

## **PUBLIC DISCLOSURE**

June 18, 2014

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Great Southern National Bank  
Charter Number 17038

218 22<sup>nd</sup> Avenue  
Meridian, MS 39302

Office of the Comptroller of the Currency

Birmingham Field Office  
3595 Grandview Parkway, Suite 655  
Birmingham, AL. 35243

**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 this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING**

### **This institution is rated Satisfactory.**

Great Southern National Bank (GSNB) has an overall **satisfactory** record of meeting community credit needs. This is based on the following:

- The level and trend of the bank's loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of loans are made within the bank's assessment area (AA).
- Loan analysis indicates that the bank had reasonable penetration for lending to borrowers of different incomes and businesses of different sizes within its primary AA.
- Loan analysis indicates that the bank had an excellent dispersion of residential and business loans throughout its primary AA.
- The bank did not receive any consumer complaints regarding Community Reinvestment Act (CRA) performance during the evaluation period.

## **SCOPE OF EXAMINATION**

Great Southern National Bank (GSNB) was evaluated under the Small Bank examination procedures, which is comprised of a Lending Test. The Lending Test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The bank's previous CRA rating dated February 13, 2009 was "Satisfactory."

GSNB's primary loan products are 1-4 family residential and commercial loans (including commercial real estate). Because 1-4 family residential and commercial loans represent a significant portion of GSNB's lending activity, conclusions regarding the Lending Test were weighted equally on these loan products. GSNB is a Home Mortgage Disclosure Act (HMDA) reporter. In addition to testing HMDA reportable loans, we also selected and tested a sample of commercial loans. Due to the changes in the census data as of 2010, the loans considered in the Lending Test were originated between January 1, 2012 and December 31, 2013.

GSNB has two assessment areas (AA). GSNB's primary AA is a non-metropolitan statistical area (non-MSA) and is comprised of census tracts in Lauderdale, Clarke, Wayne, Jasper, Jones, and Newton Counties. GSNB's secondary AA is the Hattiesburg MSA. This evaluation does not include an analysis of the bank's loans made in the Hattiesburg MSA AA because the bank has a small market presence in this AA, and analysis of such lending does not yield meaningful results. However, lending in the Hattiesburg MSA AA was reviewed and considered.

## **DESCRIPTION OF INSTITUTION**

Great Southern National Bank (GSNB) is a \$273 million community bank located in Meridian, MS. The bank is majority owned by Great Southern Capital Corporation (GSCC), a one-bank holding company located in Meridian, MS. In addition to the main office, GSNB has four full-service branch locations in Meridian, MS. The bank also has a full service branch located in each of the following cities in MS: Decatur, Enterprise, Pachuta, Quitman, and Waynesboro, as well as three branches in Hattiesburg, MS. In addition, the bank operates ten proprietary automated teller machines (ATM's) at various branch locations.

Since the last CRA Evaluation dated February 13, 2009, the bank closed one branch location, the Hattiesburg University Branch located at 3902 Hardy Street. The branch was not located in a low- or moderate-income census tract, and was closed for business reasons. No legal or financial factors impede GSNB's ability to meet the credit needs of the communities it serves.

GSNB offers a wide-range of traditional loan and deposit products. The main office is located in an area that is accessible to persons from different areas of the community. Customers have 24-hour access to their accounts via telephone and Internet. Telephone banking services include access to deposit and loan information, and transfers between GSNB accounts. Internet banking services include retail online banking, access to deposit and loan information, transfers between GSNB accounts, and bill payment. GSNB's primary business focus is real estate lending for both consumer and business purposes.

The table below provides details regarding GSNB's loan composition as of March 31, 2014.

<b>Loan Portfolio Composition as of March 31, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount (000's)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	3,500	2.99%
Secured by Farmland	7,834	6.70%
One-to-Four Family Residential	40,063	34.28%
Commercial Real Estate	20,610	17.63%
<b>Total Real Estate Loans</b>	<b>72,007</b>	<b>61.61%</b>
Agricultural	821	1.00%
Commercial and Industrial	15,936	13.63%
Consumer	28,031	23.77%
Other	81	0%
<b>Total Loans</b>	<b>116,876</b>	<b>100.00%</b>

*Source: March 31, 2014 Report of Condition*

## **DESCRIPTION OF ASSESSMENT AREA**

GSNB has two assessment areas. GSNB's primary assessment area (AA) is a non-metropolitan statistical area (non-MSA) and is comprised of census tracts in Lauderdale, Clarke, Wayne, Jasper, Jones, and Newton Counties in MS. The AA meets the CRA requirements and does not arbitrarily exclude any low- or moderate-income tracts. The city of Meridian is located in Lauderdale County. Meridian is the largest city within a 75-mile radius. The largest employers in the area include the Naval Air Station of Meridian, Peavey Electronics Corp., East Mississippi Hospital, Rush Foundation Hospital, Jeff Anderson Regional Medical Center, and the Meridian and Lauderdale Public School Systems.

