revenues of \$1 million or less. While this lending level is below business demographic estimates that indicate 90.9 percent of combined assessment area businesses have gross annual revenues of \$1 million or less, the bank’s performance is significantly above the small business aggregate lending level, 50.9 percent. In addition, the fact that 61.8 percent of loans to small businesses reviewed were in amounts of \$100,000 or less further indicates the bank’s willingness to meet the credit needs of small businesses.

While the discussion above supports an overall reasonable performance conclusion for the combined assessment area, the borrower distribution of small business loans in the Southern Mississippi Assessment Area is excellent. Of the 20 small business loans attributable to this assessment area, 95.0 percent were to businesses with gross annual revenues of \$1 million or less. As noted previously, however, the bank’s overall performance in the combined assessment area is strongly weighted to performance in the Northwestern Mississippi Assessment Area. Therefore, the bank’s distribution of small business loans by borrower’s profile is reasonable, as supported by the combined assessment area lending statistics.

The following table reflects the distribution of small farm loans by the borrower's gross annual revenue size and loan amount.

Lending Distribution by Farm Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	<\$100	>\$100≤\$250	>\$250≤\$500	
\$1 Million or Less	37	20	3	60
	44.6%	24.1%	3.6%	72.3%
Greater Than \$1 Million	14	4	5	23
	16.9%	4.8%	6.0%	27.7%
TOTAL	51	24	8	83
	61.4%	28.9%	9.6%	100%

The bank's level of lending to small farms falls between comparison data. As displayed in the preceding table, the majority of small farm loans were made to farms with gross annual revenues of \$1 million or less. While this lending level is below demographic estimates indicating 91.9 percent of combined assessment area farms have gross annual revenues of \$1 million or less, the bank's performance is significantly above the small farm aggregate lending level of 59.9 percent. In addition, the fact that 44.6 percent of loans to small farms reviewed were in amounts of \$100,000 or less further indicates the bank's willingness to meet the credit needs of small farms. The bank's distribution of farm loans by borrower profile is reasonable based upon combined assessment area conclusions.

Lastly under the borrower's profile analysis in the combined assessment area, the bank's distribution of consumer motor vehicle loans is displayed in the following table, in comparison to household demographics.

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	20	49	38	58	8	173
	11.6%	28.3%	22.0%	33.5%	4.6%	100%
Household Population	29.2%	15.1%	15.9%	39.9%	0.0%	100%

The bank's distribution of consumer motor vehicle loans varies considerably by LMI category; however, overall performance in the combined assessment area is reasonable. As displayed in the previous table, the level of consumer motor vehicle loans made to low-income borrowers is

significantly below the percentage of low-income households in the combined assessment area, reflecting poor performance. Alternatively, the bank's level of consumer motor vehicle loans made to moderate-income borrowers is well above the percentage of moderate-income households in the assessment area, reflecting excellent performance. Therefore, the bank's overall distribution of consumer motor vehicle loans by borrower's profile is reasonable, considering the bank's performance under both borrower-income categories.

COMMUNITY DEVELOPMENT TEST

As driven by performance within the bank's Northwestern Mississippi Assessment Area, the bank demonstrates adequate responsiveness to community development needs within the combined assessment area, considering the bank's capacity and the need/availability of such opportunities for community development.

During the review period, the bank made 11 community development loans totaling \$801,523 in the Northwestern Mississippi Assessment Area. The largest of these loans was to a public school district serving a majority of LMI families within a distressed area. The bank also made three loans totaling \$76,930, which were used to improve/repair affordable housing units benefitting LMI families. The seven remaining loans were made to entities providing various community services targeted to the LMI population.

While the bank did not have any qualified community development investments attributable to either of the nonMSA Mississippi assessment areas, the bank did make a significant cash donation, \$49,673, to an organization working to revitalize/stabilize moderate-income areas in the Northwestern Mississippi Assessment Area.