Competition in the primary AA is strong given the presence of several large and community banks in Meridian, MS. GSNB's major competitors are Regions Bank, Trustmark, Citizens National Bank of Meridian, The Commercial Bank, Community Bank of Ellisville, Magnolia State Bank, Omnibank, Meridian Federal Credit Union and Meridian Mutual Credit Union.

The following table shows the demographic and economic characteristics of the non-MSA assessment area (AA).

<b>Demographic Information for Non-MSA AA - GSNB</b>						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	36	5.56	13.89	50.00	30.56	0.00
Population by Geography	156,522	5.39	12.01	50.55	32.05	0.00
Owner-Occupied Housing by Geography	44,235	3.22	10.48	52.84	33.47	0.00
Businesses by Geography	11,532	5.84	13.35	54.60	26.20	0.00
Farms by Geography	442	1.36	9.95	57.69	31.00	0.00
Family distribution by Income Level	42,049	23.33	17.31	15.97	43.40	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	17,087	9.77	15.55	52.56	22.12	0.00
Median Family Income HUD Adjusted Median Family Income for 2012 Households Below Poverty Level		40,724 42,200 21%	Median Housing Value Unemployment Rate (2010 US Census)			77,170 3.92%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2012 HUD updated MFI

The Hattiesburg MSA is the bank's secondary assessment area. Only 15 percent of the reviewed HMDA-related loans made within the bank's AA were originated in the Hattiesburg MSA. The largest employers in the area include Forrest General Hospital, University of Southern Mississippi, Camp Shelby, the Hattiesburg Clinic, Lamar County School District, and Wesley Medical Center. Mar-Jac Poultry and Channel Control Merchants, Inc. are the largest manufacturing and distribution employers in the area. The following table shows the demographic and economic characteristics of the Hattiesburg MSA AA.

<b>Demographic Information for Hattiesburg MSA AA - GSNB</b>						
Demographic Characteristics	# Total	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts/BNAs)	25	12.00	28.00	32.00	28.00	0.00
Population by Geography	130,592	10.97	21.77	30.76	36.50	0.00
Owner-Occupied Housing by Geography	30,633	6.29	11.76	37.47	44.48	0.00
Businesses by Geography	10,551	11.03	21.54	30.29	37.13	0.00
Farms by Geography	275	7.64	11.27	31.27	49.82	0.00
Family distribution by Income Level	30,937	24.32	15.83	16.87	42.98	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,420	19.15	24.10	33.40	23.35	0.00
Median Family Income HUD Adjusted Median Family Income for 2012 Households Below Poverty Level		50,693 50,200 21%	Median Housing Value Unemployment Rate (2010 US Census)			123,361 3.81%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2012 HUD updated MFI

We discussed community-lending needs with the president of a local development agency who identified small business lending and single-family affordable housing as the most prominent lending need in the non-MSA AA. Our contact also identified job training and financial education for underserved communities as additional needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

GSNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial conditions, and assessment area credit needs. The bank's LTD ratio averaged 52.74 percent over the 22 quarters since the last CRA examination, with a quarterly low of 45.31 percent and a quarterly high of 57.66 percent. This ratio is reasonable when compared to seven other similarly situated banks, and meets the standards for satisfactory performance. The following table shows total assets as of first quarter 2014 and the quarterly average LTD ratio from October 31, 2009 through March 31, 2014 for GSNB and similarly situated banks.

<b>Loan-to-Deposit Ratios</b>		
Institution	Assets (as of 1Q 2014)	Average LTD Ratio
<b>Great Southern National Bank, Meridian, MS</b>	<b>\$273 million</b>	<b>52.74%</b>
Community Bank, Ellisville, MS	\$657 million	84.65%
The Commercial Bank, de Kalb, MS	\$134 million	78.04%
Magnolia State Bank, Bay Springs, MS	\$316 million	77.93%
Omnibank, Bay Springs, MS	\$49 million	76.92%
The Citizens National Bank, Meridian, MS	\$1,114 million	73.88%
First State Bank, Waynesboro, MS	\$525 million	68.61%
Bank of Jones County, Laurel, MS	\$234 million	37.04%

*Source: UBPR and Call Report Data*

### Lending in Assessment Area

GSNB originates a substantial majority its loans inside the AA. Approximately 94 percent of the number and 92 percent of the dollar volume of loans originated from January 1, 2012 through December 31, 2013 were to borrowers located within the bank's AA. This exceeds the standards for satisfactory performance. The following table details the bank's lending within the AA by number and dollar amount of loans originated during the evaluation period.