Bank personnel dedicated a significant amount of time to a program that assists LMI individuals with tax return preparation. Hours volunteered to this program totaled 1,725 during the review period. In addition, the bank's branch network helps revitalize and stabilize the Northwestern Mississippi Assessment Area by maintaining vital access to financial services in areas of need. Of the bank's 13 branches in this assessment area, 8 are located in moderate-income census tracts and 2 are in distressed middle-income geographies.

JACKSON, MISSISSIPPI METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN JACKSON, MISSISSIPPI ASSESSMENT AREA

The Jackson MSA is comprised of five counties. The bank's only assessment area in this MSA consists of Madison County in its entirety, the northernmost county in the MSA. The bank's only office in this assessment area was converted from an LPO to a full-service branch during this review period. No other branch activity occurred in this assessment area during the review period. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	1 5.0%	3 15.0%	4 20.0%	12 60.0%	0 0.0%	20 100%
Family Population	1,612 8.3%	1,539 7.9%	4,137 21.2%	12,232 62.7%	0 0.0%	19,520 100%
Household Population	2,115 7.7%	2,061 7.6%	6,654 24.4%	16,471 60.3%	0 0.0%	27,301 100%
Business Institutions	138 2.5%	401 7.1%	1,426 25.4%	3,650 65.0%	0 0.0%	5,615 100%
Agricultural Institutions	1 0.9%	9 8.3%	42 38.5%	57 52.3%	0 0.0%	109 100%

Assessment Area Demographics by Population Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Family Population	3,202 16.4%	2,464 12.6%	3,183 16.3%	10,671 54.7%	19,520 100%
Household Population	4,886 17.9%	3,525 12.9%	4,606 16.9%	14,284 52.3%	27,301 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN JACKSON, MISSISSIPPI ASSESSMENT AREA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's overall Lending Test performance in the state of Mississippi (satisfactory), as is detailed in the following table. (For more detailed information relating to the bank's Lending Test performance in this assessment area, see the tables contained in Appendix C.)

Lending Test Criteria	Performance
Geographic Distribution of Loans	Below
Distribution of Loans by Borrower's Profile	Exceeds
OVERALL	Consistent

The bank's geographic distribution performance is poor in this assessment area. However, considering the bank's excellent borrower distribution performance, overall Lending Test performance in this assessment area is consistent with the bank's satisfactory rating in the state of Mississippi.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below the bank's overall Community Development Test performance in the state of Mississippi (satisfactory); however, it is not significant enough to bring down the overall state performance. During the evaluation period, the bank did not have any community development activities attributable to this assessment area.

MEMPHIS, TENNESSEE-MISSISSIPPI-ARKANSAS MULTISTATE METROPOLITAN STATISTICAL AREA

(Limited-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HERNADO, MISSISSIPPI ASSESSMENT AREA

The Memphis Tennessee-Mississippi-Arkansas Multistate MSA is comprised of eight counties. The bank's only assessment area in this MSA consists of Desoto County, Mississippi in its entirety. This county is in the far northwestern portion of the state, bordering both Arkansas and Tennessee. The bank operates one full-service branch and one LPO in this assessment area, both of which were opened during this review period. In addition, the bank closed one LPO in Desoto County and relocated the LPO within Desoto County. The tables below detail key demographics relating to this assessment area.

Assessment Area Demographics by Geography Income Level						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Census Tracts	0 0.0%	0 0.0%	12 52.2%	11 47.8%	0 0.0%	23 100%
Family Population	0 0.0%	0 0.0%	16,931 55.8%	13,388 44.2%	0 0.0%	30,319 100%
Household Population	0 0.0%	0 0.0%	22,489 57.9%	16,332 42.1%	0 0.0%	38,821 100%
Business Institutions	0 0.0%	0 0.0%	2,713 49.7%	2,744 50.3%	0 0.0%	5,457 100%
Agricultural Institutions	0 0.0%	0 0.0%	40 54.8%	33 45.2%	0 0.0%	73 100%