<b>Table 1 - Lending in non-MSA and Hattiesburg MSA Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchases	71	94.67	4	5.33	75	\$5,965	90.60	\$619	9.40	\$6,584
Home Improvement	54	98.18	1	1.82	55	\$2,332	99.79	\$5	0.21	\$2,337
Refinance	120	91.60	11	8.40	131	\$9,663	91.63	\$883	8.37	\$10,546
Commercial	19	95.00	1	5.00	20	\$1,105	88.68	\$141	11.32	\$1,246
Totals	264	93.95	17	6.05	281	\$19,065	92.04	\$1,648	7.96	\$20,713

Source: 2012 and 2013 HMDA LARs and Commercial Loan Sample

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

**Lending to borrowers of different incomes and businesses of different sizes reflects reasonable penetration and meets the standards for satisfactory performance.** Lending to borrowers of different incomes is below the standard for satisfactory performance and reflects a poor penetration of home loans to low- and moderate-income borrowers. Lending to small business exceeds the standard for satisfactory performance and reflects an excellent penetration of loans to businesses with annual revenues under \$1 million.

### Home Loans

The distribution of home loans to borrowers of different incomes reflects poor penetration. Low- and moderate-income families represent 23.22 percent and 17.31 percent of the AA, respectively. The bank's penetration of lending to these borrowers is well below the demographic comparator for all loan types. The following table shows the distribution of home loans among borrowers of different income levels, as compared to the percent of families in each income category.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Non-Metropolitan MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.33	1.75	17.31	8.77	15.97	10.53	43.40	78.95
Home Improvement	23.33	8.51	17.31	2.13	15.97	17.02	43.40	72.34
Refinancing	23.33	2.35	17.31	14.12	15.97	12.94	43.40	70.59

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

### Business Loans

The distribution of loans to businesses of different sizes reflects excellent penetration when considering the bank's level of competition within the AA. In the non-MSA AA, 76.16 percent of businesses are small, generating gross revenues of less than \$1 million. Seventy-five percent (75%) of the number of GSNB's commercial loan originations were to small businesses. The dollar volume of commercial loans made to small businesses represents 66.59 percent. Both are near the percentage of small businesses in the AA. Small business lending was identified as a

prominent need within the AA, and GSNB’s ability to achieve this penetration despite significant competition exceeds the standard for satisfactory performance. The following table shows the distribution of commercial-related loans made to businesses of different sizes, as compared to the percent of businesses in each revenue category.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.17	2.62	21.21	100%
% of Bank Loans in AA by #	75.00	15.00	10.00	100%
% of Bank Loans in AA by \$	66.59	29.56	3.85	100%

Source: Commercial Loan Sample; U.S. Census data.

## Geographic Distribution of Loans

**The geographic distribution of loans in the AA reflects an excellent dispersion throughout census tracts of different income levels.** Excellent dispersion was noted for both home and business lending in low- and moderate-income geographies.

### Home Loans

The geographic distribution of home loans reflects excellent dispersion throughout the AA. Table 3 shows that the percentage of loans made in low-income census tracts is below the demographic comparator for all categories of home loans. However, only a small number of owner-occupied units are located in low-income census tracts in the AA, so the bank has limited opportunities to extend mortgages in these geographies. Table 3 shows that GSNB’s lending performance exceeded the percentage of AA owner-occupied housing in moderate-income census tracts for both the home purchase and refinance products. In addition, the percentage of home improvement loans in moderate-income census tracts is very near the demographic comparator. The following table shows the distribution of home loans among census tract of different income levels as compared to the percent of owner occupied housing in each income category.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3.22	1.56	10.48	10.94	52.84	59.38	33.47	28.12
Home Improvement	3.22	2.00	10.48	10.00	52.84	52.00	33.47	36.00
Refinancing	3.22	0.00	10.48	14.89	52.84	48.94	33.47	36.17

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

### Business Loans

The geographic distribution of business loans reflects excellent dispersion throughout the AA. Table 3A shows that the percentage of loans originated in low-income census tracts exceeds the

percentage of businesses in these geographies. The percentage of loans originated in moderate-income census tracts also exceeds the percentage of businesses in these geographies. The following table shows the distribution of business-related loans among census tract of different income levels, as compared to the percent of businesses located in each tract income category.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in Non-Metropolitan Area MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	4.4	15.00	15.90	35.00	52.96	30.00	26.7	20.00

Source: Commercial Loan Sample; U.S. Census data.

### **Responses to Complaints**

GSNB has not received CRA-related complaints from the public since the prior CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.