Assessment Area Demographics by Population Income Level					
Dataset	Low-	Moderate-	Middle-	Upper-	TOTAL
Family Population	4,068 13.4%	4,727 15.6%	7,136 23.5%	14,388 47.5%	30,319 100%
Household Population	5,683 14.6%	5,172 13.3%	8,118 20.9%	19,848 51.1%	38,821 100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN HERNANDO, MISSISSIPPI ASSESSMENT AREA

LENDING TEST

The bank's Lending Test performance in this assessment area is consistent with the bank's overall Lending Test performance in the state of Mississippi (satisfactory), as is detailed in the following table. (For more detailed information relating to the bank's Lending Test performance in this assessment area, see the tables contained in Appendix C.)

Lending Test Criteria	Performance
Geographic Distribution of Loans	Below
Distribution of Loans by Borrower's Profile	Consistent
OVERALL	Consistent

While the bank's geographic distribution performance is reasonable in this assessment area, it is below that of the full-scope review area, which was excellent. Consequently, the bank's overall Lending Test performance in this assessment area is consistent with the bank's satisfactory rating in the state of Mississippi.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in this assessment area is below the bank's overall Community Development Test performance in the state of Mississippi (satisfactory); however, it is not significant enough to bring down the overall state performance. During the evaluation period, the bank did not have any community development activities attributable to this assessment area.

SCOPE OF EXAMINATION TABLES

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED			
1/1/2011 to 12/31/2011 for Lending Test loan activity			
12/1/2008 to 11/26/2012 for community development loans, investments, and service activities			
FINANCIAL INSTITUTION			
Southern Bancorp Bank Arkadelphia, Arkansas			
PRODUCTS REVIEWED			
HMDA, Small Business, Small Farm, Consumer-Motor Vehicle			
AFFILIATE(S)			
Southern Bancorp Capital Partners DBA Southern Bancorp Community Partners			
AFFILIATE RELATIONSHIP			
Non-Profit Community Development Organization Under Common Ownership			
PRODUCTS REVIEWED			
Community Development Loans and Donations			

Assessment Area	State	Branch #	Deposits \$000s	Branches Visited	CRA Review Procedures
Hot Springs MSA	AR	2	\$ 39,863	0	Full Scope
Central Arkansas (nonMSA)	AR	4	\$ 176,036	2	Full Scope
Northeast Arkansas (nonMSA)	AR	8	\$ 194,483	0	Full Scope
Southern Arkansas (nonMSA)	AR	2	\$ 83,587	0	Full Scope
Jonesboro MSA	AR	1	\$ 88,585	0	Full Scope
Eastern Arkansas (nonMSA)	AR	6	\$ 162,164	0	Full Scope
Northwest Mississippi (nonMSA)	MS	13	\$ 133,140	0	Full Scope
Hernando	MS	1	\$ 9,708	0	Limited Scope
Jackson	MS	1	\$ 1,417	0	Limited Scope
Southern Mississippi (nonMSA)	MS	1	\$ 17,590	0	Full Scope
OVERALL		39	\$ 906,573	0	8 Full Scope

SUMMARY OF STATE RATINGS

State	Lending Test Rating	Community Development Test Rating	Overall Rating
Arkansas	Satisfactory	Outstanding	Satisfactory
Mississippi	Satisfactory	Satisfactory	Satisfactory

LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE REVIEW AREAS

MISSISSIPPI

Jackson, Mississippi Assessment Area⁵

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	0 0.0%	0 0.0%	4 18.2%	18 81.8%	0 0.0%	22 100%
Business Institutions	2.5%	7.1%	25.4%	65.0%	0.0%	100%

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Farm Loans	0 0.0%	0 0.0%	1 25.0%	3 75.0%	0 0.0%	4 100%
Agricultural Institutions	0.9%	8.3%	38.5%	52.3%	0.0%	100%

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	0 0.0%	0 0.0%	1 25.0%	3 75.0%	0 0.0%	4 100%
Household Population	7.7%	7.5%	24.4%	60.3%	0.0%	100%

⁵ The bank only had one 2011 HMDA loan in the Jackson Mississippi Assessment Area; therefore, tables displaying this loan activity are not included here.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	16 72.7%	3 13.6%	3 13.6%	22 100%
Greater Than \$1 Million/Unknown	0 0.0%	0 0.0%	0 0.0%	0 0.0%
TOTAL	16 72.7%	3 13.6%	3 13.6%	22 100%

Lending Distribution by Farm Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	<\$100	>\$100≤\$250	>\$250≤\$500	
\$1 Million or Less	3 75.0%	0 0.0%	0 0.0%	3 75.0%
Greater Than \$1 Million	1 25.0%	0 0.0%	0 0.0%	1 25.0%
TOTAL	4 100%	0 0.0%	0 0.0%	4 100%

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	2 50.0%	1 25.0%	0 0.0%	1 25.0%	0 0.0%	4 100%
Household Population	17.9%	12.9%	16.9%	52.3%	0.0%	100%

Hernando, Mississippi Assessment Area

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	0 0.0%	0 0.0%	3 42.9%	4 57.1%	0 0.0%	7 100%
Refinance	0 0.0%	0 0.0%	3 75.0%	1 25.0%	0 0.0%	4 100%
Home Improvement	0 0.0%	0 0.0%	1 100%	0 0.0%	0 0.0%	1 100%
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
HMDA TOTAL	0 0.0%	0 0.0%	7 58.3%	5 41.7%	0 0.0%	12 100%
Owner Occupied Housing	0.0%	0.0%	53.5%	46.5%	0.0%	100%

Distribution of Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Small Business Loans	0 0.0%	0 0.0%	5 55.6%	4 44.4%	0 0.0%	9 100%
Business Institutions	0.0%	0.0%	49.7%	50.3%	0.0%	100%

Distribution of Bank Loans Inside Assessment Area by Income Level of Geography						
Dataset	Geography Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	0 0.0%	0 0.0%	2 100.0%	0 0.0%	0 0.0%	2 100%
Household Population	0.0%	0.0%	57.9%	42.1%	0.0%	100%

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Dataset	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Home Purchase	1 14.3%	0 0.0%	0 0.0%	5 71.4%	1 14.3%	7 100%
Refinance	0 0.0%	0 0.0%	0 0.0%	1 25.0%	3 75.0%	4 100%
Home Improvement	0 0.0%	0 0.0%	1 100.0%	0 0.0%	0 0.0%	1 100%
Multi-Family	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
HMDA TOTAL	1 8.3%	0 0.0%	1 8.3%	6 50.0%	4 33.3%	12 100%
Family Population	13.4%	15.6%	23.5%	47.5%	0.0%	100%

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Amounts in \$000s			TOTAL
	≤\$100	>\$100≤\$250	>\$250≤\$1,000	
\$1 Million or Less	6 66.7%	0 0.0%	0 0.0%	6 66.7%
Greater Than \$1 Million/Unknown	1 11.1%	0 0.0%	2 22.2%	3 33.3%
TOTAL	7 77.8%	0 0.0%	2 22.2%	9 100%

Distribution of Loans Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Level					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
Motor Vehicle Loans	0 0.0%	0 0.0%	2 100.0%	0 0.0%	0 0.0%	2 100%
Household Population	14.6%	13.3%	20.9%	51.1%	-	100%

GLOSSARY

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

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.

Census tract: 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 statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include 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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

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

Household: 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.

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

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

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

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of a MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (nonMSA): Not part of a metropolitan area. (See metropolitan area.)

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

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

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) are measured. The criteria relate to lending, investment and service retail, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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

Rated area: A rated area is a state or 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 businesses / small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured either by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): That is, "small farm loans" are included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated 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.

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